



**Asia's Contribution to Global Development and Stability
Closing Remarks
by
Haruhiko Kuroda
President, ADB**

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Distinguished guests, ladies and gentlemen. Good afternoon.

Given the current turbulent times, it is fitting that today's ADBI Annual Conference has focused on Asia's contribution to global economic development and stability. Recent data on economic activities point to the increasing likelihood of a significant global economic slowdown, adversely affecting Asian economies. In developing Asia, where 600 million people survive on \$1 a day or less, any tempering of growth is a serious cause for concern, as these individuals are particularly vulnerable to economic and financial shocks.

According to the updated forecast by the International Monetary Fund released in early November, world economic growth is projected to slow to 2.2% in 2009, from 5.0% recorded in 2007. Nonetheless, emerging Asia is expected to grow at a healthy rate of 7.1% in 2009. This is, of course, well below the level achieved in 2007, i.e., 10%, but it is still remarkably high. Thus, as the world economy faces the monumental global financial crisis and real economic slowdown, many are looking to Asia to take up a leading role in the recovery process. Indeed, individual nations in the region have thus far responded to this crisis with level-headed, pragmatic measures. However, even in light of such composure, any decline in global growth will inevitably affect the region, postponing relief to those most vulnerable.

This conference has taken up three crucial issues for long-term economic development: first, financial and food market stability; second, trade, investment and growth; and third, social and environmental sustainability. These are primary, long-term concerns of fundamental importance to the region's development and are within ADB's new *Strategy 2020* adopted this April. I believe that in the process of addressing these issues, Asia will be able to significantly contribute to global stability and development.

While most economies of the region are far more stable now than when the 1997-98 financial crisis hit, plunging equity prices and shrinking credit markets imply tough times ahead for Asian economies. As we've heard today, Asia needs to take the lead in developing its own financial markets and to facilitate greater regional financial integration. The research presented shows that promoting financial integration will support and extend trade and investment links within the region. This stronger Asian

financial and economic integration will benefit the world system by ensuring financial stability, and expanding trade and investment.

The current global financial crisis has taken the attention of policymakers, who earlier this year, were concerned with rising food and commodity prices. While these price trends have continued to be high, they have been arrested by the flight of speculative capital from commodity markets and the slowdown of the global economy, their fundamental causes are still at play. Long-term supply shortages, demand growth in Asia, and policies in some OECD countries, the US and EU to subsidize domestic biofuels, all contributed to the rapid rise in food prices seen earlier. While price increases are no longer a concern in many Asian economies, in some countries, elevated food prices will likely add significant burden on the poor as a slowing economy depresses potential income growth.

The way forward is to be found in improvements in farm productivity that raises output while lowering consumer prices. Higher productivity is likely to be much more important for long-run food security than other policy measures. New technologies to help farmers adapt to the changing conditions of hotter, drier, and more volatile weather as well as scarcer water supplies, will also be needed to ensure long-term supply. The temptation to engage in protectionist measures, such as closing markets to imports, should be avoided. Asian leadership in the WTO process to ensure open markets is in the region's best interest not only because Asia is importing more food, but also because boosting agricultural trade enlarges markets and reduces price volatility.

However, this engagement in the WTO process is facing increasing threats. A looming drop in world trade could set developing countries back, erasing many years of gains. The financial crisis has already affected trade and that, in combination with the fact that many low-income countries have already been weakened by high food and fuel prices for the last year, provides little landing room for countries on a downward trajectory.

Through stronger regional integration, Asia and the Pacific can maintain high economic growth, removing the threat of protectionism and discriminatory practices. As today's discussion has clarified, regionalism can be a strong source of growth for Asia, as well as acting as a stepping stone to multilateralism. For instance, the South Asia free trade agreement has allowed India and Pakistan to reduce tariffs to between 0% and 5% within seven years, with other members following within ten years. Southeast Asian economies are now heading toward the creation of an ASEAN Economic Community (AEC) by 2015, going beyond its current free trade agreement, ASEAN Free Trade Area (AFTA).

Asia can strive for greater global stability and development through existing and new regional financial mechanisms, in close coordination with global multilateral arrangements. An expanded, multilateral Chiang Mai Initiative with an enhanced Economic Review and Policy Dialogue process can provide financial cushion for many economies in need of international liquidity at this turbulent time and beyond. The Asian Bond Markets Initiative can play a key role in intermediating Asian savings for Asian investment, filling the void brought about by the global financial and economic crisis. The creation of an "Asian Financial Stability Dialogue"—including finance ministers, central banks, and other financial regulators and supervisors—could provide the basis for a coordinated effort to address this financial crisis. It could also form the basis through which to face future problems that may threaten regional financial stability.

Now is the time for coordinated action to maintain regional stability and confidence. Developing Asia needs to take appropriate fiscal and monetary responses to address the downturn. And shrinking access to private capital means that it is more important than ever for multilateral development banks, such as the Asian Development Bank, to step in and ensure that developing member countries have sufficient financial resources for their financial stability and priority development expenditures. ADB will take a leading role in providing funds so that regional governments can continue their fight against poverty. And in order to fulfill this role, ADB must substantially increase its capital at the earliest time.

While quick and decisive action is needed to address current concerns, long-term prospects must not be lost sight of. Promoting economic growth as a strategy for immediate poverty concerns is important, but growth can also bring inequality that may become more serious if governments are not careful to monitor challenges. As was argued today, long-term stable development requires continued investments in science and technology, in conjunction with a transparent and reliable public sector to ensure inclusive growth.

Another long-term issue that should not be lost sight of in the current climate is the continued challenge from potential environmental degradation. Clean water, energy, and land use changes all remain vital concerns for Asia. Today's work reminds us that we need both mitigation efforts to reduce greenhouse gases and adaptation strategies to prepare society for the impacts of climate change from past activities. Particularly vulnerable areas include agricultural production, infrastructure—especially in coastal zones—water supply and treatment systems, energy supply, and public health. As was pointed out, a one meter rise in sea level, for example, will mean the loss of nearly 21% of land in Bangladesh and 17% in Viet Nam. These risks may even be extended as governments rush to address the current economic crisis, at the possible expense of these longer term issues.

Asia can show leadership by pursuing stable, inclusive, and sustainable economic growth, thereby achieving long-term economic development. As today's deliberations have reflected, it contributes to the welfare of society at large by not only raising incomes and reducing poverty but also by allowing deployment of adequate fiscal resources for improvements in health conditions and ecosystems. Asia can strengthen its social capital by improving coping mechanisms needed to ensure safety, security, and well-being. This will help reduce vulnerabilities to outside influences such as economic and financial shocks and climate change. It is important for Asia to take a holistic view of economic growth and development.

Let me close this conference by reminding everyone that Asia contributes to a stable world by adopting development strategies that promote regional cooperation while achieving inclusive and sustainable growth. And it must do so amid the challenging global economic turbulence including the current financial crisis. This conference has provided great insight and vision as to how to achieve these goals. Asia must chart a course that will allow for a more interdependent and coordinated global economy so the region can grow in a robust and globally responsible manner.

Thank you.