

# Economic Integration and the Changes in Logistics Circumstances in Northeast Asia -Emphasizing the Strengthening of Competitive Power of Hub Ports-

Byung-Hong Park\*

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Key Words: Northeast Asia, FTA, Economic Integration, Korean Peninsula, Hub port,  
the Railroad of South-North in Korean Peninsula, the Railroad of the Continent of Siberia.

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Abstract

This study focuses on analyzing the potentiality of economic integration and the changes in logistics circumstances in Northeast Asia. So far as the changes in logistics circumstances in it, it is emphasized a complex transport system by sea and by land, according to the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia.

It first considers the propriety of economic integration among Korea, China and Japan in Northeast Asia. The first stage of the economic integration in Northeast Asia means it is started from contracting of FTA(Free Trade Agreement) which just agreed at the Summit Conference among Korea, China and Japan in ASEAN+3(Korea, China, Japan). At that time, the Summit Conference between the three countries have agreed to study on the propriety of FTA charging by own country's research organization. At first China has been hesitated to join with FTA in spite of high growth in his economy, because the time is not yet for it. After all, China also decided himself to participate to FTA together with Korea and Japan by reacted to the stimulus at the conference atmosphere between every country of ASEAN.

The discussion on the changes in logistics circumstances also is needed to deal simultaneously with a situation in the economic integration in Northeast Asia. It is worthy to be paid our attention to the restoration of the Railroad of South-North in Korean Peninsula, which was disconnected for a long time from the dispute between South Korea and North Korea. Therefore, it needs to be investigated together with the movement of economic integration in Northeast Asia. The reaction on the restoration of the Railroad of South-North in Korean Peninsula is not only limited to the transport of trade cargo between South Korea and North Korea, but also it is reached to all of Northeast Asia, so far as to all of the area of Russia, Europe, and the other neighbor countries. Because this railroad is connected with the Railroad of the Continent of Siberia.

The transport of trade cargo in Northeast Asia have been mostly depended upon the transport by sea until now. However, it would be divided into the transport by sea as well as by land from now. As its economic effect, the restoration of the Railroad of South-North in Korean Peninsula could be not only contributed to reduce the cost of logistics within South Korea and North Korea, but also within or without in Northeast Asia, Russia, and Europe. Consequently, it could be improved the power of international competitiveness of goods in Northeast Asia, according to the formation of a complex transport system together with the transport by sea and by land.

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\* President, The Korea Development Institute for the West-South Coast

## I Introduction

The world is inquiring a borderless global economy, while a lot of block economy also is already born realistically. As an example, under the influence of NAFTA, EU and Middle South Area of America, even in many countries in East Asia also have been developed so many consultation to achieve economic integration within their inshore countries. It was a decisive moment that Korea, China and Japan in Northeast Asia have agreed to study on the propriety of FTA (Free Trade Agreement) at their Summit Conference make each own national research organization to do<sup>1)</sup> The discussions about economic integration among the three countries in Northeast Asia are mostly focused on the policy of self-awakening which should be sought by themselves. The direct motivation about economic integration in Northeast Asia was induced from the holding of the Summit Conference of ASEAN+3(Korea, China and Japan) for the strengthening of economic cooperation within their inshore countries in recent years. In other words, Korea, China and Japan thought that economic integration in Northeast Asia is hopeful to be performed prior to its achievement in East Asia. Moreover, economic situations in Northeast Asia could be not only coped with the economic situations in NAFTA and EU, but also their fundamental conditions on the economic integration in Northeast Asia are already filled up, through their close economic exchanges and the division of production materials distributed between Korea, China and Japan. Even though the discussions about economic integration in Northeast Asia have been opened in the dimension of private research level for a long time, but these have actually been begun to be taken in the public consultation, which was started from at the Summit Conference of the three countries only several years ago.

The discussions on FTA between the three countries in Northeast Asia were mostly affected from the movement to establish FTA at the Summit Conference of ASEAN+3(Korea, China, Japan). Japan has already contracted together with ASEAN and Mexico. Korea also has established FTA with Chile Feb. in 2004. The three countries in Northeast Asia worried that they might be given up by themselves their inshore market, according to the contract of FTA together with their offshore counties, when they would not go to contract of FTA within inshore countries. China has been hesitated to contract FTA one time in spite of his high economic growth, because the

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1) Jeong In Kyo, "The Driving Propriety of FTA and Preceding Subject" Dec. 2003.

time is not yet for it. Recently, China decided himself to join FTA together with Korea and Japan, because he was affected from the development of FTA in ASEAN. The three countries in Northeast Asia also turned hastily forward to drive FTA according to the movement of trade atmosphere in the world. The economic integration in Northeast Asia would be able to realize sooner or later as a long-cherished wish of them.

A event which would not be lost as well as the discussions on the economic integration in Northeast Asia is the changes in logistics surroundings in it, according to the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia. The economic effects on the connection of the Railroad of South-North in Korean Peninsula are not only limited to South-North in Korean peninsula, but also reached to China, Russia, Mongolia, Central Asia, and as far as to Europe. That is to say that the trade cargo from the inland of Korean Peninsula toward to the inland of China and Russia could be reduced fairly its transport cost, according to the use of TMR (Train of Manchuria Railroad) and TMGR (Train of Mongolia Railroad). Therefore, the transport system in Northeast Asia will be organized to the transport by sea and by land, through the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia. The time just has come to contract FTA prior to the establishment of a full economic integration in Northeast Asia.

This paper first is analyzed the propriety of economic integration in Northeast Asia. And it also is checked the effect which derived from the changes in the logistics circumstances in this area, in accordance with the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia. In order to analyze the propriety on economic integration among Korea, China and Japan in Northeast Asia, it should be considered the process which agreed to study on the propriety of FTA at the Summit Conference between the three countries in Northeast Asia. And then, it also would be investigated the situation their economic conditions between Korea, China and Japan. It again should be analyzed the effects according to the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia. Consequently, the cargo transport system in Northeast Asia which mainly depended upon the transport by sea until now will be turned to a complex transport system together with the transport by sea and land by from now.

## II The Propriety on Economic Integration in Northeast Asia

### 1. Propelling Process on Economic Cooperation talked about at the Summit Conference between Korea, China, and Japan in Northeast Asia

Since the Summit Conference between Korea, China, and Japan was held at Manila, Philippine, Nov. in 1999, the discussions about economic cooperation among the three countries in Northeast Asia began to be more revitalized. The Summit Conference between the three countries which held at Brunei Nov. in 2001 has agreed that the minister's councils related to economic affairs should be held to be kept in regularly, for the detail performance in the items of economic cooperation settled at the Summit Conference. And they also decided to discuss international cooperation related common countermeasures to WTO, macroscopic economy policies of financial field, and trading affairs joining together with the ministers of commerce and finance between the three countries. The subject on FTA between Korea, China, and Japan in Northeast Asia began to be more activated, since it officially was talked about economic cooperation at the Summit Conference between the three countries. China proposed to research the propriety on FTA joining together with the three countries at the Summit Conference which held at Pnom Penh, capital of Cambodia Nov. in 2002. Therefore, they agreed to study on the propriety of FTA entrusting each own national research organization from 2003 to 2005. At that time, Japan first suggested to contract of FTA between Japan and Korea, then, FTA between Japan and China would be contracted in the next proper time. However, Korea accepted immediately the proposal on FTA of China, Japan also agreed to it.

The tops of Korea, China, and Japan made a manifesto on 14 fields of economic affairs, national security, society · culture at the Summit Conference of ASEAN+3 (Korea, China, Japan) held in Barly of Indonesia Oct. in 2003. In the field of economy, they first agreed to establish FTA, in order to promote of trading, investment, finance, IT, and countermeasures of policy to WTO. In the field of national security, they reconfirmed peaceful settlement of nucleus in North Korea, In the field of society · culture, they agreed to weigh on the cooperation in the exchange of human · culture, common sanitation, sports, exchange of between municipality government, controls of purchase · sale of human bodies, drug, money hiding, super-national control of crimes

in the international economy, and internet site, etc.

Particularly, in the logistics cooperation, the three countries would like not only to weigh with their cooperation in the fields of tariffs and logistics, but also to minimize the trade disputes for the promotion of trade within their inshore area. They thought that, when there would be relaxed the regulation on the full facilities in the free trade area and the export promotion area which established in their inshore area, the neighbourhood and the speediness to approach to their hub ports and their air ports in their inshore area would be increased greatly. During the time, Northeast Asia area actually was so much high the barrier of legal · institutional · technical trade in the field of tariffs and logistics. If there would be harmoniously operated the mutual assisting system of logistics among the three countries, the cooperation in the field of logistics within their inshore area would not only be achieved an epoch-making development, but also it ultimately would be greatly contributed to be formed the economic community in Northeast Asia.

<Table II -1> Propelling Process on the Economic Cooperation at the Summit Conference between Korea, China, and Japan

Date	Location	Main Item of Discussion
First, Nov. 1999	Philippine	*Non-official breakfast meeting *Discussion on joining WTO of China *joint study on economic cooperation between Korea, China and Japan
Second, Nov. 2000	Singapore	*Be agreed on holding of regular Summit Conference between Korea, China and Japan *Joint study on economic cooperation by the national policy institute of Korea, China and Japan
Third, Nov. 2001	Brunei	*Be agreed on holding of regular economic minister's meeting between Korea, China and Japan *Be agreed on holding of business forum *Be agreed on building of cooperation system to prevent terrorism, international crime, environmental pollution between police authority of Korea China and Japan
Forth, Nov. 2002	Pnom Penh	*Be agreed on research of propriety of FTA between Korea, China, Japan *Korea agreed on contracting of FTA proposed by China
Fifth, Nov. 2003	Barly	*Introduced Joint declaration on economic cooperation and crime countermeasure *Discussion of interim-report studied on FTA between Korea, China and Japan

Source : KIEP "Main Discussion at the Summit Conference related to FTA between China, Japan, and Korea"

Besides, in the Summit Conference between China, Japan, and Korea held at Barly Nov. in 2003, the tops of the three countries again were stressed and confirmed the importance in the oversea direct investment. They also have agreed to do a joint

research by secret on the way to contract the investment agreement among the three countries, and to exclude the barrier factors within their inshore countries, in order to exclude shorting of the investment within their inshore countries than the foreign trade with their offshore countries. It first should be settled the improvement of the investment atmospheres within their inshore area.

However, the contracting of investment agreement which could improve their investment environment within their inshore countries have been strongly requested, because their inshore investments between the three countries have been stayed at very shorting level. Even in the financial cooperation within their inshore area, the Summits of the three countries confirmed "Chiang Mai Initiative (CMI) which agreed to at the conference of financial ministers of ASEAN+3(Korea, China, Japan) held at Chian Mai, Thailand. May. in 2000. Therefore, they also agreed to develop continuously the regional financial cooperation through the establishment of financial mechanism and bond market within their inshore countries. CMI which introduced since the financial crisis in 1997 was established to strengthen the financial cooperation in East Asia, At that time, "Asia Bond Fund" was established for the activation of the Bond Market with a scale of 1 billion dollars in East Asia

## 2. Economic Aspects between Korea, China, and Japan in Northeast Asia

Economic aspects between Korea, China, and Japan in Northeast Asia have come to be growing as a big region which cope with the situation of NAFTA and EU. Additionally, the economic aspects in Northeast Asia seems like to be more improved in the future by becoming a member of China to WTO and by continuing of rapid economic growth in China. The ratio occupied Korea, China, and Japan in the world economy is as follows <Table II-2>. First, in the ratio of population, the ratio in Korea, China, and Japan is 1.4 billion, 23.6% of the world population, EU is 3.8 hundred million, (6.1%) of it, NAFTA is 4.2 hundred million, (6.8%) of it. Therefore, so far as China's population concerned, his weight is an overwhelming position, it compared with EU and NAFTA. In the ratio of production, Korea, China, and Japan are 5.9 trillion dollars (17.7%), while EU is 8.6 trillion dollars (26.8%). NAFTA is 11.8 trillion dollars (36.7%). And also in the ratio of foreign trade, Korea, China, and Japan are 1.7 trillion dollars (13.2%), EU is 4.7 trillion dollars (36.8%), NAFTA is 2.7 trillion dollars (21.1%), etc.

&lt;Table II -2&gt; Economic Ratio of Korea, China, and Japan in the World Economy

(Unit : Ten Million, Ratio:%)

	Population(hundred million)		Domestic Production(billion)		Total Trade(billion)	
	Size	Ratio(%)	Size	Ratio(%)	Size	Ratio(%)
Korea, China and Japan	14.6	23.6	5,698	17.7	1,733	13.2
EU	3.8	6.1	8,637	26.8	4,658	36.8
NAFTA	4.2	6.8	11,809	36.7	2,672	21.1

Date : 2002

Source : Global Insight DRI-WEPA(2003), World Overview, IMF(2003) ,International Finance Statistics.

&lt;Table II -3&gt; Foreign Trade Scale of Korea, China, and Japan

(Unit : Hundred Million Dollars)

		1995	1996	1997	1998	1999	2000	2001	2002
Export	Korea, China, Japan	7,170	6,918	7,400	7,038	7,582	9,008	8,206	9,537
		(14.0)	(12.9)	(13.4)	(12.9)	(14.1)	(14.2)	(13.6)	(15.0)
	Korea	1,251	1,297	1,362	1,323	1,437	1,723	1,504	1,575
		(2.4)	(2.4)	(2.5)	(2.4)	(2.7)	(2.7)	(2.5)	(2.5)
	China	1,488	1,521	1,829	1,836	1,952	2,493	2,667	3,843
		(2.9)	(2.8)	(3.3)	(3.4)	(3.6)	(3.9)	(4.4)	(6.0)
	Japan	4,431	4,109	4,210	3,879	4,194	4,792	4,035	4,128
		(8.6)	(7.7)	(7.6)	(7.1)	(7.8)	(7.6)	(6.7)	(6.5)
Import	Korea, China, Japan	6,001	6,384	6,255	5,141	5,986	7,461	7,338	7,794
		(11.6)	(11.7)	(11.1)	(10.4)	(10.4)	(11.4)	(11.6)	(11.6)
	Korea	1,351	1,503	1,446	933	1,198	1,605	1,411	1,566
		(2.6)	(2.8)	(2.6)	(2.0)	(2.1)	(2.5)	(2.2)	(2.3)
	China	1,291	1,389	1,422	1,403	1,676	2,061	2,436	2,884
		(2.5)	(2.6)	(2.5)	(2.5)	(2.9)	(3.2)	(3.9)	(4.3)
	Japan	3,359	3,492	3,388	2,805	3,113	3,795	3,491	3,344
		(6.5)	(6.4)	(6.0)	(5.1)	(5.4)	(5.8)	(5.5)	(5.0)

Note : ( ) is the Ratio of Export-Import in the World

Source : Global Insight DRI-WEPA(2003), World Overview. IMF(2003) International Financial Statistics

Seeing the change of foreign trade in Korea, China, and Japan following to the <Table II-3>, it showed 3.0% of annual average growth rate, it recorded from 1.3 trillion in 1995 to 1.6 trillion in 2002. Accordingly, the ratio of three countries, Korea, China, and Japan in the scale of foreign trade of the world increased only a little from 12.7% in 1995 to 13.2 % in 2002. It would be classified by the country, China showed a tendency of rapid increase by his continued economic growth, while Japan

showed relatively down it by his continued economic depression. So that, the separated ratio in Korea, China, and Japan in the world market is showing a lot of changes. Seeing the separated change among the three countries in the world export, Korea was almost not changed from 2.4% in 1995 to 2.5% in 2002, while China went up from 2.9% to 6.0%, but Japan showed a sharp drop from 8.6% to 6.5% separately. In the export in the world, Korea and Japan showed a little drop from 2.6% to 2.3%, China showed a rapid growth from 2.5% to 4.3% separately.

The economy of Northeast Asia has come up to the surface of the world by the help that Chinese economy jumped up as an one of the three great economic blocks of the world together with EU, NAFTA. Their inshore economic cooperation in Northeast Asia also is continued to be risen its scale. The Korean economy and the Japanese economy are to be slowly growing, while the Chinese economy is continuously growing to be kept on 7% by the aid of the prosperous domestic demand as well as the continued export.

<Table II-4> Trend of direct investment to China by Korea and Japan

(Units : Million dollars, %)

		1993	1994	1995	1996	1997	1998	1999	2000	2001
Investment to China of Korea	Amount	264	632	824	836	633	631	308	433	513
	Ratio	20.9	27.5	26.8	19.7	19.6	16.2	12.1	10.3	14.2
Investment to China of Japan	Amount	1,691	2,565	4,473	2,510	1,987	1,065	751	995	1,440
	Ratio	4.7	6.3	8.8	5.2	3.7	2.5	1.1	2.0	4.6

Note : Ratio showed the Foreign Direct Investment of Korea and Japan.

Source : the Statistic Source of The Korean Export and Import Bank and Japanese Treasure Minister.

The scale of direct investment between Korea, China, and Japan is showing to be down relatively compared with it of their foreign trade. However, their economic growth rate is continuously keeping. In direct investment, Korea and Japan have been achieved the role of investment country as well as accepted country of investment, while China has a high status as a accepted country of investment. The investment to China by Korea and Japan has been increased until the middle of 1990's. After the financial crisis it turned down, but it again turned up by the recovery of economy in East Asia. Direct investment to China by Korea decreased from 8.4 hundred million dollars in 1996 to 5.0 hundred million dollars in 2001.



Overseas direct investment to China by Japan also decreased suddenly from 8.8% in 1995 to 1.1% in 1999, but it again increased 4.6% in 2001.

Direct investment between Korea and Japan showed relatively down than the strength of their foreign trade. Therefore, it has come to be a big trading problem because it operated as a barrier in the extension of economic cooperation between two countries. According to the direct investment between Korea and Japan turned up started from the increasing in 2000, two countries showed the investment level of 80 million dollars and 5.4 hundred million dollars in 2001 separately. So that, the ratio in the direct investment to Japan by Korea increased 2.2%, even though it was not reached to the level in 1995, and the direct investment to Korea by Japan recorded 1.7% separately.

<Table II -5> Scale of direct investment between Korea and Japan

(Units : million dollars, %)

		1993	1994	1995	1996	1997	1998	1999	2000	2001
Investment to Japan by Korea	Amount	6.0	58.0	105.1	80.6	63.7	22.7	48.3	62.4	80.3
	Ratio	0.5	2.5	3.4	1.9	2.0	0.6	1.9	1.5	2.2
Investment to Korea by Japan	Amount	245	400	440	416	442	303	980	814	543
	Ratio	0.7	1.0	0.9	0.9	0.8	0.7	1.5	1.7	1.7

Note : Ratio showed the overseas direct investment of Korea and Japan

Source : the Source of The Korea Export and Import Bank and Japan Treasure Minister

Next, seeing the specialization structure of industry between Korea, China, and Japan, it is turning from vertical structure to horizontal structure in the manufacturing by the result of mutual dependence, complement and competitiveness within their industry, through the extension continued in the field of foreign trade investment between them. Such a pattern of horizontal structure in the manufacturing is forming a triangle between Korea, China, and Japan. In other words, Korea exports raw materials and middle goods to China, China exports consumer's goods to Japan, Japan exports capital goods, nuclear parts, and basic materials to Korea and China. Like this structure was built up by the enterprises of Korea and Japan exported the products which produced themselves in China to their mother country or the third countries (mainly USA, Europe), in accordance with concentrated their investment to China in 1990's. Such a specialization structure for the industry and the foreign trade between Korea, China, and Japan

will be expected to be continually for the present.

### 3. The propriety on economic integration in Northeast Asia<sup>2)</sup>

#### 1) Coped with World-wide Regionalism

The discussions on economic integration in Northeast Asia and East Asia are not yet developed during that time in spite of it's spreading in worldwide regional integration, APEC and ASEM which have been led by East Asia are not only yet reached the level of trade cooperation in their regional integration, but also they have not been accomplished their roles in the pure cooperative subject to be consulted as a regional community in East Asia. These areas are confronted many difficulties to be taken by themselves their unified strong standpoint or their right to a voice in APEC or ASEM. In other words, under the situation which would not be built their real foundation in these regional community, a barrier which blocked up the quickening of regional FTA is attributed to the oversea dependence in their inshore economy. APEC was led by ASEAN unilaterally, while Northeast Asia has been excluded from it. Fortunately, after the financial crisis, Northeast Asia began to be joined through the Summit Conference of ASEAN+3(Korea, China, Japan) which was led by ASEAN. At that time, the Summit Conference between Korea, China, and Japan officially began to be discussed on the real subject of economic cooperation in Northeast Asia. Even in ASEAN, taking into consideration their economic situation, market scale, level of economic development and level of market opening within their inshore countries, their role in the regional trade agreement which is initiated by ASEAN would be limited by themselves. Consequently, they began to be recognized that it would not be easy to be coped with the regionalism which spreading world-widely. Moreover, the scale of trade and investment in ASEAN is not so large to be compared those of Korea, China, and Japan in Northeast Asia.

Even under like these situations, the discussion on the regional integration in Northeast Asia has been contributed to promote the contracting of trade agreement between the three countries. That is to say it was begun to be become since the financial crisis in 1997. After the financial crisis, many countries in East Asia felt

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2) The discussion about this item would be different from each other according to the writer, it is emphasized the importance of a dimension in Northeast Asia. in particularly.

keenly the necessity to establish a regional financial organization and the regional FTA for the prevent of a similar crisis. During the financial crisis of Mexico in 1994, many countries in East Asia which watched the positive role of the United States recognized to be newly the necessity of regional economic integration. Therefore, even in East Asia, they began to have an idea on the establishment of regional trade agreement coping with to the experience in Mexico. Under these situations, Korea, China, and Japan in Northeast Asia were instituted more positive necessity on the economic cooperation. The discussion on FTA between Korea and Japan has been begun as its first stage. This process just was the middle course to be joined to FTA by China together with Korea and Japan.

## **2) Regional Trade Agreement as a Motive in Economic Growth**

Economic growth in East Asia was continued as a main axis in the growth of world economy according to the prosperity in Japanese economy in postwar, high growth in Korean economy since 1960's, economic growth in Taiwan and Malaysia in ASEAN since 1980's. However, Japanese Economy is under the depression for a long time since the early in 1990's and economic growth in Korea and East Asia has been weakened by the financial crisis since 1997's. Exceptionally, in spite of the Chinese economy has been continued on his high growth, it was wanting in ability to get the economic dull back in his neighbor countries. Korea and many countries in East Asia could be quickly avoided from the financial crisis because there was not a few helped by the unique prosperity in American Economy. Recently, the growing motive in East Asia and Northeast Asia would not be easy to find only the exchange with their offshore countries, under the environment which was not recovered their economic situations in the United States, EU and Japan. Seeing the situation of economic growth within their inshore countries, they could not be easy to find their economic growth policies with having only their domestic economic conditions. Moreover, because the oversea dependence of economy within their inshore countries is keenly high, it would not be easy to build their separated economic mechanism by themselves.

Under such a worldwide economic circumstances. one of the main economic growth motives which could be induced from the domestic economy conditions in East Asia and Northeast Asia would be found in the activation of their inshore economy through the regional FTA. Having with our experiences about the globalism in economy since the financial crisis, the changed circumstances in their

regional economy and high economic growth in China would be added the necessity to be gotten the regional FTA. In other words, it is hopeful to find the strategy for the economy activation within their inshore countries, through the extension of their trade and direct or indirect investment by the contract of regional FTA and the foster of bond market,

### **3) Refrained from the Contracting of FTA with the Inshore Countries and the Offshore Countries**

The discussion on regional integration in East Asia is lively talked about it compared with other area, even though it started later on. Even if the visible results about it until now are only to contract FTA between Japan and Singapore and Korea and Chile, it looks like that a lot of the establishment of FTA would be visible in several years. A small economic group, ASEAN is making a step forward to build a network in FTA. In other words, for the deepening in their inshore economic activity through the contracting of FTA, they would be not only limited to contract FTA with China, Australia and New-zealand, but also they are considering to contract FTA with India, South East Asia, and the United States. Korea, China, and Japan in Northeast also are making a effort to contract FTA within their inshore countries. Accordingly, the network of FTA in East Asia looks like to be spreading rapidly. Two big economic countries, Japan and China also have a intention to establish FTA competitively with their offshore countries separately. Korea also would like to contract FTA with Japan and Singapore which are already contracted it between them. There is a domino effect that Korea and Japan would like to get FTA with Mexico.

As far as such a phenomenon would be happened continuously, the regional FTA of the most countries in East Asia might be disturbed the realization for it. Because the contraction of multinational FTA within their inshore countries which tried originally would be pushed bilateral FTA with the offshore countries. Therefore, FTA between their inshore countries in East Asia and their offshore countries in another area should be refrained from a reckless competition, and then, FTA between their same inshore countries should be went ahead preferentially for the extension of economic mutual complementation within their inshore countries. In other words, the bilateral FTA between with their inshore countries in East Asia and their offshore countries in another area should be refrained as possible, because

multilateral FTA within their inshore countries would be disturbed by the effect which bring from bilateral FTA with their offshore countries. However, there is a consideration to be kept a smoothly running with WTO, a global economic system.

Seeing like this situation, the idea on the FTA between Korea, China, and Japan has very important meaning. Such a idea means that multilateral FTA within their inshore countries first should be concentrated to drive one hand, while the bilateral FTA with their offshore countries should be gone slowly to drive the other hand. The most important thing is that Northeast Asia has a priority to make a regional community as well EU and NAFTA as one of the three economic block in the world, FTA in East Asia would not be easy to do an estimate when it is achieved. However, if FTA between Korea, China, and Japan in Northeast Asia would be formed earlier than East Asia to do, the three countries in Northeast Asia could be become a motive for the formation of FTA in East Asia. And also FTA between the three countries in Northeast Asia would be become a moment to be converted to mutual cooperative · complementary effect which mitigating a keen competitive relation between Japan and China, two big economic countries, in Northeast Asia. So far as Japan and China is continued to be kept endless competitive relation, the economic integration in Northest Asia would be difficult to achieve it as a result. Seeing like this point, the contracting of FTA between Japan and China almost could not have the possibility to realize it. Subsequently, there is an idea that Korea will be performed a role to absorb the shock according to the contraction of FTA between Korea, China, and Japan. If the economic integration in Northeast Asia is achieved first, it would be done a function of cornerstone to build economic integration in East Asia.

#### **4) The Contribution of FTA in Regional Security Circumstances**

Looking at the history in regional economic integration, all of the regional trade agreement brings strongly to political character besides to economic character. It was not only in the background of European Integration, but also beginning with NAFTA, all of the contracting of FTA which led by United States operated strongly on political character. Particularly, even seeing the background of FTA among Korea, China, and Japan, the three counties in Northeast Asia, it would not be easy to exclude from the political character. Northeast Asia where surrounded Korean Peninsula has already been in the area of competitive performance that the great powers in the world are competing here with each other. Moreover, recently, the rising of nuclear problem in

North Korea is operated upon the uncertainty factor of the present status of affairs in Northeast Asia. An alliance between United States of America and Japan is strengthened by themselves one hand, there are so much interested in the role of China which looked upon himself as an arbitration to solve the nuclear problem. Under the circumstance which would not be guaranteed the cooperation in military · security, it would be not easy to keep up the smooth economic cooperation.

Paradoxically, it was often applied a rule of the separated principle of economical problem from political affairs as a means to solve such a situation. Unfortunately, under the situation which is not yet stopped the nuclear problem in North Korea, besides unhappy historical events among Korea, China, and Japan in Northeast Asia, these problems should be not only overcome one hand, but also the economic cooperation would be promoted friendly between them the other hand. It means to be gotten two birds with one stone. In other words, when the economic cooperation between the three countries in Northeast Asia would be to achieve actively in the near future. it would be contributed to deepen their mutual understandings in the cleaning of the past history among them.

Therefore, looking at from the side of the cooperation between countries concerned to solve the uncertainty of present status of affairs in Northeast Asia, the spreading effects in the contracting of FTA among Korea, China, and Japan in this area is not only limited to the side of the pursuit of economic common profit, but also reacted to the other side of the political · national security among them, Consequently, FTA between the three countries will be greatly contributed to pursue their economic mutual profit and to improve their national security circumstances. The cooperation with China and Japan also are very important for the economic cooperation between South Korea and North Korea which would be become to be serious from now. The construction of economic cooperation foundation achieved of FTA between Korea, China, and Japan seems like that it would be brought a lot of effect which spreading within their inshore countries, according to it is in gear with the economic cooperation between South Korea and North Korea. Recently, the connection with the railroad by train or by road between South-North in Korean Peninsula will be not only brought in the change of logistics surroundings within their inshore countries in Northeast Asia, but also it will be operated on the extended foundation of trading toward Russia and Europe pass through the Railroad of the Continent of Siberia. The improvement of national security environment by the economic cooperation, according to it again

create the extension in economic cooperation, will be contributed to the establishment of an affirmative circulatory structure.

### III Changes of Logistics Circumstances in Northeast Asia

The strengthening of economic cooperation in Northeast Asia will not only be promote a new change in the logistics surroundings within his inshore countries, but also in its neighbor countries. The transport of trade cargo in Northeast Asia which mostly depended on the transport by sea until now will be extended to the transport by land, from this area as far as to Europe through the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia. The Railroad of the Continent of Siberia which established in 1904 is chiefly classified into four as follows. All of that are started from Moscow, first 'Train of Siberia Railroad' to Vladivostok of the Far East in Siberia, second 'Train of Manchuria Railroad' from Chita of Siberia via Harbin of Manchuria to Beijing in China, third, 'Train of Mongolia Railroad' from Ulan Ude of Siberia via Ulan Bator, Capital of Mongolia, to Beijing in China, last 'Train of China Railroad' passing through the Continent of China.

Originally, the commercial activities within the Orient and the Europe were not only achieved by the transport by land, but also by the transport by sea. In another words, the merchants between the East and the West have been done trading by the transport by land from China via Central Asia and Persia to Istanbul and Athens, and by the transport by sea from China via Southeast Asia, the Ocean of India, the Red Sea and the Persian Gulf to the Mediterranean Sea and Venezuela. However, now there are a lot of changes in the tools and the patterns of the transport which were used by the merchants at that time. Right now, the trade cargo which is carried by horses or by camels during the past time has been transported by train according to take place of the Railroad of the Continent of Siberia instead of the Silk Road. Under this situation, the project for the connection of the railroad within South and North in Korean Peninsula, realized by the help to their peace mood to be obtained between South Korea and North Korea according to the overcome of their discontinuation for a long term, would be confronted a great change in the cargo transport system started from Korean Peninsula reached to China, Russia, and Europe.

The idea on the Silk Road is called that Train of Asia Railroad which allowed by the 48th Conference of ESCAP of UN in 1992. So that, in the transport system of Silk Road by train which transported to China, Russia, and Europe, the possibility to realize its existence would be high through the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia. The decisive moment about it is that South Korea and North Korea have agreed on the connection of the Railroad of Kyung-ui and the Railroad of Kyung-won in Korean Peninsula. An idea on the Silk Road by train was under a dormancy because the Railroad of South-North in Korean Peninsula had been disconnected for a long time. The idea on the Silk Road by train began to be showed its feature by the selection of a resolution to support positively the restoration of the Railroad of South-North in Korean Peninsula for the establishment of Train of the Continent Railroad in Asia at the 52th Conference of ESCAP of UN in 1996.

When the broken blocks in the Railroad of Kyung-ui and Kyung-won restored, economic effects according to that will be fruitful somehow. The connection of the Railroad of South-North in Korean Peninsula is not only limited to Korean Peninsula in its effects, but also it is affected to all of area of Russia, China, Mongolia, Central Asia, finally to Europe, because it just is connected with the Railroad of the Continent of Siberia. First, the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia would be brought a great change in the system of cargo transport within their inshore countries in Northeast Asia. Consequently, all of the cargo which is transported from Korean Peninsula to the inland of China and Russia would be reduced their transport cost by the operation of Train of Manchuria Railroad or Train of Mongolia Railroad, eliminated ports from the transport within these area.

## **1. Spreading Effects according to the Transport by Train**

### **1) The Economic Effects derived from the Connection of the Railroad of South-North in Korean Peninsula**

Let's go to consider the economic effects which bring the connection with the Railroad of South-North of Korean Peninsula in economic block of Northeast Asia. Economic effects in the connection of the Railroad of South Korea and North Korea are due to reduce the logistics cost largely. Trading within both side of Korean



Peninsula depended mostly upon the transport by sea passed through the third countries before. Therefore, an exclusive supply by the transport by sea makes to be higher itself its freight price according to the formation of monopoly freight price about it. In addition, there would not be easy to entry a big ship into port at night by the weakness of port facilities in North Korea. The precise disadvantage of the transport by sea in North Korea is depended upon the transport by train about 90% of all the cargo. For example, even though it would like to go to the port of Nampo carrying container, after it should be moved again into the train, at last it would be reached until their destination. Seeing such a viewpoint, when the Railroad of Kyung-ui restored, the train freight cost from the capital area of Seoul to the neighbor area of Pyeong-yang will be a level of 200 dollars per capita 1 TEU of 20 feet container. The transport period also would be shortened remarkably<sup>3)</sup>.

Besides, when the Railroad of Kyung-ui restored, trading within South Korea and North Korea will be vitalized, and it also would be expected to bring upon itself a new change in the industry structure. Now the industry areas of North Korea which passed through the Railroad of Kyung-ui are Pyeong-yang, Cheong-cheon-gang and Shin-eu-ju. So that, when the restored Railroads of Kyung-ui is used, trading within South Korea and North Korea would be converted from the simple manufacturing to the trusted manufacturing pattern by carrying of its facilities. And also, North Korea will export a large quantities of the light manufacturing and simple assembled electrical · electromagnetic manufacturing goods through the Railroads of Kyung-ui. In other words, as a period of the transition, North Korea is expected to be forming into the labor intensive industry which utilized their natural resources, while South Korea is expected to be forming into the capital · technique intensive industry goods. The restoration of the Railroad of Kyung-ui is not only limited to the economic effect, but also it is included to the meaning of political · military affairs. The opening of the Railroad of Kyung-ui would be formed a different level, apart from the trade pattern within South-North in Korean Peninsula which dealt with the goods via the open sea and the third country before. In addition, there would be included another meaning to overcome economically the military tension affairs because this railroad passed through D.M.Z.

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3) Lee Byung Jo, Korea Foreign University. "Silk Road is the Train Of Hope? and the Railroad of the Continent of Siberia"

## 2) Economic Effects according to the Connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia

Now, I would like to analyze the economic effects in the case of the connection with Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia. The restoration of the Railroad of Kyung-ui is not only appreciated as a project within both South-North of Korea. Because it is connected with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia. North Korea has been contracted an agreement on the transport by the railroad with socialist countries since the middle of 1950's. Namely, during the period of Soviet Union, the cargo within North Korea and German was transported passed through Soviet Union by the Railroad of the Continent of Siberia. Now, the railroad of North Korea was connected with four places of the Railroad of the Continent of Siberia. In other words, From Shin-ui-ju of North Korea to Tan-dong of China, from Man-po of North Korea to Ji-an of China, from Nam-yang of North Korea to Tu-men of China, and from Too-man-gang of North Korea to Ha-san of Siberia. North Korea has been blessed himself the conveniences of the cargo transport by the network of railroads for a long time.

The expected spreading economic effects, when the Railroad of Kyung-ui which connected with South Korea-North Korea and the Railroad of the Continent of Siberia are connected, will be anticipated a great change in the cargo transport of the northeast area in China. Now the railroads of the northeast Area in China, the railroad which connected with Harbin, Chnangchun, Shenyang, and Dalian is under the overfull traffics in the transport of cargo. Because this railroad accepted all of the cargo from the three provinces of the northeast area to Dalian Port in China. In order to transport the cargo from this area to EU or NAFTA, it should be concentrated to Dalian by the transport by sea.

When the Railroad of the Continent of Siberia, a worthy amount of the cargo for Dalian and Tianjin in China might be transfer to the Railroad of Kyung-ui. In addition, the activation of the Railroad of Kyung-ei would be a moment to be activating the Railroad of the Continent of Siberia<sup>4)</sup>. The connection with the Railroad of Kyung-ui and the Railroad of the Continent of Siberia is not only limited to economic effects in Korean Peninsula, but also reached to that in China, Mongolia,

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4) Kim Yung Yoon, Korea Unification Institute.

Russia, and the other neighbor countries. Now, the cargos of Korea and Japan which passing through the Railroad of the Continent of Siberia are transported by sea from their own country's port to Vostochny Port in Russia, and then, from here again it would be transfer to the Railroad of the Continent of Siberia. However, when the Railroad of Kyung-won restored, like these cargos could be directly connected with the Railroad of the Continent of Siberia in the most short distance.

The container cargo from Korea to EU in 2005 estimated about 750 thousand TEU, from Japan to EU estimated about 1,600 thousand TEU. When the Railroad of Kyung-ui restored, 20% of the cargo from Korea to EU, 5% of it from Japan to EU could be transported by the Railroad of the Continent of Siberia, pass through the Railroad of Kyung-ui. An annual freight earnings between South-North of Korean Peninsula are expected to be reached about 4,086 hundred millions in South Korea and 7,200 hundred millions in North Korea in 2005 separately. Korean Peninsula would not only be formed a base of logistics going to the Continent of Eurasia, but also it would be formed a economic block in the East Sea and the West Sea as a center area of the logistics in Northeast Asia. And these railroads will smoothly transport the natural resources of three provinces of the northeast area, Heilongjiang, Jilin, Liaoniang in China, and the Far East and Siberia Area. At that time, the economic cooperation by the type of specialization which connected with capitals of Japan and Korea, and row materials or labor forces of China and Russia would be vitalized to be exchanged with each other.

## **2. Aspects of Hub Ports in Asia and Northeast Asia**

### **1) Hub Ports and the Freight Amount in Asia**

In order to analyze the change in the circumstances of sea transports · ports and the estimation in the freight amount in Northeast Asia, it first should be considered from the case of East Asia first. The logistics system in the every countries in East Asia, according to the endless globalization in their national economy, is not only continuing efforts to activate the power of international competitiveness, but also it is bringing the other project to secure comparative advantages within their inshore countries. Since 1980's, multinational enterprises in the developed countries are absorbed into an international specialization to strengthen their international competitiveness in the worldwide stage. Above all, they have been concentrated

their effort in the local production accepting of the supply of cheap raw materials and the parts on the spot. Such a tendency is not an exception even in their inshore countries. The enterprises of Korea, Hong-Kong and Taiwan which are fronted by the cost push in their domestic production and strong challenge by the developing countries also moved into the area of East Asia their production strongpoint. Accordingly, they made up a center of international specialization in East Asia. The main countries in East Asia played a role of the locomotive for the world economy together with NIE'S from 1980's to 1990's.

Sea transports and ports in Asia also have been kept a close relation within their inshore countries with each other. According to the sudden increase of cargo amount within their inshore countries by the continued economic growth in this area, they have been concentrated upon in supply of ships of a large size, the development or the extension, and the improvement of their port's facilities in order to handle those cargos. The development of port achieved in a specified area or a country reaches to a sudden reaction to ports or ship companies in the another area. In particularly, the main countries in East Asia are devoting to extend the existing facilities of ports and to construct a new port in order to handle the cargo amount within their inshore countries increased rapidly by their economic growth. The most countries included Singapore in ASEAN were well developed peeter sea routes, which made to be connected with their neighbor countries according to the activation of their inshore trade. The ports in this area are located in the strategic position by pass through the Strait of Malacca of the two, North-America and Europe of the three sea nucleus routes in the world, In consequence, all of countries in this area are keen under the competitiveness to induce the trade cargo to each his own country. So, they want to get a hub port to his country with each other.

The ratio of the cargo amount of container of whole world in East Asia area was estimated to handle 27% in 1998, 32% in 2006, 37% in 2011<sup>5)</sup>. The cargo amount in East Asia look out upon to be occupied 3/1 of it in the world. So that, the prospect about it in East Asia is bright to be become a great market. In particularly, in order to secure a strongpoint for the logistics in Asia, hub ports which located in the main line of the Pacific Ocean are Singapore, Hong-Kong, Kaoshung, Shanghai, Busan · Kwangyang, Kobe · Yokohama. in order to secure a strongpoint for the logistics in Asia. They are keen under the competition to

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5) Containerization International Year Book, Each year.

expend their port facilities, to induce a worldwide large ship companies, to secure the cargo amount to each own port separately. And then, the cargo amount of export and import in Asia area have been continually increased until now. Forward, it is expected to be increased more and more by the enterprises of United States, EU and Japan trying to enlarge their oversea investment in Asia area. Now day, Asia area is also expected to do the role as a central area which leading the growth in the world economy.

<Table III-1> Cargo Amount of Container in the Ports in the World

	1991	1998	1999	2000	2001
Singapore	6,354	15,100	16,211	18,100	15,751
Hong-Kong	6,162	14,650	15,945	17,040	17,826
Kaoshung	3,913	6,271	6,985	7,421	7,540
Rotterdam	3,766	6,032	6,440	6,275	6,125
Busan	2,694	5,753	6,943	7,540	8,073
Kobe	2,635	4,098	4,408	5,613	
Hamburg	2,189	3,550	3,763	4,879	4,707
LA	2,038	3,378	3,829	4,601	5,184
Chilung	2,005		3,783	4,248	
NY/NJ	1,866				
Shanghai		3,066	4,216	5,613	6,125
Antwerp		3,266	3,614	4,082	
Long Beach		4,098	4,408	4,601	4,463
Shenchuan					5,046
The 20 great port in the world	48,647		96,436	107,872	111,859
Asian Ports	28,514		61,665(63.9%)	67,163(62.3%)	72,296(64.6%)
The 10 great port in the world	33,621		77,729	79,880	80,869
Ports of Northeast Asia	23,763		49,796(69.4%)	55,714(69.8%)	60,390(74.7%)

Unit : thousand TEU, %

Resources : Korea Ocean & Fishing Institute

The results of cargo amount of container in the main ports in the world are as follows(Table III-1). The total cargo amount of the 20 great container ports in the world is 48,647 thousand TEU. the amount and the ratio of total cargo in hub ports in Asia are 28,514 thousand TEU. 58.6% of it in the world. And the total cargo amount of the 10 great container ports in the world is 33,621 thousand TEU, while the ratio of the cargo amount in hub ports in Asia is 23,763 thousand TEU, 70.7% of it in the world in 1991 separately. In 2001, the total cargo amount of the 20 great

container ports in the world is 111,859 thousand TEU, while the ratio in the cargo amount of hub ports in Asia is 72,296 thousand TEU, 64.6% of it in the world. And then, the total cargo amount of the 10 great container ports in the world is 80,869 thousand TEU, while the ratio in the cargo amount of hub ports in Asia is 60,390 thousand TEU, 74.7% of it in the world. According to the economic growth of every countries included China and ASEAN would be continued, the ratio in the cargo amount of it in Asia of the cargo amount of container in the world seems like to be extended. Particularly, it is worthy of notice that Shang-hai in 1998 and Shen-chen in 2001 came suddenly up the ten container ports in the world. Therefore, the development of hub ports in Asia would be elastic more and more.

Seeing the cargo amount estimated of hub ports in Asia of main ports in the world, Hong-Kong is the first, 18,100 thousand TEU, Singapore is the second, 17,040 thousand TEU in 2000 separately. However, In 2011, Singapore is the first, 28,717 thousand TEU, Hong-Kong is the second, 26,051 thousand TEU, their position was overturned with each other. Besides, Busan was only 7,540 thousand TEU in 2000, but his result moved into 14,068 thousand TEU in 2011, so that his position also is estimated to be risen to the third, following Hong-Kong.

## **2) Competitive Conditions of Hub Ports in Northeast Asia**

Taking account into the economic growth all these days in Northeast Asia, there is quite a possibility to rise to the surface of the central area which leading the world economy in 21st century. Moreover, when economic integration between the three countries, Korea, China, and Japan in Northeast Asia realized, it looks like that will operate as a new incentive in the economic growth within their inshore countries. When economic integration in Northeast Asia realized, the increasing of cargo amount in this area also will bring upon a great change in the cargo transport system, according to the economic growth within their inshore countries.

The full scale operation of a new transport system, according to the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia, would be promoted the development of a complex transport system in the transport by sea and by land, instead of the cargo transport system which is blessed with the monopoly position by the transport by sea till now. The reorganization with the transport system by sea and land in Northeast Asia would be brought the economic effects to improve the international competitiveness of

goods connected with the decreasing of logistics cost. Until now, the freight transport system in Northeast Asia which depended mostly upon the transport by sea will be divided into the transport by land and by sea. Accordingly, the freight transport started from Northeast Asia to Russia and EU will be mostly depended upon the transport by land, according to the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia.

<Table III-2> Cargo Amount of Hub Ports in Asia of Main Ports of the World

Ports	1998	1999	2000	2001
Busan	5,753	6,343	7,540	14,038
Kwangyang	34	417	642	9,317
Hong-Kong	14,650	15,945	18,100	26,051
Singapore	15,100	16,211	17,040	28,717
Kaohung	6,032	6,985	7,421	13,190
Kobe	4,098	4,408	5,613	
Port Klang	1,182	2,550	3,207	8,436
Tanjung Pelepas			418	5,813

Unit : thousand

Resources : Korea Ocean & Fishing Institute

The transport system in Northeast Asia is not only limited to the transport system by sea and by land, but also it is worked together with the air transport system. Therefore, the transport of the light-small goods and the high added value goods, would be developed to be divided the work by the transport by air. It seems like that the ratio in the transport by air also is gradually itself rising, according to the development in the fields of IT industry. Therefore, the freight transport system in Northeast Asia will be brought the balanced development in the comprehensive transport system, according to the formation of a trinity of the transport by sea, by land, and by air. Because Korean Peninsula is located in the center area of Northeast Asia, it will be performed the shock-absorbing role in the middle between Japan, China, and Russia.

The cargo amount of container classified by country in Northeast Asia is as you like to see the estimation of <Table III-3>. Out of the total cargo amount of containers in Northeast Asia in 2000 is 57,664 thousand TEU. Hong-Kong is the first, 16,288 thousand TEU, Japan is the second, 12,854 thousand TEU, and Taiwan is the third, 11,838 thousand TEU. According to go to in 2020, out of 151,500 thousand TEU of total cargo amount in Northeast Asia, China is the first, 39,938

thousand TEU, Korea is the second, 33,742 thousand TEU, and Hong-Kong is the third, 32,168 thousand TEU. As you have seen, their order is changed with each other. When the cargo amount in China is included with Hong-Kong's estimation, China actually would be expected to secure an exorbitant amount of it within or without in Northeast Asia.

Next, it analyzes the competitive conditions of hub ports in Northeast Asia. Korea, China, Japan and included Russia in Northeast Asia will deal with their freight by the transport by sea or by land at their own country's hub port separately. Russia has the most of an advantage of the transport by land that his freights are directly sent to Europe by the Railroad of the Continent of Siberia. The broad hinterlands around his hub ports are North Korea, South Korea, and Japan. And his hub ports are Vostochny · Vladivostok Port. Russia also has a merit to be kept the right which would be allowed to use the Railroad of the Continent of Siberia. However, there are requested the improvement of their railroad facilities and the extension · mending of their hub ports.

<Table III-3> The Estimated Amount of Containers Classified by Country in Northeast Asia

Area	1997	1998	2000	2005	2010	2020
Korea	5,884	6,426	7,491	11,002	16,380	33,742
China	5,797		9,000	16,000	25,000	39,938
Japan	10,892		12,854	15,252	20,977	23,427
the Far East	117		193	340	516	1,032
Hong-Kong	14,567	14,700	16,288	18,258	18,258	32,168
Taiwan	8,497		11,838	12,348	12,348	21,193
Northeast Asia	47,839	49,316	57,664	73,200	17,200	151,500

Unit : Thousand TEU

Resources : Drewry Shipping Consultant, World container Terminal

China has been mostly depended upon the transport by sea in the Pacific Line until now, in spite of it is possible to send directly his freight to Europe by the transport by land pass through the Railroad of the Continent of Siberia.. Accordingly, China also has the advantage that is possible to use a complex transport system of the transport by land and by sea. As his hub ports, they can use comparatively a lot of ports, Tianjin, Dalian, Qindao, and Shanghai, etc. However, there is a demerit that they would not be easy to stop a big ship at the port. Therefore, there would be not only requested the extension or the



improvement of facilities in his hub ports, but also the mending or the complementing of the railroads for the strengthening of the transport by land.

Recently, Korea has an epoch-making event that could be possibly to send directly to Europe his freight through the transport by land, beginning to China, the inland of Mongolia, Russia and it's neighbor countries, according to the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia. Until now, South Korea which dependent mostly upon the transport by sea passed through the route of Pacific Ocean expected forward to be formed the transport system by sea and by land both in name and reality. Therefore, as far as the transport of his freight to some area of Europe, the transport system by sea will be taken it as before one hand. The transport of freight to China, Mongolia, Russia, and Europe will be divided into the Silk Road by train the other hand. As his hub ports, Busan · Kwangyang, those have a lot of merits to stop to be freely a big size ship at the port.

Japan is under a dominant position of the transport system by sea, in spite of both merits and demerits as a island country. Particularly, the freight transports to North America · Europe also were depended mostly upon the transport by sea until present. As his hub ports, Kobe · Yokohama which is possible to stop a big size ship at the port area.

well satisfied the conditions as a port. But he has a lot of complaint only in the transport system by land. However, the transport by land also is partly operating on the freight to Europe through the Railroad of the Continent of Siberia. That is to say that the transport of his freight which starting from the Honshu reaching to the Hokkaido, the most northern area in his territory, is taking place pass through the Strait of Soya reached to the Far East of Russia. Right now, 30% of the freight from Japan to Europe was handled by the Railroad of the Continent of Siberia.

As we have seen, the logistics system in Northeast Asia seems like that a complex transport system by sea and by land will be operated to be seriously in the near future. When there would be included the transport by air in Northeast Asia, the complex transport system by sea and by land would be formed a triangle included the transport by air. It is not only limited to Northeast Asia, but also it is performed the role of the global network in the world. Like this completeness of the comprehensive transport system would be largely contributed to be down the international competitive price of goods in Northeast Asia by the reduce of the logistics price. From now, the transport system by land connected with the Railroad

of South-North in Korean Peninsula and the Railroad of the Continent of Siberia would be become to induce the complement competition with the previous transport system by sea. Therefore, the extension and the improvement of hub ports in Northeast Asia should be required for the strength of competitiveness in the marine-port transport system in Northeast Asia.

<Table III-4> The Aspects on Hub Ports in Northeast Asia

	Geopolitics Condition	Equipment Condition
Russia(Vostochny)	*Transport of the Railroad of the Continent of Siberia -Rear area : North Korea, South Korea, Japan and all the area of Northeast Asia -Hub port : Vostochny	-Possession of the railroad network to Europe, Middle Asia -Possession of the right passing of the railroads -Necessity in order to enlarge the railroads and hub port
China(Shanghai)	*Transport of the Railroad of the Continent of Siberia -Rear area : North Korea, South Korea, Japan and all the area of Northeast Asia -Hub port : Tianjin, Dalian -Transport by sea : North America	-Connected with Russia Railroads -Port condition : Difficulty to stop at the port of large ships
Korea(Busan · Kwangyang)	*Connected with the Railroad of Korean Peninsula and the Railroad of the Continent of Siberia -Rear area : North Korea, Japan, China, Russia -Hub port : Busan · Kwangyang -Transport by sea : North America	-Connected with the Railroad of North Korea and the Railroad of South Korea -Easiness to stop at the port of large ships
Japan (Kobe · Yokohama)	*Transport connected with the Railroad of the Continent of Siberia -Rear area : all the area of Northeast Asia -Transport by sea : all of the world	-Easiness to stop at the port of large ships -Satisfactory of the transport by sea -Shortage of the transport by land

Resources : After collected the resources on the hub port in Northeast Asia it made up this table by an author

## IV Conclusion

Starting with FTA between Korea, China, and Japan, the economic integration in Northeast Asia is not itself a final aim. It is to say that is a basic formation to build economic integration in East Asia. It continuously should be achieved together with the other member countries in East Asia. Ultimately, like this regional economic integration in Northeast Asia or East Asia should be put the target realizing

multilateral FTA in the worldwide dimension. Regional FTA is to realize trade activation according to the exclusion of trade barrier within their inshore countries in the short period. The economic integration in Northeast Asia is not only limited to the activation of economy in this area, but also it is contributed a foundation to realize economic integration in East Asia. At last, the economic integration in East Asia is to realize a worldwide multinational FTA, an idea of global economy. Otherwise, the worldwide market would be shrunken up as a result of the exceeded partition of it. Therefore, the next aim of FTA between Korea, China, and Japan in Northeast Asia would be contributed to realize FTA within their inshore country in East Asia together with AFTA. In order to succeed FTA between the member countries of ASEM, the three countries, Korea, China, and Japan in Northeast Asia have to give them an aid to develop more and more systematically their FTA. Like that doing so, the three countries in Northeast Asia would be obtained their cooperation for the successful contracting of FTA within this area.

At the right moment, the noteworthy event as well as beginning of the discussion on economic integration in Northeast Asia would be expected a great change of logistics circumstances in this area. It just is to say that is the restoration of the Railroad of South-North in Korean Peninsula which had disconnected for a long time. This project on the restoration of the Railroad of South-North in Korean Peninsula is not only limited to the transport of cargo between South Korea and North Korea, but also it will be affected in the logistics system of Northeast Asia, as far as to Russia and Europe.

After all, the connection with the Railroad of South-North in Korean Peninsula and the Railroad of the Continent of Siberia first could be greatly reduced the transport cost of freight in Northeast Asia. It also is contributed improving the power of international competitiveness of goods in Northeast Asia. Therefore, in the handling with the freight in Northeast Asia, there would be expected a change of some extent even in the function of hub ports which take charge of the terminal function of a complex transport system by sea and by land, differ from it depended mostly upon the transport by sea until now. In other words, the role of hub ports which should be to achieve the function of the transport by sea and by land in this area also would be enlarged as much as its function. So that, the three countries, Korea, China, and Japan in Northeast Asia have to be prepared by themselves for the development, the arrangement, and the enlargement of each own hub ports in this area.

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