

## ■ Review of the 13<sup>th</sup> Northeast Asia Economic Forum

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The Northeast Asia Economic Forum (NEAEF) convened its 13<sup>th</sup> annual meeting in Seoul, Korea on 17 and 18 September 2004. The meeting was held at the COEX Convention Center and was organized jointly with the Korea International Trade Association (KITA). Created in 1991 as a loose association of individuals with a special interest in promoting economic exchanges in the region, the Northeast Asia Economic Forum has become one of the most consistent and active non-governmental organizations dedicated to Northeast Asian relations. This was evident in Seoul where over 300 hundred participants from South Korea, Japan, China, Russia, Mongolia and the United States came together to discuss not only the two most critical sectors for regional cooperation - energy, transportation and logistics - but also the potential of newer areas of cooperation such as tourism and e-commerce.

The Seoul meeting also highlighted the visibility that the Northeast Asia Economic Forum and its partners have achieved through research, dialogue, and policy proposals. In Seoul they were joined by the Prime Minister of Korea, Hae-Chan Lee, who in a speech to the meeting recognized the role of the Forum and non-governmental organizations and further encouraged their work in facilitating concrete collaboration. Jiang Zhenghua, Vice Chairman of the Standing Committee of the National People's Congress of China also addressed the participants and spelled out China's commitment to and priorities in Northeast Asian economic cooperation: promoting financial cooperation, cross-state cooperation among small and medium sized enterprises, and developing an efficient regional logistics network. He also graciously noted the efforts of research and non-governmental organizations in bringing attention to and clarifying the concept and vision of a Northeast Asian community.

In a very modest scale, the Northeast Asia Economic Forum embodies this vision of a community. The Seoul meeting, from the early stage of agenda-setting to the closing and final declaration which suggests future research and practical steps to be implemented, is the product of partnership. In this case, the product of a close partnership among cooperating institutions and individuals from the Korea International Trade Association in Korea, the

National Institute for Research Advancement (NIRA) and the Economic Research Institute for Northeast Asia (ERINA) in Japan, the East-West Center in the US, and the Asia-Pacific Institute (API) in China among others. This partnership or network allows the Forum to satisfy an important objective: to provide opportunities for organizations and individuals throughout Northeast Asia to be involved in the process of regional and international cooperation. And in a region that does not have many institutions, the Forum's network also allows it to help fill the gap, as noted by Charles Morrison, President of the East-West Center.

As the Seoul meeting makes clear, regional cooperation in Northeast Asia is still at a very early stage. In an early session dedicated to discussions on a Grand Design for Northeast Asia and the region's investment needs, Yasuo Sawai of NIRA presented what is in essence the blueprints for Northeast Asian multilateral development and regional integration. In this Grand Design special emphasis is put on energy (in particular the construction of what NIRA calls the systems enabling the distribution of Russia's oil and natural gas resources, emergency preparedness measures, i.e. oil stockpiling, and environmental safeguards) and on the improvement and construction of transportation, logistics and telecommunication systems.

The Grand Design session was followed naturally with more detailed analysis of specific energy issues and projects and transportation and logistics. Robert Priddle, former Executive Director of the International Energy Agency (IEA) and Kyung-Hwan Toh, Director for Gas and Industry of the Ministry of Commerce and Industry of Korea provided the thematic presentations which were the launching pad for lively discussions. They were joined by Norio Ehara of the IEA, Vladimir Ivanov of ERINA, Mitsuho Uchida from NEAEF and Kent Calder of the Johns Hopkins School of Advanced International Studies. While Robert Priddle emphasized the IEA's optimistic view of global energy supplies and the importance of "unconstrained" international trade as the "best guarantee there can be of maintaining a healthy energy supply and demand balance", other participants noted that political uncertainties and tensions also matter, in reference to the Middle East and Northeast Asia itself.

Perhaps the most advanced area of study with regard to Northeast Asian regional development is transportation. The meeting benefited not only from the detailed and comprehensive presentation of two noted experts in this field, Hideo Kayahara, President of Port Authorities Association of Japan and Tae-Seung Kim of the Korea Transport Institute but from the additional expertise and national perspectives of Chen Hong of the China Logistics and Transport College, Pavel Minakir of the Economic Research Institute in Khabarovsk and Demberel Lkhagvaa of the Mongolian Ministry of Infrastructure. If energy was seen as the engine for the region's future development, transportation was presented as the vital lifeline for economic exchange and economic progress. Both sectors, however, require enormous investment.

Estimates of required investment were presented by Mohammad Farhandi formerly with the World Bank and by Won-Suh Choo of the Korea Development Bank. According

to Mr. Farhandi, the total energy investment needs of China, South Korea, North Korea and Mongolia over the next ten years would be at US\$800-US\$830 billion. Meeting the *infrastructure needs* (energy, as well as roads and telecommunications) of these countries is estimated to be US\$1,400-US\$1,700 billion over the next ten years. Won-Suh Choo puts the regional demand for *development financing* over the next ten years - including China, South and North Korea, Mongolia and Eastern Russia - at US\$161 billion. How the investment needs will be met is a subject of continued debate, particularly whether or not a new development financing institution will be needed. What is clear is that improving the investment climate within economies of the region is critical. The Grand Design for Northeast Asia refers to improving hard and soft infrastructure; to date, however, it is the soft infrastructure which has received less attention.

The final two sessions of the 13<sup>th</sup> Northeast Asia Economic Forum were dedicated to two topics that generated a great deal of interest: tourism and e-trade. The e-trade session highlighted the position of Northeast Asia within a larger Asia-Pacific region and as part of a globalizing world economy. Although challenges were

noted, the success of cases presented and the involvement of APEC in facilitating e-trade and narrowing the digital divide were very encouraging. The tourism session was marked less by successful examples and more by what presenters saw as the virtually unlimited potential for expanding tourism throughout Northeast Asia. Yang-Soo Yoon of the Korea Research Institute for Human Settlements (KRIHS) and Nobuyuki Sekiyama former Chairman of Policy Committee of the Japanese Democratic Party presented detailed scenarios for growth in the tourism sector. Li Zhuyuan of the China International Travel Service presented the possibility of a Northeast Asian ring of tourism - a 15-day tour including sights in China, North and South Korea, the Russian Far East, Mongolia and Alaska. Ganbold Basanjav of the Mongolian Ministry of Foreign Affairs and Alexander Nikulin, Chairman of the International Association of Independent Tour Operators of the Russian Far East endorsed a proposal for a multilateral coordinating body to promote dialogue on tourism, to identify joint projects, and address issues related to tourism infrastructure and visa policies. Participants called on the Northeast Asia Economic Forum to establish a working group on tourism.

#### The Seoul Declaration

Recognizing the geographic and regional importance of the Korean Peninsula for promoting economic cooperation in Northeast Asia, the Korea International Trade Association (KITA) and the Northeast Asia Economic Forum (NEAEF) jointly organized the Thirteenth Conference of the Northeast Asia Economic Forum. Having held NEAEF conferences in China, the Democratic People's Republic of Korea, Japan, Mongolia, Russia, and the United States, and after an interval of eleven years since the Fourth Conference held in Yongpyeong in the Republic of Korea in 1993, it was considered very appropriate that the Thirteenth Conference should be held in Seoul. The objectives of the Conference included the sharing of information, exchange of ideas, and the development of policy proposals and regional initiatives. The agenda included the Grand Design and vision for Northeast Asian development, the ways and means of meeting the region's infrastructure financing needs, and avenues of cooperation in energy supply, transport and logistics infrastructure, tourism and e-trade. Participants affirmed the desirability of cooperative networking among researchers and a mutually agreed plan or Grand Design for sustainable development of the region; assessed infrastructure financing requirements to translate this plan into feasibility and reality; considered options for mobilizing the necessary capital resources from international financial markets; and with these ends in view, reaffirmed the need for establishing a Northeast Asian Development Bank. The energy session examined investment for security of energy supplies, harmonization of regulations for intra-regional movement of energy resources, including the development of a natural gas pipeline network, with a view to forming an Asian Energy Community. Given the necessity of efficient and cost-

effective movement of people and goods for economic development, the session on transport and logistics networks affirmed the desirability of harmonizing the distribution and capacities of facilities among the region's countries to promote optimal throughputs and ensure the overall interests of all countries. Tourism ranks among the world's largest industries, and the potential for expanding tourism throughout Northeast Asia is virtually unlimited. Participants recommended that the NEAEF establish a Working Group for the Northeast Asian Tourism Community to study cooperative means of achieving balanced and coordinated development of tourism resources for the mutual benefit of the region's economies. Participants examined the rapid expansion of e-trade services in the region based on rapidly developing information technology. Participants agreed that the Northeast Asia Economic Forum should add this important component to its efforts to promote peaceful and cooperative economic development in the region. An overall sense emerged from the meeting that the Forum has contributed significantly to strengthening the concept of economic integration among the countries of Northeast Asia, by defining some of the key issues, constraints, and alternatives, and concluding that there is indeed potential for substantial benefits to be gained by member countries as the result of such integration. A sense also emerged that we have now reached the stage for sharpening our focus, and developing a realistic plan of action to gradually realize such integration. To these ends, the meeting resolved to work collaboratively to draft a plan of action to be presented to the Fourteenth Conference of the Forum for consideration and appropriate action. The participants warmly thanked the Korea International Trade Association for its hospitality and efficient organization of the meeting.