

## Brief Report on the Outcome of the Governors' Seminar on "A Roadmap for Asia's Economic Cooperation and Integration"

On the occasion of the 38<sup>th</sup> Annual Meeting of the Board of Governors in Istanbul, Turkey, ADB organized a Governors' Seminar on "A Roadmap for Asia's Economic Cooperation and Integration". This was the second consecutive year that a public forum was held at which members of the Board of Governors were invited to share their insights into topics of vital interest to Asia's development. The main speakers at this year's seminar were Governor for Japan at ADB and Japan's Minister of Finance, Mr. Sadakazu Tanigaki, the Alternate Governor for India, Mr. Rakesh Mohan, the Governor for Denmark, Mr. Ole Moesby, and the Alternate Governor for Canada, Mr. Alister Smith. President Kuroda delivered the opening remarks and Vice President Liqun Jin moderated the session.

In his opening remarks, President Kuroda noted that economies that are more market-oriented and integrated with the outside world are more likely to achieve sustained high rates of growth and poverty reduction. Asian countries' recent efforts at greater economic cooperation and integration can be seen as a stepping stone to their integration with the rest of the world. Various schemes have materialized, including free trade agreements (FTAs); initiatives to develop cross-border infrastructure, trade facilitation measures and increased connectivity among markets; and the arrangements for monetary and financial cooperation especially in East Asia have been developed. Most of these initiatives have been at the sub-regional level, but more recently, initial signs of cooperation and integration across sub-regions have also emerged.

President Kuroda added that, at the request of member countries, including programs to develop cross-border infrastructure and associated software and, through the Regional Economic Monitoring Unit (REMU), support to monetary and financial cooperation arrangements such as the ASEAN+3 Finance Ministers Process. Effective April 1<sup>st</sup>, 2005, the Office of Regional Economic Integration (OREI) was established to replace REMU in order to further promote economic cooperation and integration of the developing member countries of ADB. As a regional development bank, ADB has a unique mission to assume a more proactive role as a catalyst, as well as coordinator and knowledge leader, for promoting regional cooperation and integration in the region.

Governor for Japan Sadakazu Tanigaki emphasized that, considering Asia's advantages of great diversity, vast pool of savings, and capable human resources, regional economic integration can promote economic growth by expanding markets, exploiting the synergies in complementary resource endowments and production structures and by making the region more resilient to global economic shocks. However, regional cooperation and integration should contribute to the growth of the global economy and should not be exclusive of other regions. ADB should continue to strengthen support for cross-border infrastructure, assist in strengthening regional financial markets, promote intra-regional cooperation on trade, facilitate immigrants' remittance to their home countries, and encourage policy dialogues on regional economy to help exchange views on economic policies of each country.

Alternate Governor for India Rakesh Mohan noted that, although the degree of integration has been increasing in recent years, Asia remains one of the least integrated regions. Forging closer links between Asian nations by implementing appropriate

institutional mechanism can lead to substantial enhancement of national, regional and global productivity and output. A number of areas could benefit from regional cooperation, including trade, finance, cross-border infrastructure, joint harnessing of common resources, initiatives for environmental sustainability and energy needs, and common natural disaster warning and management systems. It is clear that Asia will be the fulcrum of global growth in the coming decades, partly because of favorable demographic trends, and India, which initiated its "look east" policy 1991, intends to be an active participant in regional initiatives.

The Governor for Denmark Ole Moesby discussed the origins of the European Union and identified three key ingredients that led to its success. These were, first, a political will among participating countries to integrate; second, the creation of supra-national institutions, including a Council of Ministers, a Parliament, a Commission, a Court of Justice, and a Central Bank; and, third, attempts made to ensure that every member state benefits from the integration process. Asia's history is different and its motivations and ambitions may not be the same as in Europe. But Asia will need to develop ways of interacting that spur collaboration rather than competition between countries. Close cooperation is the key to sustainable economic growth - maximizing the benefits of globalization and minimizing the downsides.

Alternate Governor for Canada Alister Smith affirmed that there are different models of cooperation and integration and, in drawing lessons for Asia from other regions, it should be recognized that "one size does not fit all". The European model of institution-building and achieving common regulatory standards is one of deep integration and can be a long process. The North America Free Trade Agreement (NAFTA), given sovereignty concerns and federal political structures, has focused instead on reducing impediments to trade, investment, and financial market linkages, and on creating appropriate dispute settlement mechanisms. The Latin American Mersosur customs union model falls between the North American free trade model and the European model of common market and currency. Whichever model Asia adopts, it is important to achieve a balanced approach that preserves national interests given the relative weight of partners.

There was a broad consensus among speakers that Asia's regionalism should be open and complementary to global initiatives such as those taken by the World Trade Organization. In particular, cooperative agreements should be managed so that trade and investment diversion is minimized. Panelists also generally agreed on the need to enhance further ADB's role in promoting regional cooperation and integration.

The presentations by the Governors and Alternate Governors were followed by a Question and Answer session of about 25 minutes. The seminar was well-attended, with the audience numbering about 200. It provided an excellent forum to discuss and disseminate the views of members of ADB's Board of Governors, providing key inputs to ADB's efforts to promote cooperation and integration among its developing member countries.

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