

TAIPEI, CHINA
FAI-NAN PERNG, Governor

On behalf of my delegation, I would like to thank the government and people of the United States for hosting the 34th Annual Meeting in the beautiful city of Honolulu. The choice of venue for the annual meeting of the Asian Development Bank (ADB), at a hub of cultural exchanges between the East and the West, takes on an international significance. I also wish to express my admiration for the work that President Chino and his colleagues have undertaken, and I join them in welcoming Turkmenistan as the 59th member of ADB.

Despite the tremendous economic achievements of Asia, one fourth of the region's population still live in extreme poverty. Since President Chino took office, ADB has made poverty reduction its overarching goal. To this end, a long-term plan for the next 15 years was launched last March. This plan consists of three core areas: sustainable economic growth, inclusive social development, and governance for effective policies and institutions, which are complemented by three crosscutting themes: promoting the role of the private sector in development, supporting regional cooperation and integration for development, and addressing environmental sustainability. These are the very goals that my country has been striving for with positive results and extensive experiences. I believe that, under the able leadership of President Chino, ADB can continue to steer a course for sustainable growth and prosperity for Asia.

I would like to take the opportunity to brief you on our recent economic performance. During the first half of last year, our economy expanded rapidly. However, growth moderated in the fourth quarter. The major factor behind this development was the global economic downturn. Last year, GDP expanded 6 percent and the consumer price index (CPI) went up only 1.3 percent. GDP growth is expected to moderate to around 5 percent, due to weak external demand and slow investment. The CPI is projected to edge up 1.6 percent this year.

Given that underlying cost and price pressures remained subdued, we have adopted an easy monetary policy to foster economic growth. Since the end of last year, the rediscount rate has been reduced on five occasions, to a record low of 4 percent. Both long-term and short-term interest rates have come down accordingly. Money stock M2 stayed within the target range throughout last year and in the first quarter of this year.

Our balance-of-payments position has been in good shape. Both the current account balance and the overall balance have shown sustained surplus. Last year, the current account surplus amounted to \$9.3 billion and the overall balance posted a surplus of \$2.5 billion. As a result, our foreign exchange reserves have been building up and our external public debts have been negligible.

On the supply side, the driving forces behind our economy are capital accumulation and total factor productivity. Their respective contributions of 39.5 percent and 49.2 percent to economic growth during the period from 1987 to 1999 translated into profound changes in the economic structure. The share of heavy industrial and technology-intensive products relative to total manufacturing output went up from 65.8 percent to 81.8 percent between 1990 and 2000. The export structure also shifted during the same period. High-tech exports leaped from 26.7 percent to 42.4 percent of total exports, while low-tech products dropped from 34.7 percent to 14.3 percent.

A sustained current account surplus, low-inflation environment, sound government policy, quality human resources, and cutting-edge technology explain our sustainable economic growth. In the future, we will continue to develop Taipei,China* into a knowledge-based economy to maintain international competitiveness. On the financial front, we have also initiated a series of financial reforms. The Financial Institution Merger Act came into effect at the end of last year, which laid a solid foundation for financial restructuring by introducing mergers and acquisitions, asset management companies, and other mechanisms. Asset management companies are expected to begin operation in the near future to help clear up bad assets of financial institutions. The Financial Holding Company Act and the Financial Supervision Agency Act have both been submitted to the congress for approval with an aim to promote sound financial development.

Our economy is closely linked to the rest of Asia. Our external trade with neighbors in the region added up to \$155.2 billion last year, showing a significant increase of 29.5 percent from 1999. Exports to Asia made up \$76.7 billion, or 51.7 percent of total exports, while imports from Asia came to \$78.5 billion, or 56.1 percent of total imports. Asia also accounts for the bulk of our overseas investment. By the end of last year, our direct investment in the region reached \$90 billion. Portfolio investment and credit extended to Asia by our banks was over \$21 billion. We also invested in and provided revolving credit facility to the Asian Finance and Investment Corporation (AFIC). After the Asian financial crisis broke out, we actively participated in ADB's cofinancing programs and foreign banks' syndicated loans.

Over the years, ADB has raised about \$800 million from our bond market. The information and technology revolution in the 1990s has brought remarkable changes around the world. Information and communication technology provides an efficient and convenient access through which financial information and transactions take place swiftly and intensively. However, high-flying capital movement can trigger panic and contagion effects, thereby dismantling the international financial architecture. This was one of the crucial factors behind the Asian financial crisis. Over the last three years, efforts from both the governments and the people of the Asian countries have contributed to a robust recovery. International capital has gradually returned to the region. However, we should not forget the valuable lesson learned from the crisis, that rapid movement of short-term capital can cause sudden financial reversals and jeopardize the regional economy.

The Asian financial crisis highlighted the importance of international cooperation in achieving regional financial stability. Since the outbreak of the crisis, many ideas have been put forward. However, recent changes in the international economic conditions overshadow the Asian countries and may hinder the ongoing reforms. Since the fourth quarter of last year, the United States and other major economies have experienced a slowdown, asset prices kept on declining, and the Japanese yen remained weak. At this juncture, the Asian countries should cast aside political differences and endeavor to prevent regional crises. We fully support the establishment of a multinational surveillance mechanism, which will help each nation adopt sound macroeconomic and financial policy. We would also like to suggest that ADB take a more active role in initiating general arrangements to borrow among its member countries. In a contingency, such a facility can provide timely help to countries in need and can therefore prevent crisis from escalating.

Before closing, I would like to reiterate the fact that Taipei,China* is a founding member of ADB. My country has fully carried out its membership responsibilities. Furthermore, we have contributed to ADF VIII at a time when our budget is very tight owing to the earthquake reconstruction project. My delegation continues to protest against the unilateral alteration of our membership designation. I would also like to call on member countries to respect each other concerning the equal opportunities of hosting meetings and workshops of ADB. Finally, may I wish the meeting every success and good health to you all.

* Changed by Meeting Secretariat.