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Table of contents

• Introduction: Two Topics

• A trend in recent years about NEA financial cooperation

• Construction of a development financial support network
  (1) Proposed Institutional Framework in Northeast Asia
  (2) Proposal Concept of Linked Development Financing

• Suggestions for further discussion
  1. New direction for international finance cooperation by Japan
  2. Additional beneficiaries for the new mechanism
  3. Functions requested for which a new bank
  4. Investing and financing cross-border projects
  5. Cross-borer cooperation organization
Two topics from Japan and America

JAPAN:
  Hiroshi Watanabe
  Former Vice-Minister of Finance for International Affairs, Japan
  President and CEO, Japan Bank for International Cooperation (JBIC)

USA:
  Lawrence Summers
  Chair National Economic Council (NEC)

A trend in recent years

• Northeast Asian development finance cooperation being discussed under the global economic crisis.

• Northeast Asia Economic Forum (17th meeting: Tianjin) in October, 2008.
  – Proposal on the Northeast Asia Bank for Cooperation and Development (NEABCD)
  – Establishing the Northeast Asian Financial Cooperation Research Center at Nankai University

• Northeast Asian Area Cooperation Development International Forum in June 2009
  – Proposal on “Northeast Asia Financial Corporation” (NEAFC)
  – Proposal on “Northeast Asia Development Financing Council” (NADFC)
Cooperative framework in development financial

• Fundamental view
  – Financial function reflecting needs in Northeast Asia
  – Existing financial institution maybe inadequate
  – What is needed in Northeast Asia is a *development financial support network*

• Strategic construction of development financial support network
  – development finance cooperation organizations
  – development vision & strategies
Why little investment into Northeast Asia?

• Missing 'grand design' and strategies for the Northeast Asia to construct an economic unit
  – In search of new direction

• Missing financial vehicles to upgrade physical infrastructure
  – In search of new financial mechanism
Cooperation needed!

• Proposal figure 1
  Proposed Institutional Framework in Northeast Asia: The Northeast Asia Symbiosis Area presents an ideal design for the future based on peace and substantial financial resources.

• Proposal figure 2
  A Concept of Linked Development Financing: The theoretical outline of financial cooperation in Northeast Asia
Figure 1 Proposed Institutional Framework in Northeast Asia: the Symbiotic Community

Stability and Prosperity in NE Asia

Confidence Building
- Human Security
- Food Security
- Energy Security

GRAND DESIGN NORTHEAST ASIA

NEABCD CONCEPT SYSTEM

Funds

NEAB NEAB NEAB CD CD CD CD CONCEPT CONCEPT CONCEPT CONCEPT

FUNDS COOP SYSTEM

NPO NGO Citizens

Planning Monitoring

Financial support mechanism

Organization for Northeast Asian Economic and Social Development
Figure 1  Proposed Institutional Framework in Northeast Asia: the Symbiotic Community

Stability and Prosperity in NE Asia

Confidence Building

Human Security
Food Security
Energy Security

NPO NGO Citizens

Planning Monitoring

Financial support mechanism

Organization for Northeast Asian Economic and Social Development
Figure 2  Proposed of Linked Development Financing

- ADB
- Partner Countries
  - China
  - S.Korea
  - Japan
- UNDP
- EBRD
- EIB
- World Bank (IDA, IFC, ISC)
- NIEs
- ASEAN
- NADFC
- NAECA
- Organization for Northeast Asian Economic and Social Development, (tentative) (Triangle Concept to Japan, China & S.Korea)

Function of Finance:
1. Function of Finance
2. Function of Infrastructure
3. Function of Eco & Social

Japan, China, Korea
- NEA
- ABCD
Figure 2  Proposed of Linked Development Financing

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<tr>
<th>Partner Countries</th>
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<td>China</td>
<td>S.Korea</td>
<td>Japan</td>
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- **Function of Finance**
- **Function of Infrastructure**
- **Function of Eco & Social**

**Organizations Involved**
- ADB
- EBRD
- EIB
- UNDP
- World Bank IDA, IFC, ISC
- ADB
- EBRD
- EIB
- UNDP
- World Bank IDA, IFC, ISC

**Additional Notes**
- NIEs
- ASEAN
- Special Funds (SF)
- Investments & Loans
- Grants (ODAG)
- NADFC
- NAECA

**NEABCD**

- N.A.
- Tumen R.A.
Organization for Northeast Asian Economic and Social Development

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<th>Japan</th>
<th>China</th>
<th>Korea</th>
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<td>① Function of Finance</td>
<td>② F of Infrastructure</td>
<td>③ F of Eco &amp; Social</td>
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NEABCD
- Fund that deals with concessional loans
- Facility to deal with private sector capital, investment guarantee, CDM
- Agency that deals with social development, poverty alleviation, and micro-finance
Suggestions for further discussion

1. New direction for international finance cooperation by Japan
2. Additional beneficiaries for the new mechanism
3. Functions requested for a new bank
4. Investing and financing cross-border projects
5. Cross-borer cooperation organization
New direction for international finance cooperation by Japan

• International finance support of Japan focused on financial market restoration after the end of “subprime lending bubble”.

• Ultimately, Japanese economic recovery needs global demand-side recovery.

• Japanese financial assistance should go to Asian countries, which may lead the recovery of global demand.
  – Extra effects expected in Asian countries with development potentials, including the Greater Mekong Development Area, which ADB is supporting actively.
Additional beneficiaries for the new mechanism

• Japanese regional economic recovery needed
  – But cannot rely on subsidies from national government
  – Need to mobilize fund from financial markets or international sources
  – Financial methods are limited for local governments

• Can local government be beneficiaries of loans and investment from the new bank?
  – Great news if it is YES.
  – Motivation for more political support for the new bank
Functions requested for a new bank

• Functions should include not only mainstream finance, such as loans, guarantee, and investment, but also technical assistance.

• Catalyst function is also needed to urge private sector investment, since projects in Northeast Asian are large.
Investing and financing cross-border projects

• Even the World Bank and the Asia Development Bank have limited experience.

• A new bank needs to develop technique for project appraisal and supervision for investment and/or loans.

• Real-world case studies are needed for this purpose.
Cross-borer cooperation organization

• “Cross-border cooperation organization" (EU model) for comprehensive cooperation among municipalities, nations, supranational organizations, international organizations, and international NPOs.
  – EU’s example
  – Implementation in Northeast Asia

• Real-world case study: Ferry route project across Sea of Japan / East Sea
  – Investment and financing for transportation infrastructure
  – Private-Public partnership
  – Investment from local government of four countries and private firms
  – South Korea 51%, Russia 17%, Japan 16%, China 16%

• Model case for the cross-border development initiatives such as Bu-Fu CBR for project finance
Expected service route
Organization chart

Shipping line

North East Asia Ferry Co. Ltd.
Capital: $3 million US dollars
Headquarter: Sokcho

Investors

Investment company in Niigata
Investment company in China
Berkut In Hasan, Primorsky Krai

Several private companies

Charter

49%

51%

Owner, Operator

Operator, Owner

Pan Korea Lines.

Sokcho City, Kangwondo

New Service
(Sokcho, Niigata, Zarubino)

Existing Service
(Sokcho, Zarbino, Vladivostok)

Deviation & Enlargement
Thank you for kind attention!