



Northeast Asia Economic Community and Development Bank for Northeast Asia: Japanese Perspective

Mitsuru Mizuno
Professor
Nihon University



Background and Necessity for Northeast Asia Economic Community

1. Rapid deepening of interdependence on the economic front among China, Japan, and South Korea and the fact that these three nations have connections in this sphere;
2. Acceleration of China's market economy because of the country's entry into the World Trade Organization (WTO) in December 2001;
3. Japanese economy's rapid maturation (a shift to a nation that is spurred by its investment overseas, as well as an aging population);
4. Urgent need to construct a framework for cooperation on the Korean Peninsula;



Background and Necessity for Northeast Asia Economic Community

5. Economic complementarity in the Region;
6. Heightened momentum in terms of regional cooperation in East Asia as a whole with the ripple effects in Northeast Asia;
7. To accelerate the movement toward North-South reconciliation on the Korean Peninsula; and
8. As the transformation of Northeast Asia continues, Japan is more conscious of its own existence as a true citizen of Northeast Asia. Thus, a new positioning of Japan in the 21st century and the need for a grand design is required in this regard. The grand design must assure both intra-regional co-existence and extra-regional cooperation.



Economic Potential

1. There are brisk exchanges of economic resources—people, goods, money, and information—among nations that are neighbors or located elsewhere within the region.
2. With its strong economic development potential, the Northeast Asian region is called the world's last frontier for development. The basic geo-political sphere includes China's three northeastern provinces and the Russian Far East, and this frontier has a population exceeding 300 million people with a gross domestic product totaling 5.9 trillion dollars.
3. The foreign currency reserves of three of its countries—China, Japan, and South Korea—top 600 billion dollars.



NEADB-Nature, Purpose and Mission

1. NEADB (Northeast Asia Development Bank) will be a sub-regional bank. (Ex. of sub-regional bank: Black Sea Trade and Development Bank, Caribbean Development Bank, East African Development Bank, Nordic Investment Bank)
2. The purpose of NEADB will be not only to foster economic growth and economic cooperation in Northeast Asia, but also to contribute to the economic development, on both a single-nation and a joint basis of its member states located in the region.



Purpose and Mission

- 1) The NEADB will invest in and provide financing and loan guarantees for the development of its developing member states (that are developing nations) located in the region. Its selection of projects will give priority to individual project plans and master plans that target the entire region, a portion of the region, or a single nation within it and that will make the most effective contribution to the balanced economic growth of the region as a whole.
- 2) The NEADB will provide necessary trade financing so that member states within the region will further their mutual economic growth and intra-regional trade will be advanced and stimulated.



Purpose and Mission

- 3) The NEADB will prepare and implement both regional and individual development plans, (prepare development plans), and provide technical cooperation that covers the region.
- 4) The NEADB will provide assistance for making the transition to a market economy and responding to an intensely competitive world market.



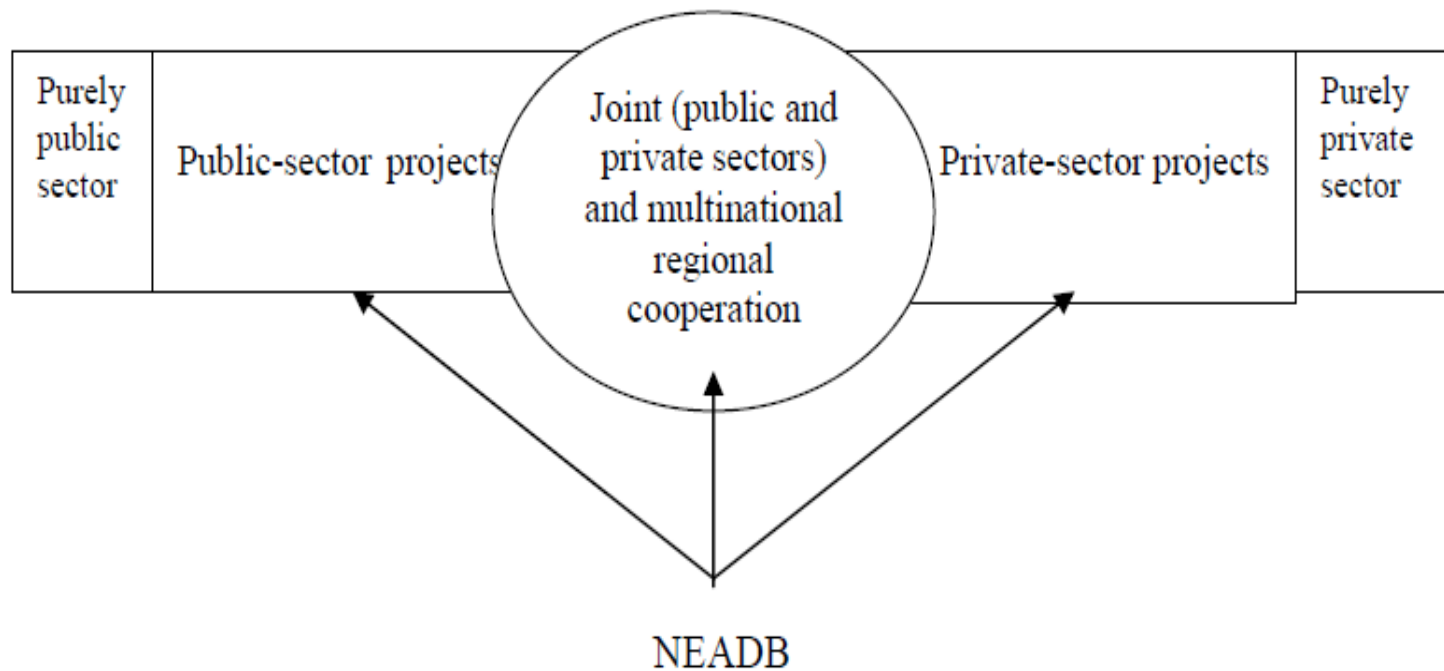
The characteristics of the content of the NEADB's Task

The task of the NEADB will have the following four characteristics:

1. Offer the additionality
2. Serve as a catalyst to trigger private-sector financing
3. Perform comprehensive development planning and coordination for the Northeast Asian region
4. Promote trade and investment involving Northeast Asian nations



Area's of Activities of NEADB





Membership criteria and structure

1. Because NEADB is an multilateral development bank that targets the Northeast Asian region, it hardly needs to be said that it should be operated by nations within the region (the principle of ownership). In terms of its membership criteria, however, the institution will be open to any nation, region, citizen/citizens' organization, or institution that wishes to become a member (the principle of openness).
2. National governments, regional organizations, foundations, and institutions will be eligible for membership. Additionally, based on the idea that the NEADB is a new genre of international institution designed for the 21st century, consideration should be given to permitting participation by citizens, nongovernmental organizations (NGOs), or local government bodies that provide funds to the NEADB.



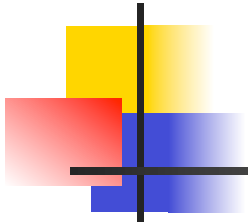
Proposed Amount of Capital and the Breakdown of Investors

1. The NEADB's authorized capitalization will initially be 6 billion dollars. Of this, 3 billion will be paid-in capital and the remainder will be callable capital. The breakdown of investors will reflect the fact that Northeast Asian nations must take the initiative for the Bank's operations and be responsible for running it. The region's six nations—China, Japan, South Korea, Mongolia, North Korea, and Russia—will therefore provide a majority share of 56%.

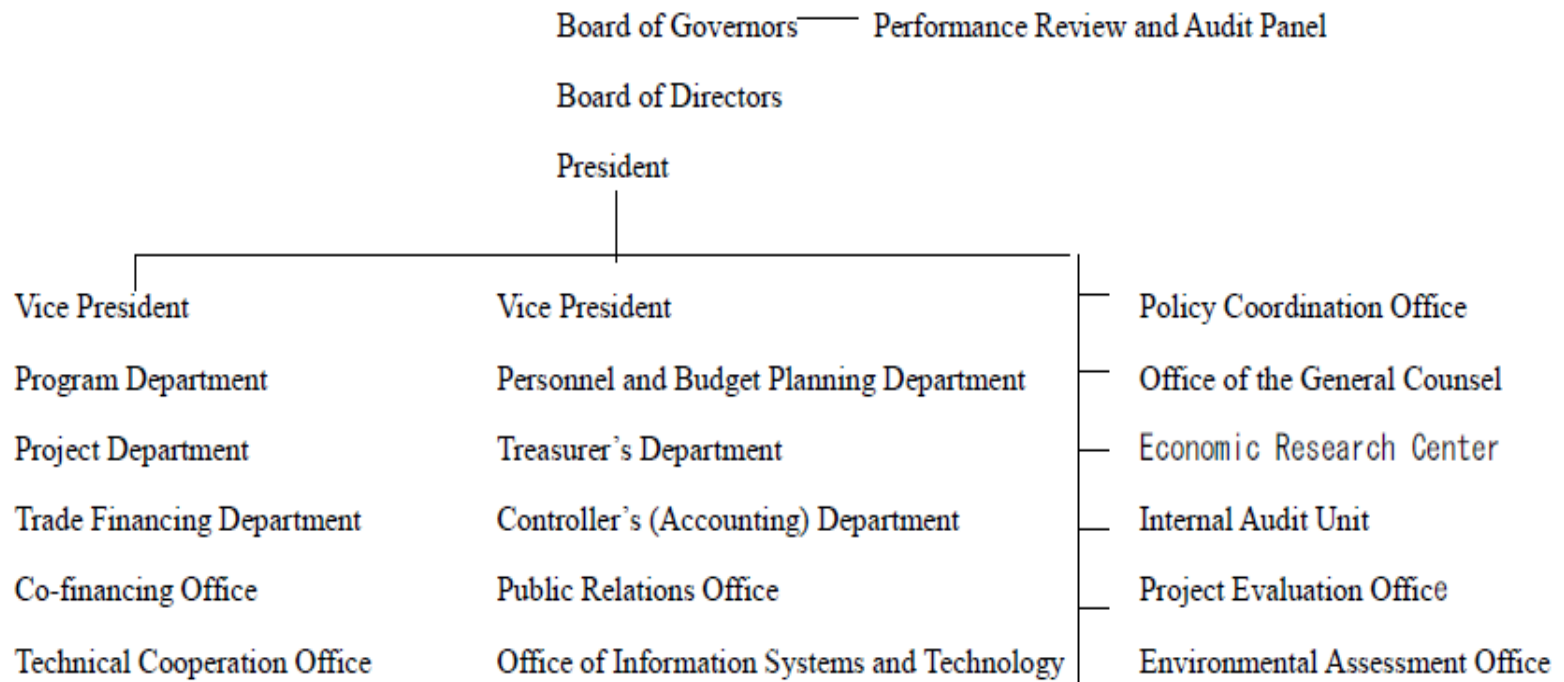


Proposed Amount of Capital and the Breakdown of Investors

2. Three of them—China, Japan, and South Korea—will assume responsibility for the Bank's management (the principle of shared power). This trio's investment will account for 46% of the NEADB's funds. Moreover, from the standpoint of a regional emphasis, the combined share of Northeast Asian and Southeast Asian nations will be 67%, or approximately two-thirds of the total funds invested. The remaining 33% will be provided by advanced nations in the Americas, the European Union, and Oceania and international institutions.



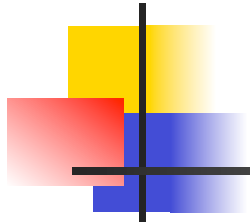
Proposed Organizational Chart





Issues to be addressed

1. Cooperation among these three countries (China, Japan, and South Korea) in establishing the NEADB.
2. The need to obtain the understanding and cooperation of the United States, as well as the support of other parties, such as Taiwan and international institutions.
3. The extent to which regional autonomy is respected.
4. Normalization of relations between North Korea and the US and Japan.



End of Presentation

Thank you very much for your kind attention!