

## Financial Cooperation toward Northeast Asian Economic Integration

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Toward the realization of integration in the production and commerce spheres, financial cooperation as a means of funding is also indispensable.

To begin with, and not only in this region's case, the funding which plays an important role in the realization of medium- to long-term economic integration is relatively weighty large-scale private funding, and not so-called (bilateral and multilateral) public development assistance, and how to mobilize this in the form of investment and loans will be the key.

First of all, in the case of loans, since loan evaluations are required which won't shake the financial base of the respective financial institutions, it is important that recipient countries undertake the improvement of the respective domestic legal systems where the corresponding projects are located.

In particular, in the case of financial institutions capable of engaging in international business, there are many areas that will be restricted by the various new regulations currently being discussed, and in that situation ensuring transparency and credibility to enable risk analysis will be a major issue, and upgrading legal systems appropriate to the new frameworks will be essential.

Furthermore, it is necessary to ensure harmonization within the region of financial regulations or legal systems concerning oversight, and for the areas with discrepancies it is necessary to undertake coordination and approximation early on among the nations concerned. Regarding the necessary projects for the building of regional cooperation in particular, because the emphasis will be placed on projects which cross borders, including the upgrading of infrastructure, the harmonization of systems among the nations will be necessary for its realization.

Next, funding via the issuing of bonds must also continue to gradually play a larger role. Even in the case of aiming to raise funds via issuance of bonds which have long-term maturity from the beginning, or in the case of attracting a large number of investors afterwards in the form of small distribution via the "creditization" of loans, comprehensive capital market development is required, including not only the issuing market, but going as far as secondary market development. This area is still relatively behind throughout Asia, and the creation of securities trading regulations, taxation systems including deduction at source, and dispute-settlement mechanisms will become a major issue in the future. How quickly and whether meaningful agreement can be formed among the countries concerned with their differing political and economic systems will be absolutely vital to the realization of integration.

In order to construct such cooperative relationships, each nation concerned must build mechanisms to enable mutual trust regarding their respective economic policies and management, and toward that end it is necessary to create a framework for information disclosure, timely information exchange, and acceptance of examination as needed. If this cannot be done, then real economic integration will not be realized.

Moreover, it is always necessary to respond to the lack of liquidity in terms of the international balance of payments accompanying the changes in the international financial environment, etc., and it is also necessary for fiscal authorities and central banks to coordinate with each other and undertake systemic improvements similar to the "IMF plus regional initiatives" already currently in place in a number of regions.

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