

# Financial Cooperation in Northeast Asia

## - How Japan and JBIC Contribute to Development

Tadashi Maeda

Representative Director & Senior Managing Director  
Japan Bank for International Cooperation



## 1. Characteristics and Potentiality of Northeast Asia

### ■ Characteristics:

- Countries full of variety: population, size and composition of economy, political regime
- Relatively less developed areas in each country



- Policies to focus on economic development in the region:

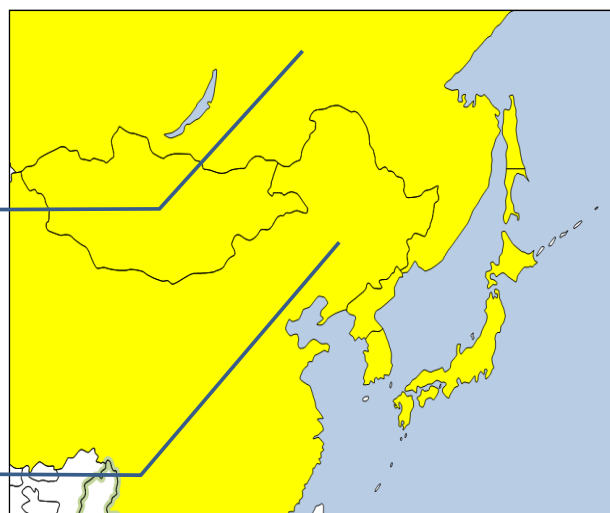
#### <RUSSIA>

- “Developing Siberia and the Far East is our national priority for the entire 21st century” President Putin (12 Dec. 2013)
- Eastern Economic Forum in Vladivostok (September 2015)

#### <CHINA>

Action plan to assist the northeastern region's staggering economy with a list of new measures

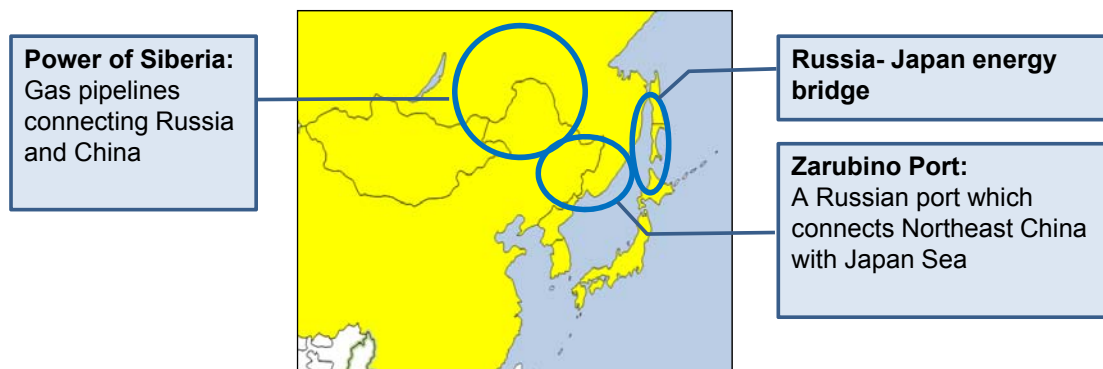
Source: Chinadaily (20 Aug 2014)



# 1. Characteristics and Potentiality of Northeast Asia

## ■ Potentiality

- Abundant natural resources in Russia (Far East) and Mongolia
  - Competitive labor force in China (Northeast) and North Korea
  - Technologies in Japan and South Korea
- ↓
- Creating mutually complementary relationship would enable rapid economic growth.
  - Strengthening connectivity in the region is critically important.



## (Projects to strengthen connectivity)

### Projects connecting Northeast China and Russia

#### Zarubino Port construction

(Russian Direct Investment Fund, April 3, 2015)

- **The Russian Direct Investment Fund (RDIF) is considering collaborating on a project to construct Big Port Zarubino**, a new universal port in the Primorsky Territory. The project is being led by PortTrans, which is controlled by Summa Group.
- Big Port Zarubino will have an estimated freight turnover of 60m tonnes per year, and will be constructed in the Troitsk Bay of the Khasansky District, Primorsky Territory. The port will include grain and container terminals, as well as a general cargo terminal.

#### Hunchun-Vladivostok high-speed railway

- The government of the Chinese province of Jilin has proposed to construct a high-speed railway between Hunchun (on the China-Russia border) and Vladivostok (May 22, 2015, Interfax)



(Source: Niigata Prefecture, April 1, 2013)

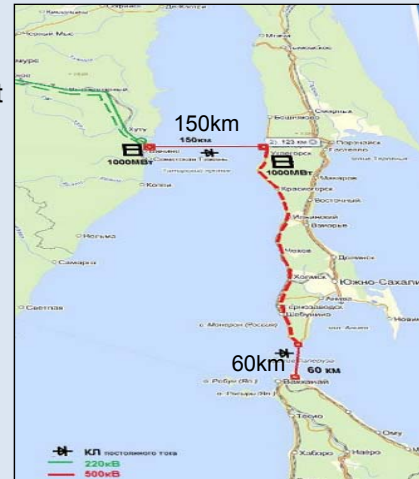
Route ( to Japan )	Shipping days
Hunchun – Dailan	7days
Hunchun-Zarubino	3days

## (Projects to strengthen connectivity)

### Russia – Japan Energy Bridge

**Russian section of Russia-Japan energy bridge estimated at \$5.5-6 billion**

- Russian section of the energy bridge between Sakhalin and Hokkaido prefecture in northern Japan was estimated at \$5.5-6 billion, the governor of the Sakhalin Region in Russia’s Far East Alexander Khoroshavin told Itar-Tass
- The idea of an energy bridge emerged in early 2000s, but “development was suspended for a number of reasons” and revisited in August 2012.
- Four Factors in favor of this project cited by the governor of the Sakhalin Region in Russia’s Far East Alexander Khoroshavi.
  1. Modernization and construction of generation facilities and power lines on the island of Sakhalin
  2. Electric power connection between Sakhalin and Japan in La Prouse Strait
  3. Development of the necessary grid infrastructure in Hokkaido
  4. Construction of electrical devices on the islands of Hokkaido and Honshu

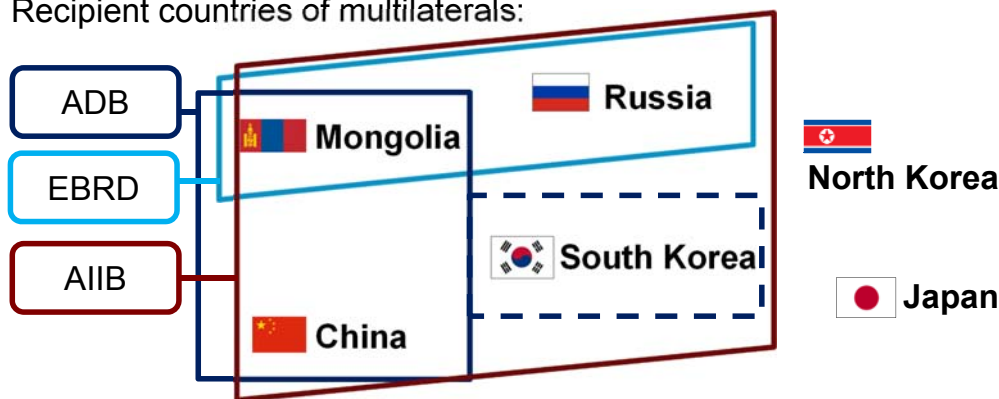


(Source: Government Sakhalin Region, ITAR-TASS News Agency January 28, 2014)

## 2. Financial Cooperation in Northeast Asia

### ■ No multilaterals cover the whole region

- Recipient countries of multilaterals:



- Member countries of multilaterals:

ADB	✓	✓	✓	✓		
EBRD		✓	✓	✓		✓
AIB	✓		✓	✓		✓

## 2. Financial Cooperation in Northeast Asia

- Traditional multilateral/ bilateral financing may not match the needs of development

	Target Projects	Beneficiary
Multilateral/ bilateral financing	Projects in a single recipient country	Donors and beneficiaries of funds are separate
Needs in Northeast Asia	Cross border projects to strengthen connectivity	All countries in the region could be the beneficiary of development



- Need to consider a unique framework for financing

### ■ Challenges

- Difficulties in raising funds by countries dependent on natural resources (i.e. Russia and Mongolia)
- International sanctions against Russia
- North Korea

## 3. Role of Japan – Partnership for Quality Infrastructure

- Japan promotes **“Quality Infrastructure Investment”** through **“Partnership for Quality Infrastructure: Investment for Asia’s Future,”** which consists of **FOUR PILLARS**, in collaboration with other countries and international organizations.
- To that end, Japan, in collaboration with the strengthened Asian Development Bank (ADB), will **provide approximately USD 110 billion** (about a 30% increase) for **“quality infrastructure investment” in Asia** over the next five years.

Partnership for Quality Infrastructure: Investment for Asia’s Future			
1 <sup>st</sup> PILLAR	2 <sup>nd</sup> PILLAR	3 <sup>rd</sup> PILLAR	4 <sup>th</sup> PILLAR
Expansion and Acceleration of Assistance through the Full Mobilization of Japan’s Economic Cooperation Tools	Collaboration between <u>Japan and the ADB</u>	Measures to <u>double the supply of funding</u> for projects with relatively high risk profiles by such means as the enhancement of the function of the JBIC	Promoting “Quality Infrastructure Investment” as an <u>international standard</u>

**Pursuit of both “Quality” and “Quantity” by way of mobilizing private finance**



Source: NIKKEI Asian Review

### 3. Role of Japan – Partnership for Quality Infrastructure

#### ■ How Japan supports Quality Infrastructure

- Japan/ JBIC is prepared to support “Quality Infrastructure” projects in the region.

