

## **The Vladivostok Declaration**

The Northeast Asia Economic Forum (NEAEF), in partnership with the Far Eastern Federal University (FEFU), School of Regional and International Studies, and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), convened the twenty-second annual forum in Vladivostok, Russia, on the 15th and 16th of August 2013. Representatives from the People's Republic of China, Japan, Korea, Mongolia, the Russian Federation, the United States, the European Union, and UNESCAP assembled to drive progress toward cooperation and integration among Northeast Asian nations. FEFU's new, consolidated campus on Vladivostok's Russky Island was host to the 2012 Asia Pacific Economic Cooperation (APEC) summit and is the flagship federal campus of east Russia. FEFU's unified home on the Pacific rim is symbolic of its emerging role as a hub for the multicultural meeting of minds. It served as an excellent location for the 22nd annual NEAEF.

This year's conference built upon the twenty-one year legacy of engaging the pressing issues and forward-looking debates facing Northeast Asia. Rigorous discussion over energy and environment, transportation and infrastructure, trade, and development of the Northeast Asia Bank for Cooperation and Development (NEABCD), furthered the forum's mission for continuing cooperation, peace, and prosperity.

An energetic opening ceremony featured welcoming remarks by FEFU Rector, Sergey Ivanets; The Honorable Vladimir Kuznetsov, former governor, Primorskiy Krai; and The Honorable Victor Gorchakov, speaker of the Duma, Primorskiy Krai.

Remarks were also delivered by country representatives, including: The Honorable Jiang Zhenghua, former vice-chairman of the standing committee of the National People's Congress, PRC; The Honorable Park Kwan-Young, former speaker of the assembly, ROK; The Honorable Nakayama Taro, former minister of foreign affairs, Japan (written remarks); The Honorable Stephen Cowper, former governor of Alaska; Mongolian Ambassador to the Republic of Korea, The Honorable Ganbold Baasanjav; and The Honorable Shin Bong-kil, ambassador, Trilateral Cooperation Secretariat (TCS), secretary general.

The opening session, Regional Economic Cooperation: Perspectives from the Russia Far East, dug deep into the issues of increasing Foreign Direct Investment (FDI) into the Russian Far East by the other countries comprising Northeast Asia. So far, 93 percent of total direct investment goes into the minerals sector. Over time, Russia would prefer to have increased FDI in areas of the economy that are higher value-added. Issues identified as leading to a poor investment climate include 1) insufficient transportation 2) low-level of energy development in the form of the power grid and old power plants 3) a

small consumer market of 6 million people 4) a shortage of labor resources and 5) inclement weather increasing the cost of building factories and the ongoing maintenance in the Russian Far East. To overcome these known challenges, the Russian Far East has prioritized eight areas for investment: transportation; aircraft, shipbuilding, automotive industry; aerospace; resource extraction, refining, and processing; energy and energy efficiency; petrochemistry; agriculture; and tourism. All of these are the “hard” sectors for investment, in addition it was highlighted that further economic integration and cooperation will require development of “soft” infrastructure including political will, institutions for cooperation, people diplomacy, and psychological readiness. Companies looking to invest in the region can benefit from tax breaks and government agencies providing consulting help to facilitate the initial investment and ongoing business enterprise. The Russian government is making the investments in transportation and economic clusters to improve the attractiveness of the Russian Far East as a site for FDI and to improve the economic and functional cooperation within the Northeast Asia region.

The two afternoon sessions and evening gala, were co-sponsored by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Incheon. The first afternoon session, Energy and Environment, featured presentations on the vast natural energy resources in the Russia Far East and the dependency of other countries in Northeast Asia on imported energy sources. In particular, Russia has tremendous reserves of oil and natural gas. China recently has become a net importer of coal because of its tremendous consumption of coal as its primary source of base load energy for electricity generation and heating. Already, China has 10% of its power generated by renewable sources and is planning on having 15% by 2020. Korea is 95 percent dependent on imported energy in the form of fossil fuels, this creates energy security and sustainability issues for Korea. This has led Korea to create a national goal of providing 40% of its energy domestically by 2030. The presentation on Japan highlighted its shift away from nuclear power following the March 11, 2011 Fukushima disaster. Next month, Japan will have shut down all of its nuclear power plants and shifted to other sources of power generation including increased LNG imports. They are in the middle of revamping the electrical supply system including adding a wide area system operator, liberalizing the retail market, and unbundling the vertically integrated system of electricity generation and distribution within the regions of Japan. This presentation on Japan concluded with the mention of the improvements that could be made to the electric grid by creating an Asia-wide electric super grid that would have multiple layers of redundancy, greater stability, and could handle more renewable energy sources.

The final session on the first day, Transportation and Logistics: Cross-border Infrastructure Development, focused on increasing investment in creating transportation links throughout the region and also streamlining the administrative process of crossing borders. The region is heavily dependent on maritime transport, but if land transport were developed, this would dramatically help neighboring countries and increase trade into land-locked countries and inland regions of the countries in Northeast Asia and Southeast Asia for that matter. The focus of spatial development started with transport corridors, led to logistic corridors, trade corridors, and ultimately economic corridors through these new lanes of interaction. When building these new transportation links, the importance of public-private partnerships was highlighted and the differences in public-private partnerships in the different countries in the region were also mentioned. In addition to the hard infrastructure, an improvement in soft infrastructure is required to include a new legal framework and coordination of federal and regional governmental agencies both within countries and across borders. Much work has been done already, with great opportunity for improvement still remaining. On the issue of containerized cargo within the region, which has grown 14x in the past 30 years, there are improvements that can also be implemented that will cut the terminal waiting time dramatically by increasing regional cooperation and through the creation of a regional logistics system. Fully 58 percent of the world's container traffic goes through East Asia and improvements in efficiency and processes can make shipping less expensive, better for the environment, and can help harmonize relations. One of the final presentations on transportation led to the proposal of port cooperation in Northeast Asia.

All of these sessions on the first day had information and recommendations to improve cooperation, synchronization, and harmonization between the countries, companies, and institutions of Northeast Asia and would lead to an improved quality of life for the people of each of the countries.

Saturday morning's discussion centered on the proposed establishment of the Northeast Asia Bank for Cooperation and Development (NEABCD). There was broad consensus on the desirability for a multilateral bank to provide long-term capital for regional infrastructure projects. Research has shown that such a bank would be conducive to lasting Northeast Asia cooperation, transforming and restructuring of the economy, filling the gap of financing for large cross-border projects, enhancing the capability of the region to address financial crises, and helping with free trade agreements. The goal of this bank is to increase cooperative development, balanced development, and win-win development in the region. There has been increasing demand for cross-border projects in infrastructure and the energy sectors. Ultimately, the bank wants to raise private sector capital; however, the private sector is looking for security for repayment. This will lead to multilateral public financing acting as a catalyst

in order to attract private funds. Given that the creation of the NEABCD will not be immediate, there was a proposal to start with a China-Japan-Korea trilateral bank. Sample projects could include the Greater Tumen River Initiative, submarine tunnels connecting countries, a regional logistics system, natural gas pipelines, and public-private partnerships such as toll roads. Rather than direct lending, most of the initial participation will be in equity investments and guarantees. There are many great projects that could be developed in the region with the financing and technical expertise provided by the creation of such a bank. The creation of the bank may require improved diplomatic relations in the region, but the work towards such a bank should continue steadfastly nonetheless.

The afternoon session continued with a healthy discussion on developments within North Korea, cross-border economic cooperation, the attractiveness of the Russian public stock markets for investment, and a review of lessons that can be learned from the integration of Europe countries into the European Union. On the matter of South Korea, it was noted that the absence of North Korea from regional economic integration effectively turns South Korea into an island unable to build land transport to the rest of of the Asian continent. A study of the regional impact of sanctions against North Korea may reveal that the sanctions are reducing the attainable GDP in the greater region. Sanctions should be reduced or eliminated for specific projects to facilitate trade and development.

Overall, there was a spirit of optimism that much progress had been made during the conference. The abundance of ideas gave everyone the opportunity to return home with the ability to implement greater harmony and cooperation in the region.

Forum participants expressed appreciation for the support provided by the Freeman Foundation and other cooperating institutions for the Young Leaders Program, now in its eighth year. The Young Leaders Program features Fellows from the People's Republic of China, Japan, Republic of Korea, Mongolia, the Russian Federation, and the United States. The Fellows' attendance contributed to the Forum's goal of ensuring a long-term future of cooperation and integration in Northeast Asia.

The NEAEF offered its deepest gratitude to the Far Eastern Federal University for its generous support in hosting the forum. NEAEF extended further thanks to UNESCAP, Incheon; the Primorskiy Krai government and legislative assembly; Korea Institute for International Economic Policy; Korea Telecom (KT); Korea International Trade Association; Korea Asia Pacific Institute; Japan Bank for International Cooperation; College of Social Sciences, University of Hawaii at Manoa; China Asia Pacific Institute; Tianjin Municipal Government; Economic Research Institute, Far East Branch, Russia Academy of Science, Khabarovsk; Slavda Management Company, Far Eastern Marine Research Institute, Vladivostok; Friedrich Naumann Foundation; and to other

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