Northeast Asia Economic Forum

SUMMARY REPORT

20TH NORTHEAST ASIA ECONOMIC FORUM ANNUAL CONFERENCE

Honolulu, Hawaii

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Twentieth Northeast Asia Economic Forum

Honolulu, Hawaii 7 - 9 August 2011

Organized by

Northeast Asia Economic Forum

and

College of Social Sciences, **University of Hawaii at Mānoa**

Cooperating Institutions

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China Asia Pacific Institute

Tianjin Municipal Government

Honolulu Declaration

9 August 2011

The Northeast Asia Economic Forum, (NEAEF) in partnership with the University of Hawaii at Manoa, convened the 20th annual Northeast Asia Economic Forum Conference in Honolulu on 8-9 August 2011. Representatives from the People's Republic of China, Japan, the Republic of Korea, Mongolia, the Russian Federation, the European Union, and the United States met to take steps to encourage greater cooperation and integration among Northeast Asian nations. Island of Oahu, located in the center of the Pacific with its Aloha spirit has been traditionally known as the "Gathering Place," stands as a wonderful model for cultural diversity and ethnic harmony, and serves as an excellent backdrop for discussing opportunities for partnership and cooperation amongst the Northeast Asian countries and North America.

This annual conference was another step on the way towards achieving the common goal of regional integration through productive discussions of vital themes within the Forum's sessions: Trans-Pacific Trade and Economic Development; Energy Cooperation and "Green Growth" Partnerships; Financing of Infrastructure Development in Northeast Asia; and Demographic Issues of Low Fertility and the Aging Society.

The opening ceremony included a presentation from Neil Abercrombie, Governor of Hawaii and George Ariyoshi, former Governor of Hawaii and Honorary Conference Chairman; statements were delivered on behalf of U.S. Senators Daniel Inouye and Daniel Akaka of Hawaii; Park Kwanyong, former Speaker of the National Assembly of Korea; Jiang Zhenghua, the former Vice Chairman of the Standing Committee of the People's Congress; Vyacheslav Shport, Governor of Khabarovsk Krai; and Monkhubayar Gombosuren, Mayor of Ulaanbaatar. Keynote speeches were made by Nakayama Taro,

former Minister of Foreign Affairs of Japan, and Scott Shemwell, Chief Executive Officer of Knowledge Ops, Inc.

The session on Trans-Pacific Trade and Economic Development Partnerships focused primarily on the opportunities for regional trade agreements to promote economic development in Northeast Asia. The upcoming APEC Honolulu meeting is a unique and unprecedented opportunity for Hawaii to host the opening of trade negotiations, including President Obama's priority for a Trans-Pacific Partnership (TPP) and its alignment with the ASEAN+3 and +6 countries. As a complementary effort, the China-Japan-Korea Free Trade Agreement (CJK FTA) would address the given geographic proximity of the three countries and their common goal of pursuing economic integration in the Asia-Pacific region. Building on the history of bilateral commercial partnership and the recent wave of bilateral free trade agreement negotiations, the respective heads of state in China, Korea and Japan launched a Trilateral Joint Study Committee to investigate the prospect of the CJK-FTA. The study will conclude at the end of this year and present its findings at the next Trilateral Summit Meeting in Beijing in mid-2012.

The session on Energy Cooperation and Green Growth Partnership discussed the opportunities and challenges in the Northeast Asia region concerning renewable energy and energy efficiency technologies in order to achieve a low carbon society and "green growth." To achieve sustainable growth, we need to increasingly decouple economic growth and foreseeable fossil energy consumption through policies and the pursuit of alternative energy sources and energy efficiency. Sustainable growth and technological partnerships are already in the works, for instance the Smart Grid Demonstration Projects in the Hawaii-Okinawa Partnership on Clean and Efficient Energy Development and Deployment. The session also touched upon the recent earthquake and tsunami in Japan. The Fukushima Dai-ichi nuclear power plant incident led many to seriously reconsider the importance of safety issues of nuclear fuel as it poses challenges of demonstrating the safety of nuclear power plants. Despite the incident, it is almost inevitable that nuclear power will continue to play a role in the region's overall energy profile. Outside the generation and consumption of energy, climate change is an additional challenge that we will continue

to face in our lifetime. We agree that the key to reducing carbon emissions while sustaining Northeast Asia's fast-growing economy lies in a well-informed and efficient energy sector.

The session on Financial Infrastructure Development in Northeast Asia emphasized the role of the Northeast Asian Bank for Cooperation and Development (NEABCD) to promote sustainable economic development in the region. Some of these projects include cross-border cooperation, natural resource exploration, most notably in the Russia Far East and Mongolia, as well as developing integrated transportation and energy infrastructure in the region. It was noted that existing banks are not sufficient for financing the region's needs, rather, a NEABCD specific to the region is necessary to fund these cross-border projects, driven by sub-sovereign governments as well as complement existing multilateral development banks. Additionally, while intraregional projects have sufficient funding for the short-term, long-term financing is also vital for the region's future. The proposed NEABCD is expected to invest in concrete cross-border infrastructure projects, suggested during the session such as gas pipelines, transportation linkage like the Fukuoka–Busan submarine tunnel. The Tianjin municipal government has been taking significant steps to promote the bank and build consensus with relevant ministries in the Chinese central government. We urge the other countries in Northeast Asia to work with their government institutions to expedite the process toward achieving consensus for policy action for establishing the NEABCD.

After discussion we think that we should explore the mountain ledger magnitude to promote dialogue among the three countries governments. The Forum will pursue a trilateral mechanism for the three countries for consultation government sides.

The Session on Low Fertility and the Aging Society informed the participants on the current status of population trends in Northeast Asia. While aging is a global phenomenon, the situation is particularly marked in Northeast Asia and the pace is increasing at an alarming rate. The session speakers outlined the serious issues of low fertility in Japan and South Korea, as well as steps the respective governments have taken to address and combat the issue of decreasing fertility. Also highlighted was the

issue of longevity in disparate regions of China as well as a general introduction to the aging and fertility issues unique to China, touching upon factors such as the environment, economic status, and familial relationships. The presentations and comments discussed the changing role of women, their increased rates of education, as well as the need to foster a climate conducive to family, child-rearing, and childbirth. The discussion also addressed the issues facing the aging population and the burdens placed on existing healthcare, pension, and insurance systems, in light of the increasing pressure on the working population and an unstable labor market.

The major themes discussed throughout the conference are trade and economic partnership, measures for energy efficiency and green growth, and concrete proposals for financing cross-border infrastructure and development of natural resources.

Forum participants express their appreciation for the support provided by the Freeman Foundation and other cooperating institutions for the dynamic Young Leaders Program, now in its sixth year, which 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 expresses its gratitude to the College of Social Sciences of the University of Hawaii at Manoa for hosting the Honolulu Conference and the Young Leaders Program. The Forum also expresses appreciation to the many cooperating institutions for their financial, as well as substantive support.

Session Summary

20th Northeast Asia Economic Forum Annual Conference

August 8 -9, 2011

Honolulu, Hawaii

Session 1: Trans-Pacific Trade and Economic Development Partnership

In these turbulent economic times, there is a tendency for countries to turn inward and pursue isolationist policies. Yet, to meet the globalization challenge, it is certain that international trade and cooperation should be at the top of international agenda. From the presentations, we can appreciate more keenly that there is a rebalancing of international trade in the world today. APEC can serve as a unifying mechanism in the spaghetti bowl of free trade agreements.

Ippei Yamazawa presented "Trans-Pacific Partnership: Priority Issue of the APEC 2011 Honolulu." APEC is a unique and unprecedented opportunity for Hawaii. Organized in 1989 as a ministerial meeting on economic cooperation in Australia, APEC held its first Leaders meeting in Seattle with a mission to "achieve free and open trade in the Asia-Pacific." Today, APEC consists of 21 member economies surrounding the Pacific Ocean who are united by a common goal of increasing economic prosperity and growth in the region.

In recent years, under the environment of accelerated globalization and prevailing regionalism and preferential trading arrangements, APEC shifted from liberalization to a more realistic line toward facilitation, capacity building, and structural reform. In 2006, as numerous Free Trade Agreements (FTA) were emerging in the Asia-Pacific, the APEC Advisory Council (ABAC) proposed a greater FTA covering all of the APEC economies. Trans-Pacific Partnership has emerged as a binding FTA among a selected economy group of APEC. Originally formed by Brunei, Chile, New Zealand, and Singapore in 2006, it aims to establish a "Trans-Pacific Strategic Economic Partnership among the parties based on common interest and deepening of the relationship in all areas of application." It covers not only trade in goods and services, but also such facilitation areas as rules of origin, custom procedures, trade remedies, technical barriers to trade, competition policy, intellectual property, government procurement, and dispute settlement.

The U.S. has taken initiative the discussion of the TPP. In fact, Obama's priority for APEC this year is to complete the Trans-Pacific Partnership (TPP) and speed up the process of development of the broader Free Trade Area of the Asia-Pacific (FTAAP). TPP is currently negotiated among nine APEC economies. It will be a binding agreement with high level FTA. Effective economic cooperation should be provided so as to help APEC developing economies to improve their

capacity for further trade and investment liberalization and facilitation and meet new challenges. As TPP, and ASEAN+3 and +6 pull the Asia Pacific from above, APEC pushes it from behind.

Chang Jae Lee presented "Prospects for a China-Japan-Korea FTA: Light at the End of the Tunnel." The share of intra-regional trade between China Japan Korea (CJK) has increased substantially in the last twenty years, but still remains below North America Free Trade Agreement (NAFTA) and the EU. China's intra-regional trade has in fact been declining, while Japan and Korea have increased their dependency on intra-regional trade. Northeast Asian region has become one of the primary trading partners for CJK.

While there are many concluded FTAs involving CJK, there is still no FTA between these economies. Many research studies have been conducted on the feasibility of CJK FTA. Following the recommendations of the Joint Study Committee on CJK FTA, the leaders of China, Japan, and Korea have agreed to convene FTA negotiations after the final results of the study are presented at the end of 2011.

It is very likely that CJK FTA will indeed be realized in the near future for several reasons. First, CJK are neighboring countries and major trading partners. Secondly, with FTA becoming a world-wide phenomenon and given the economic uncertainties of the EU and the U.S., CJK cannot continue to depend heavily on these markets and should indeed strengthen intra-regional cooperation. Moreover, given the proliferation of bilateral and plurilateral FTAs, a region-wide FTA is becoming increasingly necessary.

A major lesson that can be learned from the EU's example of economic integration is the necessity of strong political leadership. This obstacle needs to be overcome for CJK FTA to be concluded successfully. CJK FTA will be essential for the facilitation of free trade in the Asia-Pacific region.

Chung Lee commented on the session by raising a question. In the changing architecture of the East Asian economic integration, the key question is whether China be emerging as the supreme leader in the region?

Glyn Ford commented that while Europe is undergoing uncertain economic times at the moment, it is certain that the region will overcome these difficulties, largely due to a strong network of regional economic cooperation between the members of the EU. Economic integration has clearly been a success. Asian FTA's are not perceived as stumbling blocks in Europe, but rather as vehicles to building greater economic prosperity and free international trade.

Session 2: Energy Cooperation and Green Growth Partnership

Brian Schatz gave Energy Keynote Speech at the beginning of the Session II. Hawaii is highly populated yet very isolated and is therefore the most oil-dependent state. In 2008, Hawaii Clean Energy Initiative was formed to reach the goal of 70% of the state's energy come from clean energy (i.e. energy efficiency and renewable energy resources). The Department of Defense's (DOD) initiative towards renewable energy plays important role in Hawaii's energy future. Pacific Command is the largest purchaser of energy in the state. The DOD is eager to reduce Hawaii's dependence on imported energy source because it is a security liability. For this reason, the US DOD is willing to put a lot of support behind clean energy in Hawaii.

Furthermore, Hawaii has some unique characteristics such as an abundance of natural resources and potential for multiple partnerships. While the rest of the US faces issues related to carbon tax because they have access to cheap fossil fuels, Hawaii does not have such a problem. Hawaii already pays very high prices for electricity, which would not differ much from the price of energy from renewable sources. This makes renewable energy more economically feasible for Hawaii.

Hawaii is planning on large scale integration of renewable energy on the grid in the near future. Hawaii has already made the decision to move away from oil, and there is no more discussion on this point. Hopefully, Hawaii becomes a good testing ground, from which things can be done on a larger scale. We hope to have replicability on larger platforms, and be a new electricity model for the world.

Integration will require timely and honest cooperation between private and public sectors, as well as local citizens. Hawaii is working cooperatively with Japan, namely Okinawa, on a Smart Grid project on Maui. Hope this can be a model for other cooperation projects. Think of Hawaii as an American state, but in Asia. We all have to solve the energy crisis together.

Robert Alm presented "Hawaiian Electric and hawaii's Energy Future." Three utility companies, Hawaiian Electric Co., Maui Electric Co., and Hawaii Electric Light Co., under their parent company, Hawaiian Electric Industries (HEI), serve 93% of customers in Hawai'i. Each island has its own grid system.

The system is vertically integrated, fully regulated, and heavily retail-owned, so therefore must respond to the market. The utility company was started by Hawaii's last King to electrify Iolani Palace 129 years ago. HEI is committed to reducing dependence on oil and the decision was made in 2008 during the spike in oil prices, which damaged Hawaii's economy. 90% of Hawaii's economy relies on oil, but Hawaii has no domestic reserves, therefore 90% of energy sources are imported on tankers. This is an economic opportunity to use the money spent on importing oil on other things, which would benefit the state.

Renewable energy sources in the state planned to be used are: solar, wind, small hydro, geothermal, and biofuels. Biofuels can and already have replaced petroleum in some of HEI's power plants, and an entire power plant can be run on biofuels, which can be grown in Hawaii. It is a challenge to figure out what is the best mix of energy sources. The plan is to pursue all of them to an equal extent and see which one works best. Also, there will be a distribution challenge since most of the natural resources are located away from population centers.

Most of the grids on Hawaii were installed in the '70s. We have opportunities to start the Smart Grid project, but there are still many problems with Smart Grid at the moment, which need to be resolved. One of the challenges is cyber-security, which is extremely important.

We don't have enough information to make decisions and we can't keep up with the pace of technology, but it is likely there will not be just one answer. There will more likely be a combination of many answers as to what works in different places. Hawaii is a good place to find the answers.

Oh Jin-Gyu presented "Policy for Green Growth in Korea." Korea faces two important global challenges - Climate Change and Energy Security.

Intergovernmental Panel on Climate Change (IPCC) warns of 3-5 degree global temperature increases, water shortages, and droughts if we do not act. Oil prices will increase, which affects the world's economies, including Korea. Korea has already felt the effects of climate change with recent temperature rising, floods, and droughts. Korea imports 97% of its energy sources so it has more incentive than other countries to pursue greener energy.

Korea has intense economic activity though it is a small country. It ranks number 10 in consumption and 9 in CO2 emissions. 30 years ago, the president of Korea declared a low carbon green growth vision. In 2008, green development was emphasized. In Korea, electricity accounts for 85% of carbon emissions. There is a strong relationship between GDP growth, energy consumption, and carbon emissions. We need to decouple economic growth from fossil fuel consumption.

Korea has identified 3 main elements of Green Growth: Institution, Legal Framework, and Financial Resources. Korean government is committed to 2% of GDP for the next 5 years towards green growth, despite UN's recommendation of only 1%. Also, the government made 10 action plans, which fall under 3 groups: Low Carbon Society, New Engine for Growth, and Enhanced Quality of Life. In 2009 the Korean government adopted greenhouse gas reduction goals of 30% by 2050. A draft on emission trading program was sent to the Parliament. Korea will introduce the program in 2015 and revise every 3 years. Korea hopes to have a carbon price so that all consumers and producers reduce consumption and therefore emissions and thereby abate climate change. Korea also hopes to be a role model for other countries and show that growth can be decoupled from CO2 emissions.

Ryo Minami presented "Earthquake, Tsunami, Nuclear Accident and Efforts towards Reconstruction" and "Japan-U.S. Clean Energy Technology Cooperation." On March 11, magnitude-9.0 earthquake struck Japan. Most of the damage was caused by the subsequent tsunami, with over 15,000 confirmed deaths and over 8,000 people still missing. There were 4 nuclear stations with 14 reactors, all successfully went into shutdown-mode after the tsunami, of which wave over 40 meters high.

The 4 key challenges after the incident were to: 1. cool down the reactors, 2. contain the radioactivity, 3. monitoring, and 4. safety of food and workers. Three reactor units' pellets have melted and hydrogen explosion were observed in two units.

In order to contain radioactive materials, synthetic materials were sprayed over the units, and reactor covers were installed.

In Tokyo, Osaka, and Sapporo - radiation monitors show little changes in the amount of radioactivity. There is a great deal of inspection and regulation occurring to ensure the safety of fruits and vegetables being shipped domestically and internationally. The International Nuclear and Radiological Event Scale (INES) rated the Fukushima incident at 7, the highest rating. However, the amount of radiation released was still not as much as Chernobyl.

Japan has been quickly recovering from the March 11 earthquake and tsunami. In only 1 month's time, Sendai airport was operating, as well as rail transport, ports, and roads in the affected area. Economic damage was estimated at around 200 to 300 billion US dollars. So far, industrial production and exports show some upward movement.

Electricity supply capacity decreased after the tsunami. It has since been increased but not enough to meet historical demand levels. Therefore, the government called for a 15% reduction in demand. The current energy policy of Japan is still under review, but 2 new pillars were added: renewable energy and energy efficiency.

In fall 2009, the US and Japan decided to work together to achieve their goals of deployment of renewable energies and energy efficiency more quickly and easily. Prime Minister Hatoyama and President Obama agreed to cooperate to further develop the technologies by combining the strengths of each of the countries. The cooperation plan includes National Laboratories research exchange and advancement of smart grid technologies.

Yasuo Tanabe presented "Japan's Green Energy Policy: Hitachi's Contribution" Hitachi provides the latest technology to reduce CO2 emissions all over the world. The plan is to reduce world CO2 emissions by 100 million tons (8% of Japan's CO2 emissions) by 2030 through Hitachi products.

Hitachi runs many coal, gas, and nuclear (ABWR) power plants, but also promotes renewable

energy technologies. There are many Hitachi power plants in Asia, where Hitachi demonstrates its strength in technology, aiming for much higher efficiency. Average efficiency of the coal and gas-fired power plant is 35% but Hitachi is aiming for 50%. Hitachi also produces new wind products, and is providing new smart grid technologies. Hitachi also practices factory energy management to improve energy efficiency at the factory level.

Hitach has been involved with various projects in Northeast Asia region and in the U.S. For instance, Hitach has been involved with Japan and China Energy Conservation Forum from the beginning. In Yunnan province, Hitachi provides hardware and software for steel plants and water treatment plants. In Dalian cit, Hitach is introducing smart grid technology, more water treatment plants, and appliance recycling. Hitachi is also providing energy management solutions in the Tian-Jin Eco-city, as well as water treatment and transportation logistics solutions.

In the U.S., Hitachi leads Smart Grid project on Maui. The project is funded by the U.S. and Japanese governments. Hitachi's contributions are in Distribution Management System (DMA and cutting cyber-security. DMS helps stabilize the grid when more renewables are introduced.

Yoshiki Iinuma presented "Sustainable Energy System for a Low Carbon Economy." Japan emits 4% of the world's CO2 and ranks 4th in the world in emissions. There is a decreasing trend in GHG emissions in Japan. A commitment has been made to reduce CO2 emissions to 6% below 1990 levels. The industry sector is responsible for most of Japan's emissions.

A change in CO2 emissions depends on 3 things: CO2 intensity of energy, energy intensity in the economy, and growth of GDP. Japan needs to reduce energy intensity of the economy in order to reach its goal of 6% below 1990 levels.

Fukushima Daiichi nuclear plant disaster was a major shock. Nuclear energy is likely to remain an important option for Japan due to lack of resources. However, development of new energy policy is necessary. It is a challenge to achieve CO2 emissions reductions targets without nuclear power. We must address and tackle such long-standing issues.

Jianping Zhang commented on the session by explaining China's Energy Consumption in the Next 5 Years. China is moving towards greener energy. China has unique energy consumption structure: coal is main source, supplying up to about 70% of energy, crude oil, ~20%, natural gas ~2%, and renewables are at 10%, which is higher ratio than in the U.S. The goal for the next 5 years is to have 15% of energy to come from alternative energy sources, primarily from wind, solar, and nuclear.

On safety issues of Nuclear energy, Germany has given up on nuclear power but Dr. Zhang understands Japan cannot. Korea has a goal of 48% of power coming from nuclear. China also plans to build 30 to 40 new nuclear plants in the next 5 years.

National Development and Reform Commission of People's Republic of China and Ministry of Economy, Trade and Industry of Japan collaborated on clean coal technologies. They demonstrated successful clean coal in China, and many commercial plants followed. It is urgent for developing countries to get low-carbon technologies. During the 11th 5-year plan, the mission was to reduce energy consumption and emissions. China successfully reduced emissions by 20%. The new mission is to improve efficiency by 17% by 2015. There is no space for negotiating; the goal of energy efficiency must be obtained. We must also have a platform for technology transfer. However, most countries are reluctant to talk about technology transfer. Green technologies will be protected by Intellectual Property Rights and owned by the private sector. In order to make progress in developing countries, governments should set up an information platform to organize technology transfer between European countries and other Asian countries.

China has many new renewable technologies and is one of the biggest exporters of solar panels. More than 98% of solar products made in China are exported. In Gangxhou, there is the first Chinese solar energy station where capacity will be equal to the 3 Gorges Dam hydro-station. Chinese corporations have gotten much exposure and experience in other countries with solar projects. China is also soon to be a leading producer of wind turbines. In the field of clean technologies, all countries can learn from each other to achieve our common goal.

Mitsuho Uchida commented on the session by pointing out triple challenges we face: i) GHG emission reduction, ii) securing energy supply, and iii) economic competitiveness in the globalizing world. Electricity is expected to play a key role in solving the triple challenges. After the Fukushima Daiichi nuclear plant incident, people were concerned with safety of nuclear energy. Less reliance on nuclear energy may lead to more reliance on natural gas in the Northeast Asia region. Renewable energy sources will contribute to the world's energy supply and demand mix in coming decades.

Northeast Asia regions are diverse and are at different levels of economic development. Development of infrastructure, such as gas pipeline and electricity grid across countries, is a big challenge but is an important step towards regional economic integration.

Kensuke Kanekiyo commented on Japan's Energy Outlook in the Post-Fukushima Era. After the March 11 earthquake, Japan came up with short and long-term plans. Currently, 38 out of 54 plants are shut down, some for regular maintenance and not because of the tsunami. However, no reactors are allowed to restart until issues are resolved after the Fukushima Daiichi meltdown. If these issues are not resolved, then all reactors will be shut down by June next year. Japan relied on nuclear for 45% of energy production, so this would be a huge loss of energy source in Japan.

The International Energy Agency proposed to cut energy from nuclear by half, meaning by 180GW, but this means increased use of fossil fuels.

Consider following long-term scenarios:

1. Continue with current/previous target for nuclear capacity projected to 68GW capacity extended to 2050.

2. Fukushima unit 1 is damaged but unit 2 can be restarted in 10 years. Other plants will be built as scheduled for 47GW by 2050. Not impossible.

3. Assumes 60 year rather than 40 wherein all nuclear plants will be phased out, which leads to 22GW in 2050.

It is difficult to reduce nuclear because of CO2 emissions constraints. Japan has committed to a 60% reduction in emissions by 2050.

Combined cycle gas plants can improve efficiency, but Carbon Capture and Storage (CCS) is also needed. However, CCS is very tricky, especially in Japan, so there needs to be more reliance on green energy than on CCS.

Session 3: Financing Infrastructure Development in Northeast Asia

Maeda Tadashi presented "Financing Infrastructure Development in Northeast Asia." In Northeast Asia region, Liquified Natural Gas (LNG) alliance between Japan and South Korea is needed. Cooperation between the two countries will be beneficial since peak demand for LNG in Japan is reached during summer while peak demand in Korea is reached during winter.

Mongolia has rich rare metal reserve. However, lack of financing and infrastructure in Mongolia is preventing them from exporting the resource. Tavan Tolgoi Field Development Project allowed them to now produce 15 million tons of coal. The project is able to cover cost of infrastructure and it paves the way for further exploration.

Toward logistic network in Northeast Asia, new transportation network development among Japan, China and Russia is crucial. The countries have agreed to establish Trans-Sea of Japan Line, connecting Hunchun, Zarubino, and Niigata to form logistical triangle. Recycling port may have great opportunities in Northeast Asia. Port cities can play a role to recycle wastes and export recycled resources to other areas.

Northeast Asian Bank for Cooperation and Development (NEABCD) can play a role to facilitate such infrastructure development across Northeast Asian countries. Such projects cannot be financed by existing banks. We need to shift our mindset from government based to sub-sovereign bodies for further development of the region. We must build infrastructure between countries for future development.

Jaimin Lee presented "Financing Development Projects in Northeast Asia." Development potential is huge in Northeast Asia region and there is a demand for cross-border projects for regional economic cooperation. In order to finance development projects, large scale funding needs to come from private sources. However, it also requires public support. Multi-lateral banks (MDB) such as World Bank and Asian Development Bank are reliable for developing countries but existing ones fall short of meeting the regions' needs and borrowing capacity. Therefore, we need Northeast Asia Development Bank (NEADB) though it is a complicated issue.

Public Private Partnership (PPP) is a contract between public authority and private party. Private party assumes financial and operational risk while MDBs and Export Credit Agencies (ECAs) actively participate in PPP projects. Cross-border infrastructure projects are needed in Northeast Asia. There is a strong private funds support towards Northeast Asia but public financing support is weak.

Credit Guarantee and Investment Facility (CGIF) promotes Asian bond market. CGIF guarantees members' corporation when bond is issued and multilateral entities cover specific purpose and area. Major PPP projects include transportation infrastructure, power generation distribution, and health care and education facilities. NEA PPP can be set up prior to NEABCD and can be managed by financial sector, so its operation will be effective.

Inoue Satoshi presented "Towards the Integrated Regional Logistics System." World trade has increased rapidly since 1980 and efficient and reliable networks are needed to cope with increasing demands. Ports continue to improve facility even in time of recession and are transforming into "logistics center," containing opportunities for PPP projects. After the financial crisis and paradigm shift of supply chain management, ports are becoming more sustainability oriented and integrated to regional logistics systems. Integrated system helps achieve higher productivity in a sustainable manner. In order to take advantage of a shared sea in Northeast Asia, it is essential to integrate regional logistics systems.

Pavel Minakir presented "Cross-Border Infrastructure Development.**"** Russia plays an important role in mutual trade, exchange of capitals, technology and people, and infrastructure. Development of Cross-border Infrastructure is crucial. And there is a long-term intention for Russia to become a part of the market space in NEA. Next year's APEC summit will be held in Vladivostok. There are three segments to be discussed at APEC 2012: 1) mutual trade 2) exhange of capital, technologies, and people, and 3) infrastructure.

Russia exports 13% of its total exports to Northeast Asia. Foreign direct investment amounts 14 billion USD but very little come from Northeast Asia into Russia. Japan invests most heavily in Far East region.

Strategy for infrastructure development focuses on the area of energy and transportation; development of facilities oriented to internal, regional, economic, and social development. Looking outward, such development will support foreign trade of Russia in Northeast Asia

region. The development also aims to facilitate cross border cooperation. The plans include development of rail points, upgrading and construction new airports for expanding international air services, and harmonizing road checkpoints on Russia/Mongolia border.

There are 63 funded projects towards development of Vladivostok as a center for international cooperation in the Asia Pacific region. Projects includes development of highway between airport and Vladivostok, reconstruction of Vladivostok airport, bridge over Eastern Bosphorus Strait, Conference and Press Center for 2012 APEC summit; Opera/Ballet Theatre (completed by mid 2012).

Xiaoyan Zhang presented "The Establishment of Northeast Asia Bank." Tianjin government has been working hard to support and create the development of a Northeast Asia Development Bank.

Bank supports four areas of finance: 1) energy and transportation, 2) regional economic and project, 3) environmental protection and saving energy, and 4) sustainable economic development. Sponsors must be sovereign states to get benefits such as state immunity to facilitate cross-border projects. It can follow similar processes as in Americas Andean Development Bank, Central American Bank of Economic Integration.

Tianjin government has developed strategy to promote understanding, convincing the central government and relevant ministries. So far, there are no opposition and consensus forming in China. Tianjin is already working with the central government to achieve this goal, but would like to work with the central government at all levels. Task force is now formed of people of all relevant ministries. This year, in May, Tianjin had an economic forum for discussions, and the banking problems should be set up as an agenda to submit for leaders at the 5th Japan/S. Korea leaders meeting next year.

Dr. Zhang hopes that member countries, specialist, government officials and academics admit establishment of NEABCD. Tianjin municipal government has made efforts to every level of central government. Dr. Zhang hopes other countries will do similar work to get central government's support. Banking problems in NEA should be addressed in leaders meeting in Japan and Korea

Ganbold Baasanjav provided commentary and what has been done in Mongolia to solve financial problems. Most practical and feasible solutions are in PPP. Governments and corporations are already moving in that direction. Mongolia has major deposits and rich reserves of coal. Mongolia is likely to become world's fastest growing economy. Mongolia encourages businesses and governments of neighboring countries to start businesses in Mongolia. Solving financial demand for mining and energy projects in Mongolia equals Development Bank of Mongolia. Such efforts can transform Mongolia into a prosperous economy.

Ma Junlu commented that Northeast Asia need new multilateral development bank to promote further sustainable development of the regional economy. There is a geographic advantage in Multi-lateral development. Russia and Mongolia have rich energy resources. However, there's only been slow development because of political sensitivity and lack of financing, such as development banks. The countries in Northeast Asian regions have to cope with financial crisis and ensure sustainable economic development. We need new multilateral development bank. Countries in NEA can use resources in a peaceful, orderly way. Relationship between NEADB and other MLDB is complementary and cooperative and will cover holes left over from other MLDB in Northeast Asia.

Session 4: Low Fertility and the Aging Society—Chair: Nakayama Taro

Andrew Mason presented "Low Fertility and Aging Societies." Aging is global in scope but especially severe in Northeast Asia. It is a region-wide phenomenon and likely for years to come. The causes are low fertility, high life expectancy, and restrictive immigration policy.

Walking through the global age transition from 2010 to 2050, South Korea (and also Taiwan) will make a rapid transition to becoming just as old as Japan in this time period. Women are bearing fewer children, and fertility is dropping. There are issues of resource availability—when the needs of elderly rise, will available resources (net public transfers) for children be squeezed? How do you measure the economic flows between age groups in any economy? In order to answer such questions, a joint research effort has been formed between University of Hawaii, University of California Berkeley, and 36 other research teams. The study looks at net public transfers by looking at what the elderly pay and found that the elderly actually pay a lot as well as the young generation. The study also found that children will not necessarily be squeezed out, but the transfers to both children and elderly are growing. Those in working ages will be affected. To avoid such situation, radical reform is necessary.

In order to cope with the aging problem, we can perhaps help people stay in the labor market longer, and eliminate barriers to this end. We can also establish old age support systems. It is important to have balance between social insurance and self-sufficiency. Private familial transfer is a distinctly Asian phenomenon but it is decreasing.

Ogawa Naohiro presented "Declining Fertility and the Rising Costs of Children and the Elderly in Japan and Other East Asian Countries." This Century is the century of population aging, which derives from declining fertility. In Japan, South Korea and Taiwan, there is a marked drop in the Total Fertility Rate (TFR). Japan has used measures such as "next-generation" law, but fertility rate is still very low. Mortality is another factor. Japanese female life expectancy at age 85 is the highest in the world. So Japan must address aging issues.

Impacts of aging population can be seen in society's safety net. The elderly are helped by the stability and dependent nature of public pensions; however, the young generation faces a relatively unstable labor market. Same issue exists for Taiwan and Korea. There is a "sandwich generation"; they rely heavily in assets to meet their own needs but also have obligations of family and society. The generation is squeezed on both sides. At the same time, education costs are rising. In East Asia, the proportion of education costs is very high. Finally, expectations towards familial care for elderly are declining; the parents do not expect to depend on their children, and their children see taking care of their parents as less of a good custom or natural duty. We must look towards political leadership to cope with declining fertility and aging.

Cho Nam-Hoon presented "Policy Reponses to Low Fertility and Population Aging in Korea." Korea will have the same situation and fall into the low fertility trap. By 2050, Korea is projected to have the highest proportion of aging population in the world. Ramifications of lower fertility are increasing pension and financial constraints. The family will weaken as an institution. Intergenerational equality will become a bigger issue. Korea's policy focuses on the labor market issue; balancing work and family responsibilities. There have been discussions of successful policies in other countries. There is also five year plans (1^{st} and 2^{nd}) to combat issues of low fertility and aging society

Xiao Zhenyu presented "The study on regional longevity in the context of population aging in China." There has been a change in the Chinese mortality rate since the 1950s and the beginning of the establishment of the People's Republic of China. The rate of elderly (60+) has been steadily rising since the 1950s. The rate of elderly to young has steadily been changing. They also found that there is a distinct trend of where the centenarians in China live. They found that old age has a relation to economics, social, and environmental issues. Environmental factors, consumption, familial interactions contribute to longevity. New vista to investigate that would contribute to this issue.

Colette Browne commented on the session by noting that population aging is extraordinary and unprecedented. Occurring in nearly every nation and never experienced before. It is almost as if Northeast Asia is grand central. By 2050, 75% of the aging population will be in Northeast Asia. The numbers will triple by 2050. The world is entering unfamiliar territory with regards to population aging. As the working age population shrinks, society will face challenges with regard to pensions, healthcare and social welfare. Dr. Browne then shared her thoughts on the issue by raising seven points: 1) Revisit retirement policies and incentives and remove restrictions so that people can work longer if they want to; 2) Revisit financial security—provide secure old age without burdening the young or middle-aged workforce; 3) Improve health and stay healthy to reduce burdens on health care and social security systems; 4) Share care between government and individuals. Consider elders as a resource who have knowledge/commitment to improving the state; 5) Revisit issues regarding fertility; and 6) Enforcement of policies that do not penalize women's choice to enter the workforce.

AGENDA

SUNDAY, 7 AUGUST 2011

All day Check-In

Hawaii Prince Hotel Waikiki

100 Holomoana Street, Honolulu, HI 96815

Phone: +1(808) 956-1111 Fax: +1(808) 946-0811

18:30 Reception Dinner

Location: **Hale Koa Hotel Waikiki Ballroom**

2055 Kalia Road, Honolulu, HI 96815

MONDAY, 8 AUGUST 2011

Hawaii Prince Hotel Waikiki: Mauna Kea Ballroom

9:00 – 9:45 Opening Ceremony

Chair: **Lee-Jay CHO**, Chairman, Northeast Asia Economic Forum

Welcoming Remarks

Daniel INOUYE, Chairman, Appropriation Committee, the United States Senate

Neil ABERCROMBIE, Governor, State of Hawaii

George ARIYOSHI, Former Governor, State of Hawaii; Honorary Chairman, NEAEF

Remarks by Country Representatives

JIANG Zhenghua, Vice-Chairman of the Standing Committee of the Ninth National People's Congress and Chairman of CPWDP Central Committee; *presented by:* **WANG Shuzu**, Former Vice Mayor of Tianjin City

OTHERS

9:45 – 10:20 Keynote Speeches

NAKAYAMA Taro, Former Minister of Foreign Affairs, Japan

Scott SHEMWELL, CEO, Knowledge Ops, Inc.

10:20 – 10:35 Coffee Break

10:35 – 12:30 Session 1: Trans-Pacific Trade and Economic Development Partnership

Chair: **Denise KONAN**, Former Chancellor and Professor of Economics at University of Hawai'i at Mānoa

- **YAMAZAWA Ippei**, Former President, International University of Japan, and Institute of Developing Economies-Japan External Trade Organization, Japan
- **LEE Chang Jae**, Senior Fellow of Korea Institute for International Economic Policy (KIEP), Korea and Former Chair, East Asia FTA Joint Expert Group

Commentators

- **Chung LEE**, Former Associate Dean, College of Social Sciences and Professor Emeritus of Economics, University of Hawai'i at Mānoa
- **Wang Cunjie**, Director, Tianjin Seaport (Group) Co., Ltd.
- **Glyn FORD**, Former Member of the EU Parliament and Chair of East Asian Policy Committee, Brussels, Belgium

Discussion

12:30 – 13:30 Lunch

13:30 – 15:30 Session 2: Energy Cooperation and Green Growth Partnership

Chair: **Scott SHEMWELL**, CEO, Knowledge Ops, Inc.

Keynote Speech
Brian SCHATZ, Lieutenant Governor, State of Hawaii

- **Robert ALM**, Executive Vice President, Hawaiian Electric Company, Inc.
- **TOH Kyung Hwan**, Director General, Energy Industry Policy, Ministry of Knowledge Economy, Republic of Korea, *presented by***:**
- **OH Jin-Gyu,** Senior Researcher, Green Growth Research Group, KEEI
- **MINAMI Ryo**, Director, International Affairs Division, Agency for Natural Resources and Energy of Japan

- **TANABE Yasuo**, Vice President and Executive Officer, Government and External Relations, Hitachi
- **IINUMA Yoshiki**, Director of Research Department, Japan Electric Power Information Center, Inc. (JEPIC)

15:30 – 15:50 Coffee Break

15:50 – 16:40 Commentators

- **ZHANG Jianping**, Senior Economist, Director, Department of International Regional Cooperation, Institute for International Economic Research, National Development and Reform Commission (NDRC), People's Republic of China
- **UCHIDA Mitsuho**, Former Director, Central Research Institute of Electric Power Industry, Visiting Professor, Chukyo University, Japan
- **KANEKIYO Kensuke**, Research Advisor, The Institute of Energy Economics, Japan (IEEJ)

Discussion

TUESDAY, 9 AUGUST 2011

9:00 – 11:00 Session 3: Financing Infrastructure Development in Northeast Asia

Co-chairs: **Lee-Jay CHO** and **WANG Shuzu**, Former Vice Mayor of Tianjin City

- **MAEDA Tadashi**, Head, Corporate Planning Department, Japan Bank for International Cooperation and Special Advisor to the Cabinet, Japan
- **LEE Jai Min**, Former Vice President, Korea Export Import Bank
- **INOUE Satoshi**, Professor, National Graduate Institute for Policy Studies, Japan
- **Pavel MINAKIR**, Academician and Director, Economic Research Institute, Far East Branch, Russia Academy of Sciences, Russia
- **ZHANG Xiaoyan**, Deputy Director, Tianjin Development and Reform Committee, Tianjin Municipal Government, Tianjin, China

11:00 – 11:15 Coffee Break

11:15– 11:45 Commentator

- **Ganbold BAASANJAV**, Director, Asia Department, Ministry of Foreign Affairs and Trade, Mongolia

- **MA Junlu**, Dean, School of Economics, Nankai University
- **JIANG Hong**, Director General of Finance Research & Development Center, CDB

Discussion

11:45 – 13:00 Lunch

13:00 – 14:50 Session 4: Low Fertility and the Aging Society

Chair: **NAKAYAMA Taro**, Former Minister of Foreign Affairs, Japan

- **Andrew MASON**, Professor of Economics, University of Hawai'i at Mānoa and Senior Fellow, East-West Center
- **OGAWA Naohiro**, Professor and Director, Nihon University Population Research Institute, Japan
- **CHO Nam-Hoon**, Director, Research Institute of Aging Society, Hanyang University, Republic of Korea
- **XIAO Zhenyu**, Director and Professor, Committee of Longevity Study, Chinese Gerontological Society, China

Commentators

- **COLETTE BROWNE**, Director, University Center on Aging, University of Hawai'i at Mānoa

Discussion

14:50 - 15:30 Coffee Break

15:30 – 17:00 Closing Session

Chair: **Lee-Jay CHO**

Summaries by Session Chairs

Honolulu Declaration

Closing of the Twentieth Forum of NEAEF

WEDNESDAY, 10 AUGUST 2011

Morning Check-out of hotel and departure from Honolulu