

**SINGAPORE\***  
**LIM HNG KIANG, Governor**

On behalf of the Singapore delegation, I would like to express my deepest appreciation to the Governor and people of Hawaii for the warm hospitality extended to the delegates of the 34<sup>th</sup> Annual Meeting of the Asian Development Bank (ADB) during our short stay on this beautiful island.

**Global Economic Prospects**

The global economy is headed for a significant slowdown this year, after recording one of the fastest growth rates in the past two decades. Downside risks for the United States (US) economy have increased, with weak corporate performances precipitating steep corrections in the stock market. Macroeconomic conditions in Japan remain fragile, aggravated by structural weaknesses in the banking and corporate sectors. In Europe, leading indicators of economic activity are pointing toward slower growth ahead.

The pessimistic global outlook for 2001 is compounded by a synchronous downturn in the global electronics cycle. Worldwide semiconductor sales have slowed rapidly, from a growth of 22 percent in December 2000 to 5.8 percent in February 2001 due to inventory overhang and weak end-product demand. This has prompted industry analysts to successively downgrade their growth forecasts of global semiconductor shipments for 2001, with some projecting a sharp contraction.

Growth prospects for Asian economies have been dampened, given the region's high exposure to the weakening US market and the electronics industry. Countries most exposed to the US and electronics sector have already seen a sharp slowdown in exports. This will have significant knock-on effects on domestic demand, given the region's reliance on external demand.

The current situation, however, is unlikely to be a repeat of the 1997/98 financial crisis. The conditions today are far different from those of 1997. Over the last two years, the regional countries have made strides in improving their external positions and reducing their exposure to foreign loans. In the financial sector, nonperforming loan ratios have declined and banking system balance sheets have improved considerably. Overall, the region is much less vulnerable than before, and is in a stronger position to absorb the external shocks and ride through the imminent slowdown.

**Focus on Structural Reforms**

Concerns over the cyclical downturn should not divert attention away from the importance of pushing ahead with structural reforms. While significant progress has been achieved in financial and corporate sector restructuring, these reforms are far from complete. Social vulnerability also remains a pressing issue for Asian policymakers.

According to recent World Bank estimates, nearly half the population in East Asia lives on less than \$2 per day.

To ensure competitiveness in the world market, Asian governments need to upgrade the quality of education and invest in science and technology capabilities. Asia is relatively well endowed with strong fundamentals. With a literate population and diligent workforce, Asia should be able to effectively absorb and utilize new technologies. By building on these strengths, the region can move forward and strive toward continued growth and dynamism.

Continued progress in structural reforms and capability building will have an immediate impact on restoring market confidence in the region during this period of uncertainty. More importantly, it will lay the foundation for sustained and more resilient long-term growth in Asia.

### **ADB's Continuing Efforts to Sustain Growth and Eradicate Poverty**

ADB is uniquely positioned as the only multilateral development bank in Asia and the Pacific with a regional focus. Given its knowledge and experience in the region, ADB has and will continue to play an important role in sustaining growth and eradicating poverty in Asia.

In particular, I would like to commend ADB's efforts in implementing its long-term strategic framework, which seeks to reduce poverty in the region through three core areas of sustainable economic growth, inclusive social development, and effective governance. With its expertise, I am confident that ADB will be able to help formulate effective strategies and programs to address the specific needs of individual countries. These are critical steps to bring us closer to our long-term target of halving the proportion of people living in extreme poverty by 2015.

I am also encouraged by ADB's progress in promoting the role of the private sector as the engine of growth in Asia. Following the launch of its Private Sector Development Strategy in March 2000, ADB has taken steps to catalyze private investments through the acceleration of project development financing and the use of cofinancing and guarantee instruments to mitigate perceived risks. These measures will have a real impact on stimulating economic activities in the region.

### **Conclusion**

Asia is coming under renewed stress. But Asia is better positioned than in the past to absorb and ride out the shocks. Macroeconomic vulnerabilities that were at the root of the crisis have been reduced. Significant progress has also been made in financial and corporate restructuring. Continued commitment and progress in structural reform programs will help restore investor confidence and enable the region to regain its attractiveness as a dynamic and vibrant location for business activities.

In closing, I would like to thank the management and staff of ADB for the excellent arrangements made for the meeting. I would also like to congratulate ADB on its accomplishments in the past year and I wish it every success in the years ahead.

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\* Statement circulated but not delivered