

Closing Remarks

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The Northeast Asia International Conference for Economic Development (NICE) and Japan–Russia Energy and Environment Dialogue are drawing to a close after two days of diverse and intensive discussions.

Keynote Address

Dr. JO Dong-Ho, President of the ROK’s Institute for National Security and Strategy (INSS) gave an address entitled “New Developments on the Korean Peninsula and Northeast Asia.” Dr. JO made the following remarks. The Korean Peninsula situation is undergoing a transformation, due to changes in strategy in respect of the DPRK nuclear development issue on the part of both the DPRK itself and other countries concerned. The DPRK has shifted from its previous strategic line of parallel economic construction and nuclear arms development to a path focused intensively on economic construction. Over the last year, the DPRK has held four summits with China, three with the ROK, and one with the US. The inter-Korean summits resulted in three highly significant documents: the Panmunjom Declaration of April 2018, and the Pyongyang Joint Declaration and Comprehensive Military Agreement of September 2018. The Pyongyang Joint Declaration can be regarded as being effectively an end-of-war declaration between the ROK and DPRK. The DPRK intends to achieve complete denuclearization and Chairman KIM Jong-un in particular is strongly willing to see this happen. In addition, the ROK has served as a mediator between the US and the DPRK. In session A that followed the Keynote Session, Dr. JO pointed out that, although Japan has continued to apply pressure to the DPRK, it is the only one of the countries involved in the six-party talks that is not engaging in dialogue with the DPRK.

Dr. SUN Xiansheng, Secretary General of the International Energy Forum (IEF) gave a keynote address entitled “Global Energy Markets and Northeast Asia.” Dr. SUN stated that world energy demand will continue to expand on account of economic growth to 2040. In particular, while growth in demand for crude oil may slow, it will continue to rise. In addition, the growth in demand for natural gas will accelerate further. Asian energy demand is expected to increase substantially, primarily in China and India, with ongoing growth in demand for fossil fuels forecast in Northeast Asia. Dr. SUN expressed the view that energy security must be maintained, while curbing the air pollution and other forms of environmental contamination caused by growth in demand for fossil fuels, and bearing in mind the problem of climate change triggered by rising CO2 emissions.

2019 Northeast Asia International Conference for Economic Development (NICE) in Niigata

Both sessions featured a large number of panelists, who all of-

ferred insightful comments. However, due to the constraints of space, I will outline each session below in summary form rather than summarizing each panelist’s remarks.

Session A: Changes in the Situation on the Korean Peninsula and Northeast Asian Cooperation

In this session, each panelist commented on DPRK issues from the perspectives of their respective countries (Japan, China, the ROK, and Russia) and evaluated events over the last year. The panelists from Japan and the ROK had different outlooks on the recent deterioration in relations between their countries and the denuclearization of the DPRK. While they shared the view that the DPRK has shifted away from its parallel nuclear and economic development strategy in favor of an emphasis on economic construction alone, they differed in the intensity of their belief in the DPRK’s sincerity regarding denuclearization. In the joint statement issued at their June 2018 summit in Singapore, the US and the DPRK committed to (1) establishing new US–DPRK relations; (2) building a peace regime on the Korean Peninsula; and (3) working toward complete denuclearization of the Korean Peninsula. However, there is no clear agreement on or definition of what “complete denuclearization of the Korean Peninsula” actually means. Chairman Kim Jong-un seems to have the will to pursue denuclearization in his own way, but how he will do so and over what time span remains unclear. If nuclear weapons are to be eliminated from the DPRK, the key question will be how to ensure security frameworks and regime guarantees for the DPRK. However, it is unclear what sort of international framework will have to be put in place to ensure this: a bilateral framework with the US or a multilateral framework. This raises questions about whether Chairman KIM Jong-un really will undertake denuclearization given the lack of mutual understanding on this issue. More frequent and intensive dialogue—both between the US and the DPRK, and multilateral—will be required to pursue discussions and promote mutual understanding in greater depth.

The Japanese government’s position is the same as that of the US: the maximum pressure will be applied to the DPRK in the form of economic sanctions and other measures until the latter takes specific steps toward complete denuclearization. The only difference from the US is that Japan is not engaging in dialogue with the DPRK. A second summit is to take place between the US and the DPRK, but the specifics of any agreement to be reached there and whether US President TRUMP hopes to reach some kind of deal remain unclear. The DPRK is likely to argue for a phased denuclearization and maintain its stance of demanding some commensurate reward tailored to each phase. However, the extent to which each side is prepared to compromise is hard to predict: we cannot tell whether the US will be able to obtain

substantive commitments from the DPRK to complete denuclearization and whether the US and the DPRK will reach agreement on an end-of-war declaration. With a strong view among experts in both the US and Japan that the DPRK will not abandon all its nuclear weapons, but rather negotiate for partial denuclearization measures while seeking rewards or concessions from the US, we need to keep a close watch on the next US-DPRK summit. Some of the panelists said that it would be desirable to welcome the DPRK into the international community by developing energy and transport infrastructure. A comprehensive approach to infrastructure is likely to be required, also encompassing infrastructure in such areas as IT and telecommunications, water supply and sewerage, education, and public health and hygiene.

Session B: The Free Movement of People and Goods

Next session B featured highly informative presentations by five panelists. Stimulating the movement of people and goods requires not only the removal of relevant obstacles and regulations, but also the creation of enabling environments or frameworks to encourage such movement. The panelists also remarked on the following in this context. While trade liberalization will be required to facilitate the movement of goods and services, putting in place transport infrastructure and distribution and logistical services will also be vital. Pointing out that systems will need to be developed, panelists commented on the importance of improving customs clearance procedures and cargo transshipment. Reducing shipment times and costs, and stabilizing shipping schedules to increase predictability will all be crucial. The subject of regular international rail freight services between China and Europe (China Railway Express) was also raised. While costs such as fares, transport time, and convenience will all be crucial in encouraging increased use of China Railway Express, a number of challenges were pointed out. I am sure that I was not the only one to have felt a touch of anxiety about the prospects for China Railway Express if China's subsidy system were abolished. One wonders how the multiple railway lines would be consolidated and the extent to which it would be a viable business.

In the realm of international flows of tourists, too, it would be desirable to take steps to encourage such movements, as well as removing barriers and regulations. Efforts to make it easier for tourists to visit other countries through visa-related improvements, such as the introduction of multiple-entry visas, eVisas, and visa-less entry, will be key. In addition, the streamlining of immigration procedures will be vital as tourists are not prepared to wait in line for a long time after landing at an airport. IT could presumably be used to achieve greater efficiency in immigration procedures. Visitors to the US who have an ESTA go through a facial recognition machine, and the use of IT would likely make the smooth processing of eVisas easier in any country. Countries seeking to attract inbound tourists need to enhance systems for receiving them, such as developing tourism infrastructure and improving access, to make it easier for tourists to go where they wish. There is also a need to analyze what kind of potential tourists exist in the countries from which inbound tourists are drawn. This means targeting young people if the people who visit are

mainly youngsters, and targeting the senior age bracket if the country primarily attracts older visitors who come to see historical heritage sites. In the future, AI will likely be used (or need to be used) to analyze data and attract more inbound tourists.

The Eleventh Japan–Russia Energy and Environment Dialogue in Niigata

Round 1: Energy Resources

In round 1 of the Japan-Russia Energy and Environmental Dialogue in Niigata, the speakers reported on trends in Japanese energy consumption and imports, in Chinese energy production, consumption, and imports, and in Russian energy production and exports, and discussed Japan–Russia energy cooperation. As was made clear by Dr. SUN Xiansheng in his keynote address in the previous day, panelists agreed that Northeast Asia's demand for fossil-based energy will likely rise over time. The panelists from companies in the private sector stated that Sakhalin II is crucial to Japan's current LNG imports and mentioned that how they will be engaged in the Arctic (Yamal) LNG project is still under consideration. During Q&As with the floor, the panelists were asked about the effects of Western economic sanctions on Russia and especially their impact on Japanese energy imports from Russia. Responding to this, one of the speakers noted that the sanctions imposed on Russia by Europe and the US do not apply to LNG. In fact, Germany has decided to construct a second Nord Stream offshore pipeline and plans to expand imports of LNG from Russia. Although the EU has imposed economic sanctions on Russia, these do not seem to affect LNG imports. US President TRUMP has criticized Chancellor MERKEL of Germany for allowing Germany to be "captive of Russia" and tried to export US shale gas to Europe, but from Europe's perspective, imports from Russia are cheaper and more stable. On the question of LNG, Europe appears to be operating on the basis of an economic logic despite governmental economic sanctions.

Round 2: Electricity Generation, Energy Conservation, and the Environment

Next round 2 featured presentations about the need to break away from fossil fuels, the benefit of the interconnection of power grids in Northeast Asia, energy and environmental cooperation between Japan and Russia, and renewable energy development in Niigata.

The participating energy experts stated that they expected demand for fossil fuels to continue rising. In light of this, one has to wonder about the prospects for the Paris Agreement, and efforts to break away from fossil fuels. While there is a need to reduce CO₂, the fact is that we cannot avoid depending on fossil fuels to support economic growth and development. We have not necessarily found any realistic solutions to address this problem. We know in our heads what we should do. Logically speaking, desirable steps to take would be, for example, to raise the unit price of fossil fuels by imposing a carbon tax, thereby avoiding the use of fossil fuels or increasing the efficiency of their use, and switching to renewable energy. However, national leaders are likely to be anxious about the possibility of causing their country's international competitiveness to fall and economic growth to slow if theirs is the only country that imposes a high

carbon tax, thus rendering originally cheap fossil fuels (coal or oil) all but unattractive to use. Even amid this situation, it is preferable to strive to make improvements as China is doing, by shifting from coal to LNG as the main source of energy, investing in energy conservation to increase overall energy efficiency, and boosting the supply and consumption of renewable energy.

Despite the much-discussed need for Japan–Russia economic cooperation in eight areas, the Russian side appears to harbor some dissatisfaction that Japan is not making enough effort and that sufficient cooperation in the energy and environmental area has not been undertaken. The Japanese side believes that it has done as much as possible. Gaps in perception between the two sides seem large.

As you can tell from these summaries, the two combined conferences generated a great deal of synergies and food for thought. Both raised diverse issues and featured lively discussions, while raising questions and issues regarding the fields concerned. These include such questions as whether DPRK’s denuclearization will progress and, if so, how; whether the China Railway Express regular international rail freight service between China and Europe can stand on its own two feet as a business; how to approach the trade-off between cutting CO2 emissions and achieving economic growth in the context of energy

use; and how Japan and Russia can strengthen energy and environmental cooperation in a mutually satisfactory way. The emergence of these questions and issues means that we must undertake further discussions. While there is tremendous potential for economic cooperation throughout Northeast Asia, many issues still remain, so continuing to hold NICE and the Japan–Russia Energy and Environment Dialogue is a meaningful endeavor. I want to set these issues as the homework assignment for all of us for next year’s meetings. Next year, having clarified the differences between our countries’ positions, we want to explore practical solutions and engage in discussions tailored to fresh advances in the situation. For example, I hope that we will be able to move forward with dialogue concerning Northeast Asian regional economic cooperation, addressing such issues as the mutual distrust between Japan and the ROK, US–China trade friction and the impact thereof, the DPRK denuclearization issue in light of the second US–DPRK summit and subsequent developments, efforts to achieve a balance between the pursuit of economic growth and development and fight against climate change, and differences in perception between Japan and Russia on bilateral economic cooperation.

I would like to express my gratitude to everyone who participated in these discussions.

[Translated by ERINA]