



## Asia's Contribution to Global Development and Stability

Welcome Remarks  
by  
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Dr. Jean Pisani-Ferry, distinguished guests, ladies and gentlemen. Good morning.

I would like to welcome you all to the Asian Development Bank Institute's Annual Conference 2008. This year we are examining the role of Asia in contributing to global economic development and stability. This is an especially pressing issue given the ongoing global financial and economic crisis.

We are currently facing what many are calling the worst financial and economic crisis since the Great Depression. Over the past few months we have witnessed major financial institutions in the west failing, unprecedented government interventions, and widespread forecasts of a world wide recession. Asia's role in helping promote global stability and growth has never been more important.

Tighter liquidity and credit conditions, shrinking export markets, and increased pressure on government finance are combining to recast the anticipated world economic environment for 2009. While there is debate as to the extent this crisis will impact Asia's economic growth, there is little doubt the region has been and will be affected. The rapid

expansion of Asia's intraregional trade—driven largely by trade in parts and components within regional production networks—has been supported by the region's exports of finished manufactured products to world markets. Now that these markets are contracting, Asia is losing one of its growth engines, that is, export growth. But emerging Asia still maintains the highest growth rate in the world—it is projected by the IMF to be 7.1% in 2009. Although this projection may be revised downward, Asia's fundamental resiliency gives us some hope for the global economy.

Asia has taken decisive steps to minimize the adverse impact of the global financial and economic crisis. China, India, Japan, Korea, and others have cut their benchmark interest rates; China, Japan, and Korea have announced fiscal support packages; Hong Kong, Malaysia, and Singapore have guaranteed the repayment of bank deposits; and Indonesia and the Philippines have started preliminary discussions with international financial institutions for precautionary financial arrangements to stabilize their economies. ASEAN+3 (ten ASEAN countries plus China, Japan, and Korea) finance ministers have been exploring ways and means to strengthen financial sector monitoring and the Chiang Mai initiative—particularly its multilateralization and size increase. Asia is making efforts to maintain its financial stability and growth amid the global financial and economic crisis.

Thus the question of Asia's ability and willingness to contribute to global financial stability and economic development is pivotal. Today's conference will examine this issue from three perspectives. The first session will focus on the role of Asia in this current financial and economic crisis, as well as the crisis that was facing the region earlier this year—that is, rising food and commodity prices. As energy, food, and other

commodity prices are expected to rise in the medium to long run, Asia's efforts at conserving energy use and raising agricultural productivity are essential.

The second session turns to Asia's role in the world trading system. In a global economic downturn, fears of protectionism grow. The desire to look inward for solutions is often tempting but counterproductive. Asia must show the way for a continued open, transparent trading system. This leadership role needs to come from both within and outside the region.

Over the last several years, many Asian economies have pursued a strategy of forging free trade agreements (FTAs) or economic partnership agreements (EPAs) with economies in the region and the rest of the world. ASEAN has established, or is establishing, a series of ASEAN+1 FTAs with China, Japan, Korea, India, Australia, and New Zealand. Some of these "plus" countries are also negotiating bilateral FTAs and/or EPAs among themselves. ASEAN's initiatives can provide a basis for consolidating these overlapping FTAs into a single, East Asia-wide FTA whether it is among ASEAN+3 countries or among ASEAN+6 countries (further including India, Australia, and New Zealand). Asian economies have also been working with countries outside the region to form FTAs and/or EPAs, such as those in North and Latin America and Europe. This has preserved Asia's outward orientation, and Asia's regional trade agreements have never been at the expense of the global system. It is in such turbulent economic times that Asia needs to demonstrate its commitment to the maintenance of an open global trading system for its own sake. Asia's strong support for the WTO Doha round can help stem the protectionist tide that could potentially arise in North America and Europe. This commitment is in Asia's best interest.

The third session examines the role of Asia in providing global and regional public goods. By maintaining policies that promote growth in a socially inclusive manner, Asia reduces the stresses and risks of social disintegration that can accompany economic slowdowns such as the one the world is currently experiencing. It is also in such times that governments often lose their commitment to fundamental development issues which are often postponed in the face of more immediate concerns. Asia must, by example, not let the immediate supplant the fundamental. This is especially true of environmental concerns where Asia's contribution to both regional and global public goods is crucial. Without Asia's continued dedication to the goals of clean water, clean energy, and greenhouse gas reduction, the world will be missing a leading player.

Finally, we will conduct a panel session where our eminent guests will provide their views on a way forward. Being such a diverse region, including both the richest and the poorest countries in the world, Asia is in a unique position to contribute solutions on how developed and developing countries can work together to face the major challenges of the 21<sup>st</sup> century. If this current financial crisis has taught us anything, it is that the events of this world—economic and otherwise—will affect us all. Only together can we hope to arrive at effective solutions for maintaining a healthy global economy that provides stability, growth and prosperity.

I thank you for your attention and look forward to a fruitful day of discussions.