

I would like to state at the outset that I am not an energy expert. My expertise lies in the legislative arena. I have, of course, studied economics and, for 15 years, I was the principal advisor to the United States Senate on the financing of U.S. economic development assistance programs. So, in my comments, if I make a mistake about energy programs or energy statistics, I hope you will overlook that and consider more carefully what I have to say about political sustainability and the prospects for cooperative development programs.

Much of what we have discussed has centered on issues of sustainable development and the dimensions of sustainability: economic sustainability, environmental sustainability, and social sustainability. These terms are derived from the International Energy Agency and I fully concur that they merit our consideration. Nonetheless, I have been somewhat taken aback by the lack of consideration given to political sustainability. In many important respects this is the sine qua non of sustainability. It is why we are gathered here. We have much in common; we share, broadly, an appreciation of what the situation is and what must be done to address it. However, we differ politically—internally, within our respective countries, and internationally, within the North-East Asia Region.

Dr. Ki Joong Kim and his colleague at the Korea Energy Economics Institute, Dr. Sang-Gon Lee has noted the increasing dependence on oil and gas from the Middle East. This was also emphasized in the discussion by Daojion Zha. I would contend that it is not the volume of dependence, but the quality of dependence that matters. After all, the Middle East has vast reserves of oil and gas; it is the political turmoil (domestic and international) that makes this dependence problematic.

With regard to the increase in energy consumption and environmental degradation in densely populated areas, I would say that, at least in part, it is the political failure to attend to the needs of rural populations that brings about urban migration and its consequent consumption and environmental impact.

The significance of the “wide disparity in the degree of economic development” is in large measure due to the widening gap between the “haves” and the “have nots,” a gap that can only be closed by political decisions leading to a more equitable distribution of **future** gain. By that, I mean to say that it is impractical and impolitic to believe that the rich will surrender their wealth to the poor; however, it is possible that they can be convinced, through political means, that it might be wise to achieve a more equitable distribution of economic growth.

As for the “high capital costs of financing the huge energy infrastructure development,” it is up to politicians to muster the political will and to advance politically sustainable arguments that would cause the body politic to consider the costs of **not** financing energy infrastructure development. Our sophisticated discussions of energy requirements and dimensions of sustainability will be to no avail unless they are presented in such a way as to enhance the enlightened self-interest of a politically motivated public.

Regional cooperation is required. However, geopolitical hurdles to such cooperation remain. In his presentation *China in Northeast Asia: the energy-security nexus*” Dr. Zha Daojiong has presented a well informed review of Northeast Asia oil market conditions as well as the Chinese and Japanese responses to Russian energy strategies toward the Asia-Pacific Rim and he concludes that “China will have to work harder to convince both Russia and Japan that Chinese access to Russian oil and gas is in their interests as well. Geopolitical interests must be addressed and the formidable hurdles and obstacles to cooperation must be overcome. The challenge now before all three governments is to find the wisdom and utilize the competition as an opportunity for a three-way cooperation.”

I enjoyed listening to Dr. Zha and thought that his penetrating analysis of China’s strategy towards Russia and Central Asia was very revealing. The issues that he has surfaced are of great consequence to the future of energy cooperation in Northeast Asia. He is wise to call our attention to the underlying economic competition between Japan and China, and I would concur that this competition affords many opportunities for cooperative development and mutual economic enhancement.

Finally, he directs our attention to the traditional bilateral relations and national security implications of competing energy requirements. His focus

is on the regional dimension, and that is important. In at least one respect, however, it seems to me that even a regional perspective is not broad enough.

Friends in the U.S. Government tell me that over the next decade a “greater Europe” will emerge as a distinct political entity that will challenge American primacy in economics and global politics. In achieving that end, Europe’s energy consumption will increase dramatically. It, too, will have to break its dependence on Middle East oil. Some people in Washington believe that Europe will reach beyond the Urals to try to capture – figuratively, of course—Russian oil and natural gas. Eastbound pipelines may be running on empty as oil and gas is pumped to the West to fuel European engines of growth.

Thus, the geopolitical interests and national security implications of energy competition that Dr. Zha calls to our attention extend far beyond this region. Europe will be in your back yard, competing with you for scarce energy resources. Northeast Asia, therefore, soon must get its house in order. Time is not on your side. The necessities of regional cooperation and the imperatives of economic competition on a global scale must be recognized and the “geopolitical hurdles ahead” must be overcome -- not sometime, but in this time.

Mr. Robert Priddle, the former Executive Director, International Energy Agency has asked the question: “Does this particular grouping of countries have distinct interests in the energy field which warrant encouragement of the concept of an Asian energy community?” If the foregoing discussion of the gathering European challenge has any validity or truth to it, then I think the answer to Mr. Priddle’s question is, “it better have.”

We have heard it said that Japanese entry into the competition for Russian oil and gas pipelines caught the Chinese off guard. Consider this, Mr. Priddle has said, “Russia’s main energy policy concern is to mobilize the necessary finance for investment in the energy sector.” Well, the combined countries in the European Union have more capital to invest than the countries of Northeast Asia. A recent presentation in Tokyo by Dr. Charles Kupchan, a Senior Fellow at the Council on Foreign Relations and a professor at the prestigious Georgetown University in Washington, DC noted “the euro has been gaining ground steadily against the dollar. The euro has bumped the dollar from Central Europe. EU-Russian trade is now

denominated in euros...” Dr. Kupchan also notes that “Iraqi oil is denominated in euros.” A “Greater Europe”, as the EU expands into Central Europe may mean the Europe, not China, may see energy demand growth rising faster than most other regions and countries.

In the absence of the “fusion solution,” the world’s exploration for and development, allocation, and consumption of energy has been and will be characterized by competition. That the competition is not “unbridled” and is conducted with some restraint is due to the presence of overlapping trade, economic, and security interests that give a multi-dimensionality to international relations.

I may be dead wrong about the European energy economic challenge, but if I am correct, the countries of Northeast Asia cannot act individually and alone—to compete, they must cooperate.

As Europe unifies and the United States becomes more and more enmeshed in specific trade agreements—first NAFTA, more recently, CAFTA, and soon to be negotiated, the Andean free trade agreement—the countries of Northeast Asia will find it absolutely necessary to cooperate with one another and to form energy alliances that transcend the national security and geopolitical interests of the individual countries.

This does not mean that the interests of the individual countries will be subordinated to energy alliances. Nation states have a multiplicity of interests, some of which are peculiar to particular states. The challenge, therefore, is to establish a politically sustainable energy alliance that allows for and, indeed, encourages energy cooperation while, at the same time, allowing for accommodation of the particular interests that member countries have in other aspects of national security in such a way that the centrifugal forces do not accelerate and cause an explosive shattering of the alliance. Clearly, this takes a regional awareness and appreciation of an enlightened self-interest and the political will to achieve it. In this forum, and in the NEACPF and other multilateral organizations, we must always remember that process is no substitute for political will. There is no “political cook book” whose recipes can be followed. Process, without the “political chefs” to prepare the recipe, means that things will just simmer and the meal will never be prepared.

As I reflected on the talks that we have heard, my mind went back to yesterday's critique of the "Grand Design" by ZHAO, Jinping. The several impediments to a Grand Design, as enumerated by Mr. ZHAO, are the very reasons why we need a grand design. We must look beyond the impediments and develop a vision of what might be. It seems to me that the Grand Design is a destination, not a station along the way. If we focus only on the rocks in the path and seek only to avoid them, we will lose sight of our destination and wander aimlessly.

Similarly, with respect to participation by DPRK or any other country, if we withhold our efforts to establish a cooperative energy alliance until all parties have resolved all disputes, we will never begin. On the other hand, if an energy alliance begins to take shape on the ground through concrete projects that bring broader benefits to the people of Northeast Asia, perhaps leaders in all North East Asian countries will see the benefits of participation and the Asian Energy Community will be, at last, politically sustainable.