

The Tumen River Area Development Programme: An Introduction

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The Tumen region faces the far east of Russia, is connected with the Korean peninsula in the south and is separated from Japan by the Japan Sea in the east. The region's hinterland extends backward to the vast areas of Northeast China, Mongolia and Siberia. Because of the strategic importance of the Tumen River Valley in economic development and the great potentialities for international cooperation, this region is called the "Golden Delta" of Northeast Asia by the scholars who study Northeast Asia questions. In recent years, the attention to the development of this region paid by society has been continuously increased.

THE HISTORY OF THE TUMEN REGION

Before the mid-1800s, China was a coastal state along the sea of Japan. More than 1000 years ago, the passage from the far east of China, from Hunchun to Japan, was called the "Sea Silk Road."

In 1860, the Russian government took the opportunity of the occupation of Beijing and burning of the YuanMing Yuan palace by the Eight States United Army and intervened, forcing the corrupt Qing government to sign the China-Russia Beijing Treaty. As a reward for its "heroic" actions, under the treaty the Russians acquired 400,000 km² from Heilongjiang to the mouth of the Tumen River and including the ports of Vladivostok and Hanqi. Chinese whose activities – fishermen, traders – depended on the sea were granted the right of access to the Japan Sea under this treaty.

In 1886, the China-Russia Hunchun East Boundary Treaty reconfirmed this right. The people of Northeast China made full use of it, with thousands of vessels navigating from the Tumen River to Vladivostok, Korean and Japanese ports and even to Shanghai each year.

Then, in 1938, Japan and Russia fought each other at Zhanggufeng hill. After Japan lost, the mouth of the Tumen River was blocked by Japanese army, and Chinese could no longer sail from the Tumen River to the sea of Japan.

After World War II, as a victorious country, China of course could restore and use the right of access to the sea. However, the Tumen River area, in the east of Jilin Province, was held by the liberation forces of the Communist Party at that time and the Nationalist government in Nanjing could not take steps to restore the access rights.

After China was liberated in 1949, because the U.S.A. was blocking the coastal ports, restoring the right to egress from the Tumen was invaluable. But the Korean War soon followed and the mouth of the Tumen River became the front line. By the end of the 1950s, China and Russia were opposed to each other and access was not possible. In 1964, the Chinese government requested formally Russia to restore the right of access to the Japan Sea, but because of the relationship between the two states this request was not acted upon.

Nothing then happened until the Third Plenum of the 11th Chinese Communist Party Congress began in 1978 the process of reform and opening to the outside world in China. This made people more aware of the importance of the port and in 1984 the technocrats in Jilin province suggested that a request to restore the right of access to the Tumen River be made again. This caught the attention of the Jilin provincial government and of the central government in Beijing.

In 1988, the Chinese Foreign Affairs Ministry requested formally the Russia and DPRK governments that Chinese access rights to the Japan Sea via the Tumen River be restored. The restoration of these rights was written into the New China-Russia East Boundary Treaty and the Ministers for Foreign Affairs of the Russia and the DPRK signed the treaty in Mexico in May 1991. The rights will be formally restored as soon as the National People's Congresses of the two riparian countries ratify the treaty.

While trying to restore the access rights, departments and organizations of the Jilin provincial government twice investigated the conditions at the mouth of the Tumen River. They suggested that Hunchun city become a special zone and that the mouth of the river might be developed as a "golden delta."

As Jilin looked more closely and deeply into the possibilities for the Tumen River, its possible development came increasingly to international attention. Some of Jilin's views and opinions were introduced at three international conferences for the countries of Northeast Asia. They gradually came to be accepted. Scholars in Jilin Province played a lead role in bringing international attention to and encouraging research interest in the issues of the Tumen River area development.

THE TUMEN RIVER AREA DEVELOPMENT PROGRAMME (TRADP)

UNDP Enters the Picture

In July 1990 the American East-West Center and the Chinese Asia-Pacific Institute held an international conference on Northeast Asia Economic Development in Changchun China. The conference was a great success. More than 60 representatives from China, DPRK, ROK, Mongolia, Russia, Japan and the United States attended the conference. Though the conference formally was supposed to discuss in general Northeast Asia Economic Cooperation, many of the representatives diverted their attention to the development of the Tumen River Area. Development of the Tumen River Area was seen by many to be the key of Northeast Asia international cooperation.

When the Beijing office of the UNDP first heard that the Chinese Asia-Pacific Institute and the American East-West Center were preparing to hold the first symposium on Northeast Asia Economic Development in Changchun, they showed much interest. They expressed the will to aid in covering travel costs and to act as one of the sponsors of the conference. In this way the UNDP initially became involved in the Tumen River area.

After the 1990 Changchun Northeast Asia International conference, the State Science and Technology Commission and the Chinese Economic and Technology Exchange Center have cooperated to push the Tumen River Area Development Programme. The representatives of UNDP in Beijing considered the Changchun conference a great success – one of the best conferences in which UNDP had participated in China. Soon after the conference Mr. Morey, the chief representative of UNDP in China, made a special trip to Changchun and had a long talk with the author about the development of the Tumen River Area. After that, Mr. Morey and the UNDP were very interested in the development of the Tumen River and the headquarters in New York became involved.

Reasons for Interest in the Tumen River Area

The main reasons why the Tumen River Area plays such an important role in the economic development of Northeast Asia are:

- The area has geographical superiority in developing regional and international communications and transportation. It borders and benefits the coastal countries, the DPRK and Russia, and connects with the large hinterland of Northeast China and through Northeast China to the landlocked country Mongolia.

- The natural resources, labor force and industrial structure of the countries of Northeast Asia are complementary.
- The more developed countries in Northeast Asia, especially Japan and ROK, are very interested in promoting international trade and investment in this region.

The Ulaan Baatar Conference

On July 6-7, 1991, the UNDP convened a conference supporting Northeast Asia under its 1992-1996 Technology Cooperation Programme. The UNDP's permanent representatives in Northeast Asia plus the Chief of the East Asia and Pacific division (Mr. Behrstock) from headquarters along with officials from China, Mongolia, DPRK and ROK attended the conference. The conference put forward, among others things, a call for promotion of trade and investment in Northeast Asia, especially in the Tumen River Area. The four regional states all agreed with regard to the promotion of trade and investment in the Tumen River Area and gave this activity first precedence for future support.

It was agreed that analyzing the potentialities of the Tumen River Area and working out a regional programme are timely and workable goals. The UNDP would help the participating countries proceed by providing technical appraisals, training, coordinated research and other international exchanges. This goal was to establish a strategic programme for development of the region, including the pre-investment research.

As a result, the UNDP decided to send a group of three experts to investigate the feasibility of such a multilateral cooperative programme. Staff from concerned states were expected to join this experts group at various points. They were expected to discuss the guiding principles of any economic plan, to analyze the all-round economic development of the Tumen River area and to evaluate the potential for the establishment of a Special Economic Zone in the Tumen Region. In addition, they were to identify a practicable research programme covering various issues of regional development such as adequacy of shipping and port facilities, optimal size of the economic zone near the river mouth, the suitable production capacity for the region, living arrangements for foreign businessmen and local staff, staff training, management approaches, environment protection, and so on.

The UNDP's East Asia-Pacific branch, by now in charge of the Tumen River Area Development Programme (TRADP) was asked to come up with a hundred day activity plan for the TRADP (July 12 to Oct. 20) to guide the activities of the experts group. It was also decided to

hold a small-size coordination meeting of TRADP in Pyongyang on October 16-18, 1991.

The Experts Report

After the Ulaan Baatar conference, the UNDP experts group (headed by M. Miller and including A. Holm and T. Kelleher) began their rounds. After several country visits on August 29-31, 1991, they exchanged views with the representatives from China, DPRK, Mongolia, Japan, and ROK. They discussed questions of the development and use of the Tumen River Area with these officials and other specialists from the three riparian countries.

The report of this experts mission concludes that from a global point of view, the strategic position of the Tumen area has great potential. It provides convenient passage into the larger industrial markets of Jilin and Heilongjiang. It has access to the large labor supply of Northeast China and of the DPRK and to the abundant natural resources of the Russian Far East. It is at the beginning of a natural land passage from Japan through Northeast China and Mongolia to Europe. It has potential in transfer trade and in the connected industrial development of the region. Northeast Asia's resources and the complementarities heighten the confidence of turning the Tumen River Delta into a second Hong Kong, Singapore, or Rotterdam in the future.

With regard to the development of a Tumen Special Zone, the report reached three alternatives for possible development of the zone. First, every surrounding riparian country should develop one or more national areas as a Special Trade Zone and proceed with coordination in policy, process and management between the individual Zones. Second, the three riparian countries should build and develop a Special Trade Zone in their country near the mouth of the Tumen river and contiguous to similar Zones developed in the other two countries. Each would be separately managed, but the whole would be called the Tumen Zone because management of the individual parts would be coordinated by committee. Third, to achieve a more efficient and coordinated management the three states would lease a piece of their area in this region to form a single Special Trade Zone under jointly appointed management.

The report gave a preliminary estimate of what would be needed to achieve the potential of the region in the next twenty years. They suggested that ten or eleven modern container ship berths would be necessary along with housing and related facilities for a population of more than 500,000. The basic cost of these and other infrastructure requirements will be about \$30 billion. This is net of the private

investment needed to produce the goods to be traded by the zone or the carrying out of transit trade.

All this cannot happen without some guarantee of political stability by the states involved and without coordinated and practical analysis of the scale and character of what is to be done. The report suggests that the four states (China, Mongolia, ROK, DPRK) that have a technical cooperation programme with the UNDP and Russia, the other country on the Tumen River, should jointly make a political commitment to, with the support of UNDP, promote the successful completion of the Tumen River Development Programme. It was suggested that other countries, especially Japan and South Korea, would have a special interest in also participating in this programme.

Further, in order to make the plan for a transportation network and other basic facilities the four states requested, the potential for trade and industry must be decided. The prospects for intra-regional trade, for exports and imports both of the region and of a Tumen Special Economic Zone, and for transfer trade for Northeast Asia, Central Asia and Europe have to be estimated.

The report listed the following basic facilities at the estimated costs shown as required for the Tumen River Area development:

- a seaport including a container terminal, a breakable terminal, a general cargo terminal, a ro-ro terminal, a petroleum and oil terminal, a coal terminal, a general bulk terminal, a grain terminal, a lumber terminal, a passenger terminal, about \$4 billion;
- an inland river port in China on the Tumen River, about \$1 billion;
- an inland transportation facility (connected to the port) with three major facilities: a train classification yard, a major intermodal container transfer facility, and a large trucking center, about \$1 billion;
- an extension of the small existing airport into one of full international standards, about \$2 billion;
- introduction of new trains with hundreds of heavy engines and double docker container cars and improving the now available railway system and connecting it with the new ports, about \$4 billion;
- an upgraded and new road system including a inter-regional highway and regional highways, about \$2 billion;
- develop and build a modern city with 500 thousand people within 10-15 years, about \$8 billion;

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- two power stations of 120 thousand kilowatts, one built by China and one by the DPRK, about \$2 billion;
 - a light cable and satellite communication system, about \$1 billion;
 - a potable water system providing 500 thousand cubic meter of drinking water every day, about \$1 billion;
 - a waste disposal system, including disposition of industrial and human sewage and solid waste, about \$1 billion.

Further, the report suggested the necessity of strengthening human resource development and establishing a larger education center, involving both university and vocational school levels to train a number of skilled workers. This is expected to add another \$1 billion to the total, which then comes, with provision for unforeseen expenses, to the mentioned total of \$30 billion.

Pyongyang Conference

On October 16-18, 1991, the UNDP convened the Pyongyang conference attended by the six Northeast Asian countries. The goal was to discuss how to go about drafting the development program for the Tumen River Area. China, Mongolia, the ROK and the DPRK each sent three representatives and Japan and Russia sent observers to the conference, which also included the permanent representatives of UNDP in Northeast Asia.

The conference decided to establish a Programme Management Committee (PMC) to carry on the work of developing the guidelines of TRADP. Each country concerned would have three representatives on the committee and the UNDP would also be represented. This committee was to have a permanent office and be responsible for everyday management work. Three working groups for the PMC were also established in Pyongyang. They are:

- a group for managing the regional development plan and the institutions (legal and financial) of the economic area;
- a group concerned with investment and trade problems and the macroeconomic;
- a practical technology and basic facilities group.

This conference then made an 18-month plan for future programme research, including the actions for the short term pre- investment phase and for the initial phase of long period development. The PMC and its three working groups were requested to prepare all the documents

necessary for a high-level governmental conference on TRADP before July 1993.

The First PMC Meeting

The UNDP convened the first Programme Management Committee meeting in Seoul on February 27-28, 1992. Committee members from China, ROK, DPRK, and Mongolia attended. Russia, Japan and the ADB sent observers. The UNDP's Asia-Pacific department provided seven documents for this conference. They included drafts about pre-investment activities, drafts of legal regulation and of the recommendations of the finance experts group, a draft of the trade and investment group and of the practical technology and basic facilities group, reference clause draft of Programme Management Committee aiding Project draft before investment, a working proposal from the project manager and a final report on the July Ulaan Baatar meeting's recommendations. Five major new recommendations or working orders were then set out. They include:

1. Based on the 18-month plan set out in Pyongyang, to provide details of the different development plans for the Tumen for consideration by government senior leaders, including suitable practical research, so that a decision about further development can be made and so, when the project is approved, short-term actions that can be put into effect right now and a comprehensive plan for long-term investment and policy are provided.
2. The expert group project of law system and finance is to define the substance of the problems in these areas and proceed to research and recommendations about how to overcome them.
3. The specialist group on trade and investment is to report on the likelihood of expanding trade within the region and between the region and the rest of the world and to suggest policies for promoting such trade.
4. The practical technology and basic facilities group is to appraise the infrastructure supporting the Tumen River Area and to make recommendations about how best to achieve the long-run requirements of TRADP if its industrial and manufacturing potential is to be achieved.
5. The projects management will be responsible for supervising the work of all the above groups, organizing the final development proposal when approved, achieving coordination between the

region's governments and between those governments and other key countries (e.g., the U.S.) and be actively engaged in raising funds and attracting investors to the project.

The Second PMC Meeting

The UNDP held the second PMC Meeting in Beijing on October 9-11, 1992. Five PMC member states, China, Russia, Mongolia, DPRK and ROK joined the meeting. Japan, Finland, the World Bank, and the ADB sent observers.

On the morning of October 11, representatives of China, Russia, Mongolia, DPRK and ROK signed a 160-page document setting up the next steps and agreed to a \$3.5 million budget (mostly from the UNDP) to finance these steps.

Some key aspects of the discussions include that all participating countries agreed to lease out land for joint development while retaining sovereignty over the leased land and to establish two levels to supervise, organize and manage the resulting zone. The first level consists of a coordinating committee of the five (or six with Japan) participating countries, similar to the existing PMC, with a sub-committee of the three riparian countries having more direct responsibilities. The second level involves the establishment of a Corporation to engage in the direct management of the leased land and in developing the basic facilities for TRADP. This last development in particular is a major breakthrough and sets a precedent for moving ahead that bodes well for the future development of the region.

Finally, the meeting reached a consensus about the necessary tasks for the subsequent six months. The emphasis should be on solving the problem of the investment sources for the future development and preparing the operating documents for the two levels of management proposed.

The Third PMC Meeting

The third PMC meeting was held May 9-10, 1993 in Pyongyang. Before this meeting the UNDP held the third workshop of the Tumen River Area Development Programme in the same city. Five countries and UN experts exchanged information in this workshop on the topic begun at the Beijing PMC Meeting and discussed the reports of the three sub-working groups, including the transportation and communication master plan (1990-2020).

In this PMC meeting the focus was on drafting two agreements, one on the Development of the Tumen River Area drafted by the three riparian

countries (PRC, DPRK, RFE), and a second on the establishment of a Tumen River Area Development Corporation and creation of an Inter-Government Coordination and Consultative Commission. The second was drafted by the five TRADP member countries (PRC, DPRK, RFE, ROK and Mongolia).

The two agreements were designed to bring consensus in principle on four critical legal and organizational issues that had proved earlier to be contentious even though agreed upon at the second PMC. These were that:

- the Tumen River riparian countries would lease land and existing and new facilities and installations to a multinational Corporation which would manage the Tumen River Economic Zone infrastructure, commerce and industry, international business services, housing and related social services.
- the Tumen River riparian countries would establish a Tumen River Development Coordinating Committee, composed of government representatives of each of the three Riparian member states. This Committee will consult and coordinate about specific issues related to social, political or main economic concerns raised by any riparian country in relation to their sovereign rights as lessors to the Corporation.
- the Tumen Area Development Corporation will be established as an independent business entity with a Board of Directors comprised of representatives of all five member countries and of foreign investors. The Corporation will be guided by the decisions of its shareholders in accordance with rules to be established.
- the five founding members will create an Inter-governmental Coordination and Consultative Commission for the Tumen River Area Development Programme. The five states may decide to invite other interested governments as full members and international organizations or multilateral development banks as observers. This Commission shall foster support for TRADP and also promote the natural understanding and economic and technical cooperation among the peoples and countries of Northeast Asia.

Before the third PMC Meeting closed, the UNDP asked that the PMC members after returning home give their government a report on the above two agreements and ask that they present any comments they have to the New York UNDP/TRADP office by August 10. This was to precede the meeting planned for September in Beijing to discuss and prepare the final documents for the two agreements. At this time a final meeting is planned

in Moscow in October at which it is expected that the member country governments will sign the two agreements.

THE AUTHOR'S TENTATIVE IDEAS ON DEVELOPMENT OF THE TUMEN RIVER AREA

In July 1990, I advanced the Big and Small Delta concept which has been agreed to and adopted by the UNDP. The Big Delta refers to the Tumen Economic Development Area (TEDA) and the Small Delta refers to the Tumen River Economic Zone (TREZ).

In November 1991, the UNDO helped Russia establish the Greater Vladivostok Economic Zone. This plan indicated that the 1,200,000 population in Great Vladivostok will be increased to 2,250,000 million in 20 years within an area of 15,000 square kilometers. GNP of this region will be doubled.

On December 28, 1991, the government of DPRK declared that the Rajin-Sonbong area with 621 square kilometers is to become a free economic trade zone and Chongjin is to become a free port.

In 1992, I suggested that TEDA be defined to include the Greater Vladivostok plan along with the Rajin and Sonbong Free Economic Zones and Chongjin port in DPRK and four cities (Yanji, Longjing, Tumen, and Hunchun) and their hinterlands in China. The resulting area would include 33 thousand square kilometers and have a population of 3 million. Within TEDA, TREZ would be defined as the Tumen international city and three satellite cities with approximately 2,500 square kilometers.

There will be three types of cities in TEDA. First will be the base "city," which refers to the 2 million people in the encompassing Chongjin, Vladivostok and Yanji. Second will be the international city at the mouth of the Tumen jointly managed by the three riparian countries through the Corporation they have established for this purpose. At present there are about 20,000 people in the area included in this city. I expect that this population will increase to 2 or 3 million in the near future. Third will be the satellite cities surrounding the international city. There are three satellite cities separately belonging to China, Russia and the DPRK. They are Hunchun city, Kraskino-Zarubino, and Rajin-Sonbong. There are 250,000 people in these cities now. I expect that the population of these three satellite cities will increase to 1.7 to 2.1 million in future. Thus, the total population of the international city plus these satellite cities will be 4 to 5 million.

The international city will be coterminous in area with the Tumen (Transnational) Free Economic Zone. Three nationally established Free Economic Zones were originally to be individually managed by the three riparian countries, China, Russia and DPRK, but if the above agreements are signed, the management will pass to the Corporation with the three countries as major shareholders.

This Transnational Free Economic Zone will be designed to become a commercial, financial, information, technology and tourism center. Personnel, goods, and funds can be freely moved within the Transnational Free Economic Zone. Foreigners can enter this area without holding a visa, only a passport. People from China, Russia and DPRK entering this area will be treated as going abroad and goods coming in and out will be regarded as imports and exports.

A major problem is the efficient system engineering of the required transportation network, covering sea routes, highways, rail and air transportation. The construction of more than ten ports from Vostochny port to Chongjin port, including the construction of the Fangchuan river port in future, should be designed to increase the present general handling capacity from 50 million tons to about one billion tons.

A network of 1,120 km of expressways will be constructed in TEDA. Hunchun and Kraskino-Zarubino, Kaishanton and Wencheng, Shuaiwanzi and Sacbyol, Helon and Erdaobaihe, Yirshi and Cojbalsan will be connected by new railways and the capacity of existing lines will be increased. We intend to construct a high speed railway from Hunchun through Changchun, Ulaan Baatar and Kazakhstan to Berlin.

In Jingxin, the border area between China and Russia, a world class international airport will be constructed.

An optical fiber communication network will be constructed in TEDA with the center in Jingxin and expanding out to the rest of TEDA to ensure high class communications are available to all businesses in TEDA (and TREZ). There will be four exits for this fiber optic network and other communications channels. One is from Yanji through Changchun, connected with the main lines of Chinese communication; another connects Chongjin and Pyongyang with Seoul; a third is from Vladivostok to Japan by submarine cable and a fourth connects with the fiber optic network running from Petersburg to Vladivostok. When the international city gets to a certain scale, optical fiber cable will be laid from Jingxin to Japan directly.

THE MOVEMENT TO DATE

The following seven developments give notice that the Tumen region's development is already underway:

1. China's Hunchun city was declared a medium class open city in October 1991, an open city to the border in March 1992, and a border cooperative development area in August 1992.
2. Russia's Vladivostok was declared open to the world on 1 January 1992.
3. In the DPRK, Rajin-Sonbong was declared to be a free economic trade zone and Chongjin to be a free port since 28 December 1991.
4. Jilin Province and Russia's Primorsky Krai have signed 6 cooperative agreements in June 1992 and the Hunchun-Mahalino railway connecting project began in March 1993, with the expected completion date of June 1994. Plans are being discussed to extend a high level track from this railway to Zarubino port.
5. An enterprise from Yanji city signed an agreement with the DPRK to use Chongjin port cooperatively and is constructing a first class highway from Huning to Chongjin and a hotel in Chongjin.
6. Russia established diplomatic relations with the ROK in 1990. The DPRK and Japan began to discuss the normalization of relations between the two countries in 1991. The Korean Peninsula was declared to be a non-nuclear zone by both the ROK and DPRK prime ministers in February 1992. In August 1992, China and the ROK established diplomatic relations.
7. As a result of all this Hunchun has achieved very rapid growth. The GDP of Hunchun was 0.24 billion RMB in 1990, 0.27 billion in 1991, and 0.41 billion in 1992, an increase of 51.6% in one year! The foreign trade of Hunchun reached 40 million RMB in 1989, 0.1 billion in 1990, 0.28 billion in 1991 and 1.2 billion in 1992, 30 times the 1989 level! Before 1992, Hunchun had only 99 enterprises. In late June 1993 it had 1,934 enterprises. By late June 1993 Hunchun had 517 approved industrial projects worth 5.33 billion RMB, that is equal to the cost of constructing three old Hunchun cities! Construction goes on everywhere. This investment comes from the ROK, Hong Kong and coastal China as well as locally.