
Infrastructure Development and the Japan Bank for International Cooperation

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It is necessary to develop basic infrastructure facilities in the Northeast Asian region. The modernization of aging electric power facilities and communication facilities and the development of social and economic infrastructure (such as waterworks and sewage systems) are urgent issues. Furthermore, it is imperative to undertake intraregional economic development by invigorating the flow of people and goods. This can be dealt with, by enhancing transportation networks such as rail, road, sea, and air in the Northeast Asia region.

The ideal process of developing a self-sufficient economy would be for Northeast Asia to attract private sector funds, thus leading to infrastructure development in the region. However, a realistic assessment of the situation in the Northeast Asian region tells us that this process would take some time. As for financing of infrastructure projects, support from governments is indispensable for the time being. The governments should provide a payment guarantee that would improve security solvency and should guarantee convertibility and transfer of foreign exchange to reduce political risk. Also, cofinancing with international financial institutions and official bilateral creditors, and utilization of official insurance or guarantees to spread risks, would play an important role in mobilizing funds. It is necessary for the governments to continue their efforts to improve the investment climate, such as macroeconomic stabilization. Local banks play a vital role in effectively utilizing foreign capital, and there is an increasing need to promote reform in the domestic banking sector and the inter-enterprise settlement system.

The development of the abundant energy resources in Northeast Asia is also important in terms of securing a stable energy supply for the region, strengthening economic ties among the intraregional countries, and maintaining security in the region. The questions of how to finance natural gas development and how to build or upgrade pipeline networks have become important issues for consideration.

The Northeast Asian region is geographically and economically important for Japan. The Japan Bank for International Cooperation (JBIC), as a governmental financial institution in this region, has actively provided financial support to this region. JBIC has consistently provided support to China, mainly for energy and infrastructure development, for more than 20 years. The total amount of facility to China is approximately 5,600 billion yen. As for Korea, JBIC has extended

loans totaling approximately US\$5 billion to support the recovery of the country's economy, following the ripple effects of the Asian currency crisis at the end of 1997. JBIC has pledged export credits totaling US\$1.2 billion for Russia to support the country's transition, after the collapse of the former Soviet Union. JBIC is also supporting the economic reform program designed by the Russian government, with an untied-loan package equivalent to US\$1.5 billion, and has provided project financing for the Sakhalin II Project (an oil and natural gas development project). As for Mongolia, JBIC is the largest donor and has provided support for economic development. JBIC provides financial cooperation to support economic growth and stabilization in the Northeast Asian region, thus contributing to economic development in this region.

JBIC, by utilizing its experience, continues to support infrastructure development and balanced growth in the Northeast Asian region by providing financial cooperation for international projects, such as natural gas development, construction of pipeline networks, and individual infrastructure projects.