



**Seminar
Institutions for Integration: Toward an Asian Economic
Community
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Asian Development Bank Institute, Tokyo, Japan

**Opening Remarks and Introduction
by
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I. Introduction

Distinguished guests and colleagues, ladies and gentlemen.

It is an honor for me to start this seminar today and introduce to this very distinguished audience the topic of the third ADB flagship study: *Institutions for Integration: Toward an Asian Economic Community*.

Let me thank all the participants and speakers at today's seminar for making time available to come to ADBI and share their views and wisdom to help us finalize this study. Having been involved in this flagship study as a co-chair of the Steering Committee for the study, I—together with the ADB team—am keen to hear your views and perspectives on how the region could shape an institutional architecture conducive to creating an Asian economic community.

Although we are not yet sure in what form this community will materialize in the future, the view of a closely integrated Asia is shared by a large number of political leaders in Asia today, including those from China, India, Japan, Korea, and the Association of

Southeast Asian Nations (ASEAN). ASEAN stands out in that it has formed a free trade area and has set the year 2015 as a target to forge an ASEAN Economic Community.

II. Asia's institutions for integration

Discussing what institutions for regional integration are best suited for Asia is an issue that cannot be timelier. The policy responses provided by Asian authorities to the global financial meltdown and ensuing global recession helped our region—especially our emerging economies—lead the global recovery. Also, the rise of the G20 as the steering committee of the world economy has given Asia an increased opportunity to play a more prominent role for affecting change in the global economic architecture.

To be effective, Asia needs stronger institutions for regional cooperation to promote collective action and economic integration. The objectives of Asian institutions are to: internalize the many spillovers generated by closer regional economic interdependence; provide new regional public goods; and allow Asia to have a stronger voice in global forums and institutions.

The aim of this seminar is to get feedback from a distinguished audience of Japanese and other international experts on this study. The team of the ADB's Office of Regional Economic Integration—who are coordinating the study—already visited North America and Europe in June to hear their views, and I also joined these seminars. Tokyo is the second seminar in Asia after Beijing, and before Delhi and Jakarta. The study will be completed by early September, so the comments and advice received today will greatly help improve this study and finalize its policy recommendations.

III. A rationale for Asia's integration and the road ahead

In addition to managing spillovers, providing regional public goods, and exercising influence in global forums, closer regional economic integration is also important to add value to national policymaking.

Collective action is needed both in bad times (to address crisis contagion and negative spillovers) and in good times (to make the most of increased intraregional trade and investment). Regional authorities need to manage externalities and provide public

goods—for example, for climate change mitigation and adaptation, disease prevention, disaster preparation and response, and financial stability.

Closer regional cooperation will also help Asia speak with one voice on key issues in global institutions such as the International Monetary Fund, the World Trade Organization, and the newly established Financial Stability Board and forums like the G20. And regional cooperation can greatly add value to national policymaking through information sharing, learning from regional neighbors, and peer pressure to increase efficiency.

As ADB President Kuroda frequently says, Asia needs to think globally, cooperate regionally, and act nationally.

While Asia has come a long way since the 1997–1998 financial crisis through the creation of ASEAN+3 and other groups, regional cooperation still has a long way to go before an Asian economic community can be established. As this study explains, Asia is facing twin challenges. One is to extend the benefits of integration beyond production networks, by embracing services, financial flows, labor mobility, and infrastructure connectivity. We also need to bring economic integration beyond East Asia to cover South Asia, Central Asia, and the Pacific islands as well.

In the area of monetary and financial cooperation, for example, East Asian authorities have made a major step forward with the formal multilateralization of the Chiang Mai Initiative last March. Introducing a similar short-term liquidity support in South Asia and Central Asia will certainly take time, but discussions are starting here and there in the region. And much more needs to be done in the area of exchange rate policy coordination.

We must ensure that Asia's economic growth is not only high and stable, but also both sustainable and inclusive. This is one of ADB's mantras, which involves issues ranging from global payments imbalances to national development priorities, such as boosting domestic demand as an engine of growth and easing income disparities between urban and rural households.

IV. Why a study on regional institutions?

As explained in *Emerging Asian Regionalism: A Partnership for Shared Prosperity*—the first flagship study on regional integration prepared by ADB in 2008—Asia’s rapid economic integration has been driven mostly by market forces. The process of Asian economic integration has been marked by what we call “variable geometry”—or multi-track and multi-speed—to account for the huge differences across Asian economies in terms of economic, social, and political development.

Asia remains institution-lite in the sense that regional organizations have not played a major role thus far. But the region has reached a stage of economic integration where dialogue and cooperation within a stronger institutional framework are needed to promote further growth on a sustainable basis. One example is the creation of a Pan-Asian Infrastructure Forum to facilitate the development of regional infrastructure and extend the benefits of economic growth from the regional centers to the peripheries, as was suggested by our second flagship study on regional integration—i.e., *Infrastructure for a Seamless Asia* published by ADB and ADBI in 2009.

An appropriate institutional structure is therefore needed to enhance the effectiveness of regional cooperation and promote economic integration. As we look into the future, strong institutions will be indispensable for shaping an Asian economic community. National agencies, in particular, need to be ready to empower regional organizations with stronger mandates and to delegate more powers to them.

V. The ADBI Seminar

Today’s seminar is organized into three parts. After my introduction, we will invite Ambassador Rodolfo Severino, former ASEAN Secretary General and one of the study’s external advisory and review board members, to give us a keynote address on Asian integration. Secondly, we will hear about the main findings of the study and its policy recommendations from Srinivasa Madhur, Senior Director of ADB’s Office of Regional Economic Integration.

Thirdly, after a coffee break we’ll invite Mr. Henry Tricks, the Tokyo Bureau Chief of The Economist magazine, to moderate a panel discussion on the study. We have four distinguished speakers in the panel: (i) Professor Yoshiko Kojo from the University of Tokyo; (ii) Mr. Takehiko Nakao, Director General of the International Bureau of the

Japanese Ministry of Finance; (iii) Mr. Yukio Tada, President of the Sojitz Research Institute; and (iv) Ambassador Aftab Seth, Chairman of the Japan-India Partnership Forum. I will also have great pleasure in participating in the panel discussion.

And now, without much further ado, let me invite Ambassador Severino to give his keynote address.