RUSSIA-NORTH KOREA-SOUTH KOREA: TOWARDS COOPERATION IN THE FIELD OF TRANS-KOREAN RAILWAY PROJECT.

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The improvement of the situation on the Korean Peninsula, following the June 2000 Summit, has opened up the possibility of reconstructing the railway between the North and the South. The interconnection of the railway systems would allow cargo transportation from the south of the Korean Peninsula to Russia, China and Europe. This could open up a faster and more economical cargo transportation route than the all-water route.

Railway interconnection could lead to significant changes in cargo and commodity flows in Northeast Asia, involving Russia as a natural transportation bridge between Europe and Northeast Asia. Besides, the connection of the northern and southern railways is likely to accelerate economic cooperation on the Peninsula, serving as a stabilizing factor in the region. The potential value of railway interconnection could be high and this project has already acquired the support of countries in the region and international organizations, including the Economic and Social Commission for Asia and Pacific (ESCAP) and the UNDP.

At present, the trade and economic links between Russia and the Republic of Korea are performed as an intermodal rail-cum-sea traffic through the ports of the Far East and amount to 3 million tons.

A new route to the Republic of Korea will eliminate an extra rail-cum-sea re-loading and respectively cheapen transport costs and attract additional freight flow to the railways. Besides, this route may attract traffic from the routes now bypassing the railway network of Russia.

Cost of a direct railway transportation from Pusan will be actually the same as that via port of Nakhodka-East in spite of the fact that at present they apply specialty MPS-Russia rail tariffs there.

Thus it can be stated with an absolute confidence that introduction of the Trans-Korean Route will allow Korea not only to profit from transport links with European states but also to explore resources of the two our states to the mutual benefit.

As you know two main railway routes were considered for international cargo transit. The first of these routes (via Tumangan–Khasan border crossing) is most profitable to the Russian Railways as having the longest part of the route across Russia.

As compared to other land bridges, it has a number of advantages:

1. Practically the whole route runs across the territory of one state (Russia), hence there are no time losses due to border-crossing, customs or other inspections performed at the time of crossing state borders.

2. The Trans-Siberian Trunk Line has hi-technology infrastructure.

3. Freight safety is secured throughout the transportation.

4. Freight tracking is performed by means of IT.

In this connection I would kike to tell you shortly about the Transsiberian Railroad and its role for Russian economy.

The Trans-Siberian Trunk Railway is a powerful two-track electrified railroad with more than 10,000 kilometers length whose technical parameters and capacity are sufficient to move up to 100 mln. tones a year, including 200,000 TEU of international transit container traffic from the Asian-Pacific Region to Europe and Central Asia. To cope with this task a required extension of stations at the borders with Mongolia, China and Korea has been carried out, access to sea ports has been improved, and container terminals are under modernization in order to adjust them for FEU traffic. At the time present 36 stations of Trans-Siberian Trunk Railway have terminals capable of handling large-capacity containers, 13 of them can also handle FEU containers. When the system of international corridors was designed, the Trans-Siberian Trunk Railway was considered a priority route connecting Europe with Asia and was included in this capacity in transportation projects carried out by leading international organizations like ECE, ESCAP.

Existing technical and technological characteristics of the Trans-Siberian Trunk Railway create favorable pre-conditions for enhancing transit freight flows. Current trends in trade between the European countries and countries of the Asian-Pacific region show that the volumes of transit container traffic along the Trans-Siberian Trunk Railway can be substantially enhanced.

The Ministry of railways of the Russian Federation pays unflagging attention to the modernization of the Trans-Siberian Trunk Railway's infrastructure, cutting down the delivery time of the container freight, improving rate (tariff) policies and service level enhancement.

It is Trans-Siberian Trunk Line where new technologies are implemented and a favorable customs regime for international freight transit is secured.

Construction of fiber-optic transmission lines altogether with microwave-link routes and satellite communications system makes provisions, firstly, to establish a contemporary digital communications system for railway-only use and to improve reliability of traffic control procedures.

Next stage will include creation of a single information field for the whole transport complex which will be of great value for optimizing transportation process on the Europe-Asia route.

At present, MPS-Russia in collaboration with concerned federal ministries and agencies have solved a number of procedural and technologic problems with a goal to attract freight to Trans-Siberian Trunk Line, namely as follows:

- simplified procedures for customs documentation are introduced (using an extra copy of memorandum bill for customs check purposes);
- VAT is eliminated for transit freight of CIS origin beginning with 2001;
- presentations were held for shippers and freight forwarders to describe the advantages of transportation via Russia as compared to alternative routes;
- a regular container bulk train Moscow-Beijine was introduced into operation in July 2000.

Further development of freight traffic along the Trans-Siberian Trunk Line may be facilitated by decision adopted by Governments of DPRK and Republic of Korea to link railway systems of both states which allows for a direct railway link with Republic of Korea for both import-export and international transit freight traffic along the Trans-Siberian Trunk Line.

This may exclude an extra rail-sea re-loading and cheapen the transportation attracting additional freight traffic flows to the Russian Railways.

Comparing alternative routes from the Rep. of Korea to Western Europe and Finland, one can conclude that, in case of using sea route the length, e.g., of the Pusan – Hamburg route amounts to 19,200 km, the average cost per 1 container - $1400. Delivery time is on the average about 26 days. It's 6,800 km longer than the Trans-Siberian route, 8 days longer and $200 more expensive.

The total length of the transoceanic route Pusan – Hamburg – Kotka is 22,800 km. An average cost per one container is $1800, delivery time - 28 days. Compared with the Trans-Siberian route, it's 11,900 km longer, 15.5 days longer and $600 more expensive. One of the most promising aspects of the development of the Trans-Siberian Trunk railway in the 21st Century is the opening of direct railway service between the Republic of Korea and the Russian Federation.

The existing project of the formation of a Trans-Korean railway to connect the port of Pusan (S. Korea) with the railway border terminal Khasan-Tumangang (on the Russian-Korean border) is of considerable interest for the Russian Railways. Putting this 1313 km-long line into operation will mean:

⇨ shortening the transportation length for the freight bound for Western Europe from Korea by 8,000 km, compared with sea route;

⇨ cutting down delivery time for container freight by 10-15 days;

⇨ cutting down cost of container transportation from Pusan to Khasan/Tumangang border station and further toward Brest and Hamburg, since opening of the Trans-Korean line will create most

favorable conditions for the transportation of containers from Korea to Europe along the Trans-Siberian Trunk railway.

At the meeting between Vladimir Putin and Kirm Jong Il held in August 2001, North Koreans confirmed that they would prefer to consider a more functional "Eastern" route (Pyonggang-Wonsan –Tumangan) that requires modernization of about 960 kilometers of track and other infrastructure in the DPRK. In 2001, a joint working group inspected this Eastern section of the North Korean railway and followed the inspection up with a preliminary technical and economical assessment report. This is, however, essential to the funding options of the project (concession, joint venture, etc.). Last august South Korean delegation headed by the Chief of department of the Korean National Railroads Mr. Son Hak Le inspected the Transsib by traveling from Hasan to Novosibirsk by train.

As for Russia, its participation in the expensive reconstruction of the North Korean railway will be justified only if the turnover of container traffic will be guaranteed by the specific arrangements between the Republic of Korea and the DPRK through the eastern route. During the initial phase of the project, the Russian railway would be capable of increasing the volume of transit transportation by about 20,000 to 25,000 TEU a year. According to forecasts, it is possible to increase the volume of transportation to 400,000 TEU per year in 2005-2010.

Ideally, the two proposed routes — through Russia and through China and Russia — should not compete with each other. ESCAP, for example, mentioned that it could be a co-coordinator of the project. However, such a role could be justified only if a rational concept for the division of cargo flows were adopted. At the meeting with Vladimir Putin in Moscow in August 2001, Kim Jong Il put forward the idea of constructing the direct transit route Pusan – Wonsan – Hasan using Russian-sized rail gauge (width of the track). This route option, which should follow the eastern coast of Korea, requires additional consultations with South Korea.

Following these top-level discussions, the Russian Ministry of Railway and the Ministry of Railway of the DPRK signed a cooperation agreement on August 14, 2001. A representative office of Russia's Ministry of Railway has been established in Pyongyang. Exploration and preparatory work with the participation of Russian experts is envisioned on DPRK territory. The idea of trilateral cooperation on the "Eastern route" was incorporated in the final document of the inter-Korean ministerial level meeting held in Seoul on September 15-18, 2001. This project could become one of the largest economic undertakings for Northeast Asia, providing substantial benefits to all economies involved and serving as a major stabilizing factor both for the Korean Peninsula and the Eurasian continent.

The exact date of the beginning the construction Transkorean railroads (Republic of Korea – North Korea-Hasan) can be fixed only after the completing calculation of the coast of the total project and determining the source of finance.

The preliminary estimation of the coast of construction made by the Russian Ministry of Railways in February 2002 is about 103 billion rubles (3,4 billion US dollars). At present Russian specialists are working on the technical documentation for the reconstruction of the North Korean railroads and other facilities.

The Minister of Russian Railways Mr. Fadeev confirmed again that his Ministry will proceed to work on the project of connection of the Transsib and Transkorean railroads. The Ministry (MPS) is ready to participate in the project in cooperation with other investors.

We expect that South Korea as well as North Korea will closely cooperate with Russia in realization of this project vital for all of our countries.