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

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Contents:

I. The World Development Finance System

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

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

IV. Policy proposal for establish a NEADB

Conclusion
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

World Bank Group


Regional Development Banks

ASIA

The Americas

Europe
EIB (1958)  EBRD (1991)

Africa
Figure 1-2, Subregional Development Banks

Subregional Development Banks

ASIA

The Americas
BCIE (1960)
CAF (1968)
CDB (1969)

Europe
NIB (1975)
BSTDB (1997)

Africa
EADB (1967)
AFESD (1971)
BDEAC (1972)
BOAD (1973)
BADEA (1973)
IsDB (1975)
OPEC IDF (1976)
AMF (1976)

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 3 billion

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.
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.
Table 1. Social and Economic Indicator of NEA (2010, US$, %)

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

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

Note (*): The date of Mongolia and DPRK used by year 2009.
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<th></th>
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<tbody>
<tr>
<td>World</td>
<td>122,969</td>
<td>122,620</td>
<td>180,950</td>
<td></td>
<td>245,257</td>
<td></td>
<td>299,055</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.A.</td>
<td>19,999</td>
<td>1</td>
<td>18,963</td>
<td>1</td>
<td>22,889</td>
<td>1</td>
<td>29,547</td>
<td>1</td>
<td>31,902</td>
<td>1</td>
</tr>
<tr>
<td>German</td>
<td>10,515</td>
<td>2</td>
<td>11,050</td>
<td>2</td>
<td>16,276</td>
<td>2</td>
<td>20,150</td>
<td>2</td>
<td>22,126</td>
<td>3</td>
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<tr>
<td>Japan</td>
<td>8,587</td>
<td>3</td>
<td>7,539</td>
<td>3</td>
<td>11,197</td>
<td>4</td>
<td>12,266</td>
<td>4</td>
<td>14,584</td>
<td>4</td>
</tr>
<tr>
<td>China</td>
<td>4,743</td>
<td>8</td>
<td>6,208</td>
<td>4</td>
<td>11,548</td>
<td>3</td>
<td>17,604</td>
<td>3</td>
<td>29,727</td>
<td>2</td>
</tr>
<tr>
<td>Hong Kong, China</td>
<td>4,147</td>
<td>9</td>
<td>4,077</td>
<td>11</td>
<td>5,303</td>
<td>11</td>
<td>6,584</td>
<td>11</td>
<td>8,232</td>
<td>8</td>
</tr>
<tr>
<td>Taiwan, China</td>
<td>2,883</td>
<td>14</td>
<td>2,431</td>
<td>15</td>
<td>3,419</td>
<td>15</td>
<td>4,266</td>
<td>16</td>
<td>5,258</td>
<td>11</td>
</tr>
<tr>
<td>ROK</td>
<td>3,327</td>
<td>13</td>
<td>3,146</td>
<td>13</td>
<td>4,783</td>
<td>12</td>
<td>6,349</td>
<td>12</td>
<td>9,916</td>
<td>6</td>
</tr>
<tr>
<td>Russia</td>
<td>1,499</td>
<td>20</td>
<td>1,682</td>
<td>19</td>
<td>2,798</td>
<td>19</td>
<td>4,686</td>
<td>15</td>
<td>6,256</td>
<td>10</td>
</tr>
<tr>
<td>NEA Total</td>
<td>25,186</td>
<td>25,083</td>
<td>39,048</td>
<td></td>
<td>51,755</td>
<td></td>
<td>73,973</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NEA/World</td>
<td>20.5%</td>
<td>20.5%</td>
<td>20.5%</td>
<td></td>
<td>21.1%</td>
<td></td>
<td>24.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Resource: WTO, International Trade Statistics
### Table 3. Foreign Reserves in the NEA Countries (Unit: 100 Million U.S. $)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>695</td>
<td>1,724</td>
<td>3,616</td>
<td>8,410</td>
<td>11,549</td>
<td>10,962</td>
<td>15.7</td>
</tr>
<tr>
<td>China</td>
<td>286</td>
<td>736</td>
<td>1,656</td>
<td>6,069</td>
<td>16,822</td>
<td>28,661</td>
<td>100.0</td>
</tr>
<tr>
<td>(Hong Kong)</td>
<td>246</td>
<td>554</td>
<td>1,075</td>
<td>1,236</td>
<td>1,603</td>
<td>2,686</td>
<td>11.0</td>
</tr>
<tr>
<td>(Taiwan)</td>
<td>724</td>
<td>903</td>
<td>1,096</td>
<td>2,417</td>
<td>2,778</td>
<td>3,820</td>
<td>5.3</td>
</tr>
<tr>
<td>ROK</td>
<td>145</td>
<td>319</td>
<td>962</td>
<td>1,990</td>
<td>2,624</td>
<td>2,915</td>
<td>20.1</td>
</tr>
<tr>
<td>Russia</td>
<td>n.a.</td>
<td>149</td>
<td>280</td>
<td>1,245</td>
<td>4,907</td>
<td>4,436</td>
<td>29.8(‘95)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,096</td>
<td>4,385</td>
<td>8,685</td>
<td>21,367</td>
<td>40,283</td>
<td>53,480</td>
<td>20.0</td>
</tr>
<tr>
<td>World</td>
<td>8,445</td>
<td>13,853</td>
<td>18,622</td>
<td>38,537</td>
<td>72,086</td>
<td>n.a.</td>
<td>8.5(‘08/’90)</td>
</tr>
</tbody>
</table>

**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.
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.
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.
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.

Conclusion:

Thank you for listening!