

Proposal for Promotion of the Realization of the BESETO Corridor Vision

-- Toward sustained development in the Northeast Asia Region --

March 2007

This proposal was prepared by the task force of international joint study by
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I. Background

The scale of economic activity and the level of regional interdependence have recently demonstrated a rapid expansion in Northeast Asia, a region that encompasses eastern Russia, Mongolia and North Korea in addition to China, Japan and South Korea. However, the region still faces major problems in numerous areas, including energy and environment, transportation and logistics, communications and urban and regional development. These represent significant impediments to the future achievement of sustained economic and social development in the region.

Responding to these issues, the Institute of Spatial Planning & Regional Economy (ISPRES) of the National Development and Reform Commission, P.R. of China, South Korea's Korea Research Institute for Human Settlements (KRIHS) and Japan's National Institute for Research Advancement (NIRA), have cooperated to draft "A Grand Design for Northeast Asia." The Grand Design is intended to serve as a wide-area

comprehensive vision, which will contribute to the sustained development of Northeast Asia as a whole. The institutes involved in this research have also proposed the “BESETO Corridor Vision” as the pioneering development initiative of the Grand Design.

The “BESETO Corridor Vision” is capable of further enhancing communication and the circulation of people, goods and information in the region, in particular among its core countries, China, South Korea and Japan. We are convinced that the realization of this vision will be of enormous significance to the revitalization not merely of Northeast Asia, but of East Asia more generally.

The proposals below are based on the findings of joint research concerning the realization of the “BESETO Corridor Vision” conducted by the three institutes named above. We believe this vision to be a suitable subject for discussion and examination at the governmental level in China, South Korea and Japan.

II. Outline of BESETO Corridor Vision

The BESETO corridor occupies a central position in an East Asian development corridor. Its construction is critical in bringing an economic geography of mutually beneficial development in Northeast and East Asia. Without it, Northeast Asian economic cooperation schemes or ASEAN plus three framework would not hold. In addition, the BESETO corridor has significant implications for the people in Northeast Asia. Most of all, it will facilitate the channel of trade and travel among the three core economies of NEA. If equipped with proper infrastructure, it will expand knowledge and information conduit. And thereby, the BESETO corridor helps bridge political and

cultural gaps among the three countries. Finally, increased cultural, commercial and human transactions along the corridor will promote regionalism and regional identity, which is deficient in NEA. Regionalism espousing the idea of common prosperity and sustainable development will be consistent with global norms and national interests.

The BESETO corridor is a linear representation of urban agglomerations in C-J-K. It contains major centers of talents and innovation, financial and industrial capital, and manufacturing and advanced services. The corridor, if equipped with less institutional barriers and a smoothly functioning transport system would certainly contribute to building a more or less homogenized economic space, wherein agglomeration benefits can be spread to enterprises and people.

Three things are essential for building the BESETO corridor and they are transport corridor, information highway and inter-city networks. Without doubt, these three elements are complementary to each other and thus constitute building blocks of the BESETO corridor. As a key overall concept of the BESETO corridor, intercity networks provide a channel of communication and interchange, which could serve as supplementary to the national level diplomatic channels. The networks also promote better understanding each other's culture and economy and thereby common welfare. Furthermore, inter-city networks facilitate urban problem solving by sharing each other's experience.

The other two elements, namely transport corridor and information highway, are critical in realizing intercity networks. Transport corridor in itself contributes greatly to the realization of the corridor in a concrete physical form, whereas information highway provides substance to fill in the corridor. Combined together, these building blocks help establish the BESETO corridor vision, which is basically conceived of facilitating

regionalization and regional identity building in NEA.

III. Proposals for the Realization of the BESETO Corridor Vision

1. Construction of Physical BESETO Corridor

Northeast Asia is a key region in terms of the flow of goods and people in the world. The growth of trade between China and Japan and between China and Korea has been phenomenal in the past decades. Some bilateral tripartite free trade agreements are under discussion between Northeast Asia countries and the possibility of tripartite FTA has been examined among leading think tanks in China, Japan and South Korea for several years. These movements are certain to increase the level of competition between firms and the degree of industrial specialization. In addition, international tourism within Northeast Asia has been surged. The region has the great developing potential in the future.

Despite rapid explosion and density of trans-national interactions in Northeast Asia, the transport infrastructure is not integrated across the borders, which results in the lower transport efficiency. The transport market system is imperfect in this region and administrative interferences are still critical obstacles in the economic operation. This region needs the common platform aiming efficient transnational development of transportation infrastructure. Some proposals are shown below to realize physical BESETO Corridor, which can be developed to the future construction of Trans-Northeast Asian Transport Network (TNATN).

We examined transport system in the region separately for freight and passenger.

Freight is better for using intermodal transport system. Coastal Shipping plays a vital

role in cargo transport in the BESETO Corridor, and highway network will cover the land part of the transport. Direct connection to highway at ports is thus desirable. Where traffic is dense, use of railway and rail ferry combination should also be considered, for example in the Trans-Bohai Bay route. In that case, effective direct linkage of railway and shipping services are crucial. For both transportation routes, improvement in inter-modal connection at ports is essential.

Aviation is more effective mode for passenger. In the Northeast Asia region, air travel is quite favorable for time conscious passengers, especially because aviation-cost for passenger is equal to or a little higher than another transportation mode's. Above all, if they use airlines, approaching time to urban-core is half or one-third level than another mode. Reinforcement of air transportation network in the region is significant.

2. Realization of Intermodal Transportation Network

(1) Meaning of intermodal transportation network in Northeast Asia

A total of 2.4 million travelers and 1.56 million TEU (twenty-foot equivalent units) of freights were exchanged between Seoul and Beijing, and a total of 4.15 million travelers and 1.23 TEU of freights between Seoul and Tokyo in the year of 2005. The freight transfer between Seoul and Beijing, recording approximately 20% of annual growth rate in the past 10 years and it is predicted to continue to grow in the future. The number of air passengers, recording approximately 23% of annual growth rate, is also expected to increase continuously in the future.

Given the blockage of land transport by North Korea and the topographical difficulty,

travelers of Korea, China and Japan mainly depend on air transportation. However, what is notable is that the ferry services are partially taking account of 40% of the travelers between Seoul and Beijing, and 15% between Seoul and Tokyo. Likewise, most of the freight movement in the main line of the BESETO depends on maritime transportation. However, if freight traffic is shared through the Train-Ferry System (TFS) or Road-Feeder System (RFS), transportation time can be reduced by 24~40%, and transportation costs can also be reduced to as low as those of existing maritime transportation. Therefore, in order to maximize the efficiency and potentials of the transportation in the BESETO corridor, it is necessary to promote transportation sharing and intermodal transportation. This can be one of the alternatives to effectively respond to the sharp increase in the volume of intraregional trade in Northeast Asia arising from the explosive economic growth of China and changes in the circumstances regarding the intra-trade in the region.

(2) Japan-Korea-China train ferry

In April 2002, Korea and China signed the Memorandum of Understanding for the train-ferry operations between Korea and China, indicating the intention to actively promote the multimodal transportation between the two countries. The train-ferry operation between Incheon and Yantai, officially agreed upon in April, 2006, is due soon. Also, the Korea Railroad (Korail) and Japan Freight Railroad (JR Freight) agreed to the multimodal freight transportation using train-ferry in September 2006, which is planned to be implemented in 2007.

China successfully started the train-ferry operation between Hainan-Guangdong in

2003, and currently the additional Dalian-Yantai line is in operation. It plans to expand the operation in the future. The research on the train-ferry transportation between Korea and China, conducted by the Ministry of Construction and Transportation of Korea in collaboration with China in 2003, revealed that as much as 29.1(2010)~31.7%(2030) of freight traffic within the region can be shared by train-ferry between Incheon and Yantai. In addition, it proves to be economically feasible with benefic-cost ratio exceeding 1.

In order to materialize the agreed-upon train-ferry between Incheon and Yantai, it is necessary to secure an exclusive RO/RO vessel and improve the overall conditions of Incheon Harbor as soon as possible. The full operation of the Busan-Fukuoka train-ferry line should be also considered to link Japan through the main inland transportation system of China via Korea.

(3) Obstacles in the building of intermodal transportation system in the BESETO corridor

There exist several obstacles to building the intermodal transportation system in the BESETO corridor. There are difference in the gauge of trains between Japan and China/Korea, complicated procedures of customs clearance and absence of a system for intergovernmental agreements on train-ferry and road-ferry operation. Accordingly, it is necessary to construct a system to adjust the gauge of trains of different nations and standardize the size of the freights. In addition, customs clearance procedures of the hub harbors at -Incheon, Busan, Yantai, and Fukuoka- should be simplified and computerized in order to maximize the efficiency of the intermodal transportation. Finally, the three countries, Korea, China and Japan, should organize a standing committee for a working-level consultation to swiftly handle various problems related

to the train-ferry operation.

In order to establish efficient intermodal transportation system in the BESETO Corridor, combination of ferry or RO-RO ship and headless-chassis transport should be considered. For example, there is MOU (Memorandum of Understanding) for the freight intermodal transport, including rail-sea-rail method between Korea and Japan to enable high efficiency for transborder freight transportation. One of the crucial obstacles is the lack of common headless-chassis for containers. Task forces were already set up among China, Japan and South Korea to harmonize concerned domestic regulations in respective countries to enable to introduce common use of appropriate vehicles. Promotion and acceleration of this effort is expected.

(4) Additional measures: rail and road connections between China and South Korea via North Korea

If the multimodal transportation including train-ferry is introduced in the BESETO trade corridor, freights bound for Europe would be transported via TCR (Trans-China Railway) and TSR (Trans-Siberia Railway). The required time for transportation will be reduced by 15~17 days compared with the existing marine route, and transport expenses can be ensured to \$1,960~2,600 per TEU, which is similar or slightly higher price than that of the existing maritime transportation. Through these factors, the multimodal transportation is able to secure the competitiveness in freight movements of higher value-added, lower volume businesses. When the Road Feeder System (RFS) is introduced, the multimodal transportation system of Northeast Asia could be even more accelerated. The efficiency of the multimodal transportation would be enhanced if the successful examples of the T/RFS between Rostock, Germany and Trelleborg, Denmark,

where international conventions regarding vehicle operation and license, are taken into account.

In the long run, for the multimodal transportation in Northeast Asia to be successfully settled, the reconnection of the overland route that is currently blocked by North Korea is critical. Considering the recent connection to North Korea by the Gyeongui and Donghae Line, though limited in scope, the realization of land routes through North Korea seems promising. Assuming that land transport routes become available, freight train bound for Berlin from Busan can become an effective means in terms of time and convenience. Required time can be reduced by 18~19 days compared to maritime transportation and expenses can be lowered to \$1,200/TEU, which is about 2/3 of maritime transportation. TSR and TMGR (Trans-Mongolian Railway) routes could supplement the likely to be saturated TCR line and contribute to the efficient allocation of freight transfers in Northeast Asia. Most importantly, the multimodal transportation system could considerably enhance trading activities and other forms of economic exchanges in Northeast Asia by ensuring the Asian Highway (especially Route 1 and Route 6) and Trans-Asian Railway networks that UNESCAP is promoting.

3. Reinforcement of Air Transportation Networks

(1) Three goals for the reinforcement of air transportation network in Northeast Asia

In the last decades, the aviation market in Northeast Asia is drastically expanded. Millions of passengers use international flights among countries in Northeast Asia

region, especially among China, Korea and Japan. In 2005, about 2.4 million Japanese visited Korea and 1.7 million Koreans went to Japan. In the same year, 3.5 million visitors to China came from Korea and Korea received 0.7 million Chinese visitors. Between China and Japan, 3.4 million Japanese had a visit to China and 0.6 million Chinese visited Japan. Most of them prefer air travel to other transportation modes. In addition, taking account of the spikes of usage of business frequent uses of business persons between metropolitan cities of China, Korea and Japan along the BESETO corridor, strengthening of the aviation service networks in Northeast Asia is essential.

We suggest setting three main goals as shown below for the reinforcement of air transportation network in Northeast Asia.

(2) Expansion and strengthening of so-called “Northeast Asia Sky Corridor”

With this provision of “Sky Corridor”, the linkage among the political as well as economic core cities in Northeast Asia will be strengthened by air transport network. Seoul-Tokyo air shuttle is already in service since 2003. And air shuttle service between Tokyo and Shanghai, and that between Shanghai and Seoul were officially agreed to introduce in the near future. There are already frequent flight services between Seoul and Beijing, and the agreement of China-Korea Aviation Liberalization will provide a good basis for the near future introduction of Seoul-Beijing air shuttle service. One of the remaining issues to strengthen “Northeast Asia Sky Corridor” will be an introduction of air shuttle service between Beijing and Tokyo. It can be considered to operate temporarily inter-capital air shuttle services between Beijing-Seoul (Gimpo) and Beijing-Tokyo (Haneda) route during the 2008 Beijing Olympic game. And in order to complete “Northeast Asia Sky Corridor”, other metropolitan cities along the BESETO

corridor should also be connected by shuttle flight services, such as Tianjin, Busan, Osaka and etc.

(3) Introduction of “BESETO special pass / lump visa”

If the air shuttle services along the BESETO corridor will be introduced, it will also require facilitating appropriate institutions and systems to enable smooth and comfortable travel of the shuttle flight service users. At present, there are problems among China, Korea and Japan regarding the issuing of visa, which cause complicated and long preparation for the Chinese and Korean passengers before the journey and also prevent the quick and convenient entry at the airport. To ensure the efficiency and advantages of the air shuttle service along the BESETO corridor, an introduction of so-called “BESETO special pass / lump visa” is suggested. The carriers of this “BESETO special pass / lump visa” can enjoy frequent and convenient travels among China, Korea and Japan without being troubled by the complicated normal visa registration procedure and long entry time at the airport. At the starting period, this “BESETO special pass / lump visa” will be issued to the advisedly selected and small number of groups of organizations, such as ministries, governmental agencies, internationally operating leading companies, selected universities and research institutions. It is also suggested to make a trial introduction of the “BESETO special pass / lump visa” during the Beijing Olympic Game in 2008.

(4) Development of international jet network in Northeast Asia

It is recommended to build an air transportation network in the region utilizing small jet planes so-called “regional jet”. The world trend in the airline industry is to introduce

smaller aircrafts and to increase the frequency of air services. Shuttle services with small jets become increasingly popular in some countries like in U.S.A., and similar service can be also introduced to the regional air network connecting local cities in Northeast Asia. This regional jet network will serve as a supplement to the BESETO inter-capital and inter-metropolitan air shuttle networks.

(5) Necessity for a joint study on the enhancement of air transportation network in the region

In order to realize those three goals, we propose a joint study on the enhancement of air transportation network in Northeast Asia. The joint study will deal with two main areas; collection, marshalling and analysis of basic data related to the strengthening of air transportation network, and identification of problems and agenda for the achievement of tow goals.

Study area 1: Regarding the first study area, we suggest to share basic datum on air transportation market; (a) Trend of actual flow and demand of air transportation (passengers / cargos), (b) Current state and future projection of air transportation service, and (c) Analysis of trend of air line industry.

Study area 2: For the second study area, basic studies as mentioned below will be required on the fundamental conditions supporting air transportation network; (a) Airports (facilities and operation), (b) Air routes and capacities of air control, and (c) Systems and regulations/rules.

4. Construction of Inter-City Networking and Improvement of Accessibility in the

BESETO Corridor

There are a few other substantive areas of networking among cities to help build the corridor. Potential substantive areas for inter-city networking include economic development, information and knowledge society, culture and education, and urban governance.

Inter-city networking enables cities learn from each other by sharing knowledge, exchanging experiences, comparing different approaches, and analyzing best practices. In addition to the advantages arising from inter-city dialogues and exchanges, an organized form of inter-city networks in the BESETO corridor in the future will provide an important forum for the cities to make a voice in the region of Northeast Asia. The special status of Beijing, Seoul and Tokyo as capital cities would add a large symbolic meaning to any types of inter-city networks, if formed.

5. Promotion and Development of the Inter-City Networking among China, Korea, and Japan

The progressive global urbanization also triggered rapid urbanization in China, Korea and Japan, which caused various issues and problems. Effective insights, knowledge and experiences are strongly needed in the every policy field of local governance. In this circumstance, the meaning of wide-range and transborder information exchanges and collaborations among cities has been exponentially increased, especially in the three neighboring countries, China, Korea and Japan. Cooperative networking at the municipality level closely affects civic life and will promote the grass-root exchanges

and interactions of citizen. It will also contribute development of mutual understanding and foster the common consensus in the Northeast Asia region. It will also serve as the crucial factor or motive for construction of infrastructure facilities in the BESETO Corridor.

Development of multilayered inter-city as well as inter-municipality network among China, Korea and Japan is, therefore, assumed to be critical, especially in the region along the BESETO Corridor, and a platform to mature multinational exchanges should be promoted through the establishment of multilateral inter-city and inter-sub-region exchanges, like Euroregion. In order to realize these multilateral networks, the following processes will be required.

(1) Expansion of existing transborder inter-city networks

At present, there are a small number of inter-city (or inter-local) exchange networks among the cities along Yellow Sea rim and Japan Sea (East Sea) rim, such as the Organization for the Northeast Asia Economic Development, The Association of Northeast Asia Regional Governments, and the Conference of Major Cities in the Japan Sea (East Sea) Rim Region, and they have had certain degree of track record. But these participating cities in the existing networks require expansion and certain restructuring to become a wider-area and more dynamic activity platform by capturing more participation of cities and municipalities in the broader area.

(2) Realization of a new type of multi-city networking interactions by restructuring of one-to-one sister-city exchanges

With regard to sister-city relationship, Japan has 320 such exchanges with China and

114 with South Korea. These one-on-one transborder relationships can be reinforced into multilateral relationship like Euroregion. In the near future, exchanges and relations among inter-city networks along the BESETO Corridor will drastically increase. In order to reorganize sister-city relationships in the sub-regions with high geographical proximity, such as Yellow Sea subregion or Japan Sea (East Sea) rim region, into multi-city conferences, supports and cooperation by prefectural as well as national governments are required.

(3) Construction of cross-sector exchange network among industry, university and government plus citizen

As an essential factor for the construction of inter-city network in the future, we should bring up active and positive participation by the citizen sector. The traditional exchange mode, which is regional government-centered or that with supports by local business groups and academics such as local universities and think-tanks should be improved to the mode with participation of a broader civic sector. Getting this participation of the civic sector will widen and enhance the foundation of inter-city network.

(4) Assistances and supports for region-led exchange networks by national government and etc.

Establishment and maintenance of transborder inter-city networks are definitely implemented by the initiatives of local governments in each country, but cooperation and supports by concerned national governments are, on the hand, critical for the creation of such transborder networks. In the future, construction of transborder

inter-city network will become an essential factor for promotion of regionalization in China, Korea and Japan. For these objectives, we expect encouragement, supports and other cooperative measures by national governments and other organizations in the concerned countries, including transborder development and facilitation of networks of railway, road, airline as well as sea lane (such as ferry routes) among cities.

6. Construction of BESETO Knowledge Corridor

We propose building of “BESETO Knowledge Corridor”, which will strengthen the civil society in Northeast Asia and also enhance the physical linkage and inter-city networks in the region. In the establishment of “BESETO Knowledge Corridor”, several phases can be considered

(1) First phase: construction of a collaboration platform

First phase will be the construction of a collaboration platform. This is the phase to solidify the foundation for sharing policy information. The main actions will be adoption and introduction of internet and IT-based virtual space over the region. In addition, the academic accomplishment for mechanical translation-supported portal could be used among China, Korea and Japan. Based on this platform, policy information will be smoothly shared and intellectual exchanges will also be revitalized. It will improve the density of international joint research activities and exchanges, as shown among ISPRE/KRHIS/NIRA.

Considering how to build the collaboration platform, the first procedure will be validity studies. And then system design and development should be implemented

aiming the utilization of existing systems, followed by an effective operation and evaluation.

(2) Second phase: establishment of internet-based transnational civil society networking

This phase will be devoted to utilize and apply the platforms established in the first phase, and aspire to establish the internet-based transnational civil society and networks. Internet and IT are expected to be social technology significantly influencing upon the development of civil society. They will overcome spatial and linguistic constraints, and also increase the density of international exchanges. In the near future, the diversification of civil movements and democratization of civil society would be promoted with a prospect to incorporate approximately 200 million internet population in China, Korea and Japan into civil society through the full utilization of internet.

There are some promising areas to apply the collaboration platform. Cross-border environmental protection movement is one of the most promising areas. Some environmental NGOs in Northeast Asia already set up transnational networks based on internet. Another promising area is the tourism industry and exchanges of traditional cultures.