Northeast Asian Economic Cooperation: Assessment and Prospects of the Greater Tumen Initiative*

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Abstract

The Greater Tumen Initiative, originally known as the Tumen River Area Development Program, is an intergovernmental regional cooperation mechanism in Northeast Asia, supported by the United Nations Development Program, with a membership of four countries: Peoples Republic of China, Mongolia, Republic of Korea and the Russian Federation.

Initiated by the UNDP in 1991, the TRADP development continued under UNDP until the transition of full ownership to member states in 2005, re-branding to GTI. Under the Changchun Agreement, the member states agreed to extend their cooperation for another successive period of ten years and adopted the GTI Strategic Action Plan 2006-2015.

The new initiative called for strengthened regional interaction with the local governments in Northeast Asia and partnerships with the private sector; expanded geographical coverage to represents the less developed areas among the member states including landlocked regions, and prioritising on more concrete projects in the agreed sectors of: transport, energy, tourism, investment and environment.

This paper aims to evaluate GTI progress, in particular from 2005 - 2010, with checks on relevant GTI plans and progress reports in order to identify current issues and opportunities. It is also to provide recommendations on how the challenges identified from the first objective can be overcome promptly and effectively, in comparison with other similar organizations and the implications for GTI. And thus it provides a model GTI Five Year Strategic Plan (2011 - 2015).

Keywords: Northeast Asian economy, sub-regional economic integration, Greater Tumen Initiative

JEL classification: F15, F55, R58

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I. Introduction

The Greater Tumen Initiative (GTI), originally known as the Tumen River Area Development Program (TRADP), is an intergovernmental regional cooperation mechanism in Northeast Asia (NEA), supported by the United Nations Development Program (UNDP), with a membership of four countries: People’s Republic of China (PRC), Mongolia, Republic of Korea (ROK) and the Russian Federation.

GTI serves as an intergovernmental platform for economic cooperation and exchanges for NEA in expanding policy dialogues; and to increase mutual benefits to strengthen economic and technical cooperation, and to attain towards greater growth and sustainable development for the peoples and countries in Northeast Asia and the Greater Tumen Region in particular.

Figure 1. Map of the Greater Tumen Region

Initiated by the UNDP in 1991, the TRADP development continued under UNDP until the transition of full ownership to member states in 2005, re-branding to GTI. Under the Changchun Agreement, the member states agreed to extend their cooperation for another successive period of ten years and adopted the GTI Strategic Action Plan (SAP) 2005-2015. The new initiative called for strengthened regional interaction with the local governments in Northeast Asia and partnerships with the private sector; expanded geographical coverage to represent the less developed areas among the member states including landlocked regions, and prioritising on more concrete projects in the agreed sectors of: transport, energy, tourism, investment and environment.

The Greater Tumen Region comprises of four provinces in China: Heilongjiang, Inner Mongolia, Jilin and Liaoning; Eastern port cities of the ROK; Busan, Ulsan, Gangwon-do and Gyeongsangbuk-do; three provinces of Mongolia: Hentii, Dornod and Sukhbaatar; and Russia’s Far East: Primorsky Territory.
This paper aims to evaluate GTI progress, in particular from 2005 - 2010, with checks on relevant GTI plans and progress reports in order to identify current issues and opportunities. It is also to provide recommendations on how the challenges identified from the first objective can be overcome promptly and effectively, in comparison with other similar organizations and the implications for GTI. And thus it provides a model GTI Five Year Strategic Plan (2011 - 2015).

This paper is composed of five chapters as follows. Chapter I presents the introduction to GTI and Chapter II entails an assessment of GTI performance in four parts – Northeast Asia regional background, UNDP TRADP three phases, GTI transition (2005-present), GTI challenges and issues. Chapter III provides a review of GTI sectors and Strategic Action Plan in two parts - general review and sector-specific review. Chapter IV provides prospects of GTI including policy recommendations and a consolidated model of Strategic Action Plan for 2011-2015, based on the key findings to match the objectives. Chapter VI closes with concluding remarks.
II. Assessment of GTI Performance

1. Northeast Asia Regional Background

The Tumen River Area Development Program (TRADP) is a regional cooperation framework in NEA, initiated by the UNDP and five original member countries: China, DPRK, Mongolia, ROK and Russia. The rationale for UNDP support was inter-country and regional cooperation. The objectives of each of the phases were in line with UNDP’s mandate areas of poverty eradication and sustainable livelihoods by encouraging national, regional and global dialogue, environmental and natural resources, by improving regional capacity to monitor and assess environmental conditions.¹

The Tumen River in NEA is a 521 km river that forms part of the border between Northeast China, the DPRK and Far East Russia. The river rises in Mount Baekdu (DPRK)/Changbai (China) and flows into the East Sea/Sea of Japan.²

![Map of Tumen River](http://www.tumenProgram.org/news.php?id=598)

Davies (2000) refers to the Tumen River area as an area which “has always been under tension and conflict in NEA due to its geo-strategic importance, with great power rivalries, deep antagonisms, mistrust, and cultural divides. Yet owing to its remoteness from national capitals and its small multicultural population, it has been at the margin of national development policies and interest. Despite proximity to one of the most dynamic parts of the world economy, development and trade have lagged behind other parts of the national economies and behind the Asia-Pacific region.”

However, the major regional changes in 1990-1991 encouraged the move towards regional cooperation in NEA to stimulate economic growth and invite foreign investment to the region. Taking advantage of the region’s resource complementarities and unique geographical

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advantages, the tri-border Tumen River area between Northeast China, Far East Russia and the DPRK, was identified as the key area to create a free-trade zone to attract foreign investment into the area. The involved countries and the UNDP envisioned a 20 year project, costing over USD 30 billion to transform the Tumen River area into the transportation and trading hub for NEA.\(^3\)

Numerous studies and grandiose plans were prepared by academics and experts which was intended to be the international entity (with participating countries as major shareholders) to lease land for the new core city and manage it, conclude contracts and loans, determine taxes and build infrastructure. However, all these studies were not based on existing plans of the countries nor based on critical assessments of real demand, trade potential, institutional obstacles or financing possibilities. The lengthy discussions among the stakeholders and the UNDP concluded that these grandiose studies and plans were unrealistic due to lack of support of all the involved countries.\(^4\) Although these studies were not suitable for the UNDP Tumen Program at the initial phase, they provided a fundamental knowledge base for long-term future potentials of the regional development and cooperation in NEA.

2. UNDP Tumen River Area Development Program

1) UNDP Framework on Regional Programs

In 1991, the Tumen River Area Development Program (TRADP) was created under the UNDP regional Program in NEA, funded by the Regional Bureau for Asia and the Pacific (RBAP)'s core regional Program resources. The rationale and justification for the support through this mechanism derived from the UNDP’s corporate framework and policies for regional Programs. Thus it is an important part of the background to highlight some of the key elements of UNDP policy on regional Programs based upon which the TRADP is supported. The UNDP regional programming refers to UNDP programming for groups of countries at the sub-regional or regional level. Regional programming involves activities that are common to several countries within one region. With respect to its substance, UNDP policies that apply to global and regional programming reflect the following: Millennium Development Goals (MDGs) and UNDP Multi-year Funding Framework (MYFF); global and regional mandates; and matters of international concern.

In addition to the principles stated above, the Regional Cooperation Framework for the Asia Pacific Region - RCF II (2002-2006)\(^5\) embraced several other related principles of regional programming including supporting the provision of regional public goods, minimizing cross-border externalities and spillovers, and promoting regional advocacy.

2) Three Phases of TRADP

The TRADP started with an initial one year preparatory assistance phase in 1991, then phase I of the Program was launched the following year and lasted till 1996. The phase II of the Program ran from 1997 - 2000. The phase III of the Program commenced in 2001 and is currently ongoing under the framework of GTI. The TRADP Phase III looks at 2001 to 2004. An overview of each project phase and Program evaluation is provided below.\(^6\)

\(^3\) Lavallee (1997)
\(^4\) Burkhard von Rabenau (2000)
\(^6\) The main sources used in this chapter are from the TRADP Project Documents and Evaluation Reports.
Preparatory Phase and Phase I (1991 - 1996)

After operating for more than a year on preparatory assistance, Phase I of the TRADP was formally launched in September 1993 with the objective of creating a joint special economic zone to be built on land leased from China, Russia and DPRK. The TRADP had a grandiose beginning, with plans to transform the Tumen River area into the transportation and trading hub for NEA involving large scale investments in roads, railways, airports, container ports and urban facilities. However, this plan was not based on existing plans of the involved countries nor based on critical assessments of real demand, trade potential, institutional obstacles or financing possibilities. The first UNDP consultancy report with its huge investment plans was taken without much criticism and the estimate figure of USD 30 billion was not challenged. All these plans were discussed during almost two years but all were dropped by early 1994 as being unrealistic or lacking support from all involved parties.

In assessing Phase I, the 1999-2000 evaluation\(^7\) concludes that the Program period of two years was far too short for a project of this nature, and did not allow for sufficiently long-term planning and sequencing of action. The difficult political and economic environment in which TRADP was to operate should have alerted the common feature of development projects planned for a short period often suffer changes as a result. Overall it could be concluded that the major achievements of Phase I was the preparation of the regional development strategy of UNDP which gave direction and a framework to the Program and the agreement in principle on the institutional framework for TRADP.

Interim Phase and Phase II (1997 - 2000)

Phase II of TRADP intended to logically build upon the achievements of Phase I while aiming to address some of the shortcomings. Phase II therefore aimed to firstly operationalize the agreements signed in Phase I through regular meetings and consultative processes of the committee and commission. Secondly, the aim of Phase II was to advance development within the region with a focus on trade, investment and environmental management.

The 1999-2000 evaluation report recommended increased ownership by the countries coupled with increased financing of the Secretariat by the countries. The evaluation report recognises that the achievements in Phase II have remained behind expectations and emphasising that initial expectations had been excessive, based on a vision not checked against reality.

Due to the new UNDP policy directive\(^8\) which conflicted with the interest of the participating countries, the Program suffered immense financial deficiency and all participating countries openly criticised the new direction and stagnation of the Program. However, the crisis led to a critical review of the Program, which as a result became the basis for next Phase of the Program.

Phase III (2001 - 2004) and Extensions

While Phase II saw the establishment of a viable framework for inter-country cooperation, it was recognised that this framework was not yet sustainable and therefore Phase III had a dual objective. The first was to strengthen the institutional framework of the initiative to make it sustainable beyond the horizon of the project. Second, the project was to continue the past objectives of both Phase I and II in contributing to the economic development of the region through concrete actions in five sectors – trade and investment, transport and communications, environment, tourism and energy. This part of the project was designed to

\(^7\) Burkhard von Rabenau (2000)
\(^8\) The new definition said that projects or activities that would be located in one area, or on one side of the border, or that would be for the primary benefit of one area would no longer be financed.
complement the institution objective so as to ensure that institutional cooperation was matched by concrete initiatives on the ground.

During Phase III the change in UNDP’s role as a sole financier in 2001 (100% share) to co-sponsor in 2003 (32% share), worsen the financial situation, until UNDP ceased financing in 2006 (0% share), while the ROK and China picked up most of these offsets. The Working Groups have in practice ceased to function and arrangement of the other meetings has also become problematic due to the lack of funds. Resource constraint was a major limiting factor in Phase III.

Overall, none of the six immediate objectives were met for a variety of reasons, although a reasonable effort was made within the larger framework. It was very difficult to achieve the expected outputs without the leadership and resource to finance the operations. As the principle leader and provider of the Program, UNDP could have better managed the situation to avoid the crisis. However, similar to the situation at the end of Phase II, the crises led to the transition of full ownership to member countries with continuous UNDP support, demarcating an eminent chapter in the history of the Tumen Program. It is evident from the findings that the role of UNDP in NEA was not necessarily in development, but much deeper and much complex – to act as a facilitating and outside agency to promote peace and security in an area of historical tensions and conflict.

3) TRADP Regional Interests

The TRADP attracted significant interests among the countries in the region, with an expectation that the Program will bring economic prosperity and development opportunities to the region. However, the interpretation of the national interests differed extensively due to differences in political complexities and economic disparities.

China was the first country to show interest in developing the Tumen region, driven primarily by the need to boost its northeast quadrant, whose development and economic prosperity has not kept pace with southern coastal regions. China’s other main concern is the border issue of trying to have access to a port in the Northeast. There is a 15 km corridor that separates the Chinese border from the ocean and recovering the Chinese right for navigation through the Tumen agreement is a priority. Having access to the Tumen transport corridor would allow China to have easier access to trade routes that extend through Russia into Western Europe. China expects more for the development of trade zone and facilitation from the Tumen Program.

Mongolia is a landlocked country which remains largely under-developed, containing large untapped natural resources. Mongolia hopes to strengthen its economy and reduce poverty by increasing both tourism and trade in the region through the Tumen transport corridor. Mongolia has high interest in the infrastructure and energy development projects and plans to export raw materials and other products via the proposed Tumen harbour.

ROK has limited natural resources; hence its economy depends heavily on manufacturing goods and technology, such as semiconductors and electronics. The Tumen Program allows ROK to access abundant natural resources in the continental NEA, in particular the mineral and energy resources of the Russian Far East, and more efficient transportation and shipping routes through the East Sea/Sea of Japan. Also, with ROK’s labour-intensive industries facing severe manpower shortages, there is a coincident interest in transferring equipment, technology and funds to China and DPRK. Furthermore, ROK hopes the Tumen Program to remain as a communication channel with the DPRK.
Russia, which seems less enthusiastic than the other participating governments, still seems interested by the prospects of solving one of its oldest problems: how to finance and build the infrastructure and technology base to access Siberia's vast mineral riches out of the ground and to the global market. Primorsky Territory is the largest economy in the Far East Russia and holds great potential to become a major economy in NEA region. Developing this area allows Russia to access the abundant natural resources in the region, while developing coal and metals mining, ship building and transport industries. Through the Tumen Program Russia hopes to utilize financing the infrastructure projects it lacks.

The DPRK seeks the broader goal of breaking the economic isolation it has suffered since the collapse of most of its communist allies. Pyongyang officials initially remained highly enthusiastic about the potential of Tumen River development to boost the country's struggling regional trade, help modernise its rapidly deteriorating economy, and launch a tourism industry to generate desperately needed foreign exchange. However, with prolonged delay of tangible implementation of the projects and the aggravated situation on the Korean peninsular and relations with the UN Security Council, DPRK officially withdrew from the Tumen Program as of 5 November 2009.

Japan initially participated as an observer to the Program, who is in search of new markets to foster outside of Japan, particularly with the rising cost of production and labor in Japan. The Tumen Delta is in a perfect location to develop a part of Japan that is relatively undeveloped. A distance of 850km separates the port of Niigata in Japan from the Tumen Delta, provides a shortcut to the potentially lucrative Chinese market as well as a transshipment center for goods destined for Europe. If the infrastructure projects were developed, it would have a positive impact on the economy of western coastal region of Japan.

In conclusion, in 1991, the TRADP was created under the UNDP regional Program in NEA to assist in regional planning and development of the region. The rationale and justification for the support through this mechanism derived from the UNDP's corporate framework and policies for regional Programs. But the underlying reason was to act as an outside agency to facilitate discussions in an area of historical tensions and conflicts.

Throughout the TRADP project lifetime, the twists and turns of UNDP policy complicated the Program ownership and much of the immediate objectives were not met largely due to severe resource constraints. However, the crises led to the transition of full ownership to member countries with continuous UNDP support. In this respect, the role of UNDP has been significant in providing direction and an institutional framework to regional development strategy and the agreement in principle, which explicitly contributed to maintaining peace and security in the long term. The next two sections identify issues and challenges in the course of transition of the Program.

3. Greater Tumen Initiative Transition

This section provides an overview of GTI and GTR; an empirical review of UNDP/GTI planning documents and agreements adopted by the member countries; and identifies challenges and issues of GTI and the role of UNDP in facilitating the transition.

In 2005, the member states of TRADP adopted Changchun Agreement to extend the 1995 Agreement for another successive ten years (2006-2015). The TRADP was re-branded as the Greater Tumen Initiative (GTI) and the geographic coverage was expanded to the Greater Tumen Region (GTR) to include more provinces in the region (three Northeast
provinces and Inner Mongolia of China; Eastern provinces of Mongolia; Eastern port cities of ROK; and Primorsky Territory of Russia).

The GTI is an inter-governmental framework in NEA with member countries making a commitment to take full ownership of the Program by making greater financial contributions to a Common Fund; establishing legal institutional frameworks to transfer management of the Initiative to member countries, with continuous UNDP support to the GTI Tumen Secretariat and development projects. An overview of the GTR at a glance is provided in Table 1 below.

Table 1. The Greater Tumen Region at a Glance

<table>
<thead>
<tr>
<th>Area</th>
<th>Population</th>
<th>Area (km²)</th>
<th>Major Cities in the Greater Tumen Region</th>
<th>Main Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heilongjiang Province</td>
<td>36,890,000</td>
<td>454,600</td>
<td>Haerbin and Heihe</td>
<td>Energy, equipment, food processing, forestry, petrochemicals, pharmaceuticals</td>
</tr>
<tr>
<td>Inner Mongolia</td>
<td>24,000,000</td>
<td>1,180,000</td>
<td>Huhhot</td>
<td>Agriculture, chemicals, energy, iron and steel, textiles, pharmaceuticals</td>
</tr>
<tr>
<td>Jilin Province</td>
<td>27,340,000</td>
<td>187,400</td>
<td>Changchun, Yanji and Hunchun</td>
<td>Automobiles, energy, metallurgy, petrochemicals, textiles, tourism</td>
</tr>
<tr>
<td>Liaoning Province</td>
<td>42,380,000</td>
<td>145,900</td>
<td>Shenyang, Dalian and Dandong</td>
<td>Electronics, machinery, metallurgy, petrochemicals</td>
</tr>
<tr>
<td>Eastern Mongolia</td>
<td>223,000</td>
<td>287,600</td>
<td>Choibalsan</td>
<td>Agriculture and agro-processing, mining, tourism</td>
</tr>
<tr>
<td>Eastern Ports</td>
<td>5,300,155</td>
<td>3,055</td>
<td>Busan, Sokcho, Ulsan and Pohang</td>
<td>Automobiles, multimedia and IT, port logistics, equipment and spare parts, oil refinery, ship-building, steel production, tourism and conventions</td>
</tr>
<tr>
<td>Primorsky Territory</td>
<td>2,200,000</td>
<td>165,900</td>
<td>Vladivostok</td>
<td>Aquaculture, engineering, food processing, forest products, mining, services, tourism</td>
</tr>
</tbody>
</table>

Source: 2010 GTI Brochure, accessed from the GTI website.

Although the identified GTI projects provided a basic guideline of the member countries' development needs in the region, there was, and still is today, no detailed definition of expected outcomes, strategic planning process to be undertaken by the involved parties, or how it will be resourced and supported by the participating governments.

The Program transition to GTI was aimed at shifting the full ownership and main responsibility of the Program to the participating countries. However, in practice, ownership has also not reflected in the level of participation and national coordination in the governance of the Program. Without the members' willingness and strong commitment to the Program, the UNDP remained as a strong hand in leading the direction of the Program. The issue of ownership, more specifically demonstrated commitment and ownership of member states, raised questions even after the transition.

4. GTI Challenges and Issues

Based on the discussions in the open workshops held in Seoul (June 8, 2011), Vladivostok (June 17, 2011), Ulaan Bataar (June 20, 2011), and Beijing (July 8, 2011), collected survey
questionnaires, face-to-face interviews, and various documents of TRADP/GTI, this Chapter identifies a number of key challenges and issues faced by GTI. Based on their characteristics, they are grouped into three parts: functional, spatial, and institutional challenges and issues.

1) Functional Issues

Lack of Clear Long-term Vision
Any successful organization has a clear vision or a long-term goal that is shared and pursued by its members. Yet GTI currently seems to have no clear vision or long-term goal.

The current GTI’ mission is identified as \(^9\): “Being an inter-governmental cooperation mechanism, GTI’s mission is to increase mutual benefits, to strengthen economic and technical cooperation, and to attain greater growth and sustainable development for the peoples and countries in Northeast Asia and the Greater Tumen Region in particular.”

The original idea of TRADP was to establish a free-trade economic zone in the Tumen river area to bring stability in the region through economic cooperation. During the transition of TRADP to GTI, the purpose has been confused. No results have been achieved in large part because there has no clear vision and long-term goal. Without a clear vision, but with contradictory national interests among member states, member states merely expected big investments in their territories without budget planning.

Limited Involvement of Business Sector
The main focus of TRADP was on the construction of infrastructure and business sector involvement was very minimal. Even after the transition to GTI, business sector involvement has been very limited. In the globalized market economy, the prime actor should be the business to attain economic development in the GTI region. GTI should be geared toward making it easier and more efficient for the local and international firms to do their business in the region.

Partnerships between the public and business sector within GTI are a key step toward encouraging investment and hence ensuring economic development in the region. In this regard, Business Advisory Council (BAC) was created in 2007, yet has not played an appropriate role at all so far.

Limited Role of Local Government
TRADP/GTI is an intergovernmental cooperation mechanism for regional development in Northeast Asia. Regional economic development is in the prime interest of local authorities, but they were not much involved in the TRADP/GTI process. Indeed, there has been no mechanism or process in TRADP/GTI through which the views and interests of provincial and local governments can be reflected in the activities of TRADP/GTI.

GTI has recently realized the importance of involving local governments in the GTI process. According to the decision reached at the 10th CC, the participant governments and UNDP agreed to hold annual the Local Development Forums in conjunction with CC meetings. It was agreed that Local Cooperation Mechanism (LCM) be created so that the voice of local governments can be represented in the official meetings of GTI.

Short Geographic Distance but Long Economic Distance between the GTI Regions of Member States

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\(^9\) Source: GTI Brochure obtained from GTI website
TRADP/GTI is a regional cooperation mechanism among the countries which are geographically closely located in Northeast Asia. Despite such geographic agglomeration of member states, “economic” distance is not yet close from each other because of the lack of transport infrastructure in each member state and high institutional impediments to transport linkages between the member states.

The GTI region is of underdevelopment within each member state and hence the state of transport infrastructure is underdeveloped and logistics is immature within each member state. Since its inception TRADP/GTI has focused on transport development projects and on access to the Tumen transport corridor which would allow China and Mongolia to easier access to sea port and sea trade routes and ROK and would allow Japan and ROK more efficient transport corridor to continental Northeast Asia and Europe. However, because transport development requires a huge amount of investment and national interests are different, there has not been much progress.

**Short Geographic Distance but still No Sharing of a Common Community**

A World Bank study on regional cooperation concludes that “a major problem in reaching a cooperative solution is likely to be the lack of trust.” TRADP/GTI region has been historically conflict prone area with tension and conflicts and ideological differences still exist among the member states. This has led to miscommunication and often to mistrust among the member states and has hampered progress in TRADP/GTI projects.

Therefore, special efforts to enhance communication and trust between GTI members are required for a successful regional development through international cooperation. In this regard, cultural and educational exchanges among member states would help reduce such emotional gap but little efforts have been made by TRADP/GTI.

**Limited Funding Source**

In order for GTI to become a successful international mechanism and development program, there should be enough funds for the operation of the Secretariat, its projects. As an UNDP evaluation report (Kaaria, 2007) indicates, the issue of ownership and financing has remained central questions of the Program.

In the 6th meeting of the Consultative Commission in 2005, the member countries agreed to take the responsibility of financing the Secretariat and its operational budget. A Common Fund was established to channel the funds. Yet due to the limited funding source, it has been difficult to carry out even the day-to-day operational costs of the Secretariat, let alone to support project activities. The member governments should increase resources to fund the necessary operational budget, but member countries have not shown much willingness to increase their financial contributions.

In order to mobilize funding from various entities, Tumen Secretariat has made efforts by conducting series of discussions with respective organizations such as Asian Development Bank (ADB), Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and German Technical Cooperation (GTZ).

**2) Spatial Issues**

**Engagement of DPRK and Japan**

DPRK officially withdrew from GTI from 5 May 2009, partly because of nuclear issues and more importantly because of its disappointment with GTI in terms of attracting foreign direct investment. However, a deeper reason appears that on the part of DPRK, excessive expectations were created when the TRADP was initiated in early 1990s and immense
disappointments followed as TRADP/GTI have not been successful in bringing in foreign investment it once envisioned. Because of its geographic location, the importance of DPRK in GTI is immense and hence other GTI member countries were hugely disappointed with DPRK’s withdrawal and are hoping to attract it back to GTI.

Japan’s participation in GTI is also crucial for the success of GTI because it is also a key country located in Northeast Asia and has the potential to bring capital and technology to the GTI region. Since TRADP was initiated in early 1990s, Japan has shown interest but has been reluctant to join GTI. One obvious reason is its political tensions with DPRK, but a deeper reason seems uneven sharing of costs and benefits among the GTI members. That is, compared with other GTI members, Japan is not connected by land to the GTI region, and hence the development of the GTI region has little positive spillover effects to the Japanese economy while Japan would be requested to contribute the lion’s share of financing for the operation of the Secretariat and for various projects. Unless, the above two conditions were to improve, Japanese central government would not be willing to join GTI as a regular member.

Limited Scope of GTI Region Covering Only four Member States
GTI now covers a land area larger than that covered by TRADP, but still does not cover the sea area of Northeast Asia. Ironically, building the sea transport networks in East Sea of Korean peninsula (Sea of Japan) has been one of the major successful outcomes of GTI-supported cooperation in Northeast Asia. As noted above, Japan has shown interest but has been reluctant to join GTI in part because without inclusion of East Sea (Sea of Japan), benefits for Japan are not much expected. Indeed, inclusion of sea area of Northeast Asia would enhance greatly the potential benefits of GTI as East Sea (Sea of Japan) trade route is very important part of GTI transport corridor. It also would expand the areas of cooperation to include not only sea transport but also fisheries, under-sea resource development and sea environment, which are interests of not only current GTI members but also potential members such as DPRK and Japan. Thus, there is a strong need that member governments agree to expand the geographical coverage of the GTI to include not only the land area but also sea area of East Sea (of Korea)/Sea of Japan.

3) Institutional Issues

Low Level of Representation
The member countries are represented at the Vice-Minister level. This level is insufficient because the greatest part of problems, related to organization and activities of GTI, has an inter-ministerial dimension. And member governments have often been represented at a considerably lower level and this can be interpreted also as lack of commitment to GTI.

Furthermore, different countries are represented by different kinds of ministries: Ministry of Commerce in China, Ministry of Economic Development and Trade in Russia, Ministry of Finance in Mongolia and Ministry of Strategy and Finance in ROK. This may suggest different member countries have different interests in GTI. Coordination at the national level is questionable as these ministries do not often have a coordinating role in their own governments and besides Ministries of Foreign Affairs have not much involved even though GTI activities involve an international and multilateral governance mechanism.

Still Not a Full Legal Entity
During the period of TRADP, the UNDP was the sole financier and leader of the Program. However, with the launch of GTI in 2005, the “legal” ownership has been transferred to the
member states, by establishing a Common Fund to finance the operational budget and the role of the UNDP has become a supportive one. Thus, the GTI became formally under the member countries.

In practice, however, there has often been unclear division of roles between the member states, UNDP and the Secretariat. It is not clear to what extent the member states want UNDP to involve in the GTI activities. Likewise, there are many uncertainties regarding the roles and functions of GTI Secretariat.

**Insufficient Cooperation with Other International Organizations**

TRADP was largely under the influence of UNDP. However, GTI with full ownership of member countries needs to expand its cooperation with various international and national organizations.
III. Review of GTI Sectors and Strategic Action Plan

1. General Review

In the past 20 year history of TRADP/GTI, there have been many grandiose plans for development of the region but it has often been criticized that no concrete results have been achieved.

Strategic Action Plan (SAP, 2006-2015) envisaged in 2005 has five sectors: transport, energy, environment, trade and investment, and tourism. Most of the projects under the five sectors are very broad and demanding which has not been checked against the capacity of GTI. In order to successfully undertake the SAP, GTI member governments need to show a strong political will and commitment in terms of ownership and financing. However, as discussed in Chapter II, GTI is still yet to overcome the inherited issues from TRADP, including the lack of political commitment, financing and human resources.

Hence, there is a need for a fundamental review of the SAP and seek improved ways to manage the GTI projects more efficiently. In each sector GTI should work out a much more focused agenda, which would yield concrete and realistic outcomes.

In this section, an evaluation on the overall GTI SAP is provided, utilizing “SMART” criteria for analysis. SMART or Specific, Measureable, Achievable, Realistic, Time-limited is a set of criteria used in organizations for effective project or performance management.  

1) Un-Specific

• The goals need to be specific, clear and unambiguous without any confusion or inconsistency. To make goals specific, it must specify exactly what is expected, why is it important, who is involved, where is it going to happen and which attributes are important.

• However, the GTI SAP does not set specific goals in many of its projects, does not specify the purpose why it needs to be accomplished or the benefits of achieving the goals; does not identify who is involved; provides no details of where the location(s) involved are; and provides no specific budget plan, timeline, requirements or constraints.

2) Un-Measurable

• In order to achieve concrete results, it is crucial to set firm criteria for measuring the progress toward the attainment of the goal, because without assessment it is not possible to know whether the goal is making progress toward successful completion.

• However, the GTI SAP does not outline criteria of how and when the goals are to be accomplished, nor a set of criteria or monitoring system to assess the progress of its goals. Furthermore, the lack of statistical data in the area makes it more difficult to make assessment based on statistical data.

3) Un-Achievable

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• The goals need to be attainable, which implies that they are neither out of reach nor below the standard performance. In this regard, prioritizing the immediate and important objectives is crucial to design plans and allocate resources such as financial and human resource capacity in order to bring closer to the achievement.

• However, a crucial defect of the GTI SAP is the absence of budget plan and human resource provision. Moreover, the goals identified are overly ambitious and demanding without any checks against the resource capacity of GTI, in particular the large scale cross-border transport infrastructure development goals.

4) Un-Realistic
• A realistic goal must represent an objective that the stakeholders are willing to commit and able to work towards. In this regard, the goals would be more relevant if the stakeholders believe that they are worthwhile and can be accomplished.

• However, for GTI SAP, the fundamental cause of problem is the lack of political will and commitment among the members, while many projects are too ambitious.

5) Time-Unlimited
• A commitment to a deadline helps to focus the efforts on completion of the goal on or before the due date. Timeliness is intended to establish a sense of urgency and prevent goals from being overtaken by peripheral crises that invariably arise in an organization.

• However, for GTI SAP, no specific timeline have been defined other than the target year 2015. Although sectoral meetings have been organised, there is no follow-up after the meetings, hence very little or no progress have been made.

2. Sector-Specific Review

Against the background discussions offered in the above section, each sector is reviewed in the following.

1) Transport

Background
Improved transport infrastructure and minimisation of border crossing impediments are fundamentals to trade facilitation and other forms of economic cooperation in the Greater Tumen Region and Northeast Asia as a whole. Due to the pivotal location of the Tumen River area - at a crossroads of trade and transport routes between Europe, Northeast Asia and North America - a central unifying concept for GTI is the development of the region as a key transportation corridor and trade depository.

Ports in the Russia’s Far East and the DPRK provide landlocked Northeast China with an east-west transport corridor. The Tumen River transportation corridor is also of considerable interest to Mongolia, as it can help open up the eastern part of the country and improve port access. In addition, Japan, the United States, the ROK, the Russian Federation, and the global trade community have strong interests in observing the Tumen River transportation corridor brought up to international standards.

Progress
Since the inception of the TRADP/GTI, transport has been the key development sector. Strategic Objective in the transport sector stipulated in the GTI SAP 2006-2015 states: “Achieve a ten to fifteen per cent annual increase in cross-border cargo through the Tumen ports between the GTR and the wider world through lowering transportation costs and improving infrastructure”. Strategic Actions agreed by member governments are in the area of: “Infrastructure development to link national road and/or rail networks”, “Development of port facilities”, “Cross-border regulations”, “Shipping” and “Bottlenecks”.

Table 2. Transport Sector Projects adopted in 2007

<table>
<thead>
<tr>
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<th>Project Description</th>
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<tbody>
<tr>
<td>1</td>
<td>NEA Ferry Route Infrastructure Framework</td>
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<tr>
<td>2</td>
<td>Modernization of Zarubino Port</td>
</tr>
<tr>
<td>3</td>
<td>Mongolia-China Railway Construction</td>
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<tr>
<td>4</td>
<td>Resuming Hunchun-Makhalino Railway</td>
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<tr>
<td>5</td>
<td>China Road, Harbor Project in the Border between China and DPRK</td>
</tr>
</tbody>
</table>

Practical recommendations by the GTI Transport Experts Meeting in 2010 were made to the Tumen Secretariat for fostering the GTI priority transport projects in a more efficient and result-oriented way. The recommendations were as follows:

- **Promotion of the Modernization of Zarubino Port**: It would be of great use in this regard to obtain support from the GTI through the endeavours of policy support and coordination of governments; in-depth study on the prospects and constraints of the port’s development; assisting in promotion and marketing; strengthening personnel capacity through training and workshops; and facilitating partnership building, in particular with potential customers and investors interested.

- **China-Mongolia Railway Feasibility Study**: GTI supports a master plan for railway infrastructure development in the Eastern Region of Mongolia through technical assistance, resource mobilization and human and institutional capacity.

- **Promotion of the NEA Ferry Route**, known as the Sokcho-Niigata-Zarubino-Hunchun sea-land line: It was proposed to engage in the independent evaluation of the performance and potential of the NEA Ferry Route; discussion of the issues pertaining to this project under GTI local cooperation mechanism; and the establishment of the new foundation for promotion of cross-border exchanges and trans-boundary infrastructure in the Greater Tumen Region.

- **Promotion of the Donghae – Sakaiminato – Vladivostok Ferry Line**: It was suggested to assist this project through facilitating the assessment of the overall tourism potential and attractiveness of specific tourist spots within the territories involved, and helping with branding and promoting the ferry line to potential clients and the public at large.

- **Integrated Transport and Facilitating Infrastructures Development Plan (Study) for the Trans-GTR Transport Corridors**, or the GTI Transport Corridor Study Project: Recommendations were made related to the content and organization of this project, including objectives, scope, specific topics and possible outputs of the study.

**Issues**
The recent activities of the GTI since 2011 indicate the transition of the Tumen Secretariat’s attitude towards more open and pragmatic approach. Greater efforts towards “soft” projects
in Transport sector and active engagement with other related organizations such as ADB, have resulted more attention from the stakeholders and the public.

However, the goal “to achieve five to ten percent annual increase of cross-border cargo” still remains unachieved to date and no realistic action plan has been made due to complex political barriers and financial constraints. In reality, it is impossible for the Secretariat of its size and capacity to implement such large scale cross-border transport infrastructure projects without the full commitment of the member governments to incorporate these projects into their national priority strategies. Furthermore, the lack of coordination between Transport Board members and National Coordinators also raises concerns.

2) Energy

Background
A stable, cost effective and sustainable supply of energy or “Energy Security” is a precondition for the continued economic growth of the GTR and NEA as a whole. There is a concern that a lack of energy resources will constrain the economic and social development of the region. The GTI member governments have to devise solutions to improve energy security and orient the regional energy mix towards cleaner energy.

Progress
GTI member states expressed a shared opinion on the necessity of regional energy cooperation activities and recognized the energy sector development as one of the top priorities of GTI in 2005. The Strategic Objective of the GTI SAP 2006-2015 stipulate to “Establish an institutional framework for consultations and policy support at the level of the member governments” called for the highlighted the role of accelerated development of natural gas transport and utilization. Strategic Actions defined priorities for regional cooperation in the energy sector as follows: “Energy policy coordination and co-operation”, “Capacity building”, “Non-physical barriers to energy” and “Partnerships”.

To achieve these goals and promote regional cooperation in the energy sector, the GTI Energy Board was established in 2007. It was expected that the Energy Board would serve as a facilitator for energy-related infrastructure development in order to accelerate the economic development in the region. Energy sector project adopted in 2007 is “Capacity Building on GTI Energy at Regional Level”.

The Inaugural meeting of GTI Energy Board held in 2009 reviewed the past and current GTI activities in the energy sector and discussed the areas of energy cooperation and proposed energy activities to be implemented in the coming three years to work collectively for the promotion of the cooperative projects in the energy sector of NEA. The GTI Energy Action Plan for 2010-2012 was adapted during this meeting, which identified the following four additional projects:

- **Tumen River Area Power Transmission “Ring”**: The main goal of the project is to connect the electric power systems of the three GTI member countries – China, DPRK, and Russia – into a ring-type system (so called “Small Ring”).
- **Uranium Development in Mongolia and electricity export to China**: The purpose of the project is to develop uranium resources in Mongolia and construct nuclear power plant to export electricity from Mongolia to China.
- **Primorsky Oil Refinery**: The main goal of the project is the construction of a high-tech oil refinery combined with petrochemical facilities in Primorsky Territory of Russia. The project is included in the list of priority investment projects supported by the Government of the Primorsky Territory of Russia.
Issues
In respective to the objectives outlined in the SAP 2006-2015, and SAP 2010-2012, the Energy sector has made progress the previous years in terms of “Capacity-building”. However, the activities have not been followed up in the recent years due to funding and human resource constraints at GTI and the targets not updated with the plans and strategies of the member states. More fundamentally, due to the complex nature of energy dialogues in the region, a solid commitment of the member governments is necessary in order to achieve concrete results such as: policy coordination, removal of non-physical barriers to energy trade, and establish in-depth partnerships in energy cooperation in the GTR. Furthermore, the lack of coordination between Energy Board members and National Coordinators also raises concerns.

3) Environment

Background
Environmental protection was one of the earliest areas of concentration that GTI was founded to address. Representatives of all the member governments signed the “Memorandum of Understanding on Environmental Principles Governing the Tumen River Economic Development Area and Northeast Asia” in December 1995. Since 1992, 14 studies and reports concerning environmental problems were conducted and attracted as 85% of total Program funding as of 2004.

Progress
In December 1995, the Memorandum of Understanding (MOU) on the Environment was signed, pledging cooperation in protecting the environment of the Tumen Region.

The Global Environment Facility (GEF) and the UNDP contributed US$5 million on the 2 year (2000-2002) TumenNet\textsuperscript{11} project, which aimed to establish a regional capacity for: “Preparation of a Strategic Action Program (SAP) and Trans-boundary Diagnostic Analysis (TDA) for the Tumen River Area, its Coastal Regions and Related Northeast Asian Environs" which aimed to elaborate regional policy priorities and national action commitments. However, the resolutions from the project still remains dissent by the member states until today, as some of the members hold reservations on its content. Previous environment sector activities during TRADP include: Roster of Environmental Experts (1998, $20,000 funded by UNDP); Survey of Far Eastern Leopards and Siberian Tigers in Jilin Province, China (1998, $55,000 funded by UNDP); and Pulp and Paper Mill Prefeasibility Study (2002, $145,000 funded by Finland).

Environment was identified as one of the priority sectors at the 8th meeting of the GTI CC in 2005, in Changchun, China. There is no objective or action plan for Environment sector in the GTI SAP 2006-2015, but only the suggestion that “The signed TumenNet Strategic Action Program would provide the basis for actions in the environment field by member states and the Tumen Secretariat during period 2006-2015” which still remains unsigned to date.

The GTI Environment Board was established during the 9th meeting of GTI CC in November 2007, in Vladivostok, Russia. During the meeting, member governments agreed on two environment sector projects focusing on “Trans-Boundary Environment Impact Assessment

\textsuperscript{11} TumenNET is a regional partnership program that involves local, provincial and national governments, the business sector, grassroots communities, academic and research institutions and, environmental NGO, comprising 5 major components: EIS (environmental Information System), TDA (Trans-boundary diagnostic Analysis), AWARE (Awareness Raising and Small Grants Program), SAP (Strategic Action Plan), and SURVEY (Regional Water Monitoring).
(TEIA) in GTR and Environmental Standardisation in the NEA” and “Feasibility Study on Tumen River Water Protection”.

Issues
The GEF TumenNet project was provided with considerable funding and expertise which produced strategic planning and recommendations in the past. However, none of these have been implemented to date and no shared goal has been made in the environment sector due to lack of consensus among the member governments. This illustrates the typical example which highlights the effect of member governments’ attitude and consensus. Without the willingness and commitment of the member states it is impossible to expect much further progress.

The absence of statistical data for environment in GTI region poses also an issue as without reliable statistical data, it is hard to set goals and check the progress being made.

Another issue is that GTI’s work program in the environment sector overlaps largely with the activities of UN ESCAP North East Asia Sub-regional Program for Environmental Cooperation (NEASPEC), which was launched in 1993 as an intergovernmental cooperation mechanism among the four GTI member countries, DPRK, and Japan. Therefore, it would be necessary for GTI to collaborate with UN ESCAP NEASPEC in order to maximise the potential benefit of the environment collaboration in the GTI region, but there has been no such collaboration. The lack of coordination between Environment sector Board members and National Coordinators is another issue as well.

4) Investment and Trade

Background
Northeast Asia is Asia’s largest economic frontier, with enormous human and natural resources that largely remain undeveloped in the northern sub-region (China, Mongolia, Russia and DPRK); and highly developed in the southern sub-region (ROK and Japan) which is a major source of financial capital and advanced technology. The Tumen River ties this region together at the cross roads of vital trade, transport and energy routes with a mammoth potential to expand its capacity as the transport and trading hub of NEA. However, it is one of the few remaining multi-border regions without a regional trade agreement in place.

Progress
As stipulated in the GTI SAP 2006-2015, the Strategic Objective in the Trade and Investment sector is to “improve the enabling environment for investment, in particular foreign direct investment, to make the GTR more attractive to investors and more competitive in attracting investment”. The Strategic Actions include are as follows: “Enabling environment for investment”, “Promoting the region to investors”, and “Institutionalizing of financing for investment”.

Accordingly, the Tumen Secretariat has focused on improving the environment for investment in GTR, promoting the region to foreign investors, institutionalising investment activities through Business Advisory Council (BAC) and initiating the Trade Facilitation Committee and Local Development Forum.

The main objective of TFC is to increase the volume of the regional trade through facilitation of technical procedures in GTI member countries. The final outcome of TFC’ activity shall be the promotion of growth and diversification of the regional trade flows as a consequence of
effective regulations and procedures and smooth, cooperative functioning of the relevant authorities.

Issues
The investment sector has a general objective to improve the enabling environment for investment, but no specific goal or action plan is provided. More crucially, there is minimal or no direct involvement of the business sector with GTI activities, and minor efforts for trade and investment facilitation have been made. The TFC is the last sector board established, and the first meeting has not been arranged, hence not much progress has been made. In order to enable business-friendly environment in the region, updated statistical data is a foundational need for potential investors order to identify current situation and make plans for investment, but this is not available.

5) Tourism

Background
The GTR has significant potentials for a thriving tourism industry that can enhance NEA regional cooperation and economic prosperity. Tourism has been one of the more active sectors in GTI.

Progress
The GTI SAP 2006-2015 indicates the Strategic Objective for tourism sector is to “create an environment for tourism that facilitates increasing the numbers of international (cross-border) visitors to the Tumen area by between ten and fifteen percent per year” by supporting Strategic Actions in: (i) Frontier formalities; (ii) Tourism policy coordination; (iii) Capacity-building; and (iv) Product development and promotion.

To achieve these goals and to enable effective coordination, the GTI Tourism Board was established in 2007 and the Charter of the GTI Tourism Board and the GTI Tourism Action Plan was adopted at the Board meetings thereafter.

Issues
The tourism sector goal identified in the SAP is 10-15% increase of international visitors to the area per year, which is very ambitious and has no provision of a specific action plan. Moreover, there is a lack of statistical data related with movement of people, trade and investment in GTI region to measure the incremental or decrement changes of the tourism inflows.

Despite the progressive board meetings, there still remain little efforts for facilitating the movement of people across the border, and the constructive ideas and proposals from meetings, they are usually not followed through due to lack of consensus among the stakeholders due to lack of coordination between Tourism sector Board members and National Coordinators. The National Coordinators are working level officers from one Ministry (Finance or Commerce) of each country, whereas the sector Board meeting representatives are working level officers from other Ministries of each country. This raises the question of level of representation as key decision makers of GTI CC. The current representation level is Vice-Minister, which in the long run is not sufficient enough to coordinate the complicated issues with other Ministries.
IV. Policy Recommendations and Prospects of GTI

1. Policy Recommendations

1) GTI General

Based on the challenges and issues identified in Chapter III, this section offers policy recommendations.

Functional Aspects

(1) Need of Clear Long-term Vision and Goals

GTI is currently has no shared vision or long-term goal. There is a strong need for a long term vision which can be shared all member governments (current and potential alike). As in many other international organizations in their earlier years (eg., APEC or East Asian Summit), a vision group which consists of two or three experts from each member country can be formed to draft a vision for GTI.

The Vision needs to contain the following: GTI is a platform for intergovernmental dialogue in Northeast Asia (NEA), aiming to increase mutual benefit of its members and the NEA region as a whole by facilitating a favourable environment for trade and investment, supporting the acceleration of transport connectivity, and promoting sustainable development in the Greater Tumen Region. Such long-term vision should be shared commonly by all member states to satisfy their common interests and needs, and should be clearly stated in the official documents of GTI.

(2) Deepening of Business Sector Involvement

The prime actor should be the business to attain economic development in the GTI region. However, the main focus of TRADP/GTI has been on the construction of infrastructure and business sector involvement was very minimal. GTI Business Advisory Council (BAC) is chaired by non-GTI national and its members are mostly out of the region or non-business people.

There is no doubt that BAC should be a platform for dialogue between the private sector and governments. However, it must be private sector led and be composed of business people coming from the member states. Therefore, there is a strong need for the current BAC to be reshuffled. In this regard, APEC Business Advisor Council (ABAC) is a good example. As in the case of ABAC, GTI BAC could be composed of up to three senior representatives of the business sector from each member country. APEC Customs Business Dialogue (ACBD) might also be replicated in the context of GTI. ACBD is a yearly event organized by the Subcommittee on Customs Procedures (SCCP) with a view to enhancing cooperation within the business community in areas related to customs procedures.

Similarly to CEO Summit of APEC, GTI business forum can be held in the margin of GTI CC meeting to provide opportunities for business leaders in Northeast Asia to meet government officials, policy makers to discuss relevant economic and trade issues in the region.

GTI also needs to prove value for potential investors by providing regional information and data (GRDP, business tax regulations, incentives, demographics, etc. and by facilitating match-making of businesses and governments in accordance with their needs. More importantly, GTI needs to collect difficulties of doing business in the GTI region and strive to assist in trade and investment facilitation and harmonizing trade barriers.
(3) Deepening of Local Governments’ Involvement
Thus far, provincial and local governments have not much involved in the GTI activities in spite of the fact that TRADP/GTI’s main goal has been regional economic development through international cooperation. Recently member countries agreed to establish Local Cooperative Mechanism (LCM).

In support of economic cooperation among local governments in Northeast Asia, GTI concluded in May 2011 to discuss the development of a new NEA Local Cooperative Mechanism. This mechanism should be institutionalized by the establishment of the Local Cooperation Committee (LCC) at the provincial and governor level with the support of its substructures to work on specific cooperation areas and projects. LCM could be best utilized in confidence building in terms of exchanges of culture, students, etc. In this regard, a network of major universities in the region called “Northeast Asian University Network (NAUN)” can be established under the framework of the LCM.

(4) Efforts for Reducing Economic Distance in the GTI Region
GTI region is composed of countries geographically located very closely in Northeast Asia. But “economic” distance between member countries is very long because transport infrastructure is underdeveloped and institutional barriers are very high.

Therefore, GTI needs to focus on how inter-country barriers can be removed. Behind-the-border barriers such as domestic rules and regulations can also hinder the flows of goods, services and people in the GTI region. Efforts to make them confirm to international standards and regulations are also needed. In this regard, APEC’s efforts for trade facilitation can be a good precedent for GTI. Trade facilitation involves efforts to reduce business transaction costs by simplifying administrative procedures, customs laws, standards harmonization, etc. to ensure business activities are carried out faster and smoothly.

To encourage foreign investment to the GTI region, GTI also needs to focus on investment procedures. Investment facilitation refers to actions taken by governments designed to maximise the effectiveness and efficiency of its administration through all stages of the investment cycle so as to attract foreign investment. To summarize, physical transport infrastructure has been improving in the GTI region but non-physical or institutional impediments to border-crossing and behind-the-border barriers remain very high in the GTI region. Therefore, GTI needs to focus on how to identify and remove them so as to encourage freer movement of goods, services, and people in the region and to harness the benefit of foreign direct investment in the region.

(5) Efforts for Sharing of “One Community” Mentality
GTI region has been historically conflict prone area with tension and hostilities and ideological differences still exist among the member states. This has led to miscommunication and often to mistrust among the member states and has hampered progress in TRADP/GTI projects.

Therefore, special efforts to enhance communication and trust between GTI members are required for a successful regional development through international cooperation. In this regard, cultural and educational exchanges among member states would help reduce such emotional gap in the context of TRADP/GTI.

(6) Enhanced Efforts for Fund Raising
A successful development program requires enough funds. Resource mobilization has been high on the TRADP/GTI agenda. Particularly, large scale “hard” projects require large amounts of financing which cannot be relied on solely on the central land regional
governments of the GTI member states. However, cooperation with other international institutions such as ADB has been limited.

For project financing, strengthened cooperation with various international institutions such as ADB, world Bank, UNESCO, GIZ, JICA, KOICA, etc. is recommended along with the promotion of the Northeast Asian Development Bank.

**Spatial Aspects**

(1) **Engagement of DPRK and Japan**
Creation of Incentives is important for participation of DPRK by focusing more on trade/investment and by approaching at the local level first. To bring in Japan expanding the GTI region to include the East Sea (Sea of Japan) is important. It can first start with involving transport and marine cooperation at local government level then move to central government cooperation. For both DPRK and Japan, it may be difficult to start at central government level then it can start at local government level and take bottom up approach.

GTI has the advantage of being the most viable intergovernmental organization to bring back DPRK. For this to occur, it is necessary to bring in investments and trade. DPRK withdrew from GTI because of the disappointment from the lack of investment. With the recent Hwanggumpyong Island Development Plan, GTI has an opportunity to reconnect with DPRK, in particular in the areas of sharing experience and knowledge on trade and investment to the DPRK side, which they lack, and for the investors, providing information / guidelines for investment and trade in the area, and for the governments, facilitation of in intergovernmental dialogues and assisting in policy coordination.

(2) **Expansion of GTI Region**
GTI currently covers only the land area. However, building the sea transport networks in East Sea (Sea of Japan) has been one of the major successful outcomes of GTI-supported cooperation in Northeast Asia. Japan has shown interest but has been reluctant to join GTI because without inclusion of East Sea, benefits for Japan are not much expected.

Indeed, inclusion of sea area of Northeast Asia would enhance greatly the potential benefits of GTI as East Sea (Sea of Japan) trade route is very important part of GTI transport corridor. It also would expand the areas of cooperation to include not only sea transport but also fisheries, under-sea resource development and sea environment, which are interests of not only current GTI members but also potential members such as DPRK and Japan.

Thus, there is a strong need that member governments agree to expand the geographical coverage of the GTI to include not only the land area but also sea area of East Sea (of Korea)/ Sea of Japan. Then it would strengthen cooperation in the areas of sea transport, fisheries, under-sea resource development, and sea environment. GTI member countries may refer to the North Sea Commission (NCS), which was founded in 1989 to facilitate and enhance partnerships between regions surrounding the North Sea.

**Institutional Aspects**

(1) **Upgrade the level of representation**
The level of representation needs to be upgraded to a level where different ministries of the member states can be effectively coordinated. It is necessary to upgrade to the Prime Minister level. As such, numerous problems of GTI that exceed jurisdiction of a given ministry or agency will be solved. In this way, the member governments can demonstrate their strong support for and commitment to the work of GTI.
The upcoming APEC 2012 meetings in Vladivostok can be a unique opportunity for GTI to upgrade its status and visibility. The first GTI summit could be held in 2012 in Vladivostok in the margins of APEC Economic Leaders’ Meeting (APEC summit). As the Chair of APEC and the Chair of the GTI in 2012, Russia can play a key role by hosting a GTI summit. As Mongolia is not a member of APEC, Mongolian president can be invited as an observer for the APEC Economic Leaders’ Meeting.

(2) Strengthening of GTI Secretariat
There is a strong need to transform GTI to avoid its dual status of on one hand being an intergovernmental mechanism with full ownership of member countries and on the other hand being in practice under the UNDP’s interference. It seems that in the short term, UNDP’s role of political balancing and administrative support needs to continue because of political complexities and insufficient human resources at the GTI Secretariat. Based on redefinition of the role of the Secretariat more clearly, the GTI Tumen Secretariat needs to be strengthened. The staff of the GTI Secretariat should be provided with the necessary human resources and legal capacity.

(3) Engagement of Various International Organizations
GTI should cooperate with organizations pursuing similar goals (APEC, UN ESCAP etc) and work closely with projects, in particular pilot projects (technical assistance, project funding, knowledge and experience sharing, networking, etc.) e.g. ADB GMS projects, ESCAP, GIZ, JIICA, KOICA, key research institutes (KDI, NDRC, MDI, JSC FEMRI, ERINA, etc.).

It is possible to combine theirs forms of cooperation, for example, to organize a set of GTI events such as Consultative Commission, NEA Economic Cooperation Forum, can be included into the list of events within the APEC Summit – 2012, to be held in Vladivostok. Proposals for connecting GTI under 2012 APEC summit in Vladivostok has already been submitted to the federal government. UNESCAP, UNEP have similar intentions planned, so GTI needs to speed up the progress to get into the Summit framework.


1) General Aspects

There needs to be a long term vision developed. Based on results of the 5-year mid-term stock-take of progress, GTI member states need to agree on a roadmap to speed up the Strategic Action Plan.

By the target year of 2015, some concrete results are necessary for re-establishing trust and confidence of GTI at both national and local levels. In order to generate new momentum in GTI activities, a new direction should be identified and agreed by the member governments. The new direction should include specification of reasonable goals, priorities, and schedules over the next five years.

Expectations should be kept at a realistic level, as GTI is not likely to attract very large amounts of outside financing. The member states should assess the value of GTI on a different basis than premises of significant financial flows (Kaaria, 2007). GTI should not be of grandiose plans, but of practical and business-friendly projects. In each sector, GTI should focus on some priority agendas where GTI could really play any meaningful role.
## 2) Sector-Specific Aspects

### Transport

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| (i) GTI Goal is to achieve a 10-15% annual increase of cross-border cargo, but no realistic action plan has been made. | (i) Prioritise the Transport projects, on the basis of urgency and capability of GTI, and set the goals and specific actions to achieve them.  
- Objectives must be focused, realistic, and updated in align with national plans and strategies of the member governments; and  
- Action Plans clearly identified, with specific budget and human resource allocation provisions, timelines, monitoring process including statistical data for comparative analysis and expected outcomes. |
| (ii) Little efforts have been attempted for “soft projects”, such as the reduction of institutional impediments to border crossing. | (ii) Strengthen efforts to remove institutional impediments to border crossing:  
- First, identify the short-term (soft) and long-term projects (hard);  
- Second, identify various institutional impediments to border crossing and prioritize them.  
- Third, set specific goals with time line for removal of the prioritized impediments.  
- Fourth, provide workshop and seminar opportunities between the business sector and the border and customs officials.;  
- Fifth, obtaining the Russian government support is especially important for harmonising customs, visa and port entry process regulations.  
- Sixth, extend cooperation with international organizations such as ADB and ESCAP. |
| (iii) Most projects are “hard” and not easily achievable with the current capacity of GTI. | (iii) In order to implement “hard” projects there needs be a supporting “soft” project such as feasibility study, to make further action plans.  
- First a concrete soft project is necessary, and with approval and the support of the stakeholders, start from realistic pilot projects, and eventually approach “hard” projects.  
- Second, extend close cooperation with international funding agencies such as ADB.  
- Third, there is a need to further strengthen efforts for building sea transport corridor. |
| (iv) Limited involvement of other related international organizations such as ADB. | (iv) Utilize the existing GTI network - GTI NCs, Board members, UNDP, partners, etc. - for information exchange and concrete project proposal through promotional activities.  
- Once the proposed projects are approved and receive full commitment of the member |
governments, more attraction from related international organizations will follow.
- e.g. ADB and the Ministry of Commerce, China agreed to fund $110,000 for Investment capacity building project for NEA regional governments, as an outcome of the proposal from the first GTI LCM meeting in May 2011, in Yanji, China.

(v) Lack of coordination between Transport sector Board members and National Coordinators
- There is a need for a system of cross-sectoral coordination cooperation, where the Board members can be part of the strategic planning and implementary body for each involved sector.
- If the Transport Board members become part of the decision-making and implementary body, GTI could negotiate with the involved ministries to provide part of the human resource and financial support, along with the expertise, information and political support. In this regard, level of Board members representation is very important.
- For Working Groups meeting, it is important to ensure the professional expertise of the representations to achieve a productive outcome.
- In the long term there is a need to raise the level of representation at GTI as a whole, such as to the Prime Minister level, in order to smoothly coordinate complex cross-sectoral issues.

Energy

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<tr>
<td>(i) No specific goal and specific action plan set up for 2006-2015</td>
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<tr>
<td></td>
<td>- Objectives must be focused, realistic, and updated in align with national plans and strategies of the member governments; and</td>
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<td>- Action Plans clearly identified, with specific budget and human resource allocation provisions, timelines, monitoring process including statistical data for comparative analysis and expected outcomes.</td>
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<tr>
<td>(ii) Overlapping with other international organizations such as UN ESCAP energy projects, but not much collaboration</td>
<td>(ii) The current capacity of the Secretariat is insufficient to meet all the broad cross-sectoral GTI projects, in particular the Energy sector, due to the complex nature of the energy dialogues in the region,</td>
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<tr>
<td></td>
<td>- Energy sector capacity building Program is a duplicated project with UN ESCAP energy projects which, should be narrowed down by cooperation with other related international organizations, to focus on in-depth partnerships and collaborative operation for a more effective outcome.</td>
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<tr>
<td>(iii) Lack of coordination between Energy sector Board members and National Coordinators</td>
<td>(iii) There is a need for a system of cross-sectoral coordination cooperation, where the Board members can be part of the strategic planning and implementary body for each involved sector.</td>
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<td>- If the Energy Board members become part of the decision-making and implementary body, GTI could negotiate with the involved ministries to provide part of the human resource and financial support, along with the expertise, information and political support. In this regard, level of Board members representation is very important.</td>
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<td>- For Working Groups meeting, it is important to ensure the professional expertise of the representations to achieve a productive outcome.</td>
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<td>- In the long term there is a need to raise the level of representation at GTI as a whole, such as to the Prime Minister level, in order to smoothly coordinate complex cross-sectoral issues.</td>
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<tr>
<td><strong>Environment</strong></td>
<td><strong>ISSUE</strong></td>
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<tr>
<td>(i) No shared goal have been made</td>
<td>(i) Lessons learned from the TumenNet project demonstrate the utmost importance of attaining consensus of the member states. In this regard, the goal must be established based on the need and urgency of its members in order to successful achievement. Once a shared goal is established, then should consider clear defined action plans.</td>
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<td></td>
<td>- <strong>Objectives</strong> must be focused, realistic, and updated in align with national plans and strategies of the member governments; and</td>
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<td>- <strong>Action Plans</strong> clearly identified, with specific budget and human resource allocation provisions, timelines, monitoring process including statistical data for comparative analysis and expected outcomes.</td>
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<tr>
<td>(ii) No statistical data collection for environment in GTI region</td>
<td>(ii) Statistical data is an essential tool for analysing the past and present situation, and to model for future. Collect and provide statistical data such as ecological footprint and ecological carrier capacity, related with trade and investment in GTI region by:</td>
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<td></td>
<td>- Close cooperation with relevant central and regional government departments to access environment statistic data in the region.</td>
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<td>- Obtain government support to approach local businesses in the region, and build partnership for information sharing.</td>
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<td>- Obtain environment statistics from related international organizations e.g. UNEP</td>
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</table>
(iii) Overlapping with other international organizations such as UN ESCAP (eg., NEASPEC), but not much collaboration

(iii) The current capacity of the Secretariat is insufficient to meet all the broad cross-sectoral GTI projects.

- Environment sector capacity building Program is a duplicated project with UN ESCAP such as NEASPEC*, which should be narrowed down by cooperation with other related international organizations, to focus on in-depth partnerships and collaborative operation for a more effective outcome.

(iv) Lack of coordination between Environment sector Board members and National Coordinators

(iv) There is a need for a system of cross-sectoral coordination cooperation, where the Board members can be part of the strategic planning and implementary body for each involved sector.

- If the Environment Board members become part of the decision-making and implementary body, GTI could negotiate with the involved ministries to provide part of the human resource and financial support, along with the expertise, information and political support. In this regard, level of Board members representation is very important.
- For Working Groups meeting, it is important to ensure the professional expertise of the representations to achieve a productive outcome.
- In the long term there is a need to raise the level of representation at GTI as a whole, such as to the Prime Minister level, in order to smoothly coordinate complex cross-sectoral issues.

Note: North-East Asian Subregional Program for Environmental Cooperation (NEASPEC) was launched in 1993 as a comprehensive intergovernmental cooperation mechanism. China, Japan, DPRK, Mongolia, ROK, Russian Federation, with shared vision, strive to make concerted efforts to address environmental challenges in this sub-region. Institutionally, Meeting of Senior Officials on Environmental Cooperation in NEA (SOM), held annually on a rotational basis with decisions made by consensus, functions as the governing body and principal vehicle for the evolution of NEASPEC with UNESCAP providing interim secretariat services.

### Trade and Investment

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<th>ISSUE</th>
<th>RECOMMENDATION</th>
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<tr>
<td>(i) No specific goal and no action plan</td>
<td>(i) Prioritise the Trade and Investment sector projects, on the basis of urgency and capability of GTI, and set the goals and specific actions to achieve them.</td>
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<td>- Objectives must be focused, realistic, and updated in align with national plans and strategies of the member governments; and</td>
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<td>- Action Plans clearly identified, with specific budget and human resource allocation provisions, timelines, monitoring process including statistical data for comparative analysis and expected outcomes.</td>
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<tr>
<td>(ii) Limited involvement of business sector</td>
<td>(ii) The ultimate goal of GTI is mutual prosperity in the region by attracting investment into the region. However the involvement of the business sector has been minimal and the least progress has been made</td>
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</table>
Foremost, the member governments’ consistent commitment is crucial in order to attract businesses into the region.

- GTI should serve as a mediator by strengthening trade and investment facilitation in order to assist removal of non-physical barriers to movement of goods and services.
- Identify the real local needs and issues to assist in seeking resolutions, and to enable sound environment for investment into the area.
- Encourage and coordinate PPP projects.
- Review and re-structure BAC, by nominations from member states to include business representatives from each country: One multinational cooperation, (MNC), one mid-sized company, and one Economic Association e.g. Chamber of Commerce

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<tr>
<th>(iii) Little efforts for trade facilitation and investment facilitation</th>
<th>(iii) GTI needs to strengthen efforts for trade and investment facilitation, such as the removal of barriers to border crossing for trade in goods and behind-the-border barriers for doing business.</th>
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<td>- Member states commitment and support is crucial. Obtaining the Russian government support is especially important for harmonising customs, visa and port entry process regulations.</td>
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<th>(iv) Few statistical data related with trade and investment in GTI region</th>
<th>(iv) Statistical data is an essential tool for analysing the past and present situation, and to model for future; as well as an effective tool for promoting trade and investment into the region. Collect and provide statistical data related with trade and investment in GTI region by:</th>
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<td>- Close cooperation with relevant central and regional government departments to access trade and investment statistic data in the region.</td>
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<td>- Obtain government support to approach local businesses in the region, and build partnership for information sharing.</td>
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<td>- Obtain trade and investment statistics from related international organizations e.g. ADB, WB, APEC, etc.</td>
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<tr>
<th>(v) The first Trade Facilitation Committee Meeting has not been held yet, and hence not much progress has been made.</th>
<th>(v) The Trade Facilitation Committee (TFC) should include representations from central, local governments, as well as large and mid-size businesses and business associations. The role of TFC should involve the following:</th>
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<td>- Assess short-term and long term business opportunities in their region.</td>
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<td>- Share information on the recent trade and investment policies and regulations in their region.</td>
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</table>
- Provide advice on existing trade and investment activities and proposals for new business initiatives in their region.
- Enhance public awareness for investment opportunities in GTR and support the community involvement with GTI business-related activities.
- Establish a business network to provide beneficial information and networking opportunities
- Encourage and promote PPP.
- Seeking a closer involvement of international organizations and NGOs in regional trade and investment activities

### Tourism

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| (i)  Goal is 10-15% increase of international visitors to the area per year, very ambitious goal but no specific action plan has been set up. | (i) There is a general goal but no specific goals and action plan to follow up. Moreover, there is no check system to measure how it has progressed from previous years. First need to prioritise the Tourism projects, on the basis of urgency and capability of GTI, then set the goals and specific actions to achieve them.  
- **Objectives** must be focused, realistic, and updated in align with national plans and strategies of the member governments; and 
- **Action Plans** clearly identified, with specific budget and human resource allocation provisions, timelines, monitoring process including statistical data for comparative analysis and expected outcomes. |
| (ii) Little efforts for facilitating the movement of people across the border. | (ii) In order to strengthen efforts for tourism facilitation - removal of non-physical barriers to movement of people, the current situation needs to be identified and analysed comparison with trends from previous years. But despite the four tourism board meeting, very little efforts have been made for practical facilitation for the cross-border movement of people in the region. The following are recommended:  
- Initiate Tourism Board members to become part of the decision-making and implementary body. This way, GTI could negotiate with the involved ministries to provide part of the human resource and financial support, along with the expertise, information and political support. In this regard, level of Board members representation is very important. 
- For Working Groups meeting, it is important to ensure the professional expertise of the representations to achieve a productive outcome. 
- In the long term there is a need to raise the level of representation at GTI as a whole, such as to the... |
Prime Minister level, in order to smoothly coordinate complex cross-sectoral issues.

| (iii) Limited involvement of business sector (i.e. travel agencies, etc.). | (iii) GTR is not a popular tourism destination area compared to other regions such as Southeast Asia, due to language and cultural barriers, insufficient tourist facilities, inconvenient transportation and infrastructure, and severe winter climate. However, on the positive side GTR is located in area of incremental economic growth, lucrative for mammoth potentials for the movement of people, goods and services.
- In order to encourage the involvement of businesses into the region, foremost the member governments’ consistent commitment is crucial. The businesses need to clearly see the long term vision and commitment of the governments in order to attract and secure investment into the region.
- GTI should serve as a mediator by strengthening tourism, investment and trade facilitation in order to assist removal of non-physical barriers. |

| (iv) Few statistical data related with movement of people, trade and investment in GTI region. | (iv) Statistical data is an essential tool for analysing the past and present situation, and to model for future; as well as an effective tool for promoting tourism into the region. Collect and provide statistical data related with tourism in GTI region by:
- Close cooperation with relevant central and regional government departments to access tourism statistic data in the region.
- Obtain government support to approach local businesses in the region, and build partnership for information sharing.
- Obtain tourism statistics from related international organizations e.g. UNWTO |

| (v) Lack of coordination between Tourism sector Board members and National Coordinators | (v) There is a need for a system of cross-sectoral coordination cooperation, where the Board members can be part of the strategic planning and implementary body for each involved sector. |
V. Conclusion

The Greater Tumen Initiative is an intergovernmental regional cooperation mechanism in Northeast Asia, supported by the United Nations Development Program, with a membership of four countries: Peoples Republic of China, Mongolia, Republic of Korea and the Russian Federation. Initiated by the UNDP in 1991, the TRADP development continued under UNDP until the transition of full ownership to member states in 2005, re-branding to GTI. Under the Changchun Agreement, the member states agreed to extend their cooperation for another successive period of ten years and adopted the GTI Strategic Action Plan 2006-2015.

The new initiative called for strengthened regional interaction with the local governments in Northeast Asia and partnerships with the private sector; expanded geographical coverage to represents the less developed areas among the member states including landlocked regions, and prioritising on more concrete projects in the agreed sectors of: transport, energy, tourism, investment and environment.

This paper has evaluated GTI progress, in particular from 2005 - 2010, with checks on relevant GTI plans and progress reports in order to identify current issues and opportunities. It also provides recommendations on how the challenges identified from the first objective can be overcome promptly and effectively, in comparison with other similar organizations and the implications for GTI.

With respect to GTI General, policy recommendations on functional aspects include: (1) need of clear long-term vision and goals, (2) deepening of business sector involvement, (3) deepening of local governments’ involvement, (4) efforts for reducing economic distance in the GTI region, (5) efforts for sharing of “One Community” mentality, and (6) enhanced efforts for fund raising.

In terms of spatial aspects, recommendations are made: (1) engagement of DPRK and Japan and (2) expansion of GTI region. In terms of institutional aspects, they are: (1) upgrading the level of representation, (2) strengthening of GTI secretariat, (3) engagement of various international organizations.

According to the above mentioned recommendations, it provides a consolidated model GTI Five Year Strategic Plan (2011 - 2015).
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