Northeast Asian Development Finance Cooperation: 
The New Bank and the Support Network

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ABSTRACT

With the financial crisis originating in the United States, the shape of Northeast Asian development finance cooperation is being explored. The Japan-China-ROK Trilateral Summit was held in December 2008 and a new framework is being sought. In October 2008, amid the global financial crisis, the 17th Northeast Asia Economic Forum was held in Tianjin, and concepts and measures for development finance cooperation in Northeast Asia was extensively discussed. Specifically, the establishment of a sub-regional development bank, the "Northeast Asian Bank for Cooperation and Development", was proposed and the "Research Center for Financial Cooperation in Northeast Asia" was established at Nankai University. To make sure that a "new bank" will reflect the true needs in Northeast Asia, it is worth looking at the concept and proposals, and examining requirements of development finance cooperation in Northeast Asia.

Northeast Asia needs institutions of development financial cooperation as well as development finance support network. Agencies for development finance cooperation and those for development vision formulation are both obliged to demonstrate in concrete form that investment into Northeast Asia would be profitable and/or bring positive externalities. Without financial resources, no vision or projects can be realized. Without development vision, investment will be deterred. Reasons that the areas with potential development capacity have not received much direct investment from outside the region include (1) the region lacked a "regional grand design", which should demonstrate in obvious form strategies to construct a Northeast Asian economic network; and (2) a comprehensive framework for financial resources to upgrade infrastructure did not exist in Northeast Asia. There are also problems that must be solved to establish a development finance mechanism and to optimize economic development of Northeast Asia. In particular, the DPRK, as seen in the Tumen River Area Development Programme, has posed a "political difficulty" against the creation of Northeast Asian development finance mechanism. Next, I illustrate the strategic construction of a development finance support network as a development funding cooperation mechanism with a development vision.

The Northeast Asia Symbiosis Area (Fig. 1) presents an ideal design for the future based on peace and substantial financial resources. Three basic conditions in the design are human life security, food security, and energy security. The leading actors to maintain these conditions are the local residents and civil societies. Three components of this design are the "Northeast Asia Development Vision", the "Northeast Asian Development Finance Design", and the "Northeast Asia Economy and its Social Development Mechanism". These serve as the complementary supports to the main activities carried out by the local citizens. This fundamental premise was inspired by the view in the "global environmental symbiosis area." The term "symbiosis area" in this paper means the economically cooperative area in Northeast Asia. This presentation proposes an "Regional Development Design by Japan, China, and South Korea" as a possible action plan. It is necessary to re-examine the economic system in Northeast Asia from the aspect of economic rationality based on cooperative security.

The theoretical outline of financial cooperation in Northeast Asia (Fig. 2) is a road map for the region. The establishment of the new bank is an essential base for the supply of development fund. The figure indicates that international financial institutions and each government must mutually
cooperate. The new bank, illustrated as NEABCD, will play a catalytic role in the development finance project in Northeast Asia, taking advantage of its capital and trust as a regional financial institution. As for a strategy to promote the potential investment demand of Northeast Asia, it is necessary to prepare for the capital inflow from the private sector by maintaining the loan structure and the technical support system based on the direction of international support organizations.

The requirements of development finance cooperation in Northeast Asia will be discussed separately.

**Figure 1** Proposed Institutional Framework in Northeast Asia: the Symbiotic Community

**Figure 2** Proposed of Linked Development Financing