

## **INTEGRATED TRANSPORT AND LOGISTICS SYSTEM FOR NORTHEAST ASIA**

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### **BACKGROUND**

Despite rapidly increasing trade and investment among the countries in Northeast Asia, particularly between the three advanced economies of Japan, ROK and China, the regional economic integration has been slow and lags far behind the other regions of the world. Because of this the topic of regional cooperation and integration in NEA has become the most discussed matter in international forums and economic conferences of the late. Certainly there are many objective and subjective reasons behind the slow pace of the integration drive in the region.

One apparent commonly agreed obstacle is the transport infrastructure or lack of the interconnected region wide transport network in NEA. Efficiently working logistics system based on the interoperational transport network is regarded as an important precondition for regional development and economic integration. Due to the notably different level of transport infrastructure development and the protectionist national policies cooperation in the logistics development has been limited among the countries. The governments have rarely attempted to tackle the underlying serious issues like streamlining transport related technical standards, harmonisation and simplification of the national rules and regulations applied at international borders for these very issues touch the national interests and policies of the countries, which differ significantly. Associated cost of the change is high and plays a critical role in making the national policies.

But since recently as the intra regional trade and economic cooperation started booming between the countries and under increasing pressure from the business community, academic circles to liberalise the logistics services in order to facilitate the soaring trade, transport flows the governments had to reconsider their policies in the sector and take appropriate actions. For instance Japan, China and ROK nominated their government think tanks to study the aspects of closer economic integration in future including the logistics, China, Russia and Mongolia started negotiating the transit traffic facilitation agreement etc. National transport and logistics research institutes such as KOTI of ROK, ERINA of Japan, FEMRI of Russia play an increasingly important role in formulation of national policies with regard to transport and logistics cooperation in the region.

International organisations such as UNDP, ESCAP and UNCTAD have also actively engaged in the process of promoting the transport facilitation in Northeast Asia. ESCAP for example has been developing with active participation of the regional governments international land transport network in Asia through its ALTID project launched a decade ago. In April this year in Shanghai the transport ministers from 26 Asian states have signed the Asian Highway

Agreement proposed by ESCAP thus marking an important milestone in creation of the integrated transport network in Asia. Now joint effort is needed to materialise this critical policy decision from building the missing roads in the agreed upon highway network to improving the facilitation of transport through the border crossing points. An another component of the ALTID project the Trans Asian Railway Network is under development and is also expected to be endorsed by the respective countries.

UNDP supported Tumen Programme has been working to help the member governments to better facilitate transport between the countries in the Tumen region and in NEA. The Tumen Programme provides a convenient forum for the member countries to discuss transport cooperation and facilitation issues through its biannual transport working group meetings. A cross border facilitation agreement developed by the Tumen Secretariat is being studied by the governments. The secretariat is currently partnering with ESCAP on another project entitled Integrated International Transport and Logistics System for Northeast Asia. Just a week ago transport experts and government officials from China, ROK, Japan, Russia and Mongolia gathered in Ulaanbaatar and discussed different aspects of creating an integrated multimodal transport system in NEA. UNCTAD has initiated and organised in last three years three rounds of negotiation talks between China, Russia and Mongolia on transit traffic facilitation. The draft agreement on transit traffic among the countries is now being finalised by the relevant agencies of the named countries.

In other words the countries in NEA, their governments have started seriously looking at the logistics services as an important prerequisite for regional cooperation and development. Certainly a lot needs to be done to achieve that final objective, which was nicely formulated by the presenter at this session Mr. Hideo Kayahara, as the creation of a network in which transportation can take place throughout the whole region as smoothly as it does within a single country.

More concerted, coordinated actions are needed from principal stake holders and interested parties in promoting integrated regional transport network in NEA. There have been many valuable suggestions and recommendations in this regard including those presented at this session by the three distinguished presenters Messrs. Kim Tae Seung, Chen Hong and Hideo Kayahara.

Based on such proposals the following can be suggested as the short term measures need to be taken by the regional governments and other interested parties.

### **1. Suggested actions for creating the integrated transport network in NEA**

We should keep two things in our mind when we talk about an integrated multimodal transport system: this as an enormous undertaking that requires time and money to be created and the second is despite the difficulties involved this is not a mission impossible. The countries in NEA have ample examples and experience to learn from. Best benchmark is the regional logistics system of European Union.

We should also allow certain assumptions and conditions, the most important among which is the assumption that there exists political will of the countries concerned to go toward economic cooperation and integration. Without political readiness and willingness of the countries and the governments for the broad based economic cooperation it would be

extremely difficult to talk about integration of such a strategically important area of transport service.

1. As it was emphasised by all three presenters it must be a top down approach of the governments. Otherwise uncoordinated actions of individual business or lobby groups would not lead to the expected results. In this respect the transport facilitation initiatives taken by the Chinese government mentioned in Mr. Chen Hong's presentation draws special attention. The Chinese government established in 2003 an interagency transport facilitation committee headed by the communication minister. The committee, which includes senior officials from all relevant ministries and agencies, is empowered to take authoritative decisions in transport facilitation area. The committee works and coordinates operations of all transport modes at the national level focusing largely on institutional barriers. This certainly is a critical step toward better facilitation of transport both internally and externally and a worthwhile initiative that could be adopted by the other countries in the region. Once all countries have such national transport facilitation boards it will become easier to discuss the issue multilaterally.
2. Given the late start and slow progress of the cooperation in the sector it may work well if the countries engage either bilaterally or the three countries Japan, ROK and China start first implementing elements of the integration of the logistics services. Again the presenters were exactly of the same opinion on this point. A lion share of the intra regional trade and transport in NEA is generated by these three countries. As the major trade and transport partner to each other Japan, ROK and China must experience the acute need to ease logistics related national rules and regulations. As Mr. Kim listed clearly there are formidable institutional barriers in air and maritime transport driven basically by national interests. Same policy emanated obstacles compounded by physical barriers like missing road, railways; different railway gauges etc. hinder smooth operations in land transport among the countries in NEA.
3. Continue the development of the selected international transport corridors and routes for promotion by different agencies including those identified by the ECOC, which was presented by Mr. Hideo Kayahara, to bring them to fruition. In addition to the six international transport corridors in NEA discussed last week in Ulaanbaatar during the ESCAP organised transport experts' meeting the Tumen Secretariat together with ESCAP identified in 2002 another 17 land transport routes in the Tumen region for promotion. So the countries, local governments have plenty of work to do to implement decisions and recommendations on the routes. During the meeting in Ulaanbaatar it was strongly felt that much more work is needed with national and local governments, national implementing agencies, because they are the ultimate decision makers and implementers of the proposals. Frequent discussions, exchange of information about national policies relating to the logistics development will help to build trust and understanding among the countries. International organisations, intermediary groups like NEAEF can help national governments to better understand the importance and essence of the proposed measures.
4. The region (NEA) may need some kind of consultation mechanism to address transport development issues. A proposal to establish a regional transport committee or board was raised from many international conferences in last few years. There could be separate committees in each of the transport modes like aviation, shipping,

land transport. Such committees should include representatives from government, business and academic organizations.