

TAIPEI, CHINA

FAI-NAN PERNG, Governor

On behalf of the delegation of Taipei, China*, I would like to thank the Government and people of Spain for their generous hospitality. Madrid has been a major center of European arts and culture since King Philip II moved his imperial court here in 1561. More recently, in 2001, it became the first city acknowledged by the United Nations Scientific, Educational and Cultural Organization (UNESCO) as the World Book Capital. The splendors and diversity of this great city provide a perfect setting for the annual get-together of the Asian Development Bank (ADB) family. My sincere gratitude also goes to the staff of ADB for their hard work in organizing this event.

Since President Kuroda took office, ADB has pledged its commitment to promoting regional economic and financial integration. It has also achieved concrete results in helping developing member countries to improve infrastructure and reduce poverty. 2007 was another year of solid performance for ADB. The loans it extended reached US\$10.1 billion in total, a US\$2.7 billion increase from the previous year. ADB also generated a net profit of US\$760 million in 2007, US\$200 million more than in 2006. It is my firm belief that, under the leadership of President Kuroda, ADB will continue to chart a course of growth and prosperity for Asia and the Pacific.

ADB has recently endorsed the long-term strategic framework 2008–2020 (Strategy 2020). With poverty reduction remaining the overarching goal, Strategy 2020 encompasses three strategic agendas: inclusive economic growth, environmentally sustainable growth, and regional integration. To maximize results, ADB plans to devote 80% of its annual lending to five core areas by 2012. These are infrastructure, environment, regional cooperation and integration, financial sector development, and education.

I fully endorse the framework laid out in Strategy 2020. It draws on a visionary outlook for the region's economic landscape by 2020, outlines challenges ahead, expounds on poverty-specific issues, and sets out policy responses and institutional reforms. The framework also pinpoints human resource capacity as a crucial factor for successful implementation of strategy and prescribes immediate review and enhancement. This direction is in line with general expectations.

Moreover, as the world's fastest growing region, Asia has accumulated huge savings. This is particularly true for East Asia. How ADB could pool these funds and utilize them efficiently for Strategy 2020 should also be high on the agenda. In terms of operational goals, by 2020 private sector development will account for 50% of ADB's lending portfolio and regional cooperation and integration will make up 30%. It seems to me that the 50% ratio is on the high side and may not be consistent with the mandate of a development bank.

* Changed by Meeting Secretariat.

In July 2006, ADB adopted the regional cooperation and integration strategy based on four pillars: regional and subregional economic cooperation programs, trade and investment cooperation and integration, monetary and financial cooperation and integration, and cooperation in regional public goods. Since then, good progress has been made in each of these four focus areas. The Greater Mekong Subregion Economic Cooperation Program and the Central Asia Regional Economic Cooperation Program gained further momentum. ADB has also facilitated trade and investment policy dialogue through regional and subregional forums, such as the Association of Southeast Asian Nations (ASEAN) and ASEAN+3. It has supported the Finance Ministers Processes (FMPs) under regional forums, the ASEAN+3 Research Group and the Asian Bond Markets Initiative, as well as assisting efforts to control outbreaks of disease and other health concerns.

While the above developments are encouraging, more work remains to deepen and broaden ADB's operations in the future. Three years ago, the unofficial ASEAN+3 Network for East Asian Think-Tanks pointed out three characteristics of Asian economic development: high economic growth, high foreign exchange reserves, and high intraregional trade. Correspondingly, three major areas for improvement were also identified: risk management, effective utilization of foreign exchange reserves, and regional financial cooperation. Since then, significant progress has been made. However, financial cooperation in the region could proceed more quickly. I would like to express my views on the monitoring of short-term cross-border capital flows, the establishment of a regional exchange rate stability mechanism, and the development of Asian bond markets.

Under the impact of globalization, short-term cross-border capital flows have surged to become a potentially destabilizing force in financial markets. The recent expectations of a weakening US dollar have triggered massive capital inflows to Asia, putting financial stability at risk in many Asian countries. I propose that a multilateral mechanism be established in the region to effectively monitor international capital movement by sharing information and, when necessary, taking concerted actions. Such a mechanism would contribute significantly to maintaining regional financial stability.

With regard to the regional exchange rate stability mechanism, intraregional trade and investment in Asia have been expanding since the 1990s. Stable exchange rates not only enhance regional economic stability but also boost trade and investment by reducing trading costs and uncertainties associated with exchange rate volatility. In recent years, the US dollar has been overshadowed by global trade imbalances and the subprime mortgage crisis, thus putting pressure on Asian currencies. Therefore, I would urge Asian countries to establish a formal regional exchange rate coordination mechanism as soon as possible to maintain the stability of Asian currencies.

In terms of Asian bond markets, a vast pool of savings has been accumulated as a result of Asia's strong economic growth over the years. Yet the region has lacked well-functioning capital markets to channel savings to long-term investment. In recent years, efforts from ADB and Asian countries have helped create Asian bond funds and the Asian bond markets initiative and contributed to the development of Asian bond markets. Further steps should be taken to establish a regional clearing and settlement system, create a regional bond guarantee agency, and strengthen regional rating agencies. Bond issues denominated in a basket of Asian currencies should also be promoted. These steps would expedite regional financial integration.

Regional cooperation at all levels and in all forms should be inclusive. All economies with adequate strength and financial resources should be allowed to participate and should not be

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excluded because of political or ideological considerations. Furthermore, ADB possesses more than 40 years of experience, highly qualified staff, technology and other resources. It should play an even more active role in promoting extensive cooperative relationships among member countries.

I will briefly update you on the Taipei,China* economy. For 2007, GDP went up by 5.7%, surpassing the previous year's 4.9%. Our projection of GDP growth for 2008 stands at 4.3%. Consumer prices remain stable. Consumer price index (CPI) inflation was a mere 1.8% in 2007 and is expected to stay in check this year. The balance of payments has been in good shape. Foreign exchange reserves have been building up. The private sector maintains a net external claims position. In addition to a dynamic economy, steady efforts in political reforms have also transformed Taipei,China* into a mature democracy. Taipei,China* is blessed with beautiful landscape and diverse culture, with great sensitivity towards ecological conservation. With heartfelt sincerity, I welcome you to come to Taipei,China*, a place that will touch your heart.

I would like to reiterate that Taipei,China* is a founding member of ADB and has fully carried out her membership responsibilities. 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. Lastly, I wish the meeting every success and all the participants good health.

* Changed by Meeting Secretariat.