

Financial Cooperation in Northeast Asia - How Japan and JBIC Contribute to Development

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1. The Special Characteristics and Potential of the Northeast Asian Region

Northeast Asia, centered on northeastern China (the three Northeast provinces), Mongolia, the Korean Peninsula, the Russian Far East and Japan (in particular the Japan Sea coast) is a region rich in diversity, in many areas including political systems, population, level of economic development and economic structure. In addition, it includes areas within each country lagging behind in relative development.

In the development of Northeast Asia, the putting into full use of that diversity will be important. If the abundant natural resources of Russia and Mongolia, northeastern China and the DPRK's low-cost labor force, and the high-level technology of Japan and the ROK can be skillfully made to function in a mutually complementary fashion, dramatic development would be accomplished. What will be important to that end is infrastructure development in order to strengthen the connectivity within the region.

The "Power of Siberia" gas pipeline carrying Russian gas to China, the expansion of railway export capacity connecting Russia's Primorye and northeastern China, and the construction of ports can be raised as an example of such development. As something of relevance to Japan, there also exists the Energy Bridge concept for supplying low-priced Russian electricity, connecting Russia's Sakhalin Island and Hokkaido in Japan with an electricity transmission cable.

2. Approaches to Finance Cooperation

For such infrastructure development a large amount of funding is necessary, and there will be the issue of how to secure lenders. In infrastructure development international development finance institutions have played an important role. In this region the ADB has taken China and Mongolia as the subject of its activities, and the EBRD Russia and Mongolia, but an institution comprehensively targeting the six countries does not exist. The AIIB can target the region except for the non-members of Japan and the DPRK, but it does not make clear in which sectors in which regions it will concentrate effort, nor its business models.

In addition, in Northeast Asia's infrastructure development, as stated above the strengthening of connectivity is important. Dealing with cross-border proposals to that end is necessary, and all six nations within the region can be beneficiaries. One proposal is to consider a framework surpassing the traditional international institutional construct which clearly separates the fund-contributing and recipient nations, taking as targets for support specific individual domestic proposals.

3. Japan's Role

In May last year, Prime Minister Abe publicly declared the "high-quality infrastructure partnership", and coordinating with the ADB which has strengthened its functions, announced the provision to the Asian region of approximately US\$110 billion of "high-quality infrastructure investment" over the following five years. This is based on the philosophy that the upgrading of infrastructure with quality guaranteed is important to bring about sustained national development and people's happiness and benefit.

“High-quality infrastructure investment” is an important philosophy also for Northeast Asian infrastructure upgrading, and Japan will continue to contribute based on this. In addition what can be raised as one pillar of this partnership is the scaling-up of the provision of risk money via the strengthening of the functions of JBIC. To date JBIC has been supporting the upgrading of infrastructure in the Asian region, and in the future deeper support is expected.

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