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MR. Ron Nechemia
The Chairman of Board of Director of
EurOrient Financial Group

来自全球金融震中的深层思考

At the Epicenter: where financial system meets the real economy

中国银行业：保增长与防风险

China banking: keep economic growth and guard against risks

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At the Epicenter:

Where the Financial System Meets the Real Economy

Cover Story Interview for *International Finance Magazine* on November 28, 2008.

Mr. Ron Nechemia is the Chairman of the Board of Directors for EurOrient Financial Group, a private sector global development financial institution that is accredited by the United Nations General Assembly on Financing for Development. In May 2008, Mr. Nechemia was interviewed by International Finance Magazine regarding his outlook for the global economy and the world's financial systems. During this interview, he announced that he saw a systemic financial crisis brewing and warned that in the months to come the United States was likely to face a once-in-a-lifetime financial crisis, an oil shock, sharply declining consumer confidence and, ultimately, a deep recession. Mr. Nechemia's forecast included a bleak sequence of events: Homeowners defaulting on mortgages, trillions of dollars of mortgage-backed securities unraveling worldwide and the global financial system shuddering to a halt. These developments, he foretold, could cripple or destroy hedge funds, investment banks and other major financial institutions like Fannie Mae and Freddie Mac. While some viewed his comments to be overly pessimistic at the time, Mr. Nechemia's predictions proved accurate in less than half a year.

In fact, Mr. Nechemia has a strong record of correctly analyzing market data and predicting economic events. On November 5, 2007, in a special interview to Viet Nam Television, he warned that Viet Nam was likely to face economic deterioration and challenges to maintain control of the stock market in the face of the boom in share prices. He further posited that a sudden reversal and capital outflows would jolt the economy while the supply of securities has been increasing; demand has been even stronger, given limited outlets for savings. In this case, Mr. Nechemia's predictions were also stunningly accurate and these events did occur six months later.

As we enter 2009, global financial institutions and markets have been badly shaken. Threats to systemic stability became manifest in September 2008 with the collapse or near-collapse of several key institutions. The far-reaching nature of the events that are unfolding is illustrated by the fact that within a period of only one week, large stand-alone investment banks disappeared from the U.S. financial landscape. It is against this challenging and still evolving backdrop that International Finance Magazine gave Mr. Nechemia a second interview to ask him his view on recent events in the financial systems and to suggest potential policy measures that could be helpful in the present global economic climate.

IFM: Mr. Nechemia, can you describe the current global financial and economic situation?

Mr. Nechemia: The world economy is facing its most difficult situation in years, against the backdrop of a deepening financial crisis that originated in mature markets. Advanced economies are slowing markedly and some are already in recession. The continued strained financial conditions will dampen global growth prospects.

Although developing countries as a group have so far been relatively resilient in the face of the present shocks on account of solid fundamentals and sound policies, coupled with financial buffers built-up over recent years, most emerging markets and developing economies are not immune to the spillovers of the ongoing global financial crisis, with some countries more affected than others.

I am greatly concerned about financial contagion spreading to several emerging market economies in the form of reversals in capital inflows, increased funding costs, and shifts in investor sentiment unrelated to fundamentals.

Considering that preventing macroeconomic volatility from financial spillovers and sustaining continuous growth are key priorities for developing countries, greater flexibility is needed with regard to fiscal and monetary policies in the short-run to soften the impact of these external shocks on their economies as country circumstances warrant, while reaffirming their continued commitment to prudent policies. Moreover, I stress that the balance of risks in many countries is shifting as inflation risks have begun to recede and downside risks to growth have intensified.

IFM: What are the strains afflicting the global financial system at the present time?

Mr. Nechemia: The strains afflicting the global financial system are expected to deepen the downturn in global growth and restrain the recovery. Moreover, the risk of a more severe adverse feedback loop between the financial system and the broader economy represents a critical threat. The combination of mounting losses, falling asset prices, and a deepening economic downturn, has caused serious doubts about the viability of a widening swath of the financial system. The ongoing deleveraging process outlined in my interview in May 2008 with International Finance Magazine has accelerated and become disorderly—marked by a rapid decline in financial institutions' share prices, higher costs of funding and credit default protection, and depressed asset prices. One result has been sudden failures of institutions as markets have become unwilling (or unable) to provide capital and funding or absorb assets.

In particular, the supply of credit is expected to contract markedly, placing a drag on economic growth not just in the United States, but in other advanced and emerging economies. Global inflation risks have moderated on the back of sharp declines in commodity prices from mid-year highs. However, the volatility of inflation expectations, particularly in emerging markets, is challenging monetary authorities in an environment of slowing growth, and may hamper their ability to respond to potential financial stability concerns.

IFM: In the face of all of these considerations, what can or should be done to mitigate economic risks to developing countries as well as in advanced economies?

Mr. Nechemia: What we need is comprehensive response to address the strains in financial markets and restore market confidence. I considered it essential to address the deep-rooted weaknesses in risk management and regulation in advanced countries' financial sectors that led to excessive risk-taking and speculation. In this connection, we shall underscore the need for fundamental reform of the regulatory and supervisory framework as well as clearer accounting rules and transparency.

In order to help reduce developing countries' vulnerability to crises, including from contagion, I advise moving expeditiously to put in place new financial instruments and mechanism to help prevent or deal with crises. The introductions of new types of liquidity facilities are long overdue. I am calling on the international financial institutions to establish new liquidity instruments in order to adequately meet the needs of developing countries as well as for a substantial increase in the level of access to resources.

IFM: What lead global economy to this global financial crisis?

Mr. Nechemia: The crisis is the result of three failures: A regulatory and supervisory failure in advanced economies; a failure in risk management in the private financial institutions; and also a failure in market discipline mechanism. Market discipline mechanism requisites should including the three general requirements for finding an acceptable level of market discipline: (1) a market in the financial instruments of the issuer; (2) enforceable credit contracts; and (3) a market for corporate control.

IFM: Where do you think that reform shoud be considered or is needed?

Mr. Nechemia: Let us also look at the issue of reform. Reform is not only for developing countries. All the countries of the world need to reform and the reform needs to be in depth. Because, as we have seen in recent years and realized that this system that is some 60 years old is no longer working, and so we can't reform using old instruments. We have to come up with appropriate instruments to deal with this crisis and the new situation facing us.

The global financial architecture is now showing its cracks, showing its weaknesses, and therefore, we really have to take a very in-depth approach to reform. We need a new financial order to deal with this situation. The effects are extremely serious, not only for developed countries, but also for developing countries.

On March 19, 2002, at the International Summit on Financing for Development held in Monterrey, Mexico, I delivered a speech on this very issue, the issue of reform as I saw the need then. The need applies today, but the message today is even more important than it was in the beginning of the new Millennium.

This first United Nations-hosted summit to address key financial and development issues attracted 50 Heads of State or Government. In addition to a number of Presidents and Prime Ministers, over 200 ministers participated in the Summit, including ministers of finance, trade and foreign affairs; the United Nations Secretary-General; the heads of the World Bank, International Monetary Fund and World Trade Organization; the representatives of civil society and the leaders from the private sector. Senior officials of all the major intergovernmental financial, trade, economic, and monetary organizations were present.

In my address to the Monterrey Summit seven years ago, I emphasized the need for 'coherence,' particularly between national and international responsibilities. Lack of concerted action to bring the benefits of development to the vast majority of humanity that lives in the developing world would only increase the `ravages of poverty.' I warned the respected audience that the road to development is an arduous one and the decisions facing the developing countries and the international community will be increasingly difficult. Finally, I stressed that our actions in the area of financing for development are perhaps unique in that they directly affect the lives and security of billions of less fortunate human beings around the world.

I pointed out in the Summit the need to focus, above all things, on coherence and on finding better ways of dealing with the increasing frequency, intensity and destructive power of financial and monetary crises, such as, but not limited to, the Asian Financial Crisis (1997 – 1999) and in Argentina (1999 - 2002), showing that this is a systemic problem that can only be solved through coherence among trade, finance, and monetary policies, coherence between short-term and long-term development policy objectives, coherence between the national and international responsibilities, the regional and the interregional cooperation, the governmental and the intergovernmental spheres.

The increasingly interdependent world economy requires a holistic approach to the interconnected national, international, and systemic challenges of financing for development. In addressing these challenges, we reaffirm their importance.

I have a great concern that a number of developing countries have become more vulnerable, in the course of liberalizing their external economic and financial regimes, to the volatile fluctuations of private capital flows in international financial markets. I stress the importance at the national level in the countries concerned of a favorable climate for private financial flows, sound macroeconomic policies and appropriate functioning markets.

We recognize that where technological change has revolutionized the way business is done and reduced the costs and increased the speed of international financial transactions and that, as policy liberalization has facilitated international capital flows, financial institutions have increasingly added emerging market assets as part of their portfolios, paving the way towards the phenomenon of global financial integration.

Global financial integration presents new challenges and opportunities for the international community. It should constitute a very important element, as in order for us to meet the Millennium Development Goals it is imperative to significantly increase the size of overseas development assistant flows. This is especially important for the least developed countries, most of which do not have access to international financial markets and do not even constitute a systemic risk as they are totally marginalised from the system. Appropriate policies are important, not only to help attract private flows to a greater number of developing countries, but also to maximize their contribution to development.

I emphasize the need to explore ways to broaden cooperation and, where appropriate, coordination of macroeconomic policy among interested countries, monetary and financial authorities, and institutions. We want to enhance preventive consultation arrangements between such

The Chairman of the EurOrient Financial Group, Mr. Ron Nechemia addressing the UNCTAD-ICC Investment Advisory Council, June 14th, São Paulo - Brazil institutions as a means of promoting a stable international financial environment conducive to economic growth, particularly of developing countries, taking into account the needs of developing countries as well as situations that may have a significant impact upon the international financial system.

We need to seek development solutions that go beyond the trade liberalization, as trade liberalization is not an ends in itself, but a means to more sustainable, equitable, and democratic growth. Now a day, development policies focus on price stability, rather than growth and the stability of output. Given the current situation we find ourselves in, it's clear that we failed to recognize that strengthening financial institutions is every bit as important to economic stability as controlling budget deficits and increasing the money supply. We focused on privatization, but paid too little attention to the institutional infrastructure that is required to make markets work, and especially to the importance of competition.

IFM: Where do you think the global financial system can and should improve?

Mr. Nechemia: Looking beyond the immediate challenges, the crisis has made clear that new thinking and action are needed in at least three areas related to the global financial architecture. First, the design of financial regulation needs to be improved. Second, a better way of assessing systemic risk must be found. Third, the mechanisms for more effective, coordinated actions are needed to reduce the risk of crises and to address them when they occur.

This crisis has shown the limits of the current regulatory and supervisory frameworks at both the domestic and international levels. Open financial markets can provide tremendous benefits by lowering the cost of capital, but more effective regulation is needed to realize this potential. As has been demonstrated all too graphically, financial innovation and integration have increased the speed and extent to which shocks are being transmitted across asset classes and economies. However, regulation and supervision remain geared at individual financial institutions and do not adequately consider the systemic and international implications of domestic institutions' actions. Moreover, macro-prudential tools do not sufficiently take into account business and financial cycles, which has led to an excessive buildup of leverage.

The challenge, therefore, is to design new rules and institutions that reduce systemic risks, improve financial intermediation, and properly adjust the perimeter of regulation and supervision, without imposing unnecessary burdens.

IFM: What is the significant outcome of the G-20 Summit on Financial Markets and the World Economy in Washington, D.C., held on November 14- 15, 2008?

Mr. Nechemia: The G-20 Summit on Financial Markets and the World Economy demonstrated the increasingly powerful agreement in favor of broad action in order to confront the daunting and in many ways unprecedented challenges of the current crisis. By any standards, the Summit laid out an ambitious agenda.

The G-20 Summit was significant because of the people present. As an outcome of the meeting, a new world economic order is developing that is more dynamic and more inclusive than any that we have yet seen. The most important outcome of this G-20 meeting is agreement on an action plan and the commitment of all participants to implement the plan vigorously and fully; and the commitment to act together to meet global macroeconomic challenges, using both monetary and fiscal policy.

I am very pleased about the G-20 leaders' strong support for the important role of the International financial institutions (IFIs) in crisis management and the reform of the international financial architecture. In addition, the commitment that was made to helping countries that are facing difficult circumstances with rapid and effective support, the availability of a new short-term liquidity facility and other instruments and other facilities are of significant importance.

IFM: The economic stimulus packages: Will it work, and for whom?

Mr. Nechemia: I welcome the emphasis on fiscal stimulus, which I believe is now essential to restore global growth. If coordinated, each country's fiscal stimulus can be twice as effective in raising domestic output growth if its major trading partners also have a stimulus package.

How will this financial crisis affect China's economic growth in the coming years? Could you possibly comment on China's participation in the world action against this financial turmoil?

IFM: How will this financial crisis affect China's economic growth in the coming years? Could you possibly comment on China's participation in the world action against this financial turmoil?

Mr. Nechemia: I reemphasize, there is no part of the world that is immune and it would be very surprising if a power like China was observing the crisis without being in any way concerned.

Of course, when growth in China decreases from 11 percent to 6 percent or maybe 5 percent in 2009, it is a five to six -point decrease. It is a lot. On the other hand, 6 percent of growth is also a lot. So, China will be impacted by the crisis and its growth will slow. Nevertheless, the rate of growth will remain higher than other developing countries.

I think it is a good opportunity for the Chinese government to rebalance growth from trade-led growth to a more domestic consumption-led growth, which is what I am recommending. It will also have good consequences on the exchange rate.

China's contribution to the resolution of the crisis, at least as growth is concerned, is mainly linked to its capacity to shift the main driver for growth from external demand to domestic demand.

IFM: You mentioned China's stimulus plan. Given that there is some debate about how much of China's stimulus package is really new spending, do you think China needs to consider more stimulus?

Mr. Nechemia: I think China definitely has room for more stimulus. The government announced this initial stimulus package, and they could potentially announce another one later on. We will see more clarity around that when China announces the budget for next year, which will be around March. But there has already been discussion within China about further stimulus, including some measures to stimulate private consumption. I think China definitely has the room for that and, should the downside scenario that I imagine evolve, that's something they definitely should look at.

IFM: Who should lead the finance of the fiscal expansion that is necessary as a fiscal stimulus?

Mr. Nechemia: We should recognize that some countries have more room to maneuver than others. Those countries—advanced and emerging economies—with the strongest fiscal policy frameworks and with the ability to finance fiscal expansion, and the most clearly sustainable debt should take the lead. This includes, but is not limited to, Japan and to China in Asia.

IFM: What are the deepening global challenges and policy responses?

Mr. Nechemia: Let me begin with the challenges confronting the global economy more generally. As I have noted, global growth prospects have deteriorated sharply. At the EurOrient Financial Group, we now project that the world economy will grow by a maximum of two percent next year, and that advanced economies will contract by at least a quarter percent over the same period. Growth prospects for many fast-growing emerging economies have also been undermined by the sharp declines in commodity prices and their demand. We now anticipate that emerging economies will expand by five percent in 2009, although with considerable regional variation and significant downside risks. Thus, a priority for many emerging market economies will be to take actions that bolster confidence in their policies while strengthening the social safety nets.

Around the world, the policy responses to unfolding global economic challenges have been varied. Advanced countries have actively sought to address underlying weaknesses through the use of public balance sheets to recapitalize financial institutions, provide comprehensive government guarantees, and extend liquidity provisions. Monetary and fiscal initiatives to help support global demand are also being pursued. Indeed, with inflation receding, central banks in advanced and emerging market countries have also taken steps to ease monetary policy.

While macroeconomic policies are crucial to sustaining demand, emerging economies face an additional challenge. That is, to ensure that the unfolding liquidity squeeze does not transform into a solvency crisis. Indeed, deleveraging is now impacting emerging market countries in general, including those with relatively strong fundamentals. Some countries with liquid domestic financial markets, which previously received large capital inflows, have experienced abrupt reversals of external financing flows. Past experience suggests that exchange rate adjustment can help absorb some of the pressures arising from external current account weakening and capital outflows. At the same time, comfortable reserve buffers help ensure the availability of foreign currency liquidity if countries remain under pressure from global financial deleveraging for some time.

IFM: Is there a negative impact to the move toward permanently higher capital ratios?

Mr. Nechemia: The ongoing uncertainty surrounding valuations of what were once thought to be low-risk assets has led to difficulties in judging capital adequacy. Therefore, capital buffers will need to be higher than previously thought, eight percent. Moreover, they should be based

EurOrient Delegation lead by Ron Nechemia meets with His Excellency the Prime Minister Hun Sen and the Supreme Economic Council, Royal Government of Cambodia on April 24, 2002 on a forward-looking analysis of risk, rather than a mechanical application of regulatory ratios in the present.

To the extent that the move to permanently higher capital ratios is mandated, the ratios should be phased in and shall be increased gradually and over an extended period of time so that their attainment does not amplify the existing cyclical downturn of the real economy. Though achieving higher levels will further slow the restoration of normal credit conditions, the process should be under way by late 2009 in order to put financial institutions in a better position to support the recovery.

IFM: What is your near-term economic outlook?

Mr. Nechemia: Vigorous policy action is needed in order to avoid a serious global downturn. The authorities should concentrate their efforts on achieving such an outcome, as the emergence of substantial output gaps in economies around the world would leave a legacy of reduced output, lost opportunities and sacrificed well-being. The measures needed to avoid this encompass both renewed efforts at stabilizing financial systems, as well as monetary and budget measures to support final demand.

At the present, global financial markets appear to have stepped back from the brink in response to aggressive policy support measures. Nonetheless, the great danger of renewed deterioration remains very high in several markets, while funding and liquidity markets are still severely strained. These negative developments reflect deep shocks that have undermined confidence in financial market counterparties, persistent concerns over future losses and funding needs, and large losses in bank and other institutions' capital.

Restoration of financial stability would now benefit from a publicly-stated collective commitment by the authorities of the affected countries to address the issue in a consistent and coherent manner. However, piecemeal interventions of the authorities in their effort to address the liquidity constraints and resolve the troubled institutions will have very limited to no succeed in restoring market confidence, as they have not addressed the widespread nature of the underlying problems. The intensifying worries about counterparty risks have created a near lock-up of global money markets.

The Chairman of the EurOrient Financial Group, Mr. Ron Nechemia during the interview with International Finance Magazine, May 15th 2008, Beijing, The People's Republic of China

In the broadest sense, the authorities' principal tasks are to help reduce the global economy's systemic instabilities and to promote effective counter-cyclical policy action, as well as to respond timely to both a structural and a cyclical changes.
Thus, financial market deleveraging is still underway, underpinning our base case expectation of a substantial and sustained slowdown in credit growth through the coming year. Moreover, financial stresses have spread to emerging markets, where equity market downturns by now have equaled or outstripped those in advanced economy markets, and where outflows from debt markets threaten to reverse the structural progress that has been one of the most striking recent financial market developments.

Against the background of weak financial markets, my forecast based on current financial and economic policies is for global economic growth to decelerate to maximum of two percent in 2009, down from about five percent last year. I'm also scaling back my economic projections for the recovery in 2010. While I believe that the efforts to stabilize financial conditions and strengthen demand support measures could still enable a gradual recovery on or about June of 2009, presently it seems that further reduction to the growth forecast is likely.

IFM: Do you see a substantial slowdown in Asia due to the global turmoil?

Mr. Nechemia: Asia is facing the risk of a sharp slowdown as the global economy enters a major downturn. Decisive actions are warranted to maintain financial stability and support growth in the region, as exports weaken and spillovers from the global financial turmoil weigh on domestic activity.

While the baseline scenario for Asia sees recovery beginning in the second half of 2009, risks to the outlook are significantly larger than usual and tilted to the downside. A deeper and more protracted global slowdown than currently anticipated, combined with tighter international financial conditions from the ongoing global deleveraging, could have significant spillovers to the region through both exports and a range of financial channels. It remains unclear how domestic demand in the region would stand up to a sharp decline in export growth and tighter financial conditions.

Despite Asia's generally strong fundamentals—including its substantial cushion in official reserves, improved macroeconomic policy frameworks and generally robust corporate balance sheets and banking systems—the region is being rattled by the crisis due to its close trade and financial integration with the rest of the world. Any hope that the region would escape the crisis unscathed has by now evaporated.

IFM: Can we conclude this interview with a brief summary?

Mr. Nechemia: In summary, action across a range of areas is needed to help the global economy and financial systems regain their footing. With financial markets worldwide facing growing turmoil, internationally coherent and decisive policy measures will be required to restore confidence in the global financial system. Failure to do so could usher in a period in which the ongoing deleveraging process becomes increasingly disorderly and costly for the real economy. Macroeconomic policies—especially fiscal stimulus—should play an important role in bolstering demand, while financial sector policies continue to be implemented and fine tuned as needed.

The broad picture that I have sought to develop here today is one where it has been recognized at the highest level of political authority that action across a range of areas is needed urgently to help the global economy and the financial system regain their footing. An impressive consensus has emerged about the reforms required to redesign the financial system, and they are substantial. Macroeconomic policy action—especially fiscal policy—is becoming increasingly relevant and necessary for a broad swath of countries. Financial sector policy reforms also must continue to be implemented and fine tuned as needed. And collectively, we must work together to strengthen the global financial architecture in a way that reduces future risks by re-examining regulatory weaknesses, forging ahead with new tools for detecting vulnerabilities, and recognizing the importance of financial integration and cross-border financing in designing regulations and new mechanisms for crisis prevention and resolution. IFM

Mr. Ron Nechemia: A Devoted International Civil Servant

Mr. Ron Nechemia is a founding member of the EurOrient Financial Group ("EurOrient") and its various affiliate development financial institutions. He is not just a financial pioneer but is considered the founding father of private sector development banking. He is developing EurOrient into a full-fledged private sector global development bank, as it evolves from a mere project financier. Much to the company's credit, EurOrient is the world's first private sector global development finance institution and accredited institution by the United Nations General Assembly on Financing for Development.

During the talks with Mr. Nechemia, it is clear that he is not only a professional financier, but a unique scholar. He has frequently been invited to consult and to deliver speeches in Special High-Level Policy Dialog that reveals his unique wealth of knowledge and global vision on global financal architecture.Mr. Nechemia contributes to High-Level Policy Dialog address issues of **"Aid effectiveness and innovative financing for development."** His observations touch upon the following areas of concern to the international finance community:

- Additional commitments concerning **innovative sources of financing** for development further **debt relief** and **International Public Goods**;
- Better coordinated and **more effective aid** at international levels as well as implementation of the Monterrey Consensus on Aid Effectiveness, including **more predictable aid mechanisms**, notably budget support, **mitigation of exogenous shocks**, **aid untying** and **reform of the international financial institutions**.

Mr. Nechemia's contribution and efforts to the developing countries has earned him many international awards and recognitions. In 2002, as the State of California representative he joined the US Presidential Business Commission; in 2003, he was selected as the National Business Advisory Council Honorary Chairman. Further, he is the recipient of "Businessmen of the Year" award, an award presented to top business leaders who champion the free enterprise system, and the "2003 National Leadership Award" presented by the Vice President of the United States - Richard B. Cheney, as a recognition of outstanding service and commitment, and in particular for assistance and leadership in promoting a pro-business agenda including tax reform and fiscal responsibility. In 2004 he was one of three nominees nominated by the Business Advisory Councils for "Businessmen of the Year," an award representing the state of California as one of the top U.S. business leaders who has successfully integrated business and financial success.

He has earned an international reputation as a scholar, entrepreneur, political economist and a political risk analyst specializing in country/political risks in Asia, particularly in China. He also regularly consults on issues such as the assessment and mitigation of political and economic risks for cross-border equity investment and debt financing transactions, and has a broad range of transactional and regulatory expertise focused on specific measures to design and enhance the creditworthiness and rating of venture.

In 2007, Mr. Nechemia contributed to the book, "Inside the Minds: The Roles and Motivations of Key Players in a Venture Capital Deal" co-authored with 7 managing directors and senior partners representing some of the world's top venture capital ("VC") and private equity firms, published by Aspatore Books in the USA .

While many American companies are laying off employees, his company, EurOrient Financial Group, is currently recruiting and hiring new employees for its rapidly growing operation. EurOrient has owned a perfect risk management system, so it has the strong strength to continue the project development, making new investments and recruit new employees. One of Mr. Ron Nechemia's biggest challenges is to identify top-level investment talent to promote the developmental finance activities. "EurOrient focuses its investment and advisory activities in the complex and evolving world of emerging markets and economies in transition. This has required that EurOrient pay particularly close attention to developing operational policies and practices designed to manage high-risks and to sustain success during times of crises and high market volatilities. These policies and practices are intended to ensure high quality portfolio investments and loans for EurOrient and for any funds managed by EurOrient."

EurOrient's investment and consultancy activities focus on developing countries and transitional economies while considering variables such as credit risk, market risk, currency risk, rate risk and political risk. EurOrient is committed to paying disciplined attention to the overall quality of its loan and investment portfolio, and does so through its best-practices approach in its investment and lending activities of each project. In practice this means that EurOrient analyzes investments from the ground up. Irrespective of the overall economic climate, EurOrient will not lend to or invest in a project that is not itself economically viable or credit worthy. EurOrient intends for its portfolio to consist of uniformly sound investments.

EurOrient has continued its journey of developmental finance since being founded in 1988. Under the leadership of Mr. Nechemia, his vision has been to create a privately owned global development bank. EurOrient's shareholding structure assures that the Company will remain private sector oriented and that its operations will remain free and independent of any government's foreign policy and political agenda. This independence will ensure that EurOrient development assistance is efficiently and effectively managed, based on good corporate governance and best practices, for the benefit of its shareholders, investors, and society at large. EurOrient affirms the often forgotten fact, that development must represent "...a transformation of society, a movement from traditional relations, traditional ways of thinking, traditional ways of dealing with health and education, traditional methods of production, to more 'modern' ways." And that development "is not about charity; it is about inclusion and empowerment, education, good health, security, and opportunity." To EurOrient, development is about putting people first, giving people a voice and better life and respecting their fundamental human rights. Because development is not about charity, it is about delivering what people want in a commercially viable, but socially responsible manner.

Mr. Nechemia regards himself as an international civil servant. He devotes his life to fighting poverty and disparity and to promoting international cooperation and understanding on behalf of the broader public good.

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