

A Northeast Asian Development Bank versus a Northeast Asian Development Fund: Changes in the International Environment

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The most noteworthy events subsequent to the Tenth Northeast Asia Economic Forum in Changchun, China, in April 2001, can be summarized as follows:

- the terrorist attacks on the World Trade Center in New York and the Pentagon in Washington on 11 September 2001
- the PRC's accession to the World Trade Organization (WTO) in 2001 and the selection of Beijing for the 2008 Summer Olympics
- the successful launching of Europe's new currency, the euro, in 2002.

How have these events affected the international environment and the concepts of the Northeast Asian Development Bank (NEADB) and the Northeast Asian Development Fund (NEADF)?

TERRORIST ATTACKS

Before the attacks, the new US administration was concentrating on (1) a kind of "neo-Monroeism" or Pan-American continental regionalism, which emphasized NAFTA plus MERCOSUR and the Central American nations, and (2) a national missile defense (NMD) system.

However, after the attacks and for the first time since the attack on Pearl Harbor in 1941, U.S. defense strategy shifted from a threat-based model to a capabilities-based model by assuring "civilized" non-terrorist nations of US capabilities to fulfill security commitments (D.H. Rumsfeld, 2001 QDR). To this end, US policy has changed from a neo-Monroe regionalism to an anti-terrorist globalism (including states supporting terrorism), which emphasizes "defense of the U.S. homeland" as the highest priority against large-scale, non-conventional attack (Henry H. Shelton, 2001 QDR). This is a policy similar to that of the East-West ideological cold war era during the second half of the twentieth century.

These tendencies have affected the international financial environment and turned our attention to Afghanistan and neighboring Islamic countries. It is noteworthy that Pakistan had already received US\$5.4 billion, 26.2% of the Asian

Development Fund (ADF), and Bangladesh had received US\$5.3 billion, 25.5% of the ADF, by the end of July 1998 (J.W. Lee 2000). In the Northeast Asian region, Mongolia received a mere US\$0.3 billion, 1.8% of the ADF. These tendencies will increase if post-Afghan war reconstruction plans are to be realized. As a consequence, the NEADB (or alternatively, the NEADF) concept will become comparatively more obscure in the sense of international finance considerations.

THE PRC'S ACCESSION TO THE WTO IN 2001 AND THE SELECTION OF BEIJING FOR THE 2008 SUMMER OLYMPICS

These two events will greatly contribute not only to the PRC's own remarkable development, but also to the progress of all member countries of the Northeast Asia Economic Forum.

What will be their effect on the establishment of the NEADB or NEADF? In short, these two events will have a positive effect in the first decade of the twenty-first century. The reason is the sanguine expectation of rapid growth for the PRC (which has the world's largest population) and its rate of investment return. The Beijing Olympics will favorably contribute an income-generating effect, not only in the Beijing area but also in neighboring northeastern provinces and beyond.

In the long run, the PRC will eventually shift from an IMF Article-14 country to an Article-8 country, and from a GATT Article-18B country to an Article-11 country, and it will eventually participate in the OECD and BIS. In preparation for these foreseeable developments, the PRC will be better off if it sets up longer-term financial, foreign-exchange, and capital-market liberalization plans (J.W. Lee, Bangkok FMS, 2001). In the course of implementing these plans, the successful establishment of the NEADB or NEADF will help the PRC's financial sector, which is somewhat less developed than its industrial manufacturing sector.

In addition, the World Cup, hosted in 2002 by Korea and Japan, and the Asian Summer Olympics in Pusan in September 2002 will contribute to a sense of regionalism among the member countries of the Northeast Asia Economic Forum.

THE SUCCESSFUL LAUNCH OF THE EURO

In 1998, the European Monetary Union decided on a three-stage introduction of the euro, with 1 January 2002 as the target date for the actual launching of the new currency and the subsequent abolishment of legal tender status of member countries' currencies.

This epoch-making event has given impetus and momentum to ideas and proposals on the other side of the globe for an Asian Monetary Union (AMU) and an Asian Monetary Fund (AMF). Keeping within this positive line of thinking, NEAEF member countries should consider beginning with the establishment of a Northeast Asian Development Fund as an alternative fund-raising method, and moving toward the long-term objective of an AMU, as proposed by this author at the Tenth Northeast Asia Economic Forum in Changchun, China, in April 2001.

As the euro becomes stronger day by day, a regional and sub-regional financing system such as the NEADB or the NEADF will surely find its *raison d'être*. Therefore, it is this author's hope that our members do not lose courage at this stage and that they continue fostering a spirit of cooperation to realize our ideal of establishing a regional financing institution in the near future.