



# 39<sup>TH</sup> ANNUAL MEETING

## BOARD OF GOVERNORS

ASIAN DEVELOPMENT BANK

Hyderabad, India

4–6 May 2006

**GS-08**

### **TAIPEI, CHINA<sup>1</sup>**

**Fai-nan Perng, Governor**

On behalf of the delegation of Taipei, China,<sup>1</sup> I would like to thank the government and people of India for their generous hospitality, and the staff of the Asian Development Bank for their thoughtful arrangements. Hyderabad offers a fascinating blend of the old and the new. The 400-year-old city mixes rich cultural traditions with cutting-edge technology. It is a choice venue for the annual get-together of the ADB family. I join my fellow governors in welcoming Armenia and Brunei Darussalam to ADB.

Since its founding nearly 40 years ago, ADB has contributed greatly to the development of the Asia and Pacific region. During President Kuroda's more than one year in office, ADB has crossed many important milestones. It sent relief to tsunami-affected countries, helped rebuild earthquake-hit Pakistan, and set up a \$300 million Pakistan Earthquake Fund. ADB formed regional partnerships with WHO, the Food and Agricultural Organization of the UN, and ASEAN to launch a \$38 million project to combat the avian influenza threat. It also actively assisted developing member countries to reduce poverty as part of its efforts to fulfill the Millennium Development Goals by 2015. Through its internal reform agenda, ADB is becoming more relevant, responsive, and results-focused in all its operations. The Office of Regional Economic Integration commenced operations to promote regional cooperation. I believe that under President Kuroda's leadership, ADB will continue to steer a course for sustainable growth and prosperity for Asia.

From its work in disaster prevention, preparedness and rehabilitation, ADB has gained valuable experience in coordinating with other international organizations and has established a model that functions well and can be used in the future. While paying compliments to ADB, I would, however, like to suggest how it could do much better. During the decade to 2003, half of ADB's income was from loan business and half of it from liquidity investment. Loan business accounted for 42% of the income in 2004 and 31% in 2005. A liquidity investment to income ratio as high as 70% implies a diversion from the Bank's role as a development bank. I propose that ADB gear up the allocation of its resources towards the development needs of the region.

Efforts undertaken by Asian countries after the 1997 financial crisis have contributed significantly to regional financial stability. These include the Chiang Mai Initiative, the Asian Bond Fund and the Asian Bellagio Group. ADB is taking an important further step by planning to introduce the Asian currency unit (ACU). A weighted index of a basket of Asian currencies, the ACU will serve as a benchmark to monitor movements in the values of

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<sup>1</sup> Changed by Meeting Secretariat.



currencies in the region. I give my full support to the idea of launching the ACU. However, its currency composition is very important if the ACU is to represent the true economic configuration and financial structure of Asia. It seems to me that the currently proposed ACU has left out some major currencies, such as the NT dollar.

As economic integration has accelerated in recent years, Asian countries have become closely linked with each other. Nevertheless, more can be done. For example, the Chiang Mai Initiative can be expanded into a multilateral swap mechanism across Asia, with ADB as the intermediary. This will pave the way for an Asian Monetary Fund. In addition, Asian countries may jointly establish a formal regional exchange-rate coordination mechanism. Such an arrangement would enhance the stability of Asian currencies, decrease transaction costs, and reduce uncertainties incurred by exchange rate volatility, thus furthering regional economic and trade development.

Most importantly, regional cooperation should be inclusive. All economies with adequate strength and financial resources should be allowed to participate. What's more, regional integration is multilateral in nature. ADB possesses 40 years' of experience, quality human resources, technology, and other resources. I heartily recommend it actively establish itself as the platform for regional economic integration. This will save the costs of establishing a new transnational institution, and members will be able to engage in more extensive cooperative relationships through this platform.

I will briefly update you on the Taipei,China,<sup>1</sup> economy. GDP went up by 4.1% in 2005 and is projected to grow further by 4.5% in 2006. Prices are stable. The increase in the consumer price index (CPI) was 2.3% in 2005 and will likely fall below 2% this year. The government's fiscal reforms in recent years have achieved positive results. The balance of payments has been in good shape. The current account and overall balance remain in sustained surplus. Foreign exchange reserves have been building up. The private sector maintains a net external claims position.

I would like to reiterate that Taipei,China,<sup>1</sup> is a founding member of ADB and has fully carried out its membership responsibilities. My delegation continues to protest against the unilateral alteration of our membership designation. I would also like to call on members to respect each other concerning the equal opportunities of hosting meetings and workshops of ADB. Lastly, I wish the meeting every success.

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<sup>1</sup>. Changed by Meeting Secretariat.