The current financial crisis and global economic downturn did not originate in Asia, and, indeed, Asian countries in structural terms are generally in good shape. Compared to other parts of the world, however, most Asian countries are better prepared in managing the fallout from the current crisis, which has become highly contagious. Exports and industrial production have already fallen sharply across the region, domestic demand is likely to weaken, and stresses have emerged in a number of financial and currency markets.

The Asian Development Bank Institute (ADBI) has responded to the current global financial crisis by initiating a study of the implications of the crisis for Asia, with conferences on The Global Financial Turmoil and its Impact on Asia and Asia’s Response to the Global Financial Crisis.

Under the global financial crisis program, on 19 March, ADBI released two reports on behalf of the Asian Policy forum: “Recommendations of Policy Responses to the Global Financial and Economic Crisis for East Asian Leaders” and “Recommendations to East Asian Leaders for G20 Meeting.” The first report sets out suggested short-term stabilization actions to help countries counter the crisis, while putting forward ideas for longer term structural change. The second report calls on East Asian leaders to adopt a strong coordinated approach at April’s G20 summit. At a press conference at the Foreign Correspondents’ Club of Japan to launch the reports, Masahiro Kawai, ADBI Dean, said, “It is important for East Asian economies to implement measures that will help reduce their vulnerability to future shocks. In the medium-term, exports to developed economies will be less of an engine of growth for the region than in the past and therefore East Asia will need policies to facilitate a shift toward inclusive, sustainable growth driven by regional demand.”

ADBI is looking into the causes of the crisis and formulating measures that ADB’s developing member countries could adopt to manage the fallout from the crisis. ADBI is holding a series of conferences related to major aspects of the impacts of the crisis on Asia and policy recommendations. The conferences are organized into five themes: (i) macroeconomic impacts and policy, (ii) real economy impacts, (iii) social and environmental impacts, (iv) financial regulation...
and reform and regulation, and (v) regional cooperation and regional/global architecture.

**Global Financial Crisis Conference topics**

- **Macroeconomic impacts and policy**: growth impact scenarios for the current crisis, lessons from previous crises, the prospects for rebalancing growth away from exports and policy recommendations for fiscal policy, monetary policy, and currency and reserve management;
- **Real economy impacts**: small- and medium-size enterprises (SMEs), trade finance, and industrial structure;
- **Social and environmental impacts**: employment and income distribution, poverty, sub-national regional economies, health, education, gender, and environment;
- **Financial reform and regulation**: ways to avoid or mitigate a systemic financial crisis in the region; ways to improve regulation and oversight of financial products, markets, and investor groups; streamlining of regulatory structures; strengthening the functioning of regional financial markets, credit rating agencies, and payment systems;
- **Regional cooperation and regional/global architecture**: recommendations for improving and/or developing regional economic policy and institutions aimed at preventing the recurrence of a systemic financial crisis in the region, improving policy coordination, promoting regional trade, and political economy aspects of cooperation, and developing Asian proposals to reform the global financial architecture.

**ADBI Annual Conference 2008**

ADBI held its **Annual Conference** on 5 December 2008, highlighting Asia’s contribution to global economic development and stability. Kym Anderson of Adelaide University discussed the issue of food price instability and the role played by biofuels while Shinji Takagi of Osaka University argued that more integrated financial markets are essential to a successful transition out of the current crisis. Both authors stated that Asia’s participation in deepening these markets was key to future stability. Regionalism and enhanced cooperation are seen as ways Asia can lead the world in, and back to, multilateral trade liberalization. Inkyo Cheong of Inha University showed that Asian regionalism has enhanced and surpassed the World Trade Organization (WTO) agenda while Ram Upendra Das of India’s Research and Information System for Developing Countries showed that free trade agreements provide greater access to global markets. The final two papers discussed two aspects of sustainable development. Mehdi Krongkaew of Thailand’s National Institute of Development addressed the issue of socially sustainable development strategies while Matthias Ruth of the University of Maryland showed how Asia can contribute to reducing environmental degradation and lead the way in sustainable development. Jean-Pisani Ferry, Director of Bruegel, provided the keynote address and ADB President Kuroda provided the closing remarks.


**Strengthening Payment Systems in Asia**

With financial and trade globalization increasing cross-border capital flows, an efficient payment system to facilitate seamless funds transfers and ensure the proper workings of financial systems in general has become paramount. Since the 1997–1998 Asian financial crisis, Asian economies have introduced several reforms to their payment systems. Despite increased volatility in the

financial and capital markets since the onset of the global financial crisis, national payment systems in Asia appear to be holding up well. Yet, with roughly 99% of registered businesses in the region being SMEs, improvements in the payment systems should focus on lowering capital costs and improve SMEs’ access to financial services. Moreover, the rapid shift from paper- to electronic-based payment systems for both small and large value transactions, and other technological innovations bring corresponding legal, technological, and regulatory issues that the conference explored. The conference highlighted the importance of regional cooperation to ensure smooth cross-border funds transfers in the Asian region.

### Table 1: Basic Statistics for Real Time Gross Settlement Systems, 2006

<table>
<thead>
<tr>
<th></th>
<th>Number of Transactions/Settled Payments</th>
<th>Total Value Settled (in US$ million)</th>
<th>Average Value of Each Payment (in US$)</th>
<th>Turnover of gross domestic product (times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>6,900,000</td>
<td>6,208,317</td>
<td>899,756</td>
<td>17.0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2,200,000</td>
<td>6,749,730</td>
<td>3,068,059</td>
<td>45.3</td>
</tr>
<tr>
<td>Philippines</td>
<td>799,028</td>
<td>2,842,674</td>
<td>3,557,666</td>
<td>24.2</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,725,344</td>
<td>3,786,926</td>
<td>2,194,882</td>
<td>18.4</td>
</tr>
</tbody>
</table>


### Strengthening Public-Private Partnerships: Accelerating Infrastructure Development for Economic Growth and Poverty Reduction

The Public-Private Partnership (PPP) Workshop Series was launched by ADBI’s Capacity Building and Training (CBT) department at the beginning of 2008. As part of this series, two PPP workshops were offered in November. The first was organized in collaboration with the Ministry of Planning and Investment, Public Policy Training Program, and ADB’s Viet Nam Resident Mission. The first workshop involved senior infrastructure policymakers and infrastructure program managers from across the country. The second welcomed senior officials from island states across the Pacific region to Brisbane, Australia, and was co-hosted by Bond University and ADB’s Pacific Liaison and Coordination Office. Through facilitated group sessions, participants at both workshops identified priority policy issues for follow up action that will support the strengthening of the PPP enabling environment in their respective countries.

In December of last year, ADBI also co-hosted, in collaboration with the World Bank Institute, **PPPI Days 2008**. The conference, held in Washington, DC, brought together over 180 executives of PPP units and senior PPP policymakers and infrastructure program managers from more than 65 countries. The conference was, for the first time, expanded to include three PPP Capacity Building Events. The conference and the capacity building events were programmed to strengthen the PPPI network, facilitate knowledge-sharing, and promote a better understanding of the challenges faced by developing countries in accelerating private sector investment and participation for infrastructure development. A special feature of the event was a private sector roundtable. Global PPPI industry leaders representing private sector debt and equity investment funds, PPPI advisory services, and international rating agencies, shared their views on how current global capital market conditions might shape current and future market perceptions of PPP projects in emerging markets. The private sector forum provided a unique opportunity to have a dialogue on coming challenges, lessons learned from previous financial crises, and pragmatic options for future infrastructure financing in emerging markets globally.

See more details about the workshop series or conference at www.adbi.org/event/2810.strengthening.payment.systems.asia/.

See more details about the conference at www.adbi.org/event/2670.public.private.partnership.in.infrastructure/.
Undisciplining the Discipline of Economics

M. Ali Khan, Abram Hutzler Professor of Economics at Johns Hopkins University, gave a lecture entitled “Identity, Backwardness and Tolerance: On Undisciplining the Discipline” on 4 December 2008. Mr. Khan examined various frameworks for studying the importance of tolerance and identity, which have been excluded from mainstream economics since the 1950s. With the progress attained in various fields of study, scholars may be in a position to reconsider these exclusions, as, until now, people still grapple with questions on why people act the way they do. The question on backwardness and commerce was related to the extent to which commerce promotes, impedes, or enhances basic concerns on identity and tolerance, a subject not squarely grappled with in economics, and one which may be of direct relevance to development economics and resulting policy prescriptions.

The Challenges of Climate Change and Policy Prescriptions

On 19 February 2009, Bindu N. Lohani, ADB Vice-President of Finance and Administration, discussed “The Challenge of Climate Change: What are the Priority Actions for Policy Makers in Asia? What is the Asian Development Bank Doing?” Mr. Lohani emphasized ADB’s commitment to environmentally sustainable economic recovery in its long-term strategic framework, Strategy 2020, even at this time of financial crisis. He discussed climate change issues—such as the quick rise in global mean temperatures with time if the world continues with its current energy consumption patterns and consequent negative impacts on Asian economies—as a backdrop to what ADB has been doing to address the various issues and policy recommendations that take into account the state of the environment. He proposed priority policy actions on energy efficiency by national and local governments and a shift toward a low carbon economy by putting in place policies that put a price on carbon, whether in the form of tax on emission or in a cap-and-trade system. He concluded by highlighting technology’s potential to slow the process of climate change and urged that further relevant research into such technology be conducted.

Technological solutions should be explored in our efforts to combat climate change.
In cooperation with the United Nations Food and Agricultural Organization, ADBI organized a four-day workshop in Tokyo, 9–12 December 2008, on World Trade Organization Agreements on Sanitary and Phytosanitary (SPS) Measures and Technical Barriers to Trade (TBT). Some 20 senior agriculture officials from 11 ADB developing member countries that are also members of the WTO, participated in this workshop. The main focus of the workshop was to foster better understanding and collaboration on WTO SPS and TBT Agreements as the basic framework for food safety regulations and for expansion of trade in agricultural products with special emphasis on food standard setting.

In December 2008, Douglas H. Brooks left his post as a Senior Research Fellow at ADBI to return to ADB: “My three years at ADBI involved an interesting combination of growth and transition for the institute with the chance to concentrate my research on interactions between trade and infrastructure for an extended period while interacting with a wide range of government officials and other researchers from member countries.”


See more details about the conference at www.adbi.org/event/2764.wto.sanitary.phytosanitary.measures/.

In particular, the participants discussed the dynamics of international food safety regulations, in relation to the WTO SPS and TBT Agreements and international standards, the impacts of food safety regulations and standards on cross-border trade, challenges and difficulties faced in their implementation, and shared country experiences in addressing them.

See more details about the conference at www.adbi.org/event/2764.wto.sanitary.phytosanitary.measures/.

The conference was attended by policymakers from Asia and Latin America, representatives of the academe, government, non-government, and private institutions.

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Enhancing International Trade in Food Products

The conference on FTA Impacts Studies was successfully held in Tokyo at ADBI on 26 January 2009. The event was co-organized by ADB, ADBI, and the Inter-American Development Bank under the framework of the Latin America/Caribbean–Asia/ Pacific Economics and Business Association (LAEB). The conference was divided into four sessions. The first three sessions highlighted the results of various countries’ firm-level surveys on the business impacts of Asian and Latin American foreign trade agreements (FTAs). The findings show that awareness plays a fundamental role in FTA utilization rates, and that though current costs associated with multiple FTAs are not a serious concern to businesses, there are indications that the problem could worsen in coming years. Thus, it is vital that policymakers begin to address these issues now to mitigate foreseeable problems.

The final session was a panel discussion that included representatives from government and industry, on possible policies in fostering FTA usage and avoiding potential pitfalls. Recommendations included greater involvement of industry associations and targeted support for SMEs.

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Enhancing International Trade in Food Products
Infrastructure for a Seamless Asia

In 2008, ADB and ADBI progressed with five conferences to receive critical feedback from senior policymakers and experts for ADBI’s flagship book *Infrastructure for a Seamless Asia*. The study looks at regional infrastructure in Asia up to 2020, and examines the major challenges in developing and maintaining regional infrastructure as well as fostering regional cooperation on infrastructure-related issues. The book evaluates the degree and merits of existing programs, policies, and institutions, and gives recommendations on how to develop and improve their respective effectiveness. The evaluation considers pan-Asian initiatives as well as sector specific subregional efforts, particularly in the transport and energy sectors. The book gives particular attention to green infrastructure, such as climate-friendly rail- and waterways, and low-carbon, renewable energy projects. The study covers traditional hard infrastructure as well as “soft” infrastructure—i.e., the policy, regulatory, and institutional frameworks that support hard infrastructure development and maintenance. The book is intended to serve as a definitive knowledge product to provide information on key issues and policy directions concerning regional infrastructure development through regional cooperation for researchers, policymakers, business people, and other stakeholders in the region and beyond. The book will be launched in May 2009.

ADBI Year in Review 2008

The *ADBI Year in Review 2008* outlines the background and overview of the organization, and informs on ADBI’s new strategic priority themes: inclusive and sustainable growth, regional cooperation and integration, and governance for policies and institutions. These themes contribute to ADB and ADBI’s ultimate goal of poverty reduction across the Asia and Pacific region. Furthermore, private sector issues cut across these three strategic themes given the private sector’s important role as a driver of change. The activities, publications, and general news from 2008 of each of the organization’s focuses—i.e., Research, Capacity Building and Training, and Outreach—is selectively highlighted in this review. In 2008, ADBI’s activities focused particularly on managing capital flows, regional infrastructure development, agricultural practices development (including exploring how organic agriculture may impact the agriculture sectors of emerging economies), and supporting PPP projects. The book also includes information on ADBI output’s increasing presence in media and as a resource for researchers.
Asian Development Bank Institute

**Selected Upcoming Events**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>22–23 April</td>
<td>Conference on Global Financial Crisis: Impacts, Lessons, and Growth Rebalancing (Tokyo)</td>
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<td></td>
<td>This conference will review evidence and analysis of the effects of the global economic and financial crisis on Asia, with the aim of setting up a reference basis for subsequent conferences.</td>
</tr>
<tr>
<td>2–5 May</td>
<td>ADB Annual Meeting (Bali, Indonesia)</td>
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<tr>
<td></td>
<td>ADB’s Annual Meetings provide opportunities for member governments to interact with ADB staff, nongovernment organizations, media, and representatives of observer countries, international organizations, academic, and private sector.</td>
</tr>
<tr>
<td>4 May</td>
<td>Infrastructure for a Seamless Asia: Book Launch (Bali, Indonesia)</td>
</tr>
<tr>
<td></td>
<td><em>Infrastructure for a Seamless Asia</em> is the flagship output of a joint ADB and ADBI study “Infrastructure and Regional Cooperation,” which looks at regional infrastructure in Asia up to the year 2020.</td>
</tr>
<tr>
<td>20 May</td>
<td>Conference on Global Financial Crisis: SMEs and Trade Finance Impacts (Tokyo)</td>
</tr>
<tr>
<td></td>
<td>This conference will review evidence and analysis of the impacts of the global economic and financial crisis on SMEs and trade finance in Asian countries.</td>
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View all upcoming events at [www.adbi.org/calendarofevents](http://www.adbi.org/calendarofevents).

**Recent Working Papers**

*The ADBI Working Paper series is a continuation of the formerly named Discussion Paper series; the numbering of the papers has continued without interruption or change.*

**Reconstruction after a Major Disaster: Lessons from the Post-Tsunami Experience in Indonesia, Sri Lanka, and Thailand**

Authors: Sisira Jayasuriya, Peter McCawley

This paper examines several aspects of the rehabilitation and reconstruction program that followed the 2004 tsunami in Asia, in which nearly 230,000 people died. The authors focus on two main issues: aid delivery arrangements and reconstruction policy following the disaster.


**Agricultural Impact of Climate Change: A General Equilibrium Analysis with Special Reference to Southeast Asia**

Authors: Juzhong Zhuang, Fan Zhai

This paper assesses the economic effects of climate change on Southeast Asian countries through 2080. The results suggest that for the region to cope with the potential agricultural damages arising from expected changes in climate, it must concentrate on reversing its current trend of declining agricultural productivity.


**Transport Infrastructure and Trade Facilitation in the Greater Mekong Subregion**

Authors: Anna Strutt, Susan Stone

As trade is an important driver of growth and infrastructure is necessary for trade, infrastructure development plays a key role in economic development. This study aims to quantify potential benefits, such as a reduction in transport costs and improvements in trade facilitation, of the development of the economic transport corridors, and implementation of the Cross-Border Transport Agreement in the Greater Mekong Subregion.


**Does Organic Agriculture Lead to Better Health among Poor Farmers? An Investigation of Health Expenditure among Organic and Conventional Farmers in Thailand**

Authors: Rouselle F. Lavado, Sununart Setboonsang

For poor farmers in developing countries, inappropriate use of pesticides is known to be a serious problem. The authors found health expenditures among conventional farmers to be 56% higher than among organic farmers. Their investigation suggests that organic agriculture as a development strategy might lead to improved health, one of the foundations to sustainable poverty reduction.

Mainstreaming Climate Change Adaptation into Developmental Planning

Adapting to climate change is an urgent issue for all, particularly for least developed countries and small island states. These countries have contributed the least in terms of greenhouse gas emissions but, ironically, are the most vulnerable to the emissions’ adverse effects on climate change, such as floods and droughts.

The Intergovernmental Panel on Climate Change called for immediate adaptation actions to be taken in the key sectors of water, agriculture, natural resources, and health. However, climate change adaptation has received little attention to date as policymakers in most of the Asia and Pacific region are preoccupied with other developmental issues.

To encourage that the necessary actions and policy decisions be taken, ADBI has organized the Workshop on Mainstreaming Climate Change Adaptation into Developmental Planning, 14–17 April 2009, in Tokyo. The workshop aims to: (i) facilitate mainstreaming climate change considerations in development plans, (ii) create closer links between climate research and policymaking communities, (iii) foster better coordination among related agencies, and (iv) promote effective design of both structural and non-structural measures.

More details of the workshop are available at www.adbi.org/event/2886.regional.workshop.climate.change.adaptation/.