

New Economic Initiative for the Korean Peninsula and Multilateral Cooperation in Northeast Asia

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1. About Industrial Bank of Korea

IBK, A Market Friendly Policy Bank

Foundation In 1961, under the IBK Act

Policy Role

- SME Promotion & Support
- SME Financing
- Management Consulting
- Administrator of Gov't Funds

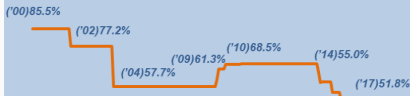
Forms of Gov't Support

- Solvency Guarantee**: Gov't shall provide funds to cover IBK's deficit and must ensure the Bank's solvency
- Capital Injection**: Consistent track record of capital injection, esp. during crisis times
- Special Bonds**: Authorized to issue lower-cost debentures: 20(x) of paid-in-capital & reserves(vs. commercial banks 3x)

Rating

- IBK: AA- / Aa2 / AA-
- ROK: AA- / Aa2 / AA-

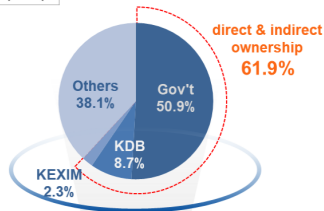
Changes in the Government's Ownership (Common Stock)



Credit: Industrial Bank of Korea, Economic Research Institute



The Korean Government



Poised to promote SMEs as the core engine of the growth of Korean economy



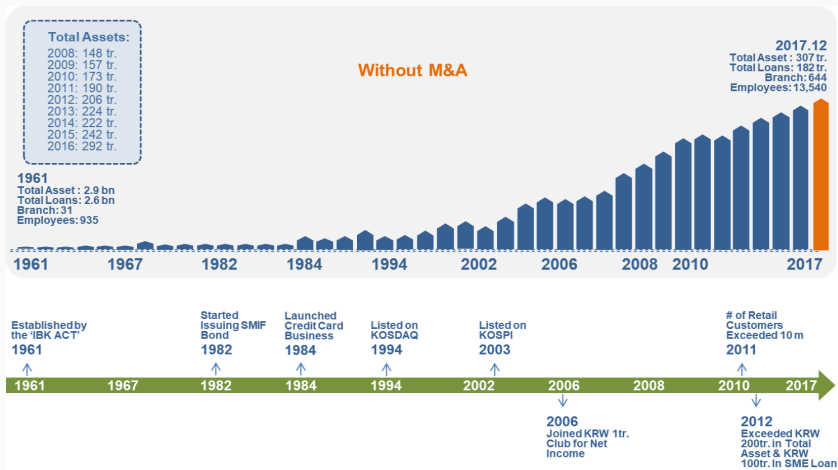
Industrial Bank of Korea

The official agency of the Korean government which specializes in SME finance and banking services

SMEs

History of IBK

Stable Growth for more than 50 years



Credit: Industrial Bank of Korea, Economic Research Institute

Global Strategy – Worldwide Networks

27 Direct Presences & 16 Strategic Alliances with strong and expanding network in Asia

● Direct Presence ● Strategic Alliance



· By type: 1 subsidiary (China), 8 branches, 3 rep offices

· By region: 9 countries in Asia, 1 in North America, 1 in Europe

Credit: Industrial Bank of Korea, Economic Research Institute

2. Prologue

The New era of peace and prosperity on the Korean Peninsula

Denuclearization of the Korean Peninsula, An improvement in inter-Korean relations and North Korea-the U.S.

- Balanced development & Common prosperity of Korean Peninsula

North Korea's economic development and Creation of growth engines for Northeast Asia

- North Korea's reform and opening, a paradigm shift of economy

Significant Opportunities in the Financial Sector of Northeast Asia

- Major role of finance for the new inter-Korean economic cooperation
- Creation of the new growth engine for finance by utilizing the opportunity from economic unification

⇒ A new era of the Korean Peninsula, seeking a new role and direction of finance in Northeast Asia

3. New Economic Initiative for the Korean Peninsula

New Economic Initiative for the Korean Peninsula

Three Peaceful and Economic Belts : H-Beam World Economic Strategy

- Pan East Sea Economic Belt & Pan Yellow Sea Economic Belt & DMZ Economic belt



Figure 1: Korean H beam Economic strategy belt

Pan East Sea Economic Belt

Busan ⇒ Nissan ⇒ Vladivostok ⇒ Northeast 3rd Gyeonggi ⇒ Nigata

- Energy-resource, Logistics complex belt, tourism, Agricultural and fishery products and resources



Figure 2: energy & tourism

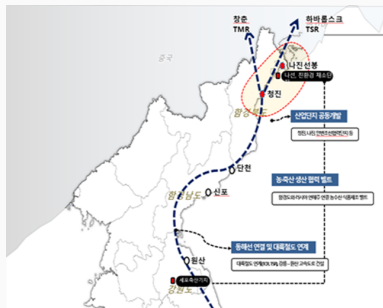


Figure 3: resource & Agriculture

Pan Yellow Sea Economic Belt

Mokpo⇒Incheon⇒Kaesung⇒Nampo⇒Shinuiju⇒Three Northeast Provinces⇒Shanghai

- Industry-logistics and distribution-transportation belt
- Realization of 1-day life zone with major cities in China

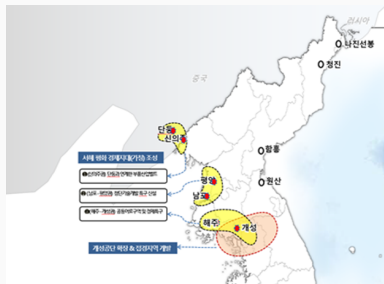


Figure 4: Industry-logistics



Figure 5: 1-day life zone

DMZ Preace & Economic belt

Cooperation in environment, ecology and tourism industries

- Tourism zone for ecology, peace and security
- Green Peninsula of ecology, environment and tourism



Figure 6: DMZ Preace & Economic belt

Expected effect of new inter-Korean economic cooperation

Scale of Investment in ten major economic cooperation projects (20 years)
: about 63.5 trillion won

- South Korea(3.0%→4.6%, 1.6%p), North Korea's(1.8%→3.4%, 1.6%p.)
- South Korea(3.2 million) & North Korea(1.9 million) in employment

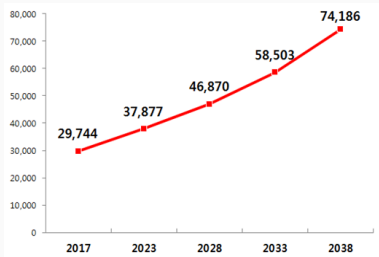


Figure 7: South Korea GNI

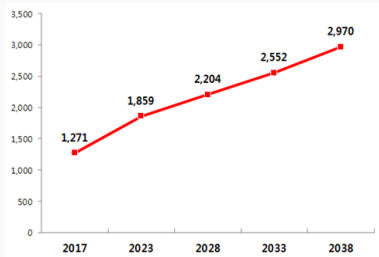


Figure 8: North Korea GNI

4. Seeking Financial Cooperation in Northeast Asia

Seeking Financial Cooperation in Northeast Asia

Seeking South-North common prosperity based on North Korea's economic development,

Vision	New Future of finance	
Goal	Peace and prosperity on the Korean Peninsula through financial cooperation	
Direction	Policy cooperation (sanctions against North Korea, government) / stability and sustainability / multilateral and international cooperation	
Task	Stage	Task
	When maintaining the current situation (flexible sanctions against North Korea)	Knowledge sharing business / Human resource training program / Establishing financial support plans / North Korea's financial service improvements
	When promoting the new inter-Korean economic cooperation (eased sanctions against North Korea)	Support for business in North Korea / North Korea's Financial infrastructure / Capital investment attraction plan / North Korea's Financial institution
	When establishing an economic community (lifting sanctions against North Korea)	North Korea's financial system reform / North Korea's financial market development / International finance cooperation / Customized development finance for North Korea

Seeking Financial Cooperation in Northeast Asia

Maintaining the current situation(flexible sanctions against N. Korea)

Knowledge sharing business

- Standardization of Northeast Asian finance (terms, systems, etc.)
- Construction of Statistics on North Korea's Economy and Finance
- Northeast Asian Finance-Related Knowledge Sharing Project

Human Resource Training Program

- Establishment of training and exchange programs for Northeast Asian financial professionals
- Establishment of human networks in the field of finance of Northeast Asia
- Academic exchange in the fields of inter-Korean and multilateral finance

Seeking Financial Cooperation in Northeast Asia

Maintaining the current situation(flexible sanctions against N. Korea)

Establishment of Financial Support Plans

- Establishment of financial support plan for the resumption of Kaesong Industrial Complex
- An increase in inter-Korean cooperation fund or separate financing arrangements
- Promotion of social contribution projects in the North and South Korea
 - * Forestry greening around railways and industrial complexes

North Korea's financial Service improvement

- Support for the improvement on North Korean financial laws (commercial banking law, etc.)
- Preparing a plan for subscription to international financial institutions (IMF, WB, etc.)
- Support for bringing the 'shadow banking' into the regulatory system of North Korea

Seeking Financial Cooperation in Northeast Asia

When promoting the new inter-Korean economic cooperation
(eased sanctions against North Korea)

Financial Support for Business in North Korea

- Financial support for Expansion of Kaesong Industrial Complex and development of additional industrial complex
- Support for North Korean start-ups and SMEs using microcredit
- Providing customized financial consulting services for companies in North Korea

North Korea's Financial Infrastructure

- Development of electronic financial system environment : Mobile digital finance
- Development of remittance and settlement channels and financial market infrastructure for Northeast Asia
- Support for the establishment of North Korean financial supervision system

Seeking Financial Cooperation in Northeast Asia

When promoting the new inter-Korean economic cooperation
(eased sanctions against North Korea)

Capital Investment Attraction Plan

- Investment promotion plan through EDCF and Development Trust Fund
- Development of North Korea through GTI (International Tumen River Development Plan)
- Development of intermediary channels for capital investment in North Korea

North Korea's Financial Institution

- Establishment of a Northeast Asian bank branch in North Korean Special Economic Zone
- Establishment of a Northeast Asian joint venture bank and support for development of commercial banks
- Support for establishment of North Korean policy development financial institutions

Seeking Financial Cooperation in Northeast Asia

When establishing an economic community
(lifted sanctions against North Korea)

North Korea's Financial System reform

- Central Bank System Reform
- Plans to integrate inter-Korean currency and financial market and to establish related laws
- Activation of commercial banks

North Korea's Financial Market development

- Non-monetary institutions, micro-credit finance institution, etc.
- Assistance in building capital market infrastructure for equity and bonds
- Assistance in establishing the North Korean capital exchange
- Establishment of market financial policy system in North Korea
- * Establishing governance structures such as the financial sector and the FSS

Seeking Financial Cooperation in Northeast Asia

When establishing an economic community
(lifted sanctions against North Korea)

International Finance Cooperation

- Establishment of Northern Development Bank (tentative name)
- Funding for Northeast Asia and Eurasia Development
- introduction of financial system sharing project of developed countries

Customized Development Finance for North Korea

- Establishment of financial support system in connection with North Korean industrial structure
- Spread of a financial linkage model leading to infrastructure investment and industrial development
- Development of specialized financial products for special economic zones

The world are changing so fast,
We need to response to survive!