

## **The Sendai Statement**

Tohoku University, Sendai, Japan, 10 August 2018

The 27th Annual Conference of the Northeast Asia Economic Forum (NEAEF) was held in Sendai, Miyagi Prefecture, Japan from August 8-11, 2018. Hosted by Tohoku University and its Graduate School of Economics and Management, International Research Institute of Disaster Science (IRIDeS), and Center for Northeast Asian Studies, leaders and experts from China, Japan, Mongolia, Russia, The Republic of Korea, The United States, Uzbekistan, and the European Union gathered to advance the NEAEF mission of facilitating research, networking, and dialogue relevant to the economic and social development of Northeast Asia. The 2018 Forum addressed themes covering Japan's role as a facilitator of regional cooperation, supporting the integration and development of Northeast Asia, cross-border infrastructure and special economic zones (SEZs), tourism cooperation, financial cooperation, energy, and the environment. This breadth of topics highlights the vast potential for cooperation in Northeast Asia and made for an engaging, multidisciplinary conference.

The conference was officially opened by Dr. Lee-Jay Cho, Chairman of the NEAEF, who warmly welcomed the distinguished guests and participants and thanked NEAEF's partner organizations for making the conference possible. He also thanked Tohoku University for graciously hosting the 2018 Young Leaders Program on its prestigious and historic campus. Welcoming and introductory remarks were then added by the Country Representatives: Park Kwan-Young, Former Speaker of the National Assembly, Republic of Korea; George Ariyoshi, Former Governor of Hawai'i; Wang Shuzu, Former Vice Mayor, Tianjin Municipal Government and Executive Vice Chair of the Research Center for Financial Cooperation in Northeast Asia; Pavel Minakir, Academician and President, Economic Research Institute, Far East Branch, Russia Academy of Sciences; and Ganbold Baasanjav, Mongolia's Ambassador to the Republic of Korea. All speakers were grateful for the continued hard work of the NEAEF and enthusiastic for another successful conference.

The Keynote Address of the 2018 NEAEF was delivered by the Honorable Mr. Toshihiro Nikai, Member of the Diet and Secretary-General of the Liberal Democratic Party. Mr. Nikai struck an optimistic tone, highlighting how recent political developments such as meetings between North and South Korea and the US-North Korea agreement on the denuclearization of the Korean Peninsula have breathed new life into regional integration efforts. He emphasized that, although these agreements will be difficult to fulfil and despite historical tensions, the barriers to regional economic cooperation are not insurmountable. Mr. Nikai suggested that Japan can play an important role in facilitating this and proposed that Japan begin to participate in the Greater Tumen Initiative (GTI). Japan's Bank for International Cooperation could help finance infrastructure in the region and collaborate with regional import-export banks with an eye to developing a Northeast Asian Development Bank (NEADB). He concluded by highlighting Japan's and the Liberal Democratic Party's existing efforts to promote regional cooperation, which, if successful, could connect with broader efforts in the Asia-Pacific to usher in new levels of peace and prosperity.

Session one, dedicated to the theme of "Building a Northeast Asia Economic Community and its Extended Regions", began with a presentation on the Asian Financial Cooperation Association's work to build a regional financial cooperation platform that can meet the demands of the high-tech industrial revolution unfolding today. A presentation was then given on the Russian Far East, and the possibility of creating an extended Northeast Asian Economic Community based on the complementary structures and resources of economies in the region. Following these two thought-provoking presentations, an expert committee of discussants held an engaging question-and-answer session among themselves and with distinguished members of the audience. Discussion touched on Chinese-Russian financial

cooperation in developing the Russian Far East, how best to economically engage North Korea, and the possibility of pursuing Northeast Asian economic integration based on the backbone of a China-Japan-South Korea free trade agreement that could be expanded to include cooperation with Mongolia, Russia, and eventually North Korea.

The second session focused on “Cross-border Infrastructure and Special Economic Zones in Northeast Asia”. An important theme was improving relations with and the regional integration of North Korea. Speakers highlighted North Korea’s desire to open its economy and experiments with SEZs. International sanctions were identified as undermining the effectiveness of these zones and it was widely agreed that there is much to learn from further exploring their success and failure both in North Korea but also Russia. At a global level, a process of regionalization in logistics was identified, along with related opportunities for unlocking more efficient cooperation in Northeast Asia such as developing point-to-point shipping services and harmonizing customs and information processing. It was noted that several regional visions for cross-border infrastructure are under consideration, including Northeast Asia supergrids, rail networks, and highway networks. These have the potential to benefit the region as whole and reduce the trade dependencies of North Korea and Mongolia. A common message from all the feasibility studies is that these initiatives are technically feasible, economically possible, but in need of greater political support.

Session three addressed the topic of “Financial Cooperation in Northeast Asia” by exploring the impact of recent political and economic developments and presenting possible ways forward to finance the future development of the region. An international panel of former government and finance officials drew on their rich background of professional experiences to analyze the opportunities presented by current trends including progress on the Korean Peninsula, the emergence of new development financing institutions such as the Asian Infrastructure Investment Bank (AIIB), and growing international cooperation in developing the Russian Far East. The session then opened up into an illuminating discussion of future prospects for multilateral and cross-border cooperation. Discussants explored the roles of existing cooperative financial institutions and mechanisms, underlining the need for an inclusive multilateral cooperation platform dedicated to the Northeast Asian region and noting the timeliness as well as the potential political and economic benefits of a NEADB.

The fourth session was dedicated to “Energy and Environment in Northeast Asia”. A key underlying trend was the digitization and electrification of energy systems, which offers great potential for improved resiliency, sustainability, and affordability. Several data-rich presentations covered Japan’s and Korea’s progress in developing renewables and improving energy efficiency, critical for moving away from coal and realizing the Paris Agreement. The fluctuating fortunes of nuclear energy were also highlighted as a trend that requires our attention. Participants agreed that the potential for energy cooperation in Northeast Asia is great, with a regional supergrid identified as one way of boosting the uptake of renewable energy. It was highlighted that, as this occurs, it will be important to study global experiences of integrating high levels of variable renewable energy into grid systems. Japan’s ability to share its expertise in energy efficiency was also noted, along with the potential of a NEADB to align government coordination and financing. Finally, key policy recommendations from the session included pursuing consistent yet flexible regulatory approaches that can change with rapidly developing technology. This will require policymakers to work closely with universities and the private sector to stay scientifically informed. Further training of government officials will also be required, along with the ongoing review of the appropriateness of government financial instruments.

Session five, devoted to tourism cooperation in Northeast Asia, examined ongoing and potential challenges and opportunities for regional international tourism. Presenters pointed out the role that cross-border tourism can play in reconciling historic border disputes and

battles and outlined some of the challenges presented by the high volume of tourism in popular areas. Discussion also covered the need to promote tourism in a sustainable way, take into account the interests of local communities, and identify the spending habits and preferences of guests to take appropriate policy measures. The session closed with a reflection on the value of improving not only the quantity but the quality of person-to-person exchange through small-scale cross-border hospitality.

The panel on “Natural Disasters and Regional Cooperation” focused on lessons from the 2011 Great Eastern Japan Earthquake. Presentations highlighted how the triple disaster bucked historic trends due to its magnitude and complexity. This led to developments in the thinking regarding disaster response and resilience, away from a logic of expecting infrastructure to protect us and towards integrated thinking involving land use, evacuation, and resilience. The role of insurance in disaster management and for promoting resilience was also explored. In parts of Northeast Asia this remains underdeveloped and could a site of future regional collaboration.

Northeast Asia is a complex region with its fair share of tensions, but this year’s conference has embodied a sense of optimism and possibility for cooperation that has been buoyed by recent political developments. With continued dedication, it is clear that greater functional economic cooperation in our region can be realized.

The NEAEF expresses its sincere appreciation for the support provided by the Freeman Foundation and other sponsors of the Young Leaders Program (YLP), now in its thirteenth year. This year’s YLP fellows represented China, Japan, Republic of Korea, Mongolia, Russia, the United States, and Kenya and included students from the host institution Tohoku University. The continued participation of the young leaders in the conference and the NEAEF is important to ensuring a long-term future of cooperation and friendship in Northeast Asia and spreading the values of the Forum.

The 2018 Conference represented further progress towards the NEAEF goals and promoting understanding and relations among the peoples of Northeast Asia, North America, and Europe. The NEAEF and the University of Hawai’i College of Social Sciences express their sincerest gratitude to the Korean Institute for International Economic Policy, Tohoku University, and all volunteers, participants, partners, and cooperating institutions, including:

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