
The Northeast Asian Development Bank: Maintaining Momentum for Its Establishment

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After extensive preparations and discussions about the NEADB, the Ninth Northeast Asia Economic Forum was held in Tianjin, China, in October 1999 and focused on the need for further study and discussion about the proposed bank. In the Tianjin Statement, passed at the conclusion of the meeting, “the creation of the Northeast Asian Development Bank (NEADB) was strongly supported. The Bank will principally be for infrastructure development, without imposing preconditions regarding political, social, and economic structures. Accordingly, the Meeting called for the creation of an NEADB *Ad Hoc* Committee to take steps toward establishing the new Bank.”

Based on this resolution, an unofficial meeting was held in May 2000 on the establishment of a working committee for the NEADB. Experts and high-ranking people from China, Korea, Japan, the United States, and other countries made proposals on the major issues concerned. Stanley Katz proposed an overall and specific scheme. Before and after the meeting, Lee-Jay Cho, Chairman of the Northeast Asia Economic Forum, and some participants from different countries carried out a great amount of work to speed up the establishment of the NEADB. Today’s Forum focuses on this key subject and expects achievement of more progress. The facts show that the efforts made by the Northeast Asia Economic Forum, under the chairmanship of Lee-Jay Cho, have turned out to be effective.

Duck-Woo Nam made some suggestions today concerning the problem of financing infrastructure, especially in relation to the proposed NEADB. I fully agree with him. During the past year, we have studied the issue, and I would like to provide some suggestions and comments about promoting the establishment of the NEADB.

BEING RESOLUTE IN PROMOTING THE NEADB

There are various reasons for being resolute in promoting the NEADB. First, the NEADB is consistent with the trends of world economic integration, with the demand to accelerate the development of the Northeast Asian region, and with the interests of the Northeast Asian countries. Finance is the core of the modern economy. Accordingly, strengthening financial cooperation in Northeast Asia will help to promote overall economic cooperation in the region.

Second, setting up such a bank is a new issue, which some people do not understand or recognize. Some have even misunderstood it. All these reactions are normal. We must expect to encounter numerous difficulties and hardships in constituting such a bank. Many people must be involved in striving to attain this goal. A lot of participants here, such as Duck-Woo Nam, Stanley Katz, and Hisao Kanamori are making great contributions to achieve this objective. We must follow their example and make more persistent efforts.

Third, any new development will encounter frustrations. No ship sails smoothly throughout its voyage. Up to now, the NEADB has made a satisfying beginning and has made great progress. Any pause or pulling back at this stage will ruin the initial efforts. We must remain confident, stand fast, and press forward with determination to establish the NEADB.

GAINING GOVERNMENT SUPPORT

Recognition and support from the governments of the Northeast Asian countries are necessary. Preparations for the establishment of the NEADB are complex and must be widely based and at a high level. In the current stage, it is particularly necessary to reinforce contacts and communications among the governments concerned. We must stress the following four points:

The Northeast Asia Economic Forum plays a role as an international organization, promoting more extensive contacts with the relevant governments and harmonizing various relationships to mobilize them to offer support to and participate in the preparatory work for the NEADB. It is indispensable to find the right times and the appropriate ways to deliver to the relevant governments the suggestions and comments gathered from the Forum meetings as well as the plans proposed by experts, to enable the governments to discuss and negotiate the issue.

The relevant people and technical experts in the countries concerned should make the best of their domestic and international influence and try to gain their governments' support for the NEADB.

The preparatory committee for establishing the NEADB should continue to organize experts to work out feasible plans for establishing the NEADB and provide the governments with feasibility reports and background materials to gain their support. These materials should focus especially on issues about which the governments may have doubts and should provide convincing arguments and documentation.

An adjustment group will be set up, under the preparatory committee, to create channels for rapid communications among the countries concerned and to harmonize any problems arising from the work. The preparatory committee and the adjustment group should call meetings at any time for special discussions

about any such problems.

PUBLICIZE THE NEADB

People are already well aware of the World Bank and the Asian Development Bank, but the NEADB is still very little known. Under these circumstances, it is imperative to publicize the NEADB enthusiastically in a variety of ways, and to the governments of the countries concerned in particular. The publicity should explain how the Bank will function, how it will operate within Northeast Asia, and the advantages it will bring to the countries of the region. Experts from different countries should use all means possible to make extensive appeals and provide publicity for the Bank, creating international momentum for speeding up the establishment of the Bank.

The Northeast Asia Economic Forum should make the most of its role by organizing special symposiums for governmental officials, entrepreneurs, technical experts, and scholars from different counties; by making extensive contacts with people from all walks of life; and by publicizing the vital importance and significance of establishing the NEADB. In the meantime, it should maintain close communications and contacts with the World Bank, the Asian Development Bank, and other international financial institutions and invite them to offer advice, assistance, and support.

IN-DEPTH FEASIBILITY STUDY OF THE NEADB

The founding of the new Bank is a complicated and sensitive issue, because of the large number of issues that must be addressed. In preparation for establishing the Bank, thorough research and documentation should be carried out on all major issues, such as the nature and objectives of the Bank, the investors and their shares in the Bank, the operations of the Bank, and its relationships with the World Bank and Asian Development Bank.

Given the current situation, two trends should be avoided. The first is merely sitting and talking, dwelling on certain problems endlessly without substantial promotion work, which has wasted a great amount of time. The second is neglecting the accurate and carefully considered study of some major problems. Careless planning will lead to difficulties in implementation. It would be acceptable to undertake surveys, publicity, and promotion simultaneously and to specify the major issues at the very beginning. At present, the survey work to prepare for the establishment of the NEADB is still at the initial stage. A lot of issues are still in need of explicit explanations, and some specific technical problems will require extensive discussion and negotiations. It is suggested that the Northeast Asia Economic Forum take the initiative to assemble senior experts to form a research group, which will make further studies of some of these major

issues, as preparatory work for the establishment of the Bank.

MULTIPLE APPROACHES TO PREPARE FOR THE NEADB

The establishment of the NEADB is a momentous decision. It requires hard work and thorough planning. It is a long-term strategy. Multiple working modes should be taken into consideration, undertaking the most accessible tasks first and with implementation and promotion going on concurrently. We will not impose our ideas on countries that have not had time for mature consideration. They can take part in the bank whenever they become convinced. We can start with the confident countries. If there are difficulties in finding more funds, we can begin with a small amount of capital, which will accumulate increasingly.

Some plans can be carried out step by step. It must be taken into account that this project will face various difficulties. The work must avoid, by all means, the possibility of becoming suspended because of difficulties, which can be promoted by roundabout approaches. For example, as suggested by the China Asia-Pacific Research Association, a working body or a preparatory organization or joint bank with multi-country investment can be set up in Tianjin, which could serve as a transitional bank, leading to the proposed NEADB. Such a bank might be named the Northeast Asian Prosperity Bank, or as its proper name, the NEADB. It will be transformed into an international regional bank when conditions permit.

Such a solution offers certain advantages. First, it will accelerate the establishment of the NEADB and provide people with a more concrete understanding of it. Second, based on this joint-investment bank, more things can be accomplished, which will contribute to the economic development of the Northeast Asian region. Third, this bank will have laid a solid foundation for winning support from different countries' governments and will make the future work easier.

SITE THE NEADB'S HEADQUARTER IN TIANJIN

Stanley Katz stated in his NEADB proposal that the Bank's headquarters must meet the required conditions. The shareholders will probably have to negotiate and vote when deciding the location. I regard Katz's statement as reasonable. At the same time, I also think that a decision about the location of the headquarters will have an important effect on moving the establishment of the Bank forward. Efforts that must be made in the NEADB's establishment will act as a significant impetus. As far as conditions in Tianjin are concerned, Tianjin is by no means dominant in relation to other Northeast Asian counties. However, on the whole, the city has certain integrative merits that meet the fundamental conditions outlined by Katz.

Tianjin is situated in an area that has outstanding geographical advantages. It is the economic center of the area surrounding the Bohai Gulf, the key economic center of northern China, and an important economic center in relation to the Northeast Asian region. It is connected by land, sea, and air with the rest of Northeast Asia and with Europe. It is linked to areas already developed and still to be developed. It is also a link for opening up and developing western China. No other city has the same regional characteristics.

Tianjin has a high growth rate and is one of the biggest cities in the biggest developing country in the world. It has solid economic and technological foundations, and it has tremendous potential for further growth. It will continue its long-term, sustained, and fast development.

China will proceed with its policy of opening up the financial sector. Tianjin is the trial city, which has taken the initiative to carry out this policy. It will expand its policies related to banks with international investment and joint investment. It will gradually implement the policy to allow banks with foreign investment to conduct transactions in RMB. All these policies will definitely offer good conditions and services for the establishment of the NEADB.

Tianjin's financial sector has an extraordinary foundation. In the 1930s, Tianjin was a financial center for northern China. Now the financial headquarters of northern China is concentrated in Tianjin, which has 2,657 financial institutions, including 25 with foreign investment. Tianjin's performance in this sector has been excellent.

Tianjin's active attitude toward the establishment of the NEADB takes into account not only our local benefits but also the overall interests of Northeast Asian development. Tianjin sponsored the Ninth Forum Meeting in 1999 and has assisted the Forum's NEADB Ad Hoc Committee in holding unofficial meetings. Tianjin has contributed greatly to the efforts to select the location of the NEADB headquarters, and its planning department has made a special plan and design for the proposed headquarters.

In summary, we feel that a long-term strategy should be taken into consideration in terms of promoting the establishment of the NEADB. We should initiate the establishment of this new financial institution by beginning with the current status of the plan and adjusting the work on the whole, and through harmonious cooperation. We believe, with our constant efforts, we are bound to move forward with the preparatory work, through successive new stages until the NEADB is eventually established.