



**TAIPEI, CHINA\***

**FAI-NAN PERNG, Governor**

On behalf of my delegation, I thank the Government and the people of the Republic of Korea for the warm hospitality that has been extended to us during our stay on the Island of Jeju. Also known as the Hawaii of Korea, Jeju provides an ideal setting for this important gathering. We are very fortunate to be able to explore its beauty and rich cultural heritage. Our sincere appreciation also goes to the staff of the Asian Development Bank (ADB). Their meticulous preparation has made this meeting both meaningful and enjoyable. I join my fellow governors in welcoming Luxembourg and the Republic of Palau to the extended family of ADB.

President Tadao Chino made poverty reduction the overarching priority of this institution when he took office in 1999. ADB has since developed long-term strategic plans and carried out institutional reforms to put limited resources to better use in the fight against poverty. President Chino's sentiment and vision were later echoed by the United Nations when it made the "eradication of extreme poverty and hunger" a top priority among its list of eight Millennium Development Goals. In this regard, it is gratifying to see that ADB's lending to both public and private sector operations last year amounted to US\$6.1 billion, the highest figure recorded since 1997. It is worth pointing out that of the 62 public sector loans, 39 were slated for poverty intervention projects with a combined value of US\$3 billion. As a result of these efforts, significant progress has been made in both raising the standards of living and reducing the level of poverty among the Developing Member Countries (DMCs) in the region. My country fully supports the poverty reduction strategies adopted by ADB and applauds the success that has been attained under the leadership of President Chino.

Following the 1997 Asian financial crisis, international and local banks within the region began to tighten their credit standards. Trade credit facilities available to importers and exporters in DMCs were severely curtailed. As a result, many Asian countries have been slow to participate in global trade and thus unable to benefit from its growth. The Trade Finance Facilitation Program (TFFP) introduced by ADB is designed to support international trade in the region. The TFFP enhances the capacity of local banks (issuing banks) by providing short-term guarantees to international and regional banks (confirming banks) to cover both the political and commercial risks of a trade credit transaction flowing from local issuing banks in DMCs. My country fully supports the underlying principles of the TFFP and will actively encourage commercial banks in Taipei, China<sup>†</sup> to participate and sign up as

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confirming banks. Similarly, the Local Currency Financing Initiative, through which ADB extends long-term local currency loans by entering into currency swap transactions, is a creative and practical way to support important infrastructure projects in DMCs that generate revenues only in local currency. Again, we are for this initiative. However, we would urge ADB to issue a set of guidelines and standards as soon as possible so that other DMCs can start to benefit from it.

A group of central banks launched the Asian Bond Fund (ABF) last year. The ABF facilitates the recycling of a portion of Asia's reserves back into the region to aid the development of regional capital markets. This initiative is a significant step in fostering financial stability and regional cooperation in Asia. We believe that a regional bond fund of this nature should be more inclusive, and countries with financial strength should be able to participate. Furthermore, the existing bilateral swap agreements should be consolidated to create a single multilateral swap mechanism across Asia, or taking the concept a step further, to establish an Asian monetary fund. We recommend that such initiatives should include countries with adequate financial resources and strong balance of payments positions. Beyond being a symbol of regional cooperation, the ABF can be seen, in the long run, as a means of promoting economic and financial integration. Economic integration will, in turn, create the economies of scale necessary for Asia's economic base to evolve and compete in the age of globalization.

ADB responded swiftly and decisively to the outbreak of the severe acute respiratory syndrome (SARS) in Asia last year. By early May, ADB's SARS Crisis Response Team had a comprehensive proposal in place. The proposal included the signing of a memorandum of understanding (MOU) with the World Health Organization (WHO). The MOU formalized a partnership that was formed soon after the outbreak of SARS, an arrangement in which ADB provided finance, and the WHO technical expertise to assist SARS-affected member countries. This program has been extended to cover countries affected by the Avian Flu. In response to ADB's call for additional funding, my country plans to make a contribution to be used for fighting future outbreaks and, in the longer term, for work related to surveillance and prevention. We have and will continue to share with member countries our experience and technical competence in combating SARS and the Avian Flu.

Global economic uncertainties stemming from the heightened tension in Iraq put a damper on Taipei,China's\* economic activity in the first half of 2003. The situation was exacerbated by falling consumer confidence and a pervasive sense of caution associated with the outbreak of the SARS epidemic. Once full-scale military operations in Iraq were concluded and the SARS epidemic was successfully contained, the underlying vigor of the Taipei,China\* economy became gradually more apparent. The return to brisker growth in economic activity was aided by fiscal stimulus and favorable financial conditions, supported by an accommodative monetary stance. Taipei,China's\* real gross domestic product (GDP) increased 3.24% last year. Economic activity accelerated in the first quarter and is expected to gather momentum over the remainder of the year. Overall, our projection puts 2004 real GDP growth at 5.41%. Inflationary pressures have been weak in the recent past and are anticipated to remain subdued for the foreseeable future. The consumer price index fell by 0.28% over the four quarters of last year; however, we expect it to run somewhat higher this year at around 0.83%. Both the current account and the overall balance of payments have continued to be in surplus, a long-running trend supported by strong external trade activity. With virtually no external public debt, the

US\$228-billion worth of reserves reported at the end of April this year is sufficient to cover approximately 18 months of imports.

Since 2001 Taipei,China\* has embarked on a series of financial reforms, and our banks have made much progress in disposing of their bad debts. As a result, the nonperforming loan ratio of our domestic banks declined sharply from a peak of 8.26% in November 2001 to 3.82% in April 2004, a reduction of almost half of the nonperforming loans.

The Asian financial crisis of 1997, the collapse of the information technology bubble in 2000, the 9/11 terrorist attacks in 2001, and the outbreak of the SARS epidemic and the Avian Flu last year all revealed a more sinister face of globalization. These traumatic and tragic events serve as a painful reminder that a seemingly isolated incident in any corner of the world can, through a variety of channels, quickly make its impact felt across a region or the globe. In this new environment, we must take a hard look at the direction and substance of international cooperation. If we fail to remove self-imposed constraints motivated by ulterior political motives from the agenda, the odds of Asian nations shielding themselves from unexpected external shocks will be substantially reduced.

Before closing, I would like to reiterate that Taipei,China\* is a founding member of ADB and has fully carried out her membership responsibilities. My delegation will continue to protest against the unilateral alteration of our membership designation. Finally, I wish the meeting every success.

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\* Changed by Meeting Secretariat.