

Status of the Tumen River Area Development Programme: Progress, Accomplishments and Remaining Tasks*

John J. Whalen

THE TUMEN RIVER AREA AND ITS DEVELOPMENT GOALS

The area is at the confluence of the national borders of China, Russia and North Korea, demarcated by the Tumen River. The programme is assisting the riparian countries and the other two member countries, Mongolia and South Korea, to establish joint institutional, infrastructure and financial entities for cooperation in economic development.

The long term programme is designed to develop the Tumen River Economic Development Area (TREDA = Chongjin-Yanji-Vladivostok) through a joint strategy of the promotion of investment in complementary and environmentally sound transport infrastructure, trade, industry, commercial and financial services and tourism.

Each riparian country has a free trade zone in place or under preparation in the region. And each is prepared to lease land to the Tumen river Area Development Corporation, whose leased land will constitute the Tumen River Economic Zone (TREZ = Rajin-Hunchun-Zarubino). The TREZ will be a multinational free trade zone with investment-attractive tax and other concessions.

The guiding motivation of the Tumen River Area Development Corporation will be to attract development investment. The land leases will be its principal initial asset and the promotion of sub-leasing for investment its principal activity.

GUIDING PRINCIPLES

- The sovereignty of the land leasing countries will be fully respected.

* Originally delivered as a luncheon speech at the Yongpyeong Conference, this summary report on the status of TRADP was prepared by the author for its inclusion in the Proceedings.

- The clauses of the land leases will assure maximum investment attractiveness.
- Economic planning as well as infrastructure and industrial projects will be private sector demand-driven and credibly-phased.

SIGNIFICANT PROGRAMME MILESTONES

July, 1991 Ulaan Baatar	China, Mongolia, DPRK and ROK agree that TRADP is in their common interest. They request UNDP to act as catalyst and chair.
February, 1992 Seoul	Program Management Committee (PMC) I. Basic purposes of program agreed.
July/August, 1992	A 12-man international experts team visits member countries' capitals and Tumen area for data collection. The experts and National Teams then meet for two weeks in Vladivostok to structure the legal/financial/ institutional, industry and infrastructure program frameworks.
October, 1992 Beijing	PMC II. Russia officially joins. The now five countries sign the program document. PMC II directs the Programme Manager to give priority focus to legal and institutional issues. Pre-feasibility studies are mandated for telecommunications, a transportation plan, resource assessment and industry.
November, 1992	The Government of Finland grants \$1 million to TRADP.
February, 1993 New York City	Legal/Financial/Institutional/ Workshop I (LFIW I) is held to negotiate the issues of corporation and the leasing of land.

-
- May, 1993
Pyongyang
- The National Teams agree *ad referendum* to establish the Tumen River Development Corporation and to approve the leasing of land by the riparian states.
- The riparian states agree to lease land to the corporation and to the corporation and to establish a Coordinating Committee.
- The five member countries agree to establish a Tumen River Economic Development Area Advisory Commission.
- August, 1993
- The Government of the Republic of Korea grants \$400,000 to TRADP.
- September, 1993
Beijing
- LFIW II. Detailed review of the proposed language of the International Agreements. No substantive changes from the Pyongyang approvals.
- During 1993
Helsinki,
Changchun,
Vladivostok,
Seoul
- Workshops held on resources, industry and environment, telecommunications, and railroads.

PROGRESS, ACCOMPLISHMENTS AND RELATED EVENTS

- At the end of August, 1992, following the July/August 1992 Tumen area data collection mission, the TRADP secretariat office was established in New York City.
- National teams were organized in each of the five countries.
- The establishing programme document and workplan were approved at Programme Management Committee II meeting in Beijing in October, 1992.
- In the meantime trade has increased over 400% between Northeast China and the Russian Far East, Hunchun, the "capital" of the

Yanbian special (Korean) zone of Jilin Province grows exponentially as a result. Recently rapid growth in trade has taken place between Northeast China and North Korea.

- Bilateral agreements between China and Russia have led to a proposal for the Hunchun/Zarubino Railroad/Port installation and expansion program (currently being re-structured).
- Telecommunications investors from Belgium and the ROK are preparing expressions of interest. A Tumen River Area telecommunications company is being structured and a regulatory regime prepared.
- Channels of communications which never before existed have opened between both national and regional governments. Confidence building is on-going.
- Counterparts from each of the five countries have been identified in sectoral development disciplines and have begun to work together in areas of obvious mutual benefit.
- Potential investment projects in telecommunication, forestry industry, shipping terminals, light industry are being identified. The Corporation, once established, will prepare prospectuses and request proposals.
- Draft implementing international agreements have been prepared, along with a draft corporate charter and by-laws.
- Investment discussions have been held in the major financial capitals with investment and merchant banks, with the International Chamber of Commerce in Paris, and with global industrial corporations.
- Press coverage has been extensive and has included major developed country international newspapers and magazines including the Financial Times, New York Times, Time Magazine, Far East Economic Review, Nihon Keizai Shimbun, as well as significant coverage by NHK TV and CBS TV.
- The budget consists of major components from UNDP, and the Governments of Finland and ROK; new participation negotiations are underway with CIDA of Canada.
- Manifestations of commitment on the part of the member countries continue to increase. Additional ministries in each of the member countries are expressing sponsorship interest in the Programme.

**MILESTONE TASKS (OUTPUTS) TO BE ACCOMPLISHED
BY THE THIRD QUARTER, 1994***

- International Agreements initialed at the vice ministerial level;
- Organization of the Tumen River Area Inter-Governmental Commission and the Tumen river Area Coordinating Committee;
- Completion and approval of the corporate Financial Prospectus and Economic Plan, and their presentation to the international investment community;
- Insertion in the Financial Prospectus specific investment opportunities in telecommunications, transportation, forestry industry and light industrial assembly and production;
- Establishment of the Tumen River Area Development Corporation (see "Tumen Scenario of Development to the Year 2000 of the Tumen River Area Development Corporation," TRADP PM JJW 10/93);
- Formal signing of the International Agreements at the ministerial level;
- Commencement of Corporate operations with opening of negotiations on the individual land leases;
- Issuance of addenda to the Corporate Financial Prospectus with terms and conditions pertaining to investment sub-lease concessions.

* This is a status report to November, 1993. A strategic plan for the remainder of the first phase of this Programme — to the middle of 1994 — is under preparation.