

Sixteenth Northeast Asia Economic Forum  
Second Annual Young Leaders Training & Research Program  
in Regional Cooperation & Development

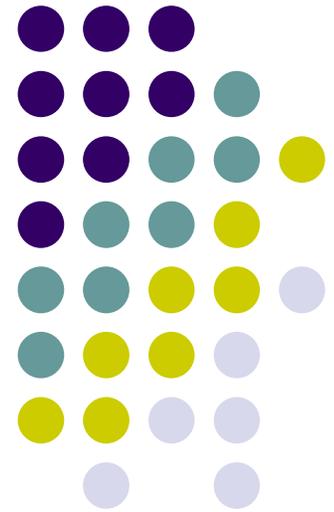
**Comments on**  
*Finance and Development*

Toyama, Japan, 15-27 October 27, 2007 ,

*Yasuhiro Chiba, Dr.(IR)*

*Former Professor of Economics,  
Akita Keizaihoka University, Japan*

*Visiting Professor, Hebei Normal University, China*



# Order of Presentation – Outline



## I Commentary:

### \* Chronology of discussion on the proposed Northeast Asian

**Development Bank** : Source: Yamamoto, Takashi. 2006. "Development Finance Cooperation in Northeast Asia : Analysis on a Northeast Asian Development Bank" October 2006 Akita International University, Japan pp10-11

## II Development financial cooperation of Northeast Asia

## III A Concept of Linked Development Financing in the Northeast Asian Economic Zone

## IV A Concept of the Symbiotic Community in the Northeast Asia

## V Summary

# Commentary 1

\* Ma Junlu(2006) Function and Role of the Northeast Asian Development Bank: Current Situation *Proceedings of the 15th Meeting of the Northeast Asia Economic Forum;*

Khabarovsk ,5-7 September 2006,



## Summary of Papers

Comments of Pro. In-Young Kim, Ph.D./Professor ,Hallym University

- Professor Junlu Ma points out the feasibility of establishing a Northeast Asia Bank focusing on the relevant interest and consensus among NEA countries and the abundant foreign exchange reserve of NEA countries.
- He summarizes Tianjin's initiative to invite the headquarters of NEADB.
- It is necessary that the Chinese central government shows its interest to establish NEADB in the world and persuade the related countries including US and Japan to participate in the establishment of NEADB. Then NEA countries shall agree on the headquarters of NEADB in Tianjin.

## Commentary 2-1

Joint Statement of the Fourth Meeting of the Ad Hoc Committee for the Establishment of the Bank for Northeast Asia Cooperation and Development, Tianjin, 25 July 2007



- ① Having summarized previous efforts and presented and discussed an updated revised proposal on the foundation of the Northeast Asia Bank provided by Tianjin at this meeting,
- ② Reaffirming that the objective of the meeting is the creation of a Northeast Asia Bank that will be multilateral in nature, that will explore various avenues for capital resources, and that has the promotion of economic development in the region,
- ③ Noting that the constructive suggestions in the updated revised proposal provided by Tianjin and the important comments in this meeting have increased the feasibility of establishing the Northeast Asia Bank, and
- ④ Agreeing that the proposed Northeast Asia Bank can serve as a means for promoting regional economic cooperation and for overcoming the financial obstacles in the Northeast Asia region,
- ⑤ Agrees to mobilize all necessary resources to launch the Northeast Asia Bank;
- ⑥ Encourages all the governments within the Northeast Asia Region to approve the concept of the Northeast Asia Bank;
- ⑦ Emphasizes the importance of obtaining further international support from additional countries;

## Commentary 2-2



- ⑧ *Agrees* to establish an Office for Study of the Establishment of the Northeast Asia Bank that will operate independently under the aegis of the Northeast Asia Economic Forum to carry out the required substantive analytical work and prepare a comprehensive, updated report that describes and discusses all relevant features of the proposed Bank and issues facing its establishment;
- ⑨ *Requests* the Northeast Asia Economic Forum to make preparations for the establishment of the Office for Study of the Establishment of the Northeast Asia Bank and take action for its implementation as soon as possible;
- ⑩ *Agrees* to work on the next step of securing the approval for the Northeast Asia Bank concept from the Finance Ministries and their relevant institutions of prospective participating countries and discuss the results of these efforts at the Committee's next meeting;
- ⑪ *Recognizes* the consistently positive response from the Chinese government about the Northeast Asia Bank concept and the expressions of support from key leaders of the Chinese central government; and
- ⑫ *Commends* the Tianjin Municipal Government, as a local government, for making a series of concerted efforts in the past ten years and expressing its willingness to provide the necessary backing toward the establishment of the Northeast Asia Bank.

# Some questions : Let 's think with everyone !

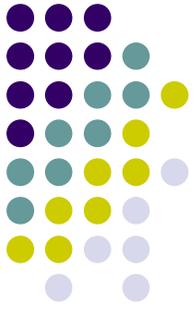


- 1) Many people contributed to the discussion at the Northeast Asia Economic Forum on the establishment of the Northeast Asian Development Bank. Last year in Khabarovsk, however, the proposal was made on the Northeast Asian Bank. The word "development" started to disappear. Does this reflect any changes in characteristics of the proposed bank, strategies for establishing the bank, and / or changes in environment of international community?
- 2) What would be the expected roles of countries in Northeast Asia for the proposed bank? What would be the expectation for Japanese Prime Minister Fukuda?
- 3) Could you please provide an insight how North Korea could be involved with the proposed bank?

# III A Concept of Linked Development Financing in the Northeast Asian Economic Zone

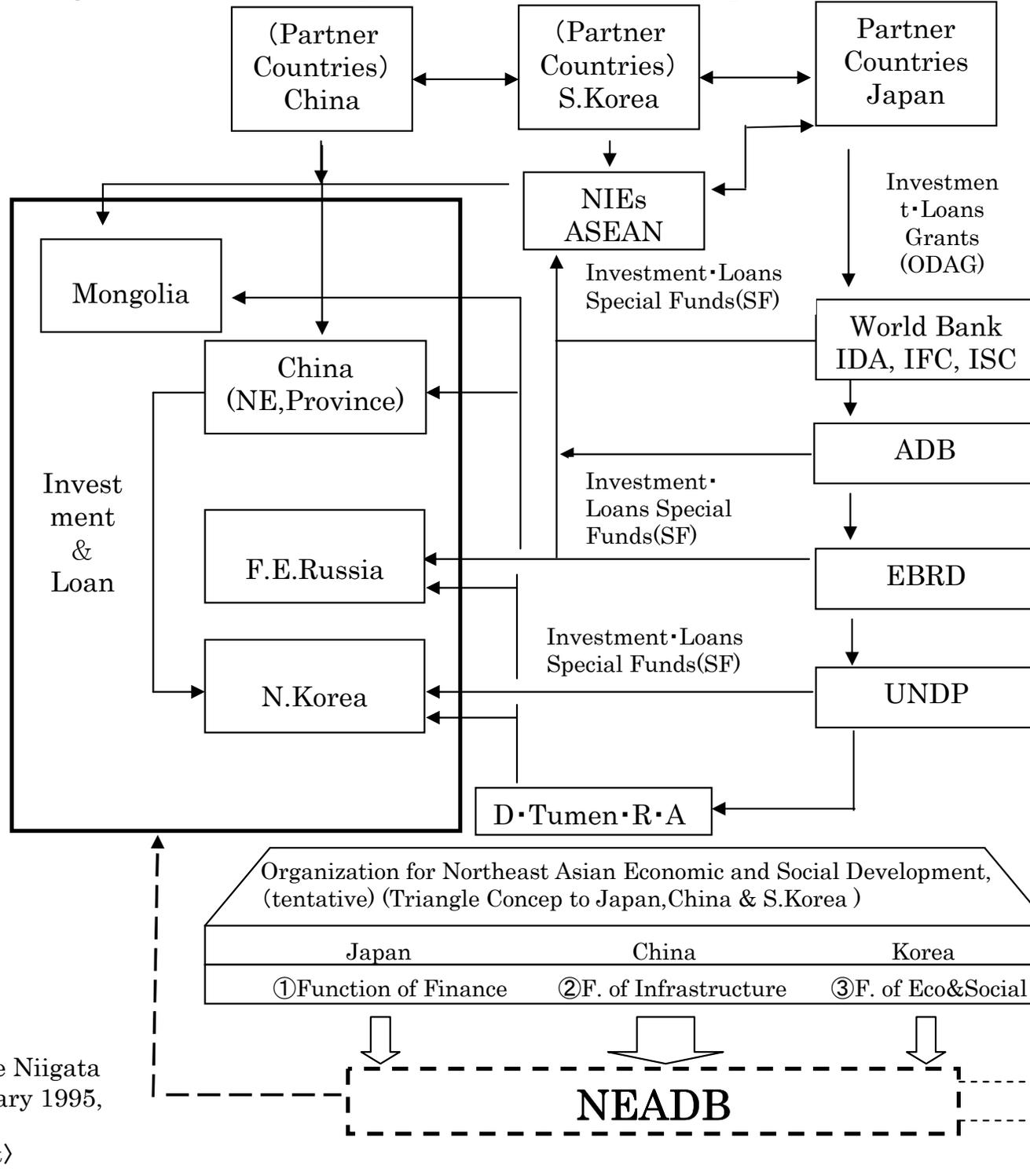


- The NEADB would also play an important role as an international financial intermediary in linking financial flows among the regional member countries, as sketched in Figure 1.
- The concept could be most effectively applied in the NEA region



- because
- (1) the region contains diversified political-economic areas, and
- (2) the operational areas of the NEADB, North Korea in particular, are isolated from international financial markets.
- This linked cooperative scheme would also be useful not only in breaking the political deadlock among the countries of the NEA region, but in enhancing confidence building between South Korea and Japan.

# Figure 1 A Concept of Linked Development Financing



Source: Proceedings of the Niigata Conference, 16-17 February 1995, Northeast Asia Economic Forum, p.110 <improvement>

## IV. A Concept of the Symbiotic Community in the Northeast Asia

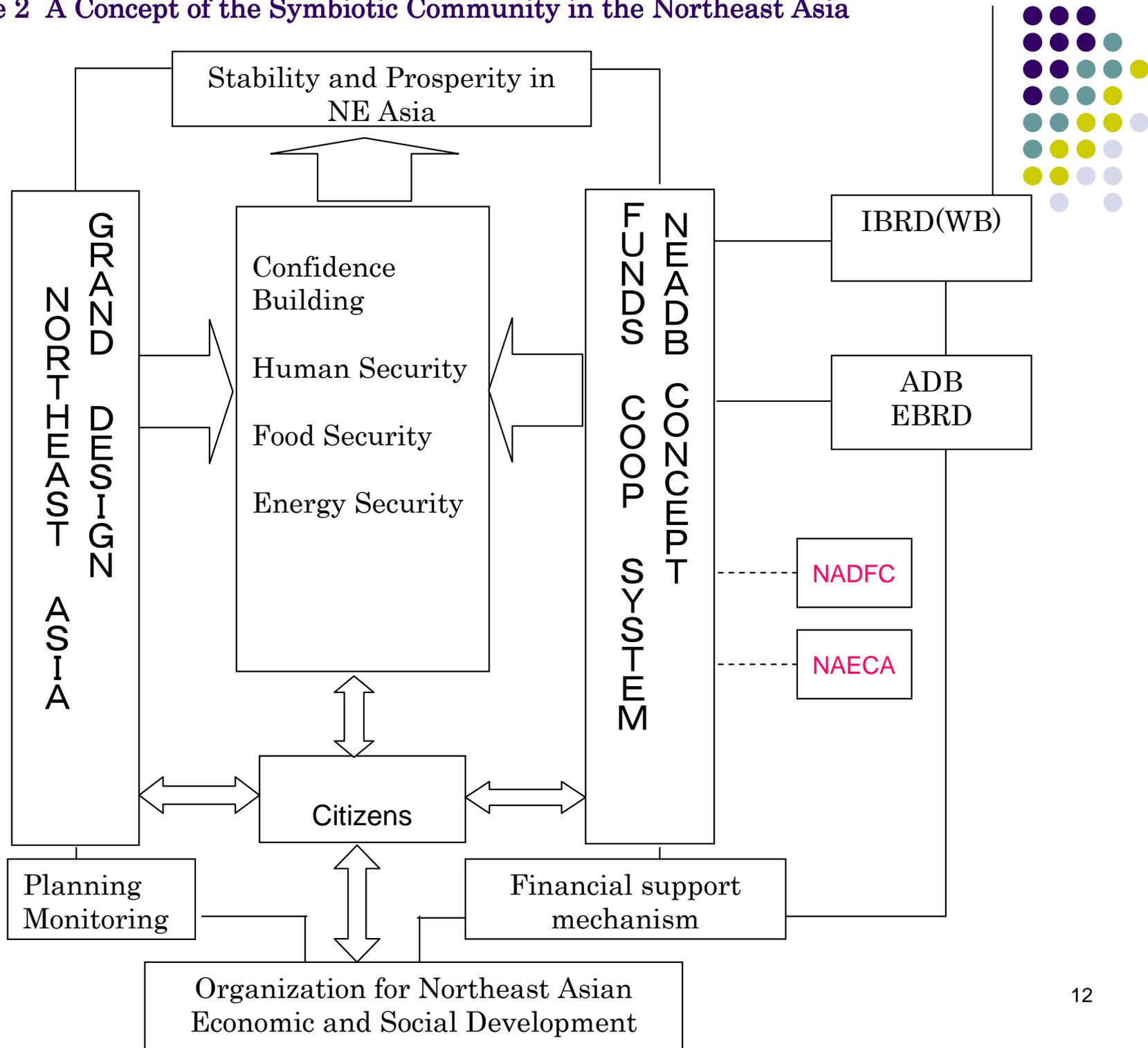


- Proposed vision on the socio-economic development in Northeast Asian countries requires public investment, because the size of the required funds are larger than that are available in private markets, and also because very long-term funds are required. Only the funds from public sources can satisfy these conditions.
- Policy coordination is needed to promote public investment in Northeast Asia. It is the best that all countries will get involved with the policy coordination. At least three countries, Japan, China, and the Republic of Korea, should agree on the policy coordination.
- The policy coordination should contain many aspects in public investment for Northeast Asian countries. Division of monetary policies among J, C, and ROK should not be ignored.

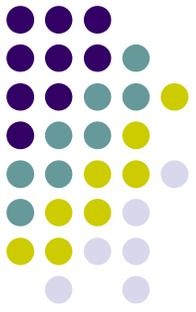


- The new function of “ the infrastructure development in China, economic& social development in Korean Peninsula, establishing financial capacity in Japan” becomes possible as a result of this division.
- The Northeast Asian Development Bank is an important part of 'Organization for Northeast Asian Economic and Social Development'.

Figure 2 A Concept of the Symbiotic Community in the Northeast Asia



# V Summary



A window for the development funds in China as China will be a major donor country for the development of North Korea. Establishing a social factor in South Korea as South Korea needs huge amount of money for the unification of the Korean peninsula. Establishing monetary function in Japan because Japan is interested in stabilizing monetary functions from the experience of the East Asian economic crisis in 1997 .

NEADB would supplement the capital transfer roles of the World Bank and ADB; it would not displace or compete with them. The bank will make up for the shortfall in ADB or World Bank funding, and it will act as a partner to other development banks serving the region by distributing risk and diversifying the source of capital.

*Development is a race against time: the new bank would speed up Northeast Asian development. (Dr.Cho,NEAEF)*



- Thank you for kind attention!