



ADBI: A Decade of Developments

CONFERENCE

Ten years after the turbulent Asian financial crisis, the region has “regained economic buoyancy and vibrancy and achieved remarkable growth and development,” opened ADB President Haruhiko Kuroda at ADBI’s tenth anniversary conference held on 4 December 2007 at the ADBI Conference Hall in Tokyo. “I expect ADBI to play an even greater role within ADB as knowledge services is likely to become one of the priority areas of the new Long-Term Strategic Framework,” President Kuroda added.

The conference, titled “A Decade of Developments,” revisited “...the Institute’s past research and capacity building activities while helping navigate the way to its future,” ADBI Dean Masahiro Kawai said in his introductory remarks. The Dean also added that ADBI will strive to be a “leading center for the creation and sharing of knowledge in Asia and the Pacific” by vigorously pursuing ADBI’s three main work areas of research, capacity building and training, and outreach. According to Dean Kawai, ADBI will continue to work with various development partners by strengthening linkages with both policymakers and think tanks in the region.

Highlighting ADBI’s role in the region during the past decade, the conference covered a lot of ground and invited distinguished scholars and policymakers as session chairs, presenters, and discussants.

Overall the conference was a success and was attended by more than 140 participants from the academia, think tanks, government, and private institutions. The conference was closed by Mr. Hiroshi Watanabe, Special Advisor to the President of the Japan Center for International Finance, where he aptly stated that the conference had “done an excellent job in providing a bridge from ADBI’s past to its future.” He further stated that ADBI is ready to take on fresh ideas and face new challenges in the coming decade.



“ADBI must remain ahead of the curve and provide leadership in identifying issues of medium- and long-term strategic importance,” said ADBI Dean Masahiro Kawai.

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Session Highlights

In revisiting the issues and topics highlighted by ADBI over the last ten years, the conference covered a diverse set of topics from the legacy of the Asian financial crisis to poverty reduction and inclusive growth to regional cooperation and integration.



Back Row (L-R): Susan Stone, Justin Yifu Lin, Peter Petri, Shinji Takagi, Antoni Esteveordal, Ifzal Ali, Yuen Pau Woo, Siow Yue Chia **Front Row (L-R):** Iwan Azis, Thanong Bidaya, Tadao Chino, Masahiro Kawai, Peter McCawley, Kimimasa Tarumizu, Mohamed Ariff

Session 1: Asian Crisis 10 Years On— Financing for the Future

The first session tackled the legacy of the Asian financial crisis and how it impacts future economic and financial incentives at the national and regional levels. The session opened with Prof. Peter Petri's presentation on "Financing Asia's Future," asking, "How will Asian growth in 2020 be financed?" Professor Petri concluded that the problem of "financing Asia's future" is not one of finding sufficient resources to support investments but rather ensuring that savings and investments are efficiently intermediated. In the end "there is a need to develop institutions and mechanisms to handle Asia's finances" by deepening and opening capital markets to diversify risks and create financial centers.

The second presentation by Dr. Mohamed Ariff, titled "Asian Crisis Ten Years On: Policy Perspectives" outlined some lessons from the decade-old financial crisis, which acted as a catalyst to reforms in the banking and corporate sectors. Although countries severely hit by the crisis have not yet returned to their pre-crisis performance levels, they are now more resilient owing to "efforts

and initiatives [that] have been taken" by government so that Asia will be able to "reduce the probability and intensity of another crisis."

Session 2: Achieving Poverty Reduction for an Inclusive and Equitable Asia

The second session explored analytical and policy implications of poverty reduction for an inclusive and equitable Asia. Professor Justin Yifu Lin opened the session by espousing that "the way for a developing country to eliminate poverty and to achieve inclusive and equitable growth is to follow a comparative advantage-following (CAF) strategy." He said that in the past, many developing countries introduced various distortions to protect and subsidize non-viable firms in certain priority sectors, which led to poor economic performance and inequitable income distributions. Using the CAF strategy, countries can achieve inclusive and equitable growth by "investing in education, agricultural technology, and rural infrastructure" coupled with reforms in various sectors of the society.

Dr. Ifzal Ali in his paper "Inequality and the Imperative for Inclusive Growth in Asia" pointed

out the remarkable decline in poverty in Asia as a result of the region's rapid economic growth. However, inequalities persist: "the rich are getting richer faster than the poor." In order to address this inequality, he advocated three anchors of inclusive growth: "expanding opportunities, broadening access to opportunities, and adding social protection to act as a safety net." These anchors are mutually reinforcing and allow all members of the society to participate and contribute to the growth process on an "equal footing regardless of their individual circumstances."

Session 3: Regional Growth through Integration and Cooperation

The third session explored the role of institutions in regional cooperation and discussed the costs and benefits of regional integration. Dr. Antoni Esteveordal opened the session with his paper titled "Regional Integration and Regional Cooperation in Asia-Pacific: State of Affairs and Future Scenario." The paper documents how "regional trade agreements (RTAs) have proliferated around the world." He showed how trade integration has been present throughout history and how "today modern free trade agreements (FTAs) are the main protagonists." This has led to an "increasingly dense regional noodle bowl of agreements" in Asia. While the rise of RTAs can act as a catalyst for regional cooperation, there is a need to reduce the negative externalities that may be brought about by the production of regional public goods.

Dr. Yuen Pau Woo in his paper "Asia-Pacific and Integration: Perceptions and Measurement" measured the extent of Asia-Pacific economic



"Asia faces a very serious challenge" for environmental sustainability, stated Dr. Siow Yue Chia, Singapore Institute of International Affairs. She said that the region will need strengthened economic cooperation to meet the challenges of water shortages, environmental pollution, and loss of biodiversity.

integration using a composite index and found it to have "steadily strengthened." He also discussed the results of the state of the region survey among opinion leaders in the region, presenting their views on the regional outlook, integration, and institutions. He argued that Asia-Pacific integration is "more important for the Western Pacific than it is for the Eastern Pacific" and that there is a need for trans-pacific institutions such as Asia-Pacific Economic Cooperation (APEC). The challenge for such institutions is not competition from East Asian regionalism but from "lack of institutional commitment."

Session 4: Emerging Issues for Asia in the Next 10-20 Years

The final session of the conference was a lively discussion on the future directions for Asia as well as the identification of the most pressing issues that will confront Asia and the Pacific in the next decade. Dean Kawai asked the seven panelists to identify "challenges and issues" that think tanks like ADBI should "focus on from the perspective of conducting research, in-depth study analysis, and capacity building for the public sector." Outcomes of this session will help inform ADBI's long-term focus and mission. The major areas identified were as follows:

- Exchange rate management as an urgent and serious challenge
- Liquidity and excess savings have large economic implications, so a study of the flow of funds is needed
- The need to manage domestic debt in a region whose experience is mostly with foreign debt
- The importance of understanding the link between macro policies and poverty
- The need for financial restructuring through the development of a bond market
- Identification of the best institutional framework to deal with the twin concerns of poverty reduction and economic competitiveness
- Environmental sustainability and demographic change and their profound impacts on economic productivity
- The impact of the rise of India and the People's Republic of China on comparative advantage and labor markets
- The need to generate and then retain intellectual capacity in the region
- The impact of the rise of capital-intensive industries, especially in the People's Republic of China and India and its impact socially and economically on the region

Japan and PRC: The Effects of Politics on Trade and Trade on Politics

— Distinguished Speaker

Peter Drysdale, Emeritus Professor of Economics and Visiting Fellow in Policy and Governance in the Crawford School of Economics and Government, Australian National University, addressed guests on 25 October 2007. His lecture, “The Effects of Politics on Trade and Trade on Politics,” focused on the relationship between Japan and the People’s Republic of China (PRC).

Professor Drysdale pointed out the importance of looking at the huge Japan-PRC relationship in both political and economic aspects. The PRC is Japan’s largest trading partner, measured in terms of the sum of trade flows both ways, and Japan is the PRC’s third largest partner, after the United States and Europe. Although the probability of war or high-intensity conflict between Japan and the PRC is low, occasional flash points in the relationship have the potential to escalate. The Japan-PRC relationship is expected to be different from both the United States-PRC and the United States-Japan relationships, the latter of which is much more politically stable.

Professor Drysdale reported empirical analysis by his colleague Shiro Armstrong that showed how an increase in positive sentiment in the PRC towards Japan is associated with an increase in Japanese exports to the PRC. In the period 1990–1997, growth in Japan’s importance to the PRC was associated with a rise in positive

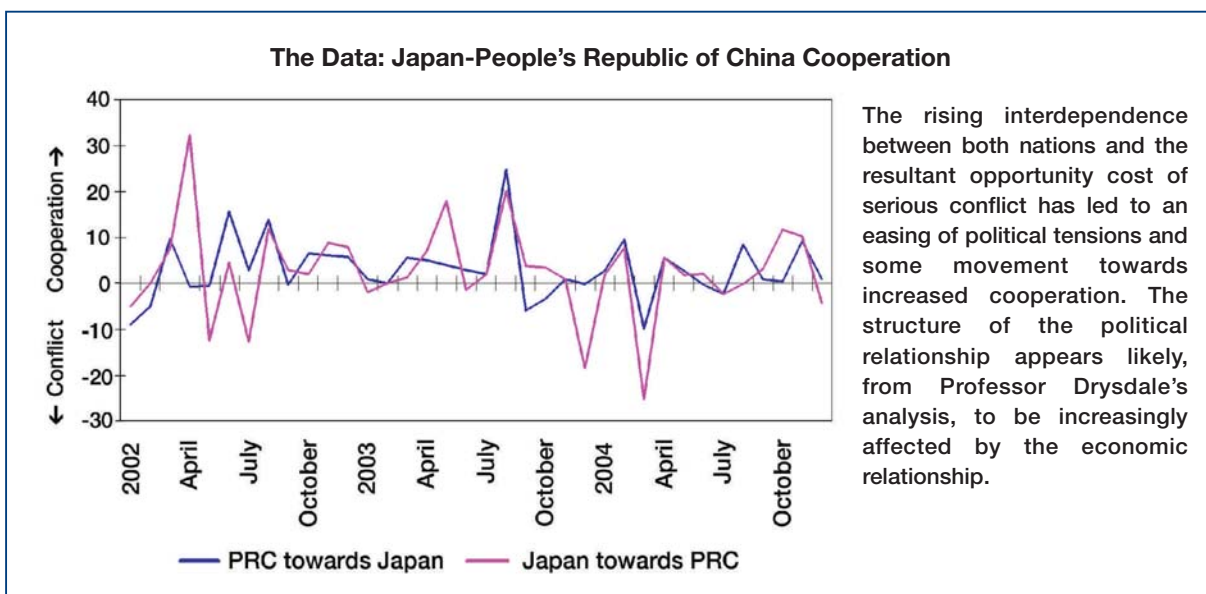


Professor Drysdale explored both the political and economic aspects of the Japan-PRC relationship.

Japanese sentiment towards the PRC; and in the period 1998–2004 an increase in positive Japanese sentiment towards the PRC was associated with an increase in Japanese exports to the PRC. Growing PRC exports to Japan and the United States are causing a rise in the measure of negative sentiment towards the PRC, but the growth of Japanese trade to the PRC dampens this effect.

The Figure tracks the development of sentiment in Japan toward China and China towards Japan over the period 1990–2004. ■

View a more detailed summary of Peter Drysdale’s presentation at www.adbi.org/event/2368.drysdale.distinguished.speaker/.



Note: Calculated as cumulative positive news scores less cumulative negative news scores.

Source: King, Gary and Will Lowe, (2003) “10 Million International Dyadic Events.”

Japan's Current Economic Performance and Japan's Role in East Asia

—● Distinguished Speaker



Professor Patrick discussed issues affecting Japan's current economic well-being, including external economic relations.

Hugh Patrick, Director, Center on Japanese Economy and Business, and Professor Emeritus of International Business, Columbia University discussed his views on the Japanese economy and the roles of Japan, the PRC and the US in Asia's regional economic integration, as well as the recent initiatives by ASEAN+3 and the East Asia Summit (or ASEAN+6). Patrick delivered this seminar on 31 October 2007 via a panel discussion with Thanong Bidaya and Iwan Azis, ADBI visiting fellows.

Professor Patrick introduced a range of issues affecting Japan's current economic well-being such as its recent economic performance; the decoupling of growth and inflation; macroeconomic policy; corporate restructuring, control, and governance; and external economic relations. He pointed out that the combination of economic expansion with

mild deflation is the idiosyncrasy of Japan's economic performance. This idiosyncrasy could be due primarily to the ongoing structural transformation of the labor market. Because wage stagnation will likely persist and consumption's share of GDP will likely continue to decline, inadequate aggregate demand will probably pose a major constraint on Japan's growth.

Thanong commented that economic and political relationships between Japan and East Asia have developed in a way that has satisfied East Asia. Thanong cited the development of integrated production hubs as a good sign of regional integration in East Asia.

Azis was more concerned with the issue of aggregate supply rather than aggregate demand, in particular, long-term productivity growth and structural reform. He also mentioned that Japan has successfully handled the increasing economic interdependence within Asia, and that both Japan and Asia as a whole must take care in managing relationships with the PRC.

Finally, Patrick stated that the most appropriate regional framework for Asia would take an outward-looking, supportive, and non-discriminatory approach, taking into consideration the region's interests. Yet, political relationships and political institutions are very important for Asia because underlying these is a global economic system that was driving the changes in the political side, and the last fifty years have witnessed massive economic progress. ■

View a more detailed summary of Hugh Patrick's presentation at www.adbi.org/event/2371.patrick.distinguished.speaker/.

Regional Public Goods, Aid, and Development

—● Distinguished Speaker

Todd Sandler, the Vibhooti Shukla Professor of Economics and Political Economy at the University of Texas, gave a seminar on regional public goods (RPGs) for regional economic development on 12 November 2007. His paper aimed to apply modern analysis of public goods and collective action to assess the effectiveness of the support for RPGs, as well as analyze the role of institutions and other participants in funding RPGs.

RPGs provide benefits to two or more nations

in a well-defined region. RPGs have the following public good characteristics: nonrivalry of benefits, nonexcludability of benefit recipients, and the aggregation technology. The latter indicates how the provisions of individual countries affect the total amounts of the RPGs. Sandler developed a taxonomy of RPGs and assessed whether they are adequately or inadequately provided.

Sandler noted that globalization and regionalization are associated with increased

cross-border flows that include goods, services, financial capital, labor, and benefit spillovers from public goods.

Regional development banks and regional trade pacts play a pivotal role in coordinating donors and fostering the supply of RPGs necessary for development. These regional institutions are



Professor Sandler examined regional public goods in six key areas: health, environment, knowledge, governance, peace and security, and infrastructure.

important not only in directing collective action for RPGs, but also in prompting efforts to finance RPGs, whose benefits affect a well-defined group of developing nations. In addition, new aid participants—networks, nongovernmental organizations, public-private partnerships, and charitable foundations—are essential supporters of RPGs in some sectors, especially in funding RPGs that provide no spillovers to donor countries. Such efforts lead to the provision of social overhead capital needed for sustained development.

Professor Sandler concluded that RPGs are complementary to national public goods and are necessary for developing countries to achieve sufficient economies of scale to compete internationally. Yet, RPGs are shown to confront more difficult funding problems than national public goods and global public goods. This situation underscores the need to support RPGs, which are vital for regional growth and development. ■

View Todd Sandler's paper at www.adbi.org/event/2352.sandler.distinguished.speaker/.

Ideas for a WTO Action Plan on Regionalism: Implications for Asia

—● DISTINGUISHED SPEAKER

Richard Baldwin, Professor of International Economics, Graduate Institute of International Studies, Geneva, and Policy Director, Centre for Economic Policy Research, presented his ideas for a WTO action plan on regionalism on 26 November 2007.

Professor Baldwin made the following observations:

- (i) the world trade system is marked by a motley assortment of discriminatory trade agreements, known as “spaghetti bowl” or “noodle bowl;”
- (ii) more countries are now involved in free trade agreements (FTAs), so regionalism is here to stay; and
- (iii) this tangle of trade deals is a bad way to organize world trade because it is inefficient and unfair.

The implication is that the spaghetti bowl's inefficiencies and unfairness will increase as more countries establish FTAs. The spaghetti bowl, Professor Baldwin argued, makes trade unfair, especially for the small countries that, for lack of negotiation leverage, have to adopt the rules of origin (ROOs) created by the world's trade hegemony.



Professor Baldwin advocated accepting the reality of regionalism and working to make it as multilateral-friendly as possible.

Since regionalism does exist, the world must find a solution to work with it, not against it. Professor Baldwin argued that the solution is to make regionalism as multilateral-friendly as possible. He suggested using soft-law ideas for a WTO action plan on regionalism. That would entail negotiating voluntary best-practice guidelines for new regional trade agreements (RTAs) and modifications of existing RTAs. The

WTO could organize a hierarchy of best-practice guidelines for North-North, North-South, and South-South RTAs.

Turning to Asia, Professor Baldwin noted the growing “noodle bowl” in the region. He argued that Asia’s problem is that it lacks regional coordination. In this regard, he suggested that the ASEAN Secretariat’s capacity should be strengthened. He also suggested forming an East Asian coalition to participate in talks on regional

harmonization of ROOs and to make the system of Asian ROOs more development-friendly.

Baldwin concluded by suggesting that the WTO act as a coordinator to facilitate in multilateralizing the existing regionalism rather than do nothing. “Today’s new reality is regionalism, and WTO must adapt to it,” he asserted. ■

View a more detailed summary of Richard Baldwin’s presentation at www.adbi.org/event/2366.dance.east.asia.reflections/.

Development and Transition: Idea, Strategy and Viability

DISTINGUISHED SPEAKER

Professor **Justin Yifu Lin**, Director of the China Centre for Economic Research at Peking University, presented his ideas on approaches to development and transition on 5 December 2007. He explored the reasons underlying both the dynamic economic growth of some countries and the lack of such success in many developing and transition countries.

After World War 2, industrialization, especially the development of big, heavy industries, was viewed as a key to economic prosperity and political independence. Many developing countries pursued development strategies focusing on advanced heavy industries, an approach Professor Lin terms a comparative advantage-defying (CAD) strategy. He contrasted the failure of this strategy with the comparative advantage-following (CAF) strategy that enabled sustained economic growth in Japan, the Republic of Korea, the NIEs, and some other countries. In the CAF strategy, firms are encouraged to follow the economy’s comparative advantage determined by the economy’s endowments. Professor Lin noted that limited natural endowments made the CAF strategy an obvious choice for East Asian economies.

With the CAD strategy discredited, countries made new efforts to build up the necessary institutions for a well-functioning market economy. In many socialist and developing countries, shock therapy was implemented. This therapy, however, ignored the existing distortions in the socialist and developing countries, and thus led to rampant inflation in many former Soviet republics. A



Professor Lin recommended a “comparative advantage following” strategy for development and transition.

different transition approach—a dual-track approach—was pursued by the People’s Republic of China (PRC), Viet Nam, and some other countries. They attempted to improve incentives by giving partial autonomy to farmers and state-owned enterprises (SOEs). This approach resulted in simultaneous stability and dynamic growth.

Professor Lin recommended pragmatism as the best approach for policy in transition economies. A gradual, piecemeal approach to reform and transition, he said, could enable countries to achieve stability and dynamic growth and allow them to complete the transition to a market economy. ■

View a more detailed summary of Justin Lin’s presentation at www.adbi.org/event/2410.lin.distinguished.speaker/.

Private Sector Role in Physical Infrastructure — WORKSHOP

Almost fifty senior officials representing infrastructure and related ministries from 23 of ADB's developing member countries, and a number of observers from development agencies based in Tokyo, participated in the **Strengthening Private Sector Participation and Investment in Physical Infrastructure** workshop held at ADBI in Tokyo from 19-22 November 2007. ADBI designed and developed the workshop in close collaboration with ADB headquarters and ADBI development partners—the Commonwealth Fund for Technical Cooperation, the Public-Private Infrastructure Advisory Facility, UNESCAP, the World Bank and the World Bank Institute. Collaborators also included a number of partners representing private sector investor interests. Private sector partners included international and regional investment banks and rating agencies, as well as legal, financial, and technical public-private partnership (PPP) experts.

The workshop was programmed to enhance senior government officials' understanding of the main challenges to attract private sector investment and achieve greater PPPs for infrastructure development across the Asia-Pacific region. In his opening address, Masahiro Kawai, Dean of ADBI, noted that the private sector was an important partner for infrastructure development in the region before the onset of the 1997 Asian financial crisis. Mr. Kawai emphasized the need to further intensify policy reform efforts—underway by many countries in the region—to create a more positive business climate to restore investor confidence. Robert Bestani, Director General of ADB's Private Sector Operations Department,

during his keynote speech highlighted the high savings rate in developing member countries and the availability of a large amount of surplus funds in capital markets. Mr. Bestani described the keen interest of the private sector but noted that while there is an increasing flow of investment to the Asia-Pacific region, infrastructure development has yet to attract much of the investment to date.

Participants were updated on Asia's economic performance in the global context and the impact it has had in terms of new flows to Asian capital markets. Participants were then briefed on experiences with PPPs in the region and introduced to innovative approaches that have evolved for financing of public infrastructure, and improving the risk management and bankability of infrastructure projects. Following a number of group sessions and extensive dialogue between public sector officials and those that represented private sector investor interests, the participants identified a number of priority policy actions that need to be addressed by their governments to encourage greater private sector participation and investment in infrastructure investment programs in their countries.

In closing the workshop, Worapot Manupitpong, Director of ADBI's Capacity Building and Training Department, concluded that establishing the right risk/return profile is key to promoting private sector partnerships in infrastructure projects in the region. He stated that this can be achieved by mitigating project risks through creating an enabling macroeconomic, regulatory, and legal environment as well as through innovative risk sharing schemes. ■



During group sessions and discussions, participants identified policy recommendations for their governments to encourage private sector participation and investment in infrastructure-related programs in their countries.

Managing Regional Public Goods

SEMINAR-WORKSHOP

Rapid economic growth and technological advancement provided unprecedented benefits to the Asian region. This also increased the connectivity among the countries in the region and facilitated the transfer of regional public goods (RPGs). However, providing regional infrastructure as a means towards regional integration also has its share of challenges, from addressing environmental concerns to establishing a systematic methodology for project management and appraisal techniques at the regional level. Furthermore, while it is widely recognized that cross-border transport infrastructure and trade facilitation are important, the understanding of the opportunities and the impact for economic growth are still limited.

To provide senior government officials from countries in the Asia-Pacific region with learning opportunities regarding these issues, ADBI held a seminar-workshop, **Cross-Border Infrastructure Management: Managing Regional Public Goods**, on 12-15 November 2007. The event involved collaboration with a number of partner institutions such as ADB headquarters, Japan's Ministry of Land Infrastructure and Transport (MLIT), and UNESCAP as well as universities and research institutions.

In his keynote speech, Todd Sandler said that RPGs assist in the development of countries and of regionalization but that they are much harder to deal with compared to global public goods. During the four-day seminar-workshop, the participants learned about RPGs, issues and challenges related to cross-border infrastructure management, good practices, and lessons learned from case studies and practical examples such as the Greater Mekong Subregion (GMS) and Central Asia Regional Economic Cooperation (CAREC). A presentation by Ronnie Butiong of ADB focused on the GMS Economic Cooperation Program, and how infrastructure shows direct links to growth and poverty reduction and social and economic development (see Tables). The group discussions and presentations provided an opportunity for the participants to share and learn about country experiences in the area of cross-border infrastructure management. While the participants commended the workshop some proposed that a more in-depth seminar specifically on project appraisal methods should be in place. Furthermore, Toru Tatara, the seminar coordinator, indicated that RPGs are not limited to infrastructure network but encompass other environmental and health issues which should be targeted in future programs. ■



View papers and presentations from the seminar-workshop at www.adbi.org/event/2361.cross.border.infrastructure.management.workshop/.

Worapot Manupitpong, ADBI's Director of Capacity Building and Training, informed the participants that best practices management will definitely be incorporated in future capacity-building seminar-workshops.

GMS: Accelerated Economic Growth and Reduced Poverty Incidence

	1992	2006
Total exports (US\$ million)	36,343 ^{a/}	181,761 ^{a/}
Intraregional exports (US\$ million)	2,397	35,473 (2005)
Tourist arrivals (thousands)	10,005 (1995)	24,206 ^{b/}
Foreign direct investment (US\$ million)	3,024 ^{b/}	13,722 ^{b/}

^{a/} Excludes PRC.

^{b/} Excludes PRC but includes Guangxi and Yunnan.

Sources: ASEAN Secretariat, etc.

	Poverty Incidence (US\$1-a-Day) Headcount Ratio (in %)	
	1990	2003
Cambodia	46.0	33.8
China, People's Rep. of	33.0	13.4
Lao People's Democratic Rep.	52.7	28.8
Thailand	10.1	0.7
Viet Nam	50.7	9.7

Sources: Asian Development Bank. Key Indicators 2006 and Statistical Database System Online (<http://sdbs.adb.org>).

Evolving Economic Architecture in East Asia

FEATURED PUBLICATION

A recent Discussion Paper by ADBI Dean Masahiro Kawai, “Evolving Economic Architecture in East Asia,” examines how East Asia’s economic architecture has been evolving over the last ten years and how it will shape itself in the future.

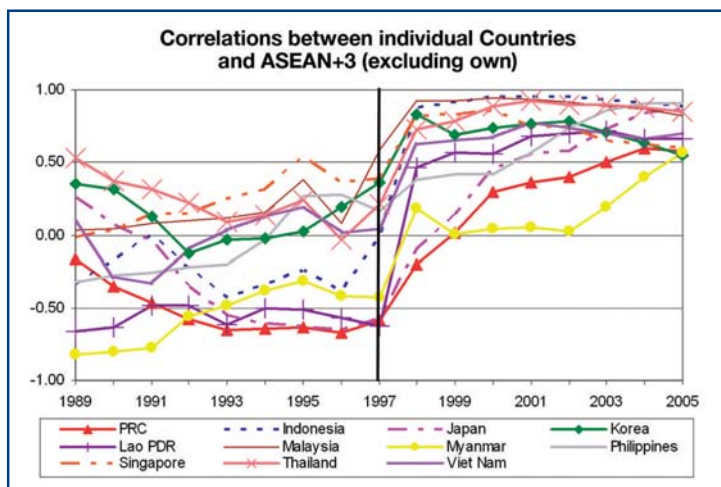
One of the most significant outcomes of the Asian financial crisis of 1997–98 has been the emergence of economic regionalism in East Asia. The crisis prompted the regional economies to realize the importance of strengthening regional self-help mechanisms in a concerted way. For example, the Association of Southeast Asian Nations (ASEAN)+3 countries—comprising the ten ASEAN member countries, the People’s Republic of China (PRC), Japan, and Korea—have begun to undertake initiatives for regional economic surveillance, a regional liquidity support facility, and Asian bond market development. Regional financial cooperation has stimulated regional trade and investment cooperation in the form of numerous free trade agreements (FTAs).

Several groups have been set up to facilitate East Asian economic regionalism. In the financial and monetary area, the ASEAN+3 finance ministers are active in pursuing financial cooperation while the Executives’ Meeting of East Asia-Pacific Central Banks (EMEAP) governors—comprising nine East Asian economies and two Oceanic countries—have played a critical role. In the trade and investment area, ASEAN has

been the de facto hub while ASEAN+3 and the East Asia Summit (or ASEAN+6—including the ASEAN+3 countries, Australia, India, and New Zealand) are emerging as important larger groups. East Asia also works with North America through the Asia-Pacific Economic Cooperation (APEC) and with Europe through the Asia-Europe Meeting (ASEM) on economic and financial issues. Hence, it is important to explore how East Asian economic regionalism might evolve over time and how it might reshape the region’s relationship with North America and Europe.

The paper argues that East Asia can use its economic regionalism as an engine of deeper global integration. To make this possible, the region will have to address several challenges:

1. Regional trade authorities need to consolidate multiple, overlapping FTAs into a single East Asian agreement.
2. The regional economies must make greater efforts to strengthen regional financial cooperation—the reserve pooling arrangement (Chiang Mai Initiative [CMI]), regional economic surveillance (Economic Review and Policy Dialogue [ERPD]), and Asian Bond Markets Initiative (ABMI) under ASEAN+3.
3. The regional financial authorities need to strengthen exchange rate policy coordination—starting with the joint monitoring of regional exchange rates based on an Asian Currency Unit (ACU) index and the adoption of a currency basket arrangement based on the G3-plus currencies.
4. Although various economic groups existing in East Asia will continue to play their own roles, whatever regional economic architecture will emerge out of this complexity, the political economy dynamics in East Asia will continue to require an integrated ASEAN as a hub for East Asian economic cooperation. ■



Sources: Rana (2007).

Download Discussion Paper No. 84 for free at www.adbi.org/discussion-paper/2007/12/07/2423.evolving.economic.architecture.east.asia/.

Selected Upcoming Events

18-20 February	<p>Inception Workshop on ADBI's Flagship Study on "Infrastructure and Regional Cooperation" (Tokyo)</p> <p>The workshop aims to organize the core study team for this project and conduct a brainstorming session among team members. This study will examine the key issues and challenges facing cross-border infrastructure development in Asia in its ongoing efforts to support regional cooperation, and will serve as a definitive knowledge product primarily for policymakers in the region.</p>
4 March	<p>Central Asia Regional Economic Cooperation (CAREC) Outreach Activity—Regional Cooperation and Integration in Central Asia under CAREC: The Road to Stability (Tokyo)</p> <p>Held in conjunction with ADB HQ, this event will support an exchange of information and a deeper understanding of Central Asia's opportunities and the process of regional cooperation under the CAREC Program.</p>
5-7 March	<p>Private Sector Participation and Investment in Physical Infrastructure for CAREC (Tokyo)</p> <p>This seminar aims to improve the understanding of senior infrastructure policymakers of the main challenges to greater private sector participation and investment in infrastructure projects in the CAREC region.</p>
14 March	<p>Policy Workshop on Capital Flows Project (Tokyo)</p> <p>This policy workshop aims to present a summary of the key findings of the research papers written for this project, and to discuss policy challenges and measures to manage capital flows, lessons for other Asian countries, and areas for regional cooperation. The workshop will share these with a broad audience including high-level officials of the ministries of finance and central banks of ASEAN+3 and India, multilateral agencies and academics.</p>

View all upcoming events at www.adbi.org/calendarofevents.

Recent Discussion Papers

Integrated Financial Supervision: An Institutional Perspective for the Philippines

Authors: Melanie Milo



This paper looks at the issue of reforming financial regulatory structures from the New Institutional Economics perspective. The author argues that the state of financial conglomerates in the Philippines does not warrant a shift toward integrated financial supervision.

Read Discussion Paper 81 at www.adbi.org/discussion-paper/2007/10/25/2381.integrated.financial.supervision/.

Building an Integrated Capital Market in East Asia

Author: Robert McCauley



This paper takes stock of the state of financial integration in East Asia. It contrasts the international integration of equity markets, the regional integration of the markets for bonds and syndicated loans denominated in US dollars, and the insularity of most local currency bond markets.

Read Discussion Paper 83 at www.adbi.org/discussion-paper/2007/11/26/2411.integrated.capital.market.east.asia/.

Foreign Ownership, Technological Capabilities, and Clothing Exports in Sri Lanka

Authors: Ganeshan Wignaraja

Drawing on recent developments in applied international trade and innovation and learning in developing countries, this paper examines the links between firm-level export performance, foreign ownership, and the acquisition of technological capabilities in a sample of 205 clothing enterprises in



Sri Lanka. Econometric analysis indicates that foreign ownership, firm size, human capital, technological capabilities, and geographical location are all positively associated with export shares.

Read Discussion Paper 82 at www.adbi.org/discussion-paper/2007/11/06/2406.sri.lanka.foreign.investment/.

Enhancing Corporate Social Responsibility in Asia

It is increasingly recognized that the necessary resources for development in ADB's Developing Member Countries should be mobilized from the private sector. To identify the issues and best practices of corporate social responsibility (CSR) and socially responsible investment (SRI) activities in Asia, in collaboration with other partner institutions in Asia, ADBI held the three-day

Enhancing Corporate Social Responsibility in Asia conference on 17-19 October 2007. Nineteen participants from selected Asian development institutes attended the conference.

Speakers from several private corporations gave presentations on their companies' solutions to public issues. Because companies expand their influence in society along their supply chains or

value chains, some examples of supply chain management were illustrated. Other presentations explored both the overall situation of SRI in Asia and specific country and industry cases. The final session focused on how to integrate and comprehensively apply the previously discussed CSR concepts to actual public policies. In accordance to changes expected from companies, three government roles were proposed for promoting CSR in Asia: (i) regulation, (ii) encouragement, and (iii) collaboration with the private sector. ■



In countries where they operate, businesses and corporations have become increasingly aware that it is not only necessary to contribute towards economic growth but also to social development to be able to help raise the overall welfare of the communities and societies involved.

View papers and presentations from the conference at www.adbi.org/event/2349.enhancing.corporate.social.responsibility/.

● ADBI News

Publisher: Mamoru Umemoto

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