

# **Fifteenth Northeast Asia Economic Forum**

**– Commentary Paper –**

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**Gue Jae Jeong**

**Research Fellow**

**Center for Energy Research, Northeast Asia**

**Korea Energy Economics Institute**

Thank you, Mr. Chairman. Distinguished participants. And ladies and gentlemen. It is my great honor to make a comment in this crucial meeting. First of all, I would like to express my sincere gratitude to the Northeast Asia Economic Forum for their excellent organization of this conference. In addition, I would like to bring my sincere appreciation to experts from my heart. They have taken very respectable presentation on energy cooperation in the NEA region. These articles are very unique, creative and useful to expand regional cooperation.

As we know, there is very significant implication in economic cooperation within the NEA region. If regional economic cooperation could be expanded and reinforced conspicuously, then we will be able to expect a dynamic economic development in the region compared with other regions in the Planet. We can see that there are many advantages for economic cooperation in the region. Countries in the region are close to each other. There are big market, and plenty of human and natural resources in the region. Especially, many experts has pointed out that energy cooperation in this region is the most practical and efficient way for securing sustainable development of the region.

Unfortunately up to date, in spite of this recognition and geographical proximity of NEA countries, interaction for energy cooperation such as energy resources development and cross-border trade is still far behind the potential and does not correspond to the long-term interests of both of NEA

countries. Obviously, we can find out the potential benefits from energy cooperation in this region such as energy security and sustainable development. However, there are numerous barriers to achieving these benefits in practice such as;

- differences in the level of economic development, with some countries pursuing market friendly energy policies more than others;
- differences in economic systems and the role of the market, with some countries operating in a market economy and others in transition;
- political tension due to both historical and contemporary issues;
- legal and regulatory differences; lack of infrastructure;
- the lack of a financing mechanism for regional energy projects;
- insufficient economic or political organization between the countries in the region;
- and the lack of an integrated long-term energy strategy for the region.

For reinforcing energy security through regional cooperation, it is up to the NEA governments to ensure that political issues do not overwhelm the shared interest in energy cooperation. It is the key to make clear expression of this mutual interest at the high policy level.

- As long as there is political motivation for regional energy cooperation, it should be possible to overcome issues arising from discrepancies in economic systems and similar obstacles.

- As indicated, one of most important factors is a successful organization of long-term cooperation mechanism for adequate development of energy resources in the Eastern Siberia and Russian Far East regions.

An intergovernmental agreement would be a significant step towards improving the investment environment and reducing risk for regional energy projects. From this point of view, Korean Minister of Commerce, Industry and Energy had proposed to establish an inter-governmental cooperation mechanism in the NEA region in June 2001. At Khabarovsk Meeting in 2001, fundamental principle for establishment of the Energy Cooperation Mechanism in NEA.(Khabarovsk Communique) At Vladivostok Meeting, NEA countries agreed to hold Senior Officials Committee annually and to operate WGs. After taking discussion and communication with NEA countries, such as Russia, China, Mongolia and Japan, this process has made considerable progress in 2005, with the establishment of inter-governmental mechanism for energy cooperation. Although Japan has not joined to the Committee as a member and China at present remains an observer, there is now an intergovernmental institution established for energy cooperation that involves both energy consumers and the major energy producer in the region

Working Group on Energy Policy and Planning (WG-EPP) was launched in Bangkok, Thailand last May. This WG is constituted by 4 member

countries (Russia, Mongolia, DPRK and Republic of Korea) and China participates in WG-EPP as an observer. The aim of WG-EPP is to develop and implement work programs to reach the vision of the Mechanism.

In conclusion of my comment, I would like to point out one thing to expand and facilitate energy cooperation in the region. We can see many kinds of measures for enhancing energy security of each country in the region. One is the implementation of policy measures to reduce energy consumption. Another one is to strengthen their efforts to make a bilateral cooperation with energy suppliers to guarantee stable energy supply. However, the later will be going to provoke deep competition with other countries, and disadvantages to each other. Therefore, instead of bilateral cooperation, more emphasis on multilateral cooperation will be a win-win strategy to expand and reinforce regional energy cooperation in NEA region.

Thank you for your kind attention.