

**The Seoul Declaration**  
**The 23<sup>rd</sup> Annual Conference of the**  
**Northeast Asia Economic Forum**

The Northeast Asia Economic Forum (NEAEF), co-hosted by the Korea Committee of the Northeast Asia Economic Forum and the United Nations Economic and Social Commission for Asia and the Pacific, East and North-East Asia Office (UNESCAP-ENEA), convened the twenty-third annual conference in Seoul, the Republic of Korea on the August 28-29, 2014. Representatives from the People's Republic of China, Japan, Mongolia, Republic of Korea, Russian Federation, the United States and the European Union assembled to discuss and promote economic cooperation and integration among the countries of Northeast Asia and their global partners.

The conference was officially opened by Dr. Lee-Jay Cho, Chairman of the Northeast Asia Economic Forum with his opening statement, followed by welcoming remarks from the Honorable Park Kwan-Young, Chairman of the Korea Committee and Former Speaker of the Assembly for the Republic of Korea; Dr. Choi, Kyung Hwan, Deputy Prime Minister and Minister of Strategy and Finance; and from Dr. Kilaparti Ramakrishna, Head, United Nations Economic and Social Commission for Asia and the Pacific, East and North-East Asia Office.

This was followed by remarks by Northeast Asia's country representatives: Dr. Jiang Zhenghua, former Vice-Chairman, Standing Committee of the National People's Congress, China; Mr. Furukawa Motohisa, Member of the Diet, Former Minister of Policy-Strategy, Japan; Mr. George Ariyoshi, former Governor of Hawai'i, Honorary Chairman of the Annual Northeast Asia Economic Forum, U.S.A.; Dr. Vladmir Kuznetsov, Director of the School of Regional and International Studies, Far Eastern Federal University and former Governor of Primorski Krai, Russia; and Mr. Batbayar Bat-Erdene, Advisor to the President, Chairman of the Northeast Asia Association of Mongolia, former Finance Minister of Mongolia.

The annual conference provided another milestone toward a common goal of regional integration through productive discussion of vital themes within the Forum's sessions. The specific sessions included: 1) Regional Economic Cooperation in Northeast Asia: Country Perspectives 2) Energy Cooperation. 3) Regional Integration in Northeast Asia: Institution Views 4) Financing Regional Economic Integration Through Cross-Border Infrastructure Construction, and a New Approach to a Regional Multilateral Financial Institution, Northeast Asia Bank for Cooperation and Development (NEABCD) and 5) Cross-Border Economic Cooperation: Tumen River Area and Economic Integration for the Korean Peninsula.

In the first session the presenters from each country conveyed their perspectives for regional economic cooperation in Northeast Asia. The speakers with a common desire for economic integration in the region, proposed unique perspectives on how to accomplish this goal and focused on several themes: 1) the current stage of economic integration in Northeast Asia; 2) formation of Free Trade Agreements

(FTA) and their potentials for Northeast Asia; 3) Potentials for the Tumen River Area Development; 4) a bilateral partnership between Russia and Japan, and e.g. “Smart City” planning for increased energy efficiency across Asia; 4) challenges inherent in existing multilateral institutions and reforms to address future needs. The economic integration in Northeast Asia should be beneficial to all countries, and therefore, requires more active regional cooperation among members

The afternoon sessions on energy cooperation involved presentations on energy security, alternative energy, a low carbon future, energy infrastructure and physical connectivity in the region. The session discussed potential options for harnessing the benefits of geographical proximity and technical complementarity between North-East Asia countries which encompass some of the most resource-rich and most resource-dependent countries in the world. Considering relatively high carbon intensity of North-East Asian economies, the session also looked at options for the linkages between energy connectivity/ cooperation and low carbon energy. To harness the benefits and to reduce carbon intensity from the current energy mix, various initiatives and solution proposals have been developed to promote subregional power interconnections and energy sustainability, these include: **Super Grid / Cross-border Power System** to generate and transmit electricity from energy resource-rich countries (Russia and Mongolia) to energy resource-poor countries (Japan and Republic of Korea); **Asian Energy Highway (AEH)** to develop an intergovernmental framework for an integrated regional power grid; **GOBITEC** project to harvest solar energy in the desert areas and transmit to high demand areas in NEA as Mongolia alone is estimated to have potential for over 13,000 TWh/year of renewable energy potential from wind and solar power sources; **Smart Grid** to integrate electrical and information infrastructure for better supply and demand management; and infrastructure connections for natural gas trade.

The third session addressed regional cooperation and integration within the Northeast Asian sub-region. Historically, regional cooperation has derived from the bottom-up, championed by business feeding the engines of economic growth. On the other hand, progress on institutional integration has been slow to catch up to market forces. In this regard, the support of top leaders and officials will remain a critical component to advancing the goals of sub-regional integration. The Forum recognized the ongoing efforts made by ESCAP and other stakeholders to build a growing momentum towards greater regional cooperation and integration. In particular, in Northeast Asia, the potential to exploit economic complementarities remains vast. Key areas of cooperation and integration include trade expansion, infrastructure, energy, environment, finance, and people-to-people exchanges. A multi-dimensional approach, beyond economic cooperation is proposed to address old and new challenges in Northeast Asia. The session also highlighted the need for stronger collaboration among, and engagement of subregional organizations such as the Trilateral Cooperation Secretariat of China, Japan and the Republic of Korea and the Greater Tumen Initiative (supporting China, Mongolia, Republic of Korea and the Russian Federation) to build trust and consensus among the Northeast Asian countries. Beyond the region, groups such as the German Federal Enterprise for International Cooperation (GIZ) are supporting regional cooperation by providing

advisory services, information exchange, and institution building recommendations. Northeast Asia is finding ways to build new rules of engagement for a future replete with new realities.

The session on financing regional economic integration through cross-border infrastructure resulted in substantially productive discussions, including one key issue of economic integration for the Korean Peninsula to ensure regional stability and the effective integration of North Korea, a part of Northeast Asia that requires significant functional and financial cooperation and development. South Korea is prepared for the economic integration process and anticipates that successful cooperation efforts will mark a beginning of a new chapter in history of peace and prosperity in Asia.

The conference sessions advanced the framework and mission for creating the new Northeast Asian Bank for Cooperation and Development Bank (NEABCD). Without such a Bank, it would be difficult for any single country to provide the large-scale and long-term financing necessary for meeting Northeast Asia's development, growth and stability needs as well as promoting investment by the private sector to improve the technological and innovative capabilities of Northeast Asia.

The Forum acknowledged key and potential challenges and benefits to establishing the NEABCD. Countries in the region are encouraged to establish an effective development bank to meet future infrastructure and economic needs in Northeast Asia. By 2020, Asia's developing countries will require enormous capital investment to address regional infrastructure needs. The World Bank and ADB, offer insufficient funding options for the sub-region due to resource constraints, current governance, and policy and program constraints. Northeast Asia recognizes that it must depend on itself going forward to fund and invest in growing infrastructure needs in the region.

The assessment of the current situation regarding the proposals for a BRICS Bank and China's Asian Infrastructure Investment Bank (AIIB) was made and discussed with conclusion that although with good intention, a BRICS Bank was not easy and the China's AIIB required more due diligence and preparatory research given the amount of capital proposed in contrast to the enormous capital requirements for all of Asia.

Representatives were commended for the work achieved thus far by experts focused on establishing the NEABCD, particularly the effort of the Research Center for Financial Cooperation under the leadership of the NEAEF located at Nankai University. Current institutions may still contribute to the NEABCD, although the new development bank's mission will support regional infrastructure requirements and advance strategic economic development plans in ways that others cannot. The Forum recognizes each country's view on the NEABCD including the economic integration of the Korean Peninsula, Japan's perspective on benefits and challenges for establishment of the NEABCD in the context of global financial system, and the new challenges the NEABCD may encounter.

The conference concluded with the session on Cross-Border Economic Cooperation: Tumen River Area and Economic Integration for the Korean Peninsula. Progress continues in the DPRK, although the realization of plans remains unclear. The quality of life has improved substantially in Pyongyang and the South continues to search for mechanisms of cooperation with the DPRK as it develops special economic zones. Cross border trade and economic cooperation have been strengthening including Russia and China proposal for transnational rail and highway infrastructure to facilitate trade across the sub-region. More opportunities for cooperation are expected to emerge as member countries overcome cultural and institutional barriers and increase mutual communications.

The Northeast Asia Economic Forum offered its sincere appreciation to the host institutions, the Korea Committee of the Northeast Asia Economic Forum and the United Nations Economic and Social Commission for Asia and the Pacific, East and North-East Asia Office (UNESCAP-ENEA) which co-sponsored the two sessions on energy cooperation and regional integration. The Forum is grateful to Korea Institute for International Economic Policy (KIEP) for their consistent support and cooperation, and acknowledges the valuable contributions both past and current of the Tianjin Municipal Government along with other cooperating institutions.

The NEAEF would like to express the deepest gratitude to all participants in the 23<sup>rd</sup> Annual Northeast Asia Economic Forum conference and looks forward to another successful year of progress toward establishing and promoting its mission.

Forum participants expressed appreciation for the support provided by the Freeman Foundation and the cooperating institutions for the Young Leaders Program, now in its ninth year, that features Fellows from the People's Republic of China, Japan, Republic of Korea, Russian Federation, Mongolia, the United States and EU. Special appreciation was extended to Dong-A University for hosting the 9<sup>th</sup> Young Leaders Program.

#