

Integrated Development of Infrastructure and the Rational Use of Funds in Developing the Tumen River Area

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The most essential step in furthering Tumen River area development is to improve the general investment climate and, in particular, drastically increase foreign investment in infrastructure, such as ports, railways, roads, telecommunications and airports. The significance and importance of infrastructure in developing the Tumen River area has been fully understood from the beginning. Consequently attention has been paid to the upgrading of infrastructure while fully utilizing the existing infrastructure.

In the business world, if the scale of infrastructure is large, the period of repayment relatively long, and the degree of risk high, government, large lending institutions, or investment funds must finance up to 90% or more of the cost. In the Tumen River Economic Development Area, however, infrastructural development has not yet benefitted from international financial institutions and investment funds like the World Bank. Thus the raising of funds for integrated development of infrastructure in the area has become critical to the project.

Integral development of infrastructure means that in developing the Tumen River area, all states concerned will jointly plan and develop the infrastructure. The relevant states will determine the demand and capacity for particular infrastructure for a particular period through joint consultation, and agree on a joint plan and method of cooperation. Each state will then give priority to investment in those projects most instrumental to Tumen River area development. And all states concerned should exert efforts to attract investment and develop that infrastructure. This approach will make the best use of available money by giving full play to comparative advantage and avoiding the overlapping of investments. Moreover, this approach will head off overheated competition to attract investment to the TREZ, and be an incentive to each state to work together in the spirit of regional cooperation.

An integrated cooperative approach will also attract investment from international financial institutions by transforming the present country-

based, uncoordinated and moving projects into a regional project. The idea of integrated development of infrastructure is not new. Three years ago, UNDP experts tabled a TREZ development plan according to which infrastructure in the Tumen River area would be integrated into one project and specialized on an areal basis. To the regret of the DPRK, this plan was not pursued. However, key elements of the plan such as close international cooperation in the development and utilization of infrastructure, and its advantages in the attraction of investment, and in economic efficiency should still be used in the current development of infrastructure. Indeed, the document "Regional Development Strategy" prepared by UNDP experts and distributed to the TRADP national teams stresses the gradual integration of infrastructure as economically efficient and more attractive to investors. The Coordination Committee and Consultative Commission of TRADP will continue to discuss the ways and means of integral development of infrastructure as well as other issues of international cooperation.

In this context, it might be best and most effective to align all relevant countries in terms of not only planning and layout, but also project-specific investment promotion. An example might be the Tumen River Area Development Corporation which was once under discussion by the TRADP PMC as part of its efforts to promote investment. The Tumen River Area Development Corporation failed to come into existence owing to its complexity and other problems. But it might now be practical to establish a sector-based international corporation. This type of transnational corporation might enter joint ventures with foreign companies, employ foreign experts, and streamline its work from project planning to investment promotion and project implementation. This proposition is one of many possibilities and the Coordination Committee and the Consultative Commission may hold in-depth discussions on this and other ideas.

The experts gathered here could also research such problems and propose feasible ideas for solving the difficult issues. In this connection, the concept of a Northeast Asia Development Bank and an investment consortium of commercial banks highlighted in past Northeast Asian Economic Forums are very important for Tumen River area development. The DPRK hopes that such ideas will mature and materialize.

Following the far-sighted plan and will of the fatherly leader Comrade Kim Il Sung, Comrade Kim Jong Il, the great leader of our people is giving wise guidance for the creation of the Rajin-Sonbong FETZ. The DPRK will move actively ahead with the development of the Rajin-Sonbong FETZ in close cooperation with China, Russia and other countries concerned with Tumen River area development as well as international organizations, potential investors and experts from across the globe. In particular,

infrastructure projects must be implemented to make the zone contribute tangibly to the development of the Northeast Asian region.