Preface

In the 21st century, Northeastern Asian countries are pressed to make a historic choice.

The world economy synchronizes the globalization and regionalization. The globalization and the borderless by the market economy are developing rapidly.

The EU made reach the step which completes economic integration in Europe. In North America, the NAFTA is already formed and aims for the all-America Free Trade Agreement to be complete.

However, in Asia, especially in Northeast Asia, we couldn t find out any institutional frame of regional cooperation or regional integration in last half of century. The conception to promote sub-regional cooperation and integration by establishing a "Northeastern Asian Development Bank" and to try to aim at the development which is stable with peace in the region and is sustainable is proposed from 15 years before but has not yet been realized.

However, recognition about Northeastern Asian cooperation and the regional integration was roughly improved. The regional economic integration is developing like heterogametic.

We edit a dissertation by the famous scholar of the world for research about the "Northeastern Asian Development Bank," to publish will have an important historic meaning in case of research about Northeastern Asia cooperation and promoting actual regional economic integration.

The editors have a long-time research experience in the field of Northeastern Asia cooperation research; they published a lot of papers and books domestically and internationally. It is thought that the meaning lay in aiming at the necessity and timely of the development finance issue in it, and gathering study results so far from the research and the both sides of the practice and having a lot of readers and researchers read.

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In case of this publishing, it got great support from the discretion both sides of Heilongjiang University and also professor Chuan - Jun ZHAO who is a Director of the Northeastern Asian Research Institute, he got cooperation with various advice about the publishing. We want to say appreciating. We want to say appreciating to the cooperation of every author too.

Editors

August, 2005

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Foreword（¡）

Lee-Jay CHO

Economic development-by harnessing the national borders the factor endowments in the developed and the less developed areas of the Northeast Asian region-would generate national as well as regional benefits both in the short and long term future. Northeast Asia is a treasure trove of resources：natural resources in the Northern developing part of Northeast Asia in terms of minerals，energy，water，forests，agriculture，and human resources；and enormous capital and advanced technology in the Southern developed part of Northeast Asia. The resource poor nations such as South Korea and Japan would derive benefits from cooperating in the development of these resources，and this requires development and construction of new infrastructures and replacing or upgrading existing ones that are currently outdated and inadequate.

Such multinational development banks as the Asian Development Bank were established to meet the challenges and conditions half a century ago，and the current management leadership structure is their legacy and reflection. The ADB s mission and focus have gradually shifted toward social issues such as alleviation of poverty in the developing countries of the South. Very little attention if any has been paid to the development of infrastructure，particularly for Northeast Asia. A new development bank is required in Northeast Asia for challenges facing the countries in this region with a new paradigm of conditions.

Infrastructure construction is an essential key to regional economic development and requires enormous capital，and the region in no way can provide such capital. The proposed Northeast Asian Development Bank would make a major contribution to the regional development objective by mobilizing capital from the global market and financing the infrastructure development. Investments in the construction of cross border infrastructure and sharing the management of its hardware and software by the participating countries as partners，for example，will enhance confidence building among the countries in the region thereby contributing to the reduction of tension and the promotion of mutual understanding. In the absence of a regional economic institution，the NEADB will become as a first step，an unobtrusive mechanism，at low cost to the region，

for capital intermediation and research, training and exchange for managing major economic transition, particularly for the developing North.

The idea of establishing the Northeast Asian Development Bank was first proposed by Dr. Hong Ma and his associates in China and independently at the Northeast Asia Economic Forum Meeting in Tianjin in 1991, Dr. Duck-Woo NAM, former Prime Minister of the Republic of Korea presented a similar proposal. Subsequently Dr. Stanley Katz, former Executive Vice President of the Asian Development Bank, and I have pursued the topic with in-depth research and discussions with leading experts and policy makers in the region. A resolution was passed at the Ninth Conference of the Northeast Asia Economic Forum in Tianjin in 1999, establishing the AD Hoc Committee for the Northeast Asian Development Bank. During the last 14 years the Northeast Asia Economic Forum has included the topic of the NEADB as part of the agenda for many of its annual conferences and workshops for examination and discussion by many experts in considerable detail and from a variety of perspectives.

This book is a compilation of papers authored by distinguished experts based on their research and ideas, and it will provide the readers with the substance and information needed to understand the background and rationale behind the proposal for the NEADB.

We hope this book will also serve as a reference book for policy makers in their thinking and deliberation for a future financial institution in this region. Professor Mr. Gang - Zhe LI and Professor Ms. Li GUO deserve our appreciation for their efforts in publishing this volume.

Foreword （ⅱ）

Sheng-Jin WANG

Since the 1990s，regional economic integration is a trend of the global economy development. There were 250 numbers of the regional Free Trade Agreement （FTA） reported to GATT/WTO by the end of 2002. According to the statistics，the FTA to be executing at present reached 170 but was concluded since then in the 1990s in the multitude. From 1950s to 1980s，there were only 22 FTAs were concluded，while from 1990 to 1994，21 FTAs were concluded within only 5 years，and from 1996 to 1999，63 FTAs ，and from 2000 to 2003，60 FTAs.

There is not only increasing the FTA，but also have expansion of the area integration and the deepening of the level. At present，the EU realized expansion into the central Europe and the East Europe successfully at the same time as it attempted the deepening of the area integration and 25 countries became the members. In the North America，NAFTA were promoted by area countries and the agreement about all of the America continent FTA were promoted by 34 countries，too，and it aims at the realization in 2005.

In the East Asian region including Northeastern Asia，regional cooperation have promoted from the 1990s and achieved some results to strengthen regional economic power and the competitiveness in the world. The channel among ASEAN，China，Japan and South Korea，as the dialog and cooperation mechanism like the “10 + 3” or “10 + 1” is established and is providing the platform to discuss international cooperation issues in the East Asia. FTA between China and ASEAN develops roughly and plays an important role which promotes economic integration in East Asia. Japan is adjusting the direction of the international cooperation policy，concludes EPA with Singapore and Mexico. Japan also promotes FTA negotiation with South Korea，Thailand，the Philippines and Malaysia.

In Northeastern Asia the economic cooperation were developing roughly. The international cooperation in case of development of Tumen River Area （TRADP），too，comes to a frame agreement and a dialog among the local governments and the frame of the cooperation are elementarily established. Cooperation in energy and environment session in the area，cooperation in case of service of the social

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infrastructure facilities were esteemed among the concerned countries.

However, the multilateral cooperation in Northeastern Asia still is in the early stage step and is far from the goal of building multilateral coalition in the area. Therefore, to review deeply about the basic direction, the cooperation field, the cooperation method of the economic cooperation in Northeastern Asia and so on is indispensable and agrees with the profit for the regional countries are fundamental is tactical.

In Northeastern Asia cooperation s developing, one agreed important element includes to be behind in the area finance cooperation and there is weakness of the ability of fund raising. Professor Li GUO and Professor Gang - Zhe LI came to publish this book in the editing to tell history, the present situation and the problems in case of such financial cooperation to more readers. This book compiles big financial cooperation in the Northeastern Asia, the research so far to have paid to the establishment of NEADB above all, organization structure, the fund raising, and so on, are described, being clear and the role of the concerned countries such as Japan, Korea, China in case of establishment of development bank is being described. In the field of research about Northeastern Asia cooperation, each author of this book is equipped with the perspective to the high theoretical outfit and the reality problem engaged in the research about the financial cooperation long above all. It wants to improve an interest about the Northeast Asia scholar and the expert in the relevant countries and then the citizens by the publishing of this book and for the economic cooperation in Northeastern Asia to develop roughly whole-heartedly.

Introduction

The Paradigm Changing of Northeast Asia Regional Cooperation and Development Finance

Gang-Zhe LI

Introduction

In the post-Cold War world the Northeast Asia① has experienced dramatic changes in the waves of globalization. Since the 1990s in the Northeast Asia region relations that had been strained by crises and the mutual distrust of war and detente are being replaced by regional cooperation. In other words although many observers choose to emphasize regional crises steady progress is being made in pursuit of mutual cooperation peaceful coexistence and mutual prosperity.

Though economic personal and cultural exchange currents in Northeast Asia are expanding rapidly the move towards community hasn t developed naturally in the international relations of this region. However over the past 10 years the situation in Northeast Asia has changed. The changing environment is largely the result of two factors one of the factors is rapid economic growth in China and its accession to the WTO. Another factor is the Japan China and South Korea accession close through the ASEAN + 3 framework.

Informal talks between the leaders of three countries began in Manila Philippines in November 1999 and have become normalized since 2000 year. Communication channels among the three governments have been promoted and received the attention of this summit. What impact will increased

① In this Paper the Northeast Asia include China PRC Japan South Korea ROK North Korea DPRK Russia Federation Mongolia 6 countries and Taiwan Hong Kong 2 areas as the parts of China.

communication have on the region Can these three countries become a core and can they lead the efforts at Northeast Asian regional cooperation For now the three countries framework is seen as different from a Northeast Asia regional cooperation framework but that may change in the future. In any case the three countries are thinking seriously about the issue of Northeast Asian cooperation.

On the other hand regional economic integration of the market economies is moving ahead rapidly with a background of the globalization within the three countries. Regional trade and investment among the three countries is expanding rapidly and economic interdependence is rapidly increasing. It is possible to regard this as being a de facto economic integration process.

The economic scale of the Northeast Asia region accounted for about more than 20 percent of the global economy already measuring the GDP scale and the trade scale following the growth in the 1990s. It has quickly become one of the three poles in the global economy. Most remarkable of all in the Northeast Asian countries the domestic savings and the foreign reserves totals accounted for more than half of the worldwide total because of the rapid expansion of exports among the partners. In other words it becomes a mature relationship based on mutual respect and cooperation in one of the rich region of the world.

However because there is a large population in the Northeast Asia region and there are many developing countries nearby a constant shortfall of financial support for regional development and cooperation is a prominent contradictory point. In other words the big mismatch has occurred on the supply side of the financial resources. It is a very important problem that must be solved in the future for Northeast Asian regional cooperation to continue to grow.

This paper will focus to the subject of economic cooperation in the Northeast Asia region to explain the paradigm change in Northeast Asian regional cooperation it will examine the historic conversion evidenced by the formation of the cooperative framework between Japan China and South Korea. It concludes by clarifying some problems on the subject of economic cooperation and Northeast Asia regional cooperation in the future.

Northeastern Asian Dynamism in the Global Economy

In the world economy system there have been big changing from end of 20 century to beginning of 21 century. Especially the world economy order after the Cold War has great change with the globalization. It was not only the goods capital and persons but also the technology and information became able to move dross border freely. Therefore it will be the one that means conversion into the

multipole structure from the 1 pole structure or the bipolar structure.

In the beginning of the 21 - century there was happening large-scale change as geopolitics relatively and absolutely. The most remarkable change is happening in the Northeastern Asia. Let s see the situation of economic indicator of the Northeastern Asia countries and areas.

¡ The GDP Schell as One Pole of the World Economy

In the second half of the 20 - century the Northeast Asia was the area of the lively motion. In the 1960s Japan continued equal to or more than 10 % of economic growth stood at the head. In the 1970s South Korea Taiwan and Hong Kong of China and in the 1980s China entered a high-growth period and the economic dynamism was happened in this area.

It leads to get to account for about 20% at the GDP ratio and the foreign trade ratio to account for in the global economy in the Northeastern Asia and to form one pole of the global economy system which is equal to the EU and the NAFTA. The namely GDP of the whole Northeastern Asia is regarded as having an about $ 6624 billion scale but exceeding $ 12886 billion when modified by the Purchasing Power Parity PPP in the end of 2003 See Table 0 - 1 .

Table 0 - 1 Social and Economic Indicator of NEA 2003

Units US $ %

Countries or Areas	Pop. Thousands	Area Thousands km^2	GDP Billion	GDP per Capita	Export Billion	Import Billion	Trade Billion	GDP PPP Billion	GDP Per Capita PPP
Japan	127210	378	4326	34007	471. 8	382. 9	854. 7	3582	28158
China	1288400	9598	1410	1094	438. 4	412. 8	8512	6435	4995
Tai Wan	22605	36	286	12652	150. 3	127. 4	277. 7	537	23756
Hong Kong	6816	1	159	23327	228. 7	233. 2	461. 9	191	28022
ROK	47912	99	605	12627	193. 8	178. 8	372. 6	818	17073
DPRK *	22600	121	17	760	0. 7	1. 6	2. 3	n. a.	n. a.
Mongolia	2480	1567	1. 2	484	0. 6	0. 8	1. 4	4. 5	1815
Russian Fed.	144425	17075	433	2998	135. 9	74. 2	200. 1	1318	9126
NEA Total a	1657. 4	28875	6624	—	1407. 0	1247. 5	2654. 5	12886	—
World b	6210. 0	151000	35706		6122. 0	6324. 0	12446. 0		
a / b %	26. 7	19. 3	18. 6	—	23. 0	19. 7	21. 3		

Sources IMF 2005. 5 Etc. .

Note * DPRK s data use by year 2002.

ⅱ The Increase of the Foreign Trade and Big Surplus

The foreign economic relationship of the Northeastern Asian countries is also expanding rapidly. As the seeing in table 2 six countries or area of Northeastern Asia included in the world trade 20 major power countries in 2004. Japan maintained the 3rd position following the U. S. and Germany from 2000 to 2003. In other way China catches up from the 8th to the 4th position. However China pulled out Japan already and became the 3rd and the status of Japan and China reversed in 2004.

The whole world trade quantity in 2004 reached about $18950 billion but in it the trade total sum of the Northeastern Asia reached about $39048 billion shared for 21. 6% of the world and became the most important existence already in the global economy beyond the NAFTA. At the same time the inner region trade dependence also is rising surely.

Table 0 - 2 Trade of NEA in the World

Unit 100 million U. S. $ %

	2000		2002		2003		2004	
	Amount	No.	Amount	No.	Amount	No.	Amount	No.
World	122969		122620		141997		180950	
U. S. A.	19999	1	18963	1	20292	1	22889	1
German	10515	2	11050	2	13533	2	16276	2
Japan	8587	3	7539	3	8514	3	11197	4
China	4743	8	6208	4	8512	4	11548	3
Hong Kong	4147	9	4077	11	4657	11	5303	11
Taiwan	2883	14	2431	15	2714	16	3419	15
ROK	3327	13	3146	13	3726	12	4783	12
Russia	1499	20	1682	19	2114	20	2798	19
NEA Total	25186		25083		30237		39048	
NEA/World	20. 5		20. 5		24. 0		21. 6	

Resource WTO IMF World Economic Outlook and Above Countries statistics.

ⅲ The Foreign Reserves and the Rich Area

The expansion of such a favorable economic growth rate and the foreign trade above all with expansion of the exportation the foreign currency reserve assets of the Northeastern Asian countries are increasing rapidly as they overwhelm the world.

To see in table 3 the foreign reserves net total of the Northeastern Asian countries increased by about 10 times within 15 years from 1990 to 2003

accounted from $209 billion to $2137 billion the ratio of world was expansion from 24.8% in 1990 to 53.5% in 2003. It is in current surplus country Japan about 12 times $841billion and China about 21 times $607 billion that surfaced as the exportation major power in the 1990s that this was most roughly contributed. South Korea and Russia increased respectively 13 times and 8.4 times each one in the same period.

Table 0-3 Foreign Reserves in the NEA Countries and Areas

Unit 100 Million U. S. $

Countries	1990	1995	2000	2003	2004	Times 04 / 90
Japan	694.87	1724.43	3616.38	6735.29	8410.00	12
China	285.94	735.79	1655.74	4033.00	6069.00	21
Hong Kong	245.70	553.98	1075.45	1161.00	1236.00	5
Taiwan	724.41	903.10	1096.00	1766.86	2417.00	3.3
ROK	144.59	319.28	961.98	1553.52	1990.00	13
Russia	n.a.	148.72	279.72	769.38	1245.41	8.4
Total	2095.51	4385.30	8685.27	15858.67	21367.41	10
World	8445	13853	18622	30700		
NEA Ratio in World	24.8	31.7	46.6	53.5		

Source Statistics of IMF and Ministry of Finance of above countries or areas.

Note The data is for the end of each year. North Korea and Mongolia are omitted because data is not available.

In short it lets be possible to say that the Northeastern Asia becomes rich region in the world. We can see clearly the Northeastern Asia surfaces as one important pole in the global economy system.

The Paradigm Change in Northeast Asia Regional Cooperation①

¡ From TRADP to Three Countries Summit

The 1990s were characterized by rapid and upbeat changes most for Northeast

① I discussed the paradigm change in Northeastern Asia cooperation formerly in a paper The Forming of a Frame for the Northeastern Asian Financial Cooperation International Finance Journal Vol. 1091 September 2002. The Institute of Foreign Exchange and Trade Rsearch Tokyo Japan.

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