

Prospects of Development of the “Trans-Siberian and Trans-Korean Railways Connection” Project: Investment Aspect

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Abstract

In modern conditions of world economic development the integral element of stable social and economic development of the separate countries of the world is the level of their transport infrastructure development, on the one hand capability to effectively provide economic communications between regions inside the country, and capability to integrate into world economic. The condition of a transport infrastructure and its possibility in sphere of maintenance of national participants of foreign trade are reflected in many respects on competitiveness of production, made by them, in the world market and, as consequence, on a country role in economic.

Keywords : *TSR, TKR, Investment aspect, Exit hasan station*

1. Introduction

Now in contrast to Russia, where the railway transportation plays one of key roles together with pipeline transport in sphere of maintenance of foreign trade, for the Republic of Korea sea transport is a main mode of transport providing an exit to a foreign market. Despite geographical proximity and overland connection between the Republic of Korea, Russia and China, because of political and ideological contradictions on the Korean peninsula, maintenance of all trade flow between them, including transit, completely depends on sea transportation. Nevertheless, the railway transportation role can essentially increase in the given region after overcoming of political and ideological obstacles. And considering mutual relations of the Russian Federation and the Republic of Korea, the project of connection of the Trans-Korean and Trans-Siberian railways is priority.

2. Prospects of Development of the “Trans-Siberian and Trans-Korean Railways Connection” Project: Investment Aspect

The project of reconstruction of the Trans-Korean rail-

way and its exit on the Trans-Siberian railway were repeatedly studied by both Russian and Korean scientists. The result of researches is a number of alternative or complementary each other in the long term projects of an exit from the Trans-Korean railway to Trans-Siberian railway. These alternatives were comparative evaluation both in terms of transportation, and the number of crossed state borders and the related time and financial losses. Korean scientists have conducted more detailed analysis of the tariff component for the individual alternative routes, involving transportation of goods from the Republic of Korea to Europe with the help of multimodal transport.

Developing the theme of the relevance and effectiveness of the project of connection of the Trans-Korean and Trans-Siberian railways it is necessary to pay attention and to other aspects of its realization, and particularly on investment aspect.

In this connection, the researches carried out by Siberian Transport University (STU) together with Institute of economy and the organization of industrial production of the Siberian branch of the Russian Academy of Sciences, to estimates the macroeconomic effects of realization of transport projects in territory of Siberia and the Far East of Russia, including also an estimation of potential efficiency of foreign capital participation in investment projects in the given territory. Support of the academic science at an estimation and joint framed techniques, can

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improve the scientific validity of formulated recommendations for choice of alternative variants of the project realization and degree of participation in it.

The analysis of foreign trade of Russia and Republic of Korea shows that despite the established and certainly the dynamically developing trade and economic relations between our countries, they are not key partners for each other. So by data of 2006 which is not significantly changed for today, the developing countries and first of all East, Southern and South-East Asia countries are dominated in geographical structure of Republic of Korea export and take 44%. On the second place there are countries of the European Union which share in Republic of Korea export makes 15,3%. Further follow the USA - 13,3%. At this time, there is only 2,3% on a share of the countries with transitive economy, which include Russia [1].

The similar situation is observed at the analysis of foreign trade of Russia where in 2006 on share of European Union was 60,7% of all export, and on share of the countries of East, Southern and South-East Asia was 9,3% [12].

At the same time, the role of Russia and Republic Korea in world foreign trade is great enough. According to data of 2008, Russia is on 9 place on export volume, with share of 2,9%, and on 16 place on volume of import with a share of 1,8%. The Republic of Korea is on 12 place on export volume – a share of 2,6% and on 10 place on volume of import with share of 2,7% [1].

In general, the analysis of Asian countries foreign trade shows that the value of goods exported to Europe exceeds 800 billion of U.S. dollars, while imports from Europe to the region is 486.5 billion of U.S. dollars.

Thus, it is possible to draw a conclusion on the importance for both countries of foreign trade and, as consequence, of necessity of effective transport maintenance of foreign trade. However, because of character of bilateral foreign trade, it is possible to draw a conclusion that the project of connection of the Trans-Korean and Trans-Siberian railways first of all is considered by Republic of Korea for maintenance of transit of the goods in a direction the Republic of Korea – Europe – the Republic of Korea. The research conducted by STU and Institute of economy and the organization of industrial production of the Siberian branch of the Russian Academy of Sciences will evaluate other components, as will be described below.

Analyzing publications available for today on the given problem it is possible to assign the following list of the purposes pursued by Russia and the Republic of Korea. They can be presented in the following table, which reflects the main priorities of each country and their distinctive feature [2-4,6-9,11].

Table 1. System of the Purposes of the “Trans-Siberian and Trans-Korean Railways Connection” Project

Russia	Republic of Korea
<i>Geoeconomic targets</i>	
- To become a key element of the geobridge between the countries of Asia-Pacific Region and Europe	- To become not only great ship-building power, but also great railway power
<i>Political targets</i>	
- To overcome political and ideological contradictions on the Korean peninsula	- To reduce political and ideological contradictions on the Korean peninsula towards mutually advantageous cooperation and reunion of uniform Korea
- To raise regional political influence	
<i>Economic targets</i>	
- To find new points of economic growth of regions of Siberia and the Far East	
- To receive the additional income of export of transport services in maintenance of transit of the Eurasian cargoes	- To satisfy increasing requirements in transport maintenance of foreign trade of a growing national economy
- To increase volumes of foreign trade with Republic Korea, having strengthened competitiveness of production of the enterprises of Siberia and the Far East, at the expense of reduction of transport costs	- To minimize transport costs and terms of transportation of the Trans-Eurasian cargoes
	- To diversify transport corridors, providing reliability of transport communications
- To increase foreign trade with countries of East, South and South-East Asia	

The data table shows that Russian priority is inclusion in system of the Eurasian transport maintenance of goods traffic and on this basis the decision of some economic problems, and for the Republic of Korea priority is transport maintenance of foreign trade. Despite the fact that these purposes are undoubtedly important for each country, they are not fully reflect the potential of the “Trans-Siberian and Trans-Korean railways connection” project.

In research made by STU and Institute of economy and the organization of industrial production of the Siberian Branch of the Russian Academy of Science, there is one more aspect which allows to add to economic targets of both countries the following:

- For Russia: attraction of direct foreign investments into various branches of the Russian economy in the territory of Siberia and the Far East;

- For Republic Korea: placement of direct foreign investments in raw material sector and related industries in Russia, first of all for the purpose of maintenance of natural resources stable deliveries for own needs.

Elaboration of this aspect is not accidental and rele-

vance, as indicated by the following data.. For today the third part of total volume of Korean investments in the Russian economy goes to Far East region due to geographical proximity, thus its size in general is insignificant. So, from 5,2 billion dollars of the general investments only 43 million came from the Republic of Korea. In the same time the Republic of Korea buys 45% of all exported Sakhalin oil and 16% of gas. Moreover, contracts have been signed up until 2028, under which Seoul will purchase 1.5 million tonnes of liquefied natural gas annually. In this context, it would be logical to join the proper development of mineral deposits by expanding its investment activities in Russia, starting from participation in investment projects connected with development of necessary transport infrastructure.

In recent years in Russia adopted a number of regulatory documents aimed at formation of the transport infrastructure, capable to provide dynamical social and economic development of the country. In particular, it is a Transport strategy of the Russian Federation for the period till 2030 and Strategy of development of railway transportation in the Russian Federation till 2030 which reflect the general idea of the development of infrastructure that will give impulse to economic development and its effective integration into the world economy. Within the research we have selected the Southeast vector of Strategy of railway transportation development of the Russian Federation for the period till 2030, reflecting the actual trend of increasing trade and economic and investment cooperation of Russia with the Asian countries [5].

It includes a number of individual investment projects of railway lines development:

- The project of connection of the Trans-Korean and Trans-Siberian railways through station Hasan, in this context as the only option able to provide to the Republic of Korea the effective participation in investment projects in Siberia and the Far East;

- The project of restoration of a Baikal-Amur railway and the development of border areas, potential mineral resources are estimated by experts at 0.5 trillion of U.S. dollars [10];

- The project «Ural Mountains Industrial – Ural Mountains Polar» which territory is explored less than on 15%, on intermediate results of geological prospecting of 2006-2009 has a stock of the prospected and expected minerals reserves in total cost more than on 0,4 billion dollars [8];

- The project «Sub polar railway» is a necessary element on a way of development of a shelf and a deep-water part of Arctic ocean where according to Geological service of the USA about thirty percent of unopened world's gas reserves (90 billion barrels) and thirteen percent of

unopened world's reserves of oil (47 bln. cubic meter), besides rich deposits of diamonds, gold, platinum, tin, manganese, nickel and lead are predicted [8];

- The project «Transcontinental railway», capable, besides reserve development, to open access through an overland transport corridor to the North American market;

- The project «Amuro-Yakut railway» and development of its frontier territories exclusively rich with natural resources;

- The project «Continent – an island Sakhalin», opening access to effective development of gas fields and oil and the further overland exit to Japan.

As it has already been noted, territories of Siberia and the Far East on which take place considered railroad lines, have a huge resource potential. It first of all:

- Mineral deposits: the recoverable explored stocks of oil in Siberia make 77% of the Russian stocks, natural gas – 85%, coal – 80%, copper – 70%, nickel – 68%, lead – 85%, zinc – 77%, molybdenum – 82%, gold – 41%, metals of platinum group – 99%;

- Hydraulic engineering resources – 45% of a hydroenergy potential of Russia;

- Biological resources – about 9% of world's reserves of wood (more than 41% of the Russian stocks) [8].

The figure shows the distribution of gross potential value of mineral resources in the Russian Federation.

Certainly, realization of the given complex of projects depends on set of factors, and during research we considered various scenarios of development as the pessimistic, reflecting negative forecast of economic development as a whole and the inertial scenario of development of the Russian economy, and optimistic in which reflecting a dynamical restoration of economic after financial crisis and the further growth which the Russian economy develops under the innovative scenario. Also the most probable, scenario reflecting model of moderate development of economic and modernization type of Russian economy development, has been single out.

Within these scenarios it is possible to mark following main effects received by Russia and the Republic of Korea:

- For Russia is an increase of export gain from transport services and attraction of the direct foreign investments, which volume is depends on the realized scenario;

- For Republic Korea is a reduction of transport costs and maintenance of stable deliveries of the natural resources, again which size is depends on this or that scenario of development of an environment of the project.

- For both countries it is possible to note doubtless strengthening of mutually advantageous trade and economic cooperation and, as consequences, increase of volume of bilateral foreign trade.

Table 2. The SWOT-Analysis of the Project of the Trans-Korean Railway Exit on Trans-Siberian Railway Through Hasan Station

Strong point	Weak point
<ul style="list-style-type: none"> - The minimum term of delivery of transit cargoes; - Reduced costs for transportation of goods; - The smallest number of crossed countries borders. 	<ul style="list-style-type: none"> - Special points of an overload as the width of a railroad line is various are necessary, in Korea it makes 1435 mm, and in Russia of 1520 mm - Necessity of prolongation of the Trans-Siberian highway to border to Democratic People's Republic of Korea.
Capabilities	Risks
<ul style="list-style-type: none"> - Reception of optimum access to participation in raw resources investment projects in territory of Siberia and the Far East Russia; - An exit on the North American market on means of an overland corridor through Bering strait; - Expansion of export of production of heavy mechanical engineering (car building). 	<ul style="list-style-type: none"> - Not solved problem of political and ideological opposition of Republic Korea and Democratic People's Republic of Korea; - Strengthening of competitive advantages of other variants of an exit of the Trans-Korean railway on Trans-Siberian, first of all through Kazakhstan; - Conjuncture deterioration in the world raw markets, falling of demand owing to deep recession of economic.

The situation with elaboration of investment aspect of the project of the Trans-Korean railway exit on Trans-Siberian railway through Hasan station is possible to present in more details in the form of the following SWOT-analysis.

As you can see from the table, this option opens new investment opportunities for the Republic of Korea in Russia.

3. Conclusion

Thus, the presented investment aspect of realization of the

“Trans-Siberian and Trans-Korean railways connection” project will allow to look at new way at the given problem and preference of separate variants of its realization.

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