COMMENTS ON DISCUSSIONS

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COMMENTS

Thank you for your paper presentations.

First, Yasuo Sawai, Executive Vice President of the National Institute for Research Advancement, thoroughly carried out a theoretical survey on a Grand Design for Northeast Asia and proposed a cooperative consortium as an action plan which I think seems to be a realistic option.

Mohammad Farhandi, former Lead Energy Specialist at the World Bank, examined investment demands for Social Overhead Capital (SOC) to go with the economic growth in the Northeast Asian region and proposed an approach measure to meet the investment demand.

Won-Suh, Choo, Head of the Center for Northeast Asian Studies at the Korea Development Bank, also estimated investment demands for Social Overhead Capital within the region. As a short term measure, he placed an emphasis on each government's active role in meeting the investment demand. Furthermore, in the long term, Mr. Choo emphasized the need of private sectors' investment. To encourage private sectors' investment, he stressed the need of the application of financing methodologies used by development finance institutions and of the improvement of financial environment for a smooth development financing.

Although approaches suggested by the three papers are different, I would like to assess the three papers start from a common interest in that these three papers sought practical ways to promote close cooperation in the Northeast Asian region. Due to the lack of time, I would like to offer my supplementary opinions in relation to the three papers presented today.

Significance of Northeast Asia in the world economy has been growing increasingly difficult to ignore. The economy of Northeast Asia accounts for about one-fifth of the world economy and has emerged as one of the world's three largest economic blocks following NAFTA and the EU. The share of Northeast Asia in the world's GDP accounts for 18.5% in 2001, showing a twofold increase compared to 10.1% in 1960. The region's share in the world's total trade volume increased to 12.4% in 2001 from 5.5% in 1960, more than twofold increase. In addition, its share of foreign reserves in the world's total increased to 34.6% in 2001 from 1.8% in 1960. Northeast Asia is a region showing the most dynamic economic growth in the world. It is expected that, by 2010, its economy will account for 27% in the world's total GDP and its share in the world's total trade volume will reach 30%, respectively.
First of all, with Northeast Asia's rapid economic advance, it is expected that the scope and patterns of regional cooperation will become more diverse and complicated. In preparation for this development, countries in Northeast Asia need to establish a network of experts and specialists from each field. It is true that among regional countries there is a competition now in which competition and cooperation coexist. In other words, Northeast Asian countries have some common interests on one hand and various conflicting interests on the other hand. To raise Northeast Asia's cooperation to one notch higher, it is necessary to definitely identify common interests in each field and establish concrete action plans to achieve these common interests. As the basis for the establishment of action plans, information sharing among experts in regional countries and international studies for active joint researches should be carried out actively. I also strongly believe that it is necessary to advance discussions based on facts by establishing the basis for a systematic research. Through the systematic research foundation, results of researches carried out by each field will be reported to the Northeast Asia Economic Forum (NEAEF) and accumulated.

The second is that, for a further cooperation of Northeast Asia, the foundation should start with establishing the physical infrastructure. To that end, it is necessary to come up with concrete plans to secure financial resources. In relation to securing financial resources, Mohammad Farhandi, former Lead Energy Specialist at the World Bank, and Won-Suh Choo, Head of the Center for Northeast Asian Studies at the Korea Development Bank, provided a complementary discussion in their papers. In respect to the provision of financial resources, the estimation of the size of necessary funds should be carried out more than anything else. In this sense, I would like to highly regard of the two papers presented by Mr. Mohammad Farhandi and Won-Suh Choo in that they dealt with this issue in their studies.

Now, I would like to offer a few of additional suggestions for ways of securing financial resources, in addition to proposed means in the two papers. We need to seek ways to raise funds for the development of Northeast Asia through international organizations such as the World Bank and the Asia Development Bank. It is because it will be difficult to raise all the necessary funds from regional countries. In addition, it will not be easy to reach a consensus on the share of financial contribution among regional countries. What's more, by inviting such international organizations to participate in the development process of Northeast Asia, a clash of interests among countries concerned which can occur in the process of development is likely to be resolved from a more objective perspective.

In relation to securing financial resources through the issuance of bonds, I think issuing 10 to 15 year mid-and-long term bonds will be realistic option, considering the long gestation period of SOC investment. In addition, to foster a bond market within the region, measures to expand supply and demand should be taken. As part of efforts to expand supply and demand, central banks of each regional countries need to play an active role in raising development funds. Furthermore, it will be desirable to consider fostering local bond markets within the region, creating environment in which bonds denominated in local currencies are freely traded, and adopting a regional currency to be circulated within the Asian region.

The third is that North Korea should be regarded as a variable in estimating all the necessary funds to promote cooperation of Northeast Asia. It is more likely that North Korea will ask for investment and cooperation from the outside world to develop its economy given that it has actively involved in economic integration and cooperation through the Gaesung Industrial Complex and Mt. Kumgang tourism projects. In relation to integrating North Korea's
economy into the region, it will be a necessary step to consider asking each regional country to make its share of contribution to development funds for North Korea. It is because that South Korea does not have enough financial means to meet North Korea's such a demand and North Korea's economic stabilization is essential for peace and prosperity of Northeast Asia.

Last but not least, I would like to remind you that Northeast Asia has a group of counties with different economic developmental levels. This means that there are more rooms for cooperation than competition among regional countries. Therefore, it will be also helpful to find ways to share experience between regional countries to promote cooperation of Northeast Asian countries. Although a joint action taken by regional countries is vital for further cooperation of Northeast Asia, according to cases, each country should individually make an effort to make investment and improve its regulatory system. In addition, time and cost will be greatly reduced by transferring know-hows and experience of advanced nations to developing countries and sharing with them. Therefore, Northeast Asian countries should seek ways to take advantage of this time and cost reduction benefit.

With this, I would like to end my brief comment on the presented papers. Thank you.