NEADB and Transition of NEA toward Market Economy

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Key Functions of NEADB (Northeast Asia Development Bank: 東北亞開發銀行)

- To finance infrastructure investment in NEA
- To contribute to economic development for post-communist countries by helping to disseminate information and education
In the case of reform experience of the transition economies of Eastern and Central Europe, the persistence of incompatible informal institutions – those rooted in centrally planned socialist economies – has presented an obstacle to the establishment of market economies.

- Definition of “institution” (Douglas North): any form of constraint that human beings devise to shape human interaction.

- Institutions may be formal or informal: examples of formal institutions are statutes; examples of informal institutions are conventions and social norms. (which are slow to change)
According to A. Brzeski (1994),

“It will be years, in some cases decades, before the Rechtsstaat (rule of law) can create an environment favorable to private activities, especially those involving capital formation. Statutes can be altered easily enough; Western law teams stand by, keen to provide legal expertise. But it will take time for the complementary psychological, social, and cultural changes to take root. Perhaps only demography—a generational succession—can bring about those changes.”

Rule of law (or law and order enforcement) has positive correlations with GDP level and growth (1990~2006).
The rule of law contributes to the stability of the economy. (1990–2006)