

5th ASIA PACIFIC WEEKS

Keynote Address by
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at the
Symposium on Regional Political and
Economic Cooperation in Asia

***'The Relevance of Regional Institutions
for Asia's Future Development'***

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Ladies and Gentlemen,

On behalf of the Asian Development Bank, I am honored to speak today to this distinguished audience about the relevance of regional institutions for Asia's future development.

Let me first thank the Deutsche Gesellschaft für Asienkunde (DGA), Japanisch-Deutsches Zentrum Berlin (JDZB), Ost Asiatischer Verein (OAV) and Institut für Asienkunde (IFA) for inviting the Asian Development Bank to this Symposium on Regional Political and Economic Cooperation in Asia. Regional cooperation has indeed made considerable progress in this fast-growing region.

According to the recent ADB Asian Development Outlook (ADO) Update, average annual GDP growth in developing Asia is expected to reach about

6.6% in 2005-2006, despite the negative impact of high oil prices, with robust growth of more than 9% and 7% expected, respectively, in PRC and India.

As a key partner in Asia's development, ADB has been involved in regional cooperation and integration initiatives for many years. It is part of its unique mandate as a regional multilateral development bank, and a substantial portion of its \$5.5 - 6.0 billion annual commitments is targeted to support regional cooperation programs.

Furthermore, President Haruhiko Kuroda's recent decision to upgrade the Regional Economic Monitoring Unit into the Office of Regional Economic Integration, to be headed by Prof. Masahiro Kawai, clearly underscores Mr. Kuroda's commitment to making regional economic cooperation and integration an even stronger priority for ADB.

Before participating in the different workshops focused on regional economic cooperation, regional security and mitigation of regional disasters, I would like to highlight the merits of regional cooperation and integration in Asia and the active role played by ADB as a catalyst and development finance institution.

I will, then, briefly comment on the other comparative advantages of regional financial institutions for Asia's future development.

Merits of regional cooperation and integration initiatives in Asia

Asia is a region of great diversity and potentials. Political leaders and decision makers are clearly committed to strengthen regional cooperation

and integration as one of the key means to achieve sustainable and inclusive economic growth, accelerate poverty reduction and improve stability in the region.

The merits of regional cooperation and integration in Asia are well known:

- the rapid increase of intra-regional trade, supported by FTAs/PTAs and access to the WTO, leads to large economies of scale in a market representing more than half the world's population;
- the growing complementarity between Asian countries generates greater synergy in the production chain and contributes to smoothen the global production cycles;
- improved regional infrastructures enhance competitiveness and attract domestic and foreign private investments, as illustrated by the rapid increase of FDI in Asia from \$4 billion in 1980 to \$100 billion in 2004;
- financial and monetary cooperation strengthens resilience to future shocks and contributes to international financial stability.

Let me now turn to two successful examples of regional cooperation and integration in Asia.

(i) Regional cooperation focused on connectivity and competitiveness

ADB has played a key role to support and promote regional cooperation

programs in the Greater Mekong Subregion (GMS)¹, South Asia (SASEC), East and Central Asia (CAREC), Southeast Asia (BIMP-EAGA) and South and Central Asia (SECSCA).

Most of these programs focus on improving “connectivity, competitiveness and community” through:

- road connections to facilitate cross-border movements of goods and people, and stimulate intra-regional trade;
- transborder energy interconnections and power trade agreements;
- regional telecommunication networks and backbones;
- management of shared natural resources such as water resources or environmental endowments.

ADB’s continued support has helped build up confidence among partners, leverage additional public and private financial resources, and create new partnership opportunities.

Regional Cooperation Strategies and Programs (RCSP) have also been agreed upon with ADB developing member countries to complement national Country Strategies and Programs (CSP).

(ii) Financial and monetary regional cooperation and integration

Since the Asian financial crisis, financial and monetary regional cooperation and integration has made tremendous progress in Asia. ADB

¹ Cambodia, Lao Pdr, Myanmar, Thailand, Viet Nam, Yunnan Province-PRC

has, for instance, actively contributed to the ASEAN + 3² Finance Ministers Process which aims at enhancing:

- information exchange, surveillance systems and policy dialog;
- swap arrangements as part of the Chiang Mai Initiative;
- mobilization of regional savings through the Asian Bond Market Initiative (ABMI) and recent ADB local bond issues;
- coordination of exchange rates and foreign reserves management.

To better respond to its developing member countries' needs, ADB has also developed an Asia Regional Information Center (ARIC) to improve information sharing, promote regional bond markets and further enhance institutional capacity in Asia-Pacific countries.

Other comparative advantages of regional financial institutions for Asia's future development

Finally, I would like to share our views on some other comparative advantages of regional financial institutions for Asia's future development.

The task confronting Asia-Pacific countries, where more than 620 million people live with less than a dollar a day, ie. two thirds of the world's poor, is a huge one. Rapid economic growth has led to tremendous progress, but much more is needed to eradicate poverty and achieve the Millenium Development Goals (MDGs).

² ASEAN: Brunei, Cambodia, Indonesia, Lao Pdr, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Viet Nam + Japan, People's Republic of China, South Korea

Due to their strong shareholding, excellent credit rating and broad knowledge base, regional financial institutions such as ADB have a unique comparative advantage to:

- finance infrastructure needs (estimated at \$250 billion a year in East Asia alone),
- promote regional trade and investment,
- help strengthen financial markets and the banking sector,
- facilitate sector policy reforms and information sharing,
- support human resources development,
- leverage additional financial resources,
- catalyze public private partnerships,
- encourage private sector investments,
- address regional public goods,
- contribute to improve environmental sustainability,
- help strengthen resilience to future shocks, and
- enhance management of regional disasters.

Recent progress in Asia has created numerous partnership and business opportunities for European partners and others. We strongly believe that regional cooperation and integration will be key to sustainable development in Asia-Pacific countries and we trust that ADB and similar institutions will continue to play a major role as strategic partners in the region.

On behalf of the Asian Development Bank, I would like to thank you again for this opportunity and I look forward to hearing your views.