Measures to Establish an Effective Transport and Logistics System Designed for Integration of Regional Economies: Efforts of the Korean Government and Directions Toward Cooperation Within the Framework of APEC

Purpose: Information
Submitted by: Korea
Greetings

Honorable Chair, Distinguished delegates and panelists, Ladies and gentlemen,
My name is Joo Sung Ho, Vice Minister for Maritime Affairs at the Ministry of Land, Transport and Maritime Affairs of the Republic of Korea; it is my great honor and privilege to be here today to bid you my greetings.

Significance of APEC

Today, I would like to take this opportunity to tell you about the significance of APEC. APEC is the world's largest regional cooperation body accounting for 46% of the world trade, 56% of the global GDP, and 40% of the world population.

The trade volume among APEC member economies has rapidly increased from 1.7 trillion dollars in 1989 to 8.4 trillion dollars in 2007. It has been a steady increase at a rate of 8.3% per annum.

This increase of intraregional trade can be said to be a result of the continuous cooperation among APEC member economies for the past years.

As seen from this case, vibrant trade through establishment of effective transport and logistics systems among the member economies is expected to greatly contribute not only to regional economic integration within the APEC framework but also to the growth and development of both the Asia-Pacific region and the world at large.

Now, let me give you an overview on the efforts made by the Korean government to strengthen intraregional cooperation within APEC regarding the supply chain integration action plans of the Annex A of the Ministerial Declaration signed at the Honolulu Conference held in November, 2011, and then move on to suggest possible ways concerning how to cooperate among APEC member economies.

Explanations on policies of the Korean government to strengthen cooperation within APEC

Now, let me start with explanations on the projects being carried out by the Korean government to reduce transport time and logistics costs.

The three economies of Korea, China, and Japan, through their trilateral Transport and Logistics Ministerial Conference started from 2006, have been continuously cooperating to establish an efficient transport and logistics system.

The three economies, through the platform of this conference, are striving to achieve a seamless, eco-friendly logistics system, and balance of logistics security and efficiency.

On July 16, this year, its fourth conference took place in Busan, Korea.

In particular, this fourth session can be said to have achieved significant results in light of the fact that a foundation for spurring the trilateral sea-land multimodal transport project was solidified.

Korea and China, decided to expand the scope of their existing mutual operation of towed trailers that had been carried out based on their sea-land multimodal transport agreement signed in September 2010.

As for the cooperation between Korea and Japan, the two economies agreed to start their pilot project on mutual operation of towed trailers from the second half of 2012.
Furthermore, the three economies are planning to explore the possibility of trilateral multimodal transport based on their sets of bilateral multimodal transport cooperation.

Through this mutual operation of their towed trailers, loading and offloading processes will become virtually eliminated, leading to reduction of cargo transport time by approximately four hours, while saving about fifty dollars per TEU, cost-wise.

In addition, Korea is strengthening its cooperation with other economies, when it comes to port development projects, in order to boost transport and logistics in the Asia-Pacific region.

For example, the Korean government is proactively cooperating with the government of the Philippines on its pre-feasibility study concerning port development.

Recently in July, the Korean government signed an MOU on port development cooperation with Peru. Based on this MOU, the Korean government decided to assist port development feasibility studies of the two economies and undertake port technology transfers and sharing of experiences on port development.

Furthermore, by reducing the uncertainty of intraregional cargo transport, the Korean government is pushing forward a project through which reliable logistics transport networks will be established.

Using the Global Navigation Safety System within the TSR section, the Korean government is carrying out research to establish a container tracking system.

If all these systems are established, it will be possible to track current locations of the containers operating in the TSR section real time, being able to create a reliable supply chain.

**Overview of Korean logistics companies**

Next, I would like to explain about Korean logistics companies.

Korean global logistics companies are expanding their global supply chains by cooperating actively with the logistics companies of Korea's neighboring economies in such ways as strengthening of strategic cooperation and creation of joint ventures.

For example, through their strategic cooperation with Japanese logistics companies, Korean logistics players are strengthening their service networks, in addition to developing trilateral integrated logistics service products in such sets as Korea-China-Japan, Korea-US-Japan, US-China-Japan, and among Southeast Asian economies, all of which contributing to establishment of global integrated logistics service networks.

Furthermore, Korean logistics companies are developing diverse sea routes and securing logistics hubs within the APEC region that includes Asia, Americas, and Oceania.

In addition, in order to effectively manage these logistics networks, logistics informatization is being actively pushed forward, including the introduction of a global integrated IT operation system.

In particular, based on this advancement in making inroads into other economies' logistics markets, scores of international integrated transport networks will be established, which is expected to contribute greatly to the integration of regional economies through transport and logistics.

**Suggestions**

Honorable Chair, Distinguished delegates, Ladies and gentlemen,

Now, I would like to move on to suggest ways to foster cooperation among APEC member economies in ways to establish regional economic integration through development of more reliable and effective transport and logistics chains.
First of all, each and every member economy needs to be more proactive in its efforts to achieve a goal of establishing a seamless transport and logistics system by reducing transport time and logistics costs.

The transport volume of Korean logistics companies using the TCR in 2011 increased by 50% year-on-year.

However, when using the TCR, there are some problems occurring, like the lack of enough freight cars and delays in the customs procedures, when it comes to the flow of cargoes, and when using the TSR as well, there are some problems we need to address such as insufficient railway facilities, border transfer procedures, and unconnected sections.

If these problems are successfully addressed through mutual understandings among the member economies, logistics efficiency will be dramatically increased, leading toward an increase of transport volume in the years ahead.

Further, in accordance with the recent climate change, the world's attention is being focused on the Northern sea route, which is being spotlighted as a new alternative sea route, warranting us to start our discussion on this matter.

Compared to the Northern sea route, the existing Asia-Europe sea route using the Suez Canal is longer while taking more time as well.

On the other hand, if we use the Northern sea route, a vessel operating between East Asia and Rotterdam, compared to the existing Indian Ocean route, can reduce approximately 5,000-7,000km in length and 8-10 hours in time.

The use of the Northern sea route will lead not only to reduction of transport time and costs between Asia and Europe but also to the development of shipbuilding and maritime technologies that are made to prevent pollution of the high north seas.

Thus, from the perspective of APEC, as a common interest of all relevant member economies, an earnest review process on the Northern sea route needs to be started now.

Lastly, by strengthening informatization of intraregional transport and logistics, we need to establish a set of reliable transport and logistics systems.

The introduction of the Intelligent Transportation System will contribute to a seamless flow of traffic at a fraction of the costs of road construction through the real time analysis on traffic situations.

Furthermore, establishment of a supply chain using the GNSS and RFID will increase the visibility of cargo transport, leading toward reduction of uncertainties in the intraregional logistics systems.

Conclusion

This is end of my presentation.

Honorable Chair, Distinguished delegates, Ladies and gentlemen,

Thank you for listening.
I. Significance of APEC

Increase of trade within the region through APEC cooperation

- Efficient transport and logistics systems established → Trade facilitation → Contribution to regional and world economic development

Population: 40% of world
GDP: 56% of world
Trade: 46% of world

Trade volume within the APEC region
II. Korea’s efforts to strengthen intraregional cooperation

1. Trilateral Ministerial Conference on Transport and Logistics

- Since 2006, held every two years (common goals put into efforts through working level meetings, etc.)
  
  * The fourth conference took place this July in Busan, Korea

- Common goals
- Seamless logistics system
- Eco-friendly logistics
- Logistics security and efficiency balanced

2. Korea-China: expansion of towed trailer mutual cooperation pursuant to 2010 agreement

3. Korea-Japan: pilot project on mutual trailer operation from the second half of 2012
II. Korea’s efforts to strengthen intraregional cooperation

Ⅱ Strengthening of cooperation within the APEC region

- Cooperation projects being pursued, including port development, transport cooperation, and shipping cooperation with UN ESCAP member economies.

Global logistics networks expanded in the private sector

- Global supply chains established through diverse sea route developments, securing of logistics hubs, etc.
Ill. Suggestions

1. Needs for further cooperation among UN ESCAP members

Based on more active cooperation among the members, TCR and TSR need to be facilitated to realize seamless logistics systems.

2. Common interest on developing the Northern sea route increased

By developing the Northern sea route, transport time and logistics costs between Asia and Europe will be reduced.
III. Suggestions

③ Strengthening of Transport and logistics informatization projects

Supply chains with increased visibility will be established using RFID, GNSS, etc.

Thank you for listening