

## Does Social Policy Have a Role in Global Growth Rebalancing?

● ANNUAL CONFERENCE



ADBI Dean Kawai and other panelists discuss social protection spending at ADBI's 12<sup>th</sup> Annual Conference in Tokyo.

**H**ow does social policy impact domestic demand? This was the focus of the discussions during the **ADBI's 12<sup>th</sup> Annual Conference** held 4 December in Tokyo. The paper presentations generally showed a positive effect of improved social protection programs in boosting domestic demand through a reduction in households' precautionary savings as well as increases in income. Particularly when targeted to low-income households that have high spending propensities, the impact of social protection spending on consumption is higher.

However, several speakers cautioned against depending heavily on social protection spending to boost domestic demand. Certainly, particularly in countries that have a high budgetary surplus, social protection spending is one policy solution that can be used but it is not the only instrument for global growth rebalancing. Nor is social protection policy primarily for increasing demand or reduction of precautionary savings; rather it is for poverty relief and risk protection. Social protection policy's impact on consumption is only a favorable side effect in the context of the general need to rebalance growth in the region.

Other speakers highlighted other coping mechanisms, besides savings and social protection, such as households' ability to borrow. Charles Horioka of Osaka University suggested in his

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presentation that looser borrowing constraints may be an important factor in lowering saving ratios with the implication that the development of capital markets alleviates the need for high precautionary saving. The conference also discussed the impact of demographic trends in savings and how a rise in old-age dependency ratios tends to reduce savings rates. Interestingly, the sensitivity of savings to old-age dependency is

posited to be stronger in countries with weaker social protection programs. Several presentations also centered on the People's Republic of China's social expenditure reform's role in beefing up consumption as well as the potential importance of state-owned enterprises' corporate surpluses in funding government social spending. ■

Find more details about this event at [www.adbi.org/event/3357.adbi.annual.conference.2009/](http://www.adbi.org/event/3357.adbi.annual.conference.2009/).



ADB President Kuroda and ADBI Dean Kawai with the speakers and discussants at ADBI's 2009 Annual Conference.

## Internationalizing the Euro

● DISTINGUISHED SPEAKER

**Jean Pisani-Ferry**, director of Bruegel, a Brussels-based think tank, and professor of economics at the Université Paris-Dauphine, gave



Strengthening the international role of the euro largely coincides with the internal agenda of the region.

a lecture on **Why the Euro is NOT the Next Global Currency** on 10 December in Tokyo.

For Mr. Pisani-Ferry, although the euro is a successful regional currency, it is not en route to rival the US dollar as a global currency. His finding is based on a recently published book that revealed the dominance of the US dollar over the euro in foreign exchange transactions, international debt security markets, cross-border loans, foreign exchange reserves, trade invoicing, and bond issuances. To internationalize the euro, Mr. Pisani-Ferry proposed the following to European Union member countries: adopt pro-growth policies to expand the economic base, issue joint euro bonds and joint financial supervision to completely integrate financial markets, improve surveillance capacities to strengthen governance, and adopt a proactive stance towards “euroization.” ■

Read a more detailed summary of this event at [www.adbi.org/event/3391.pisani.ferry.distinguished.speaker/](http://www.adbi.org/event/3391.pisani.ferry.distinguished.speaker/).

## Conferences Give Comprehensive View of Implications of Global Financial Crisis for Asia

CONFERENCE

ADB/ADBI has organized a series of conferences related to the impacts of the global financial crisis on Asian economies aimed at providing policymakers, academics, and opinion-makers with comprehensive assessments of economic, financial, social, and environmental impacts, together with policy analyses and recommendations, both for short-term stabilization and for achievement of sustainable and inclusive long-term growth.

The most recent conferences included **Social and Environmental Impacts** (28–29 September) and **Financial Sector Regulation and Reform in Emerging Markets** (22–23 October), the latter of which was co-organized with the Brookings Institution in Washington, DC. An inception meeting was held at ADBI on 18 November for a book summarizing overall policy recommendations for achieving sustainable growth in Asia by encouraging domestic and regional demand in an environment where export growth to developed economies cannot be relied upon as an engine of growth.

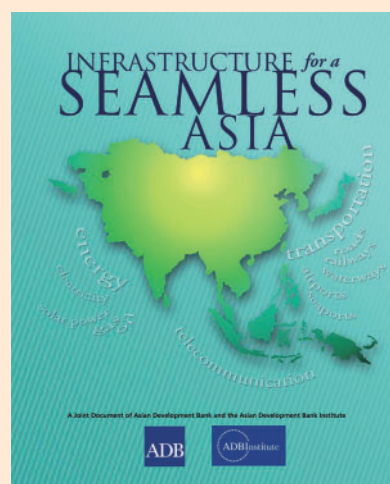
The September conference on social and environmental impacts, held in Hanoi, was a large-scale undertaking organized jointly with ADB, the Government of the People's Republic of China, the Government of Viet Nam, the ASEAN Secretariat,

and major development partners (i.e., Germany's BMZ, GTZ, and KfW; the UK's Department for International Development; International Labour Organisation; International Poverty Reduction Center in China; Japan International Cooperation Agency; United Nations Development Programme; World Health Organization; and World Bank). Nearly 300 representatives from governments, civil society, academia, and multilateral and bilateral development agencies discussed and shared country experiences, strategies, and responses. It included over 100 papers and presentations related to the impacts of the crisis, including topics covering employment, poverty, gender, mother and child health, migration, remittances, industry-specific impacts, environment, green growth, and fiscal policy implications.

The October conference on financial sector regulation and reform in emerging markets was co-sponsored with the Brookings Institution and brought together scholars and officials from around the world to discuss issues including macroprudential regulation, monetary policy frameworks, capital flows, capital adequacy rules, and micro-finance. ■

Read a more detailed summary about this conference series at [www.adbi.org/research.global.financial.crisis/](http://www.adbi.org/research.global.financial.crisis/).

ADB/ADBI's flagship book, *Infrastructure for a Seamless Asia*, addresses major challenges in developing regional infrastructure—both hard and soft—in Asia, specifically exploring the costs and benefits, financing requirements, and infrastructure priorities in the region. The study analyzes the European and Latin American experiences in assessing institutions, policies, and frameworks necessary to foster regional cooperation. In addition, this study evaluates existing regional infrastructure programs, policies, and institutions, and makes recommendations to meet these challenges, providing a framework for pan-Asian infrastructure cooperation. The key message of the book is that now is the time to forge ahead with the goal of integrating this vast and diverse region—to foster lasting prosperity for all its citizens—through the building of pan-Asian infrastructure connectivity.



To purchase this book (US\$45, soft cover), visit:

[www.adb.org/Documents/Books/Infrastructure-Seamless-Asia/default.asp](http://www.adb.org/Documents/Books/Infrastructure-Seamless-Asia/default.asp).

## Advisory Council Approves ADBI's 2010 Work Plan

ADVISORY COUNCIL



Standing (left to right): Andrew MacIntyre, Eric Girardin, ADBI Dean Masahiro Kawai, Jong-Wha Lee.  
Sitting (left to right): Masahiro Aoki, ADB President Haruhiko Kuroda, Victor H. Frank, Jr. Members not pictured are K. M. Chandrasekhar and Gang Fan.

A meeting of the Advisory Council occurred in ADB headquarters at the end of October, where Advisory Council members discussed ADBI's Three-Year Rolling Work Program.

The Advisory Council is an important group of senior scholars and practitioners selected from the member countries of ADB on a broad geographic basis. Their advice and recommendations are critical to ensuring that ADBI's work products and chosen projects are of the highest standards and relevance. Twice a year, ADBI's strategic directions and work programs are reviewed and commented upon by the council members.

The term of office for the members is two years and they may be reappointed at the end of their terms. By statute, meetings alternate between ADBI's premises in Tokyo and ADB's Manila headquarters. Chairpersons for the councils are selected by the members from among themselves at each of their meetings. October's meeting was chaired by Andrew MacIntyre, dean of the Australian National University's College of Asia and the Pacific.

In his welcome remarks, ADB President Kuroda said that ADBI has evolved into a powerful and useful research institute within Asia, which is greatly appreciated by the ADB board.

The Advisory Council members in attendance endorsed ADBI's Research and Capacity Building and Training departments' proposed work programs. The main points of discussion centered around ideas for online dissemination of research work and enhancement of the ADBI brand.

The members also supported ADBI Dean Kawai's strategic directions for the coming period, and broadly agreed with the outcomes of the research flagship study on infrastructure and regional cooperation as well as the thrust of the global financial crisis project.

ADBI was commended for the consistent quality of its work output, a close alignment with ADB's strategic framework, and an internally high level of program coherence. ■

Read a more detailed summary of this event at [www.adbi.org/key-docs/2009/12/10/3417.oct.2009.advisory.council.meeting/](http://www.adbi.org/key-docs/2009/12/10/3417.oct.2009.advisory.council.meeting/).

## Challenges in the Implementation of Competition Law

WORKSHOP

The **Regional Workshop on the Challenges in the Implementation of Competition Law** was jointly organized by ADBI, the ASEAN Secretariat, and the Department of Internal Trade of Thailand on 11–12 November in Bangkok. More than 50 middle-senior officials from competition or related agencies in ASEAN countries, PRC,



ADBIs director of Capacity Building and Training department, Worapot Manupitpong, speaking about competition law at the Bangkok workshop.

Mongolia, India, Pakistan, and Sri Lanka exchanged their views and experiences on advocacy, enforcement, drafting of competition law, and institutional capacity building with experts from US Federal Trade Commission, Japan Fair Trade Commission, Australian Competition and Consumer Commission, Office of Fair Trading (UK), and Bundeskartellamt (also known as the German Federal Cartel Office). The workshop found, among others things, that: (i) raising public awareness facilitates information gathering; (ii) combined financial and individual sanctions, backed by strong leniency policy, are effective in deterring future violation of competition law; and (iii) engaging and retaining the right talent, leveraging on technology, streamlining the process, and regular trainings are institutional requirements for effective competition enforcement. ■

See more details about this workshop at [www.adbi.org/event/3351.implementation.competition.law/](http://www.adbi.org/event/3351.implementation.competition.law/).

## Eco-Industrial Clusters

WORKSHOP

Eco-industrial clusters are defined as geographic concentrations of interconnected companies in a specialized field that cooperate with each other and with the local community to efficiently share resources. This cooperation leads to improved environmental quality, economic gains, and equitable enhancement of human resources.

The workshop on **Eco-industrial Clusters (EIC): Policies and Challenges** was held 8–11 December in Tokyo. More than 30 senior officials from 13 regional economies exchanged views and experiences on policy constraints and strategies to transform industrial clusters into eco-friendly economic zones. The workshop concluded that EICs offer significant opportunity for small- and medium-sized enterprises to achieve both environmental and economic competitiveness. EICs are creating greater value for industrial clusters by maximizing the use of resources through eco-efficiency approaches and the 3R policy—reduce, recycle, and reuse. With



The green value chains of EICs offer great opportunity for disinvested isolated communities to be connected to more vital national economy.

appropriate social, technological, and financial support, EICs can promote synergies among downstream and upstream businesses and foster sustainable development in the urban fringe areas. ■

See more details about this workshop at [www.adbi.org/event/3358.regional.workshop.ecoindustrial.clusters/](http://www.adbi.org/event/3358.regional.workshop.ecoindustrial.clusters/).

## 2009 Research Policy Briefs

### *Unregulated Entities, Products, and Markets: Challenges for Monitoring and Regulation*

Author: Peter Morgan

This policy brief examines hedge funds, private equity funds, and innovative financial products, particularly collateralized debt obligations and asset-backed securities, including their overall structure, their role in the development of the current global financial crisis, and what changes are needed in the global financial architecture related to these institutions and products to strengthen financial stability going forward.

Read Research Policy Brief 30 at [www.adbi.org/research-policy-brief/2009/08/12/3260.unregulated.entities.products.markets/](http://www.adbi.org/research-policy-brief/2009/08/12/3260.unregulated.entities.products.markets/).



### *The Global Economic Crisis and Rebalancing Growth in East Asia*

Author: Yung Chul Park

Asia has staged an impressive turnaround in 2009, but it is unclear whether the recovery can be self-sustaining even if the US and Europe fail to pull themselves out of the current recession. This policy brief discusses the impact of the global financial crisis on emerging Asia and seeks to articulate the rationale behind the policy changes and reform necessary to return East Asia to the path of pre-crisis growth.

Read Research Policy Brief 31 at [www.adbi.org/research-policy-brief/2009/12/15/3420.global.economic.crisis.east.asia/](http://www.adbi.org/research-policy-brief/2009/12/15/3420.global.economic.crisis.east.asia/).

### *The Global Financial Crisis and Macroeconomic Policy Issues in Asia*

Author: Shinji Takagi

Responding to the severe negative impact of the recent global financial crisis, many Asian economies resorted to substantial easing of macroeconomic policies. This policy brief reviews the principal policy measures implemented, examines the issues that have emerged from this extraordinary experience, and concludes with a forward-looking discussion of medium- to longer-term measures to improve the effectiveness of macroeconomic policies and to make the world and the region a safer place.

Read Research Policy Brief 32 at <http://www.adbi.org/research-policy-brief/2009/12/18/3423.gfc.macro.economic.policy.issues.asia/>.

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## Selected Upcoming Events

19 January	<p><b>Global Financial and Economic Crisis: Fiscal Policy Issues after the Crisis (Tokyo)</b></p> <p>The purpose of this conference is to present drafts on the implications of the post-crisis environment for fiscal policy issues in Asia. Participants will be members of the core study group, other resource persons to comment on the reports, and high-level officials of ASEAN+3's finance ministries and central banks, multilateral agencies, and academics.</p>
21 January	<p><b>A Perspective of the Asian Financial Sector under the Global Financial Crisis (Tokyo)</b></p> <p>The purpose of this conference is to present the final drafts of the papers on the implications of the global financial crisis for financial institutions in Asia.</p>
4 February	<p><b>Regionalism and Reform of the Global Monetary and Financial System: What Role for the European Union and East Asia? (Brussels)</b></p> <p>The conference will analyze the future of global and regional monetary arrangements, consider global and regional financial frameworks for balance of payments adjustments, and discuss some specific proposals for reforming regional financial regulation and supervision. The participants of this conference will consist of internationally known academics, senior policymakers from European and Asian countries, and representatives from international private financial institutions and non-government organizations.</p>

View all upcoming events at [www.adbi.org/calendarofevents](http://www.adbi.org/calendarofevents).

## Recent Working Papers\*

\*The ADBI *Working Paper* series is a continuation of the formerly named *Discussion Paper* series; the numbering of the papers has continued without interruption or change.

### *An Empirical Analysis of East Asian Computer Exports*

Author: Willem Thorbecke

For the last 15 years, computers have been the leading export category from East Asia to the rest of the world. A new study reveals that if global growth remains slow, computer exports may no longer remain an engine of growth unless demand for final goods in the region increases.

Read Working Paper 160 at [www.adbi.org/working-paper/2009/11/06/3362.analysis.east.asian.computer.exports/](http://www.adbi.org/working-paper/2009/11/06/3362.analysis.east.asian.computer.exports/).

### *An Empirical Analysis of ASEAN's Labor-Intensive Exports*

Author: Willem Thorbecke

Results of this study indicate that profit margins for labor-intensive manufactures are thin and that slow growth abroad will curtail ASEAN's exports. These findings imply that policymakers should seek to promote domestic demand, expand the technological base, and consider exchange rate coordination to mitigate "beggar-thy-neighbor" policies.

Read Working Paper 166 at [www.adbi.org/working-paper/2009/11/20/3369.empirical.analysis.asean.labor.export/](http://www.adbi.org/working-paper/2009/11/20/3369.empirical.analysis.asean.labor.export/).

### *Political Economy of East Asian Regional Integration and Cooperation*

Author: Saori N. Katada

This paper focuses on the political factors that have thus far shaped the institutional form of East Asian regional trade and financial cooperation and argues that economic institutions established through the cooperation efforts of the last ten years fall far short of overcoming unexpected political tensions in the region.

Read Working Paper 170 at [www.adbi.org/working-paper/2009/12/01/3390.political.economy.east.asia/](http://www.adbi.org/working-paper/2009/12/01/3390.political.economy.east.asia/).

### *The Role and Effectiveness of Unconventional Monetary Policy*

Author: Peter Morgan

This paper reviews the effectiveness of unconventional monetary policies and their relevance for emerging markets. Such policies may be useful either when interbank rates fall to zero, or when a credit crunch or rise in risk premium impairs the normal transmission mechanism of monetary policy.

Read Working Paper 163 at [www.adbi.org/working-paper/2009/11/11/3366.role.unconventional.monetary.policy/](http://www.adbi.org/working-paper/2009/11/11/3366.role.unconventional.monetary.policy/).

### *Reform of the International Financial Architecture: An Asian Perspective*

Author: Masahiro Kawai

It has taken two crises—the Asian financial crisis of 1997–1998 and the global financial crisis of 2007–2009—for the international community to focus on international financial architecture reform for crisis prevention, management, and resolution. This paper argues that the current architecture is not adequate for the needs of many emerging market economies.

Read Working Paper 167 at [www.adbi.org/working-paper/2009/11/24/3370.reform.international.financial.architecture/](http://www.adbi.org/working-paper/2009/11/24/3370.reform.international.financial.architecture/).

### *Origin and Beyond: Trade Facilitation Disaster or Trade Facilitation Opportunity?*

Authors: Brian Rankin Staples and Jeremy Harris

The information required for the international sale and movement of goods, taking advantage of preferential tariffs, and complying with the vast array of environmental, security, and consumer safety requirements is significant. The authors explore mechanisms for reducing barriers imposed by rules of origin through effective trade facilitation efforts, and argue that the key is information management.

Read Working Paper 171 at [www.adbi.org/working-paper/2009/12/03/3392.origin.trade.facilitation.disaster.opportunity/](http://www.adbi.org/working-paper/2009/12/03/3392.origin.trade.facilitation.disaster.opportunity/).

## Development Journalists Tackle Financial Crisis and Climate Change

Imelda Abano from the Philippines won ADBI's 2009 Development Journalist of the Year Award, while Supriya Khandekar from India was awarded Young Development Journalist of the Year at ADBI's **Developing Asia Journalism Awards and Training** event, 20–23 October in Tokyo.

In addition, there were twelve prizes for the following thematic categories: (i) poverty impact

of the global financial crisis, (ii) government responses to the global financial crisis, (iii) infrastructure development, and (iv) climate change adaptation.

A distinguished panel of four independent judges chose 22 finalists from over 200 entries submitted for consideration. The finalists attended a four-day training workshop program in

Tokyo that was organized by ADBI in cooperation with the International Institute for Journalism of InWent-Capacity Building International, Germany. The workshop provided the finalists the opportunity to discuss and debate the above four issues and their latest development with leading experts.

The growing interest in the DAJA program demonstrates the importance of promoting excellence in journalistic reporting as a key factor for inclusive and sustainable growth, as well as good governance. ■

Find more details about the awards and training at [www.adbi.org/event/3263.daja.awards.2009/](http://www.adbi.org/event/3263.daja.awards.2009/).



The Developing Asia Journalism Awards gave participants and attendees something to write home about.

### ● ADBI News

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- Register for **free e-mail alerts** when new material is posted on our website. [www.adbi.org/email.notification/register.php](http://www.adbi.org/email.notification/register.php)