

The Northeast Asia Economic Forum

Tokyo Meeting in Nihon University, May 11-12, 2011

The Development financial system in the world and New Development Bank Approach in Northeast Asia.

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Policy Recommendation to Japanese Government:



Fukuda Yasuo the Chief of Cabinet Secretary of Koizumi Administration had received the Report in July 29, 2002.
(The Tokyo Foundation Project Team for NEADB research.2001-02)

I. The World Development Finance System

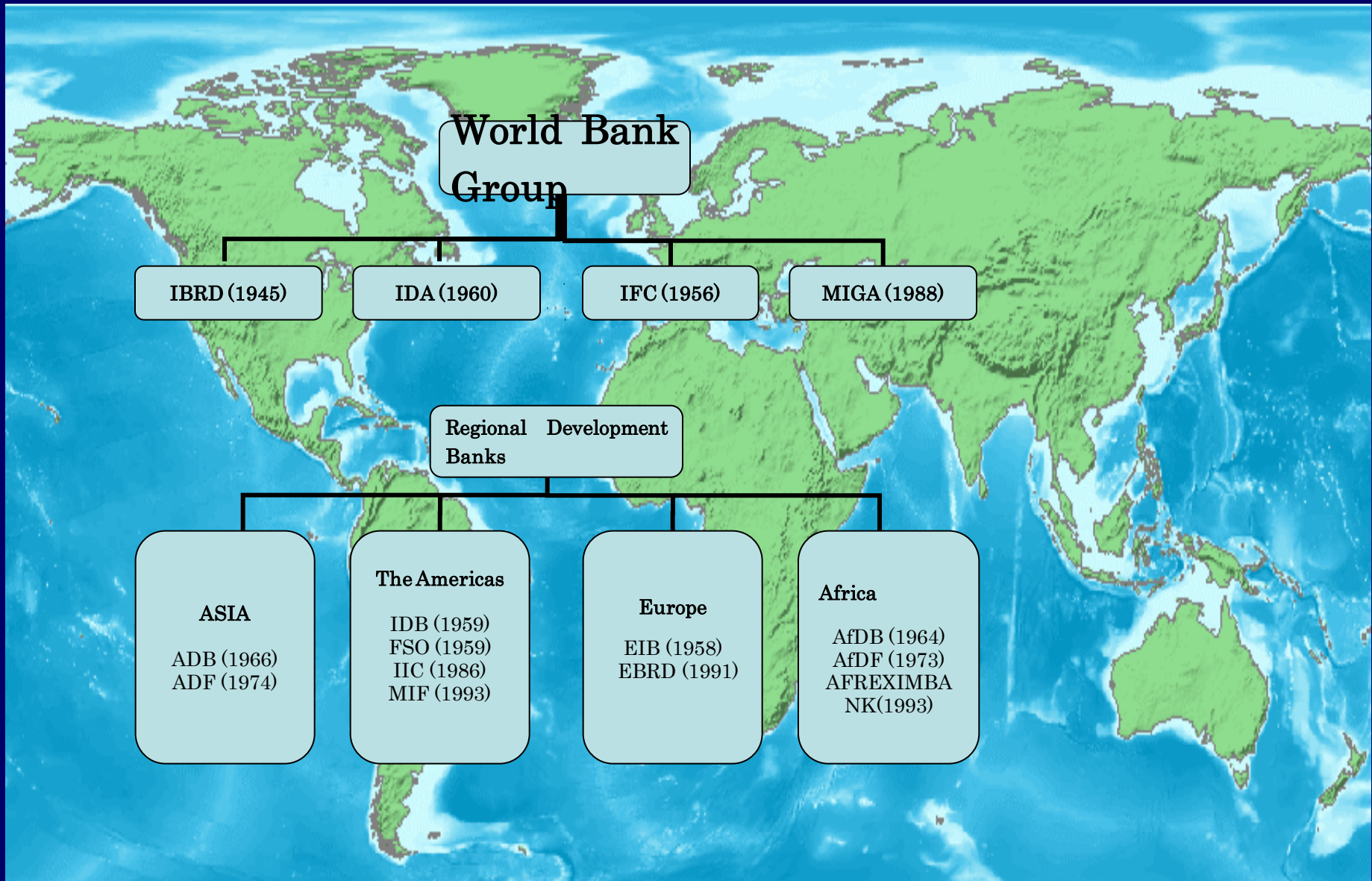
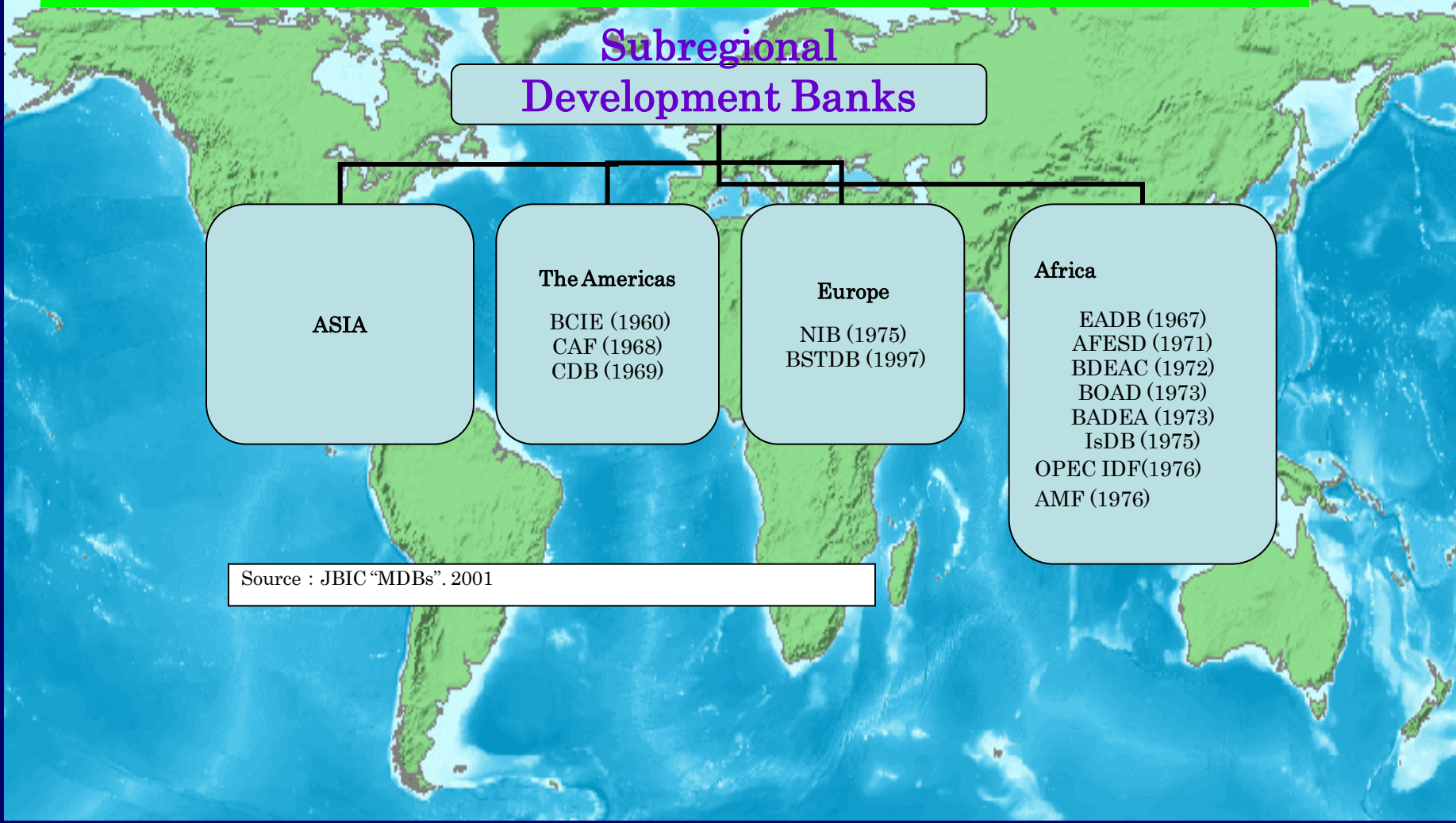


Figure 1-2, Subregional Development Banks



Source : JBIC "MDBs". 2001

II. The experiences of predecessor regional-level development banks and lessons to be learned from them

The ADB: *Established in December, 1966*

Participate countries 61 (Asian 44, Non Asian 17, at 2002)

ORC (Ordinary Capital Resources): 43.8 billion U.S. \$ (2001)

(September 2009, ADB decided to increase the ORC from 55 billion to 165 billion U.S.\$)

Some weak points of ADB (or the Problems):

1. Development needs VS. Capital resource = Unbalance

Population of Developing countries: over 3billion

2. Rapid increasing of Inner Regional Capital VS. limitation of the capital supply: Richness Foreign Reserve could not be used enough for regional development.

3. Leadership in the development of Asian countries VS. leadership of America: U.S.A. and Japan is the greatest investor and decision-maker. They hold the leadership in the administration

The EBRD

Established in April, 1991

Participate countries 42 (European 52, Non European 10, at 2002)

ORC (Ordinary Capital Resources): 20 billion EUR (2001)

It was suggested in 1989 by French President Francois Mitterrand as a promotion assist what were the Soviet Union and the nations of Eastern Europe, which had begun to move toward market economy.

therefore, Two fundamental principles were stipulated upon its launch in 1991. First, the EBRD would promote market economy reforms. Second, 60% or more of the bank's total investment and loans would be funneled into the private sector.

The EBRD's investment and loans totaled 2.6 billion ECUs in 2000. Although the share of Central and East European countries was high throughout the 1990s, Russia accounted for 20.6% at the end of 2000 and has become the largest recipient.

The BSTDB: The Black Sea Trade and Development Bank

Established in April, 1997 Participate countries 11

ORC : 1 billion DRS (2001)

The first Sub region development bank was established after end of the Cold War. Its membership consists of 11 countries along the coast of the Black Sea, including Greece, Russia, and Turkey.

This Bank commenced operations in June 1999 with authorized capital of 1 billion SDRs and paid-in capital of 100 million SDRs.

There were Three reasons why it had achieved a certain level of results in a comparatively short time.

One point was the European Union's powerful influence.

The second point was that the BSTDB engages in solid financing activities with a strong emphasis on trade.

Third point was its flexibility in terms of the geographic areas that receive financing.

III. Northeast Asian Dynamic Economy and the insufficiency in financial System.

In the beginning of the 21 century, there was happening large-scale geopolitic change. The most remarkable change is happening in the Northeast Asia.

Let's see the situation of economic indicator of the northeastern Asia countries and areas.

Please see the next pages. It shows indicators for Northeast Asia.

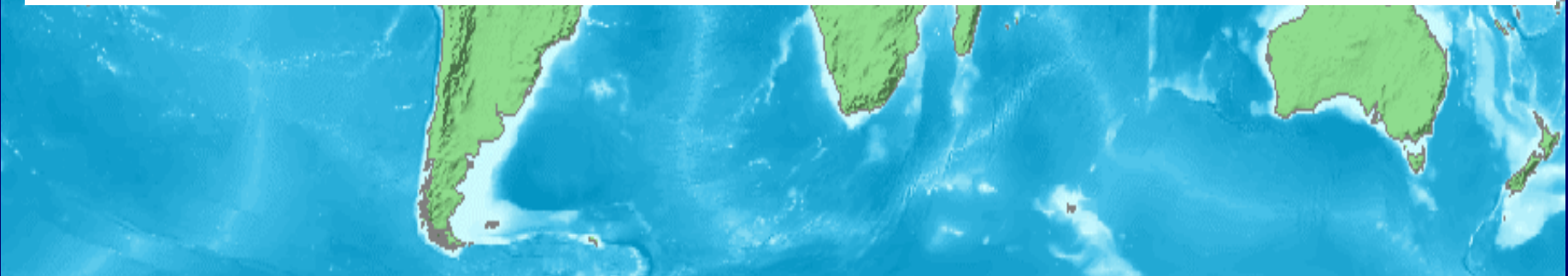


Table1. Social and Economic Indicator of NEA (2010, US\$, %)

Countries or Areas	Pop. thousands	Area thousands K m²	GDP Billion	GDP per Capita	Export Billion	Import Billion	Total Trade Billion
Japan	127,210	378	5,458	42,820	767.0	691.4	1,458.4
China	1,334,730	9,600	5,867	4,382	1,577.9	1,394.8	2,972.7
Tai Wan	23,160	36	430	18,458	274.6	251.2	525.8
Hong Kong	7,100	1	225	31,591	390.1	433.1	823.2
ROK	48,880	99	1,014	20,591	466.4	425.2	991.6
DPRK*	23,380	121	21	898	1.8	3.2	5.0
Mongolia*	2,740	1,567	1.2	484	1.9	2.1	4.0
Russian Fed.	141,904	17,075	1,508	10,437	396.6	229.0	625.6
NEA Total (a)	1,709.1	28,875	14,523		3,876.3	3,223.9	7,406.3

Source: JETRO HP statistics (2011.5). Etc.,

Note (*): The date of Mongolia and DPRK used by year 2009.

Table2. Trade of NEA in the World

Unit: 100million U.S. \$, %

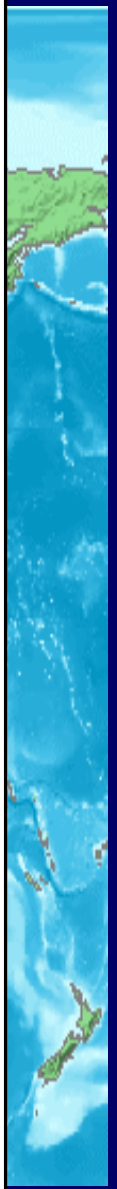
	2000		2002		2004		2006		2010	
	Amount	No.	Amount	No..	Amount	No.	Amount	No.	Amount	No.
World	122,969		122,620		180,950		245,257		299,055	
U.S.A.	19,999	1	18,963	1	22,889	1	29,547	1	31,902	1
German	10,515	2	11,050	2	16,276	2	20,150	2	22,126	3
Japan	8,587	3	7,539	3	11,197	4	12,266	4	14,584	4
China	4,743	8	6,208	4	11,548	3	17,604	3	29,727	2
Hong Kong, China	4,147	9	4,077	11	5,303	11	6,584	11	8,232	8
Taiwan, China	2,883	14	2,431	15	3,419	15	4,266	16	5,258	11
ROK	3,327	13	3,146	13	4,783	12	6,349	12	9,916	6
Russia	1,499	20	1,682	19	2,798	19	4,686	15	6,256	10
NEA Total	25,186		25,083		39,048		51,755		73,973	
NEA/World	20.5%		20.5%		20.5%		21.1%		24.7%	

Resource: WTO, International Trade Statistics

Table3. Foreign Reserves in the NEA Countries (Unit: 100Million U.S. \$)

Countries	1990	1995	2000	2004	2008	2010	'10 / '90 times
Japan	695	1,724	3,616	8,410	11,549	10,962	15.7
China	286	736	1,656	6,069	16,822	28,661	100.0
(Hong Kong)	246	554	1,075	1,236	1,603	2,686	11.0
(Taiwan)	724	903	1,096	2,417	2,778	3,820	5.3
ROK	145	319	962	1,990	2,624	2,915	20.1
Russia	n.a.	149	280	1,245	4,907	4,436	29.8('95)
Total	2,096	4,385	8,685	21,367	40,283	53,480	20.0
World	8,445	13,853	18,622	38,537	72,086	n.a.	8.5('08/'90)
NEA Ratio in World	24.8%	31.7%	46.6%	55.4%	55.9%	-	-

Source: Statistics of IMF and Ministry of Finance of above countries or areas.



Northeast Asian:

Economic dynamism and its big potentials.

- 1. NEA economic growth is the fastest in the world.*
- 2. NEA shift into 'the world market' from 'the world factory'.*
- 3. NEA occupy a quarter of the global trade and it is still increasing rapidly.*
- 4. NEA's abundant capital is accumulated and extends influence in the world. Foreign currency reserves hold more than half of the world.*
- 5. In the NEA, Demand of infrastructure investment and exploitation of resources is high.*

IV. Policy proposal for establish a NEADB

We need to correct the political distortion and the economical distortion, to improve the Asian development environment.

The political distortion:

We must review the relations of Northeast Asia VS. U.S.A.: switch it to equal relations from a dependency.

The financial crisis that occurred in U.S.A. is an important opportunity to improve political distortion.



IV. Policy proposal for establish a NEADB

The economical distortion:

- 1. The disproportion of the market and the straight production center. The market depends on Europe and America.***
- 2. The disproportion of investment and savings. Asia saves it, and Europe and America invests it.***



Conclusion:

The Establishment of NEADB, does not only to corrects the economical distortion and the political distortion which was mentioned above, but also to be a best method to realize Northeast Asian Peace and prosperity.

Thank you for listening !