

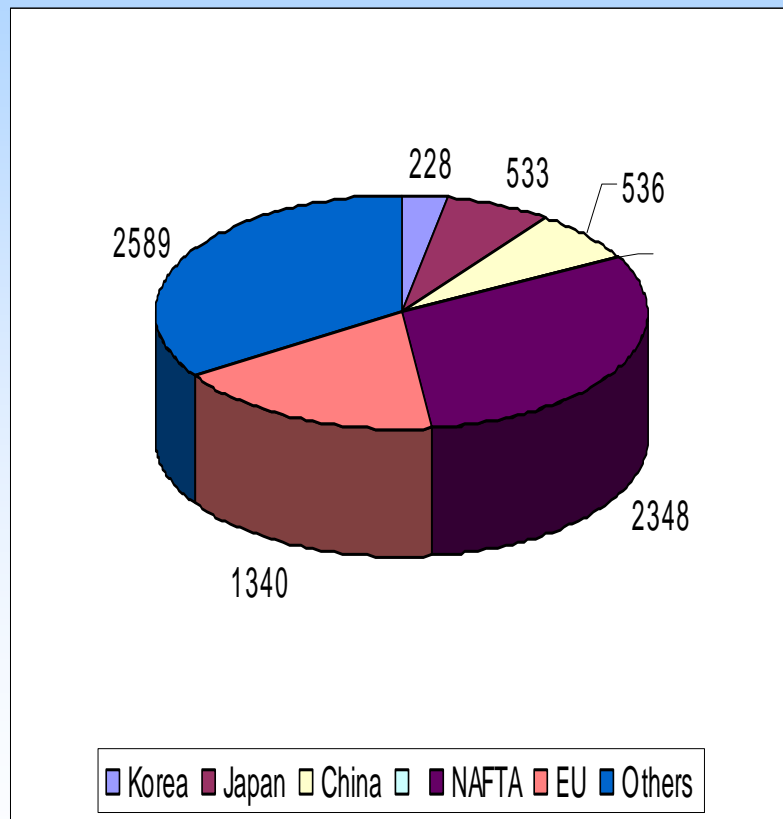
Oil Sector Cooperation Issues in Northeast Asia

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Comparison of Oil Consumption



◆ Northeast as the third largest oil consumption area

the 3 countries as the key oil consuming economies in the world economy

Oil Import from Sources

(,000barrel per day, %, as of 2002)

| to from | Korea | Japan | China | Northeast Asia Total | W. Europe | NAFTA |
|-----------------|------------------|------------------|------------------|----------------------------|-------------------|-------------------|
| Middle East | 1,924 (69.9) | 3,694 (73.3) | 711 (34.9) | 6,329 (64.1) | 2,851 (16.1) | 2,460 (18.6) |
| Africa | 139 (5.0) | 162 (3.2) | 319 (15.6) | 620 (6.3) | 2,762 (15.6) | 1,745 (13.2) |
| Asia Pacific | 604 (21.6) | 669 (13.3) | 529 (25.9) | 1,801 (18.2) | 35 (0.2) | 291 (2.2) |
| Others | 126 (3.5) | 515 (23.6) | 480 (23.5) | 1,125 (11.4) | 12,046 (68.9) | 8,697 (65.9) |
| Total | 2,793 (100.0) | 5,042 (100.0) | 2,039 (100.0) | 9,874 (100.0) | 17,694 (100.0) | 13,193 (100.0) |



Features of Oil Supply Security

- ◆ Overdependence on Middle East
- ◆ 'East Asia Premium' on Middle East
Crude oil

Average Arab Light Price from '91 to 2001

| | Asia (A) | Europe (B) | U.S. (C) | A-B | A-C |
|-------------------|-------------|---------------|-------------|------|------|
| Price (\$/bbl) | 18.26 | 17.30 | 17.25 | 0.96 | 1.01 |

Forecast of China's Oil Import

| | Import (A) (,000b/d) | Middle East Oil (B) (,000b/d) | B/A (%) |
|------|-------------------------|-------------------------------------|------------|
| 2005 | 1,550 | 1,005 | 64.8 |
| 2010 | 2,250 | 1,610 | 71.6 |
| 2015 | 3,000 | 2,180 | 72.7 |

(Source) FACTS Inc



Cooperative Features

Oil Products Trade

| Export Import | Korea | Japan | China |
|------------------|-------|-------|-------|
| Korea | - | 229 | 216 |
| Japan | 27 | - | 18 |
| China | 26 | 13 | - |

(Source) World Oil Trade, 2002

Oil & Gas Development Projects

- Korea - Japan
Exploration in East China Sea
- Korea - China
Oil and Gas project in West China
- Japan - China
Development projects in Bobai Bay

From National Policy to International Policy as the Issue

- Competition for East Siberia Pipeline
- Free trade
- Regional cooperation institution

Conclusion

Vulnerability to oil security as a common feature for Northeast Asian economy

Burgeoning effort for cooperation

Cooperation in oil security as an leading edging for economic cooperation in the region

Toward strategic effort for cooperation