Northeast Asia EXIM Banks Association: Overview and Next Steps

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The **Greater Tumen Initiative (GTI)**, originally known as the Tumen River Area Development Programme, is a unique intergovernmental economic cooperation mechanism in NEA, supported by the United Nations Development Programme (UNDP), with four members: China, Mongolia, ROK and Russia.

- **A multilateral intergovernmental platform**
  - Vision - *Building a great partnership for common prosperity between neighbours*
  - Since 1991, GTI has been serving as an active catalyst for expanding policy dialogue among its members and promoting economic growth and integration
  - Member-country driven partnership while supported by the UNDP
1. Greater Tumen Initiative (GTI)

GTI Institutional Structure

GTI Consultative Commission
*(Vice-Ministerial level)*

- Chairperson
- National Coordinators
- GTI NEA Local Cooperation Committee
- Tumen Secretariat

**China:** Ministry of Commerce  
**ROK:** Ministry of Strategy and Finance  
**Mongolia:** Ministry of Finance  
**Russia:** Ministry of Economic Development

- Transport Board
- Trade Facilitation Committee
- Tourism Board
- Environmental Board
- Energy Board

**NEA Exim Banks Association**
## 1. Greater Tumen Initiative (GTI)

### GTI Progress Report Overview

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<th>Three Dimensions of GTI Activities</th>
<th>Major Progress</th>
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| **Project Implementation**                         | • To launch and conduct priority projects  
- Transport Corridors Study, Multi-destination Tourism (MDT)  
• To successfully complete activities tasked by the CC |
| **Partnership & Resource Mobilization**            | • To expand both practical and strategic partnership  
- Cooperation agreement with GIZ; annualized Capacity Building Program with the Korea Customs Office  
• To develop more stable funding mechanism  
- Initiating establishment of the EXIM Bank Association |
| **Institutional Structures**                        | • To improve institutional organization and capacity  
- TFC; Local Cooperation Committee; BAC revitalization  
• To keep momentum for the legal transition into an independent organization |
1. Greater Tumen Initiative (GTI)
Expansion of GTI Priority Activities

- **Public Sector**
  - International Organizations
  - Central government
  - Public/Priv. Investors
  - NEA EXIM Bank Association
  - Business Advisory Council (BAC)

- **Private Sector**
  - Transport
  - Trade/Invest
  - Tourism
  - Energy
  - Environment

**GTI**

- **A: Current**
- **B: EXIM Expanded**
- **C: Full Scope**
2. Why EXIM Association in GTR?

1. Role of the EXIM Association

- The Northeast Asian EXIM Banks Association will serve as a crucial platform for GTI member countries to foster a sustainable, conducive investment environment, and create an effective resource mobilization mechanism in the region.

- The Association will operate as a financial and economic cooperative mechanism that channels public and private finance to specific projects in the region’s key industries.

- Closer economic ties among the countries would certainly aid to further bolster much-needed regional integration.
2. Why EXIM Association in GTR?

2. Establishment of a financial institution in the GTR

- The Northeast Asian region is notable for its vast hinterland, rich natural resources, and low-cost labor force. The region offers great diversity of economic development stages and dynamic inter-dependence among the economies, resulting in immense investment opportunities and great development potential.

- One bottleneck is the lack of adequate capital. No single member country can provide large-scale and long-term financial input alone and multilateral financial institutions cannot satisfy all financing needs of the region;

  Ex) Only GTR, more broadly the NEA has no stable funding mechanism for sub-regional cooperation projects (GMS, CAREC, etc)

- PPP projects are underdeveloped because of the long investment-return period, while risks hold back private companies. Some specific areas that require substantial investment include energy, infrastructure, transportation network projects, and environment impact assessment.
3. Infrastructure Projects under GTI

- Infrastructure projects in NEA have great potential for success. Many scaled infrastructure projects are in line. GTI has initiated and contributed to ten projects, which largely focused on promoting cross-border infrastructure projects, such as:

  Ex) Modernization of the Zarubino port, Mongolia-China railway construction project, China road/harbour project on the border between China and the DPRK extending to the Hunchun-Makhalino Railway, and training program for officials from the GTI member countries.

- While these projects play large role in currently ongoing bilateral projects, it is practically impossible for GTI to successfully implement and complete such complex infrastructure projects independently.
3. EXIM Banks Association: Rationale of the Association

- Initially, the public banks’ role is crucial. Under the current geopolitical context, more flexible, practical, and result-oriented approach is needed.
- Existing institutions can be utilized to improve outcomes and minimize operational costs.
- Strong institutional linkages between GTI and member countries’ Ministries of Finance will facilitate consultation and ensure better coordination across public and private sectors.
- The Association can not only draw support from GTI to identify investment opportunities quickly and effectively, but also reduce potential financial risks.

- The Association will play a key role in promoting intra-region and inter-region economic development and cooperation.
- It will strengthen the confidence of investors and regulators and enable a more stable and favorable investment environment, while in the long term contributing to stability and sustainable development in the NEA region.
3. EXIM Banks Association: Progress of the Association

- (Preparatory Meeting) On 30 August 2012, TS and UNDP co-hosted a preparatory meeting with member countries’ EXIM/Development Banks to discuss Concept Note for the NEA EXIM Banks Association.

- (13th CC Meeting) The MoU on the establishment of the NEA EXIM Banks Association was signed on 10th October, 2012. The three initial member banks include: EXIM Bank of China, Development Bank of Mongolia and EXIM Bank of Korea. The Association is open for “the Bank of Development and Foreign Economic Affairs of Russia” to join later.

- Member governments welcomed the progress and initiative on the establishment of the association in hopes of building effective resource mobilization mechanism for implementing GTI projects in the future.
(Russia EXIM Bank's Joining) TS has made various efforts in inviting the Bank of Development and Foreign Economic Affairs of Russia (VNESHECONOMBANK) to join the association and made effort to develop a detailed plan and projects. There has been positive progress on the participation of the Russian counterpart.

TS developed potential pilot study projects for the association, which, for example, includes “Rajin (DPRK) – Khasan (Russia) Railway and Port project: Preliminary Economic Analysis of Rajin Port Development Component”. Also, TS invited member Banks to both the upcoming 3rd Transport Board Meeting and the upcoming 3rd TFC meeting & Trade Facilitation Seminar.
3. EXIM Banks Association: Objectives of the Association

- Establishing an inter-bank cooperative partnership is to finance and to provide relevant financial services to infrastructure construction projects and other projects supported by the GTI member governments.

- Deepen financial cooperation among the EXIM banks and with other financial institutions in the region, addressing the growing demand of regional development.

- Help to create a favorable investment climate by enabling sustainable economic and social development and to encourage further integration into the global economy.
3. EXIM Banks Association: Areas of Cooperation

- Possible cooperation activities are as below:
  1. Organize series of consultative dialogues at different level among EXIM banks;
  2. Arrange either funding, investment, or loan agreements between the banks of different member countries;
  3. Develop large scale, cross-regional project proposals and jointly implement them;
  4. Share information on regional trade, investment trends and data among member banks and external partners;
  5. Other activities agreed between the member banks
3. EXIM Banks Association: Areas of Cooperation

- These theoretical articles do not need to be adopted in future cooperation of the Association. Also, it may not be binding to these proposed projects.

- Discuss and develop cross-border transaction settlement processes.

- Facilitate bank transactions and bank access for traders in third countries to attract foreign investment.

- Reduce investment risks in the region through bilateral or multilateral credit guarantees.

- Harmonize regional legal and regulatory framework through exchanges, dialogues, and cooperation.
4. Next Step for the Association: (Framework Agreement and Inaugural Meeting)

- The Framework Agreement is necessary as it will include detailed principles on the structure, management, and operation of the Association. (Current MoU does not cover these areas.)

- Items of the Framework Agreement
  - Membership: other Development Banks, Private Investment Banks
  - Member Service: information sharing, project cooperation, policy coordination and networking
  - Structure: Two tier or three tier organization
  - Secretariat’s role in the Association: GTI Secretariat will support the Association at the initial stage but will need to determine future steps

- After finalizing the Framework Agreement, the Inaugural meeting, in which governors of member banks participate, can be hosted. Active participation of member banks are crucial
4. Next Step for the Association: (Pilot Project)

- GTI should provide potential project for the Association’s active participation:
  - Arrange funding, investment and loan agreements between the banks from member countries;
  - Develop large scale, cross-regional project proposals and jointly carry out necessary due diligence

- GTI developed potential pilot study project for the Association, which include modernization of the Zarubino Port, Mongolia-China Railway Construction project
Current mechanism and structure of GTI will expire in 2015. From 2016, member countries should launch new cooperation channel.

Member countries started to discuss various options since March 2013; there is a strong consensus to transform GTI into an independent organization with its own legal entity.

There still needs much discussion on the future of the organization: several options include NEA Development Bank, NEA Cooperation Orgs with Resource Mobilization Mechanism, NEA Development Organizations.

Members should also determine the modality between International Organization or intergovernmental organization.

EXIM Banks Association also have deep relationship with the future GTI’s development way (so call Post GTI).
Thank you for your attention