Promoting Innovation and Inclusion for a Prosperous Asia
Proceedings of the ADB-Asian Think Tank Development Forum 2014

Partnering with the Korea Development Institute, the Asian Development Bank (ADB) held the forum on 20–21 November 2014 at Seoul, Republic of Korea. The forum featured research papers that tackled issues on globalization and regional integration, innovation, middle-income trap, inclusive growth and social protection, and poverty and inequality. This publication documents the dynamic exchange of ideas and information during the 2-day event.

The ADB-Asian Think Tank Development Forum is an annual knowledge sharing event under the ADB-Asian Think Tank Network (ATTN), established by ADB and the Asian think tanks in 2013. The major objective of the network is to promote knowledge sharing and capacity building of the think tanks, particularly those which are involved in supporting governments in formulating and implementing medium- or long-term development plans and in responding to emerging issues. For more information about ATTN, please visit its website: http://www.adb-asianthinktanks.org/

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to the majority of the world’s poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.
PROMOTING INNOVATION AND INCLUSION FOR A PROSPEROUS ASIA

PROCEEDINGS OF THE ADB–ASIAN THINK TANK DEVELOPMENT FORUM 2014

20–21 November 2014
Seoul, Republic of Korea
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WONHYUK LIM, EXECUTIVE DIRECTOR, KOREA DEVELOPMENT INSTITUTE (KDI) CENTER FOR REGULATORY STUDIES

KDI is pleased to cohost the Asian Development Bank (ADB)–Asian Think Tank Development Forum 2014. It provides the opportunity to share the Republic of Korea’s lessons and experiences in pursuing sustainable economic growth, and to learn as well from other countries in the Asia-Pacific region so that the right policy lessons can be drawn. This underscores the importance of working together to promote knowledge exchange and cooperation among partner countries and organizations. Indeed, understanding better the experiences and the challenges of many Asia-Pacific countries in promoting innovation and inclusion is an immense opportunity.

JUZHONG ZHUANG, DEPUTY CHIEF ECONOMIST, ADB ECONOMICS RESEARCH AND REGIONAL COOPERATION DEPARTMENT

ADB is committed to supporting its developing member countries to eradicate poverty through inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration. A critical part of that support is providing knowledge solutions through measures including promoting knowledge partnerships and sharing. In line with this, ADB is committed to continuing its support for knowledge sharing through platforms and events such as the ADB–Asian Think Tank Development Forum. In order to maintain our momentum, we also hope that the participating thank tanks can collectively explore ways to make the network sustainable.

DONGXIANG LI, ADVISOR, KNOWLEDGE SHARING AND SERVICES, ADB REGIONAL AND SUSTAINABLE DEVELOPMENT DEPARTMENT

Witnessing the growing importance of the ADB–Asian Think Tank Development Forum is indeed a feat, manifested in the presence of the leading think tanks from the Asia-Pacific region in these annual forums. It seems like only yesterday when we undertook the groundwork for staging our first forum; and now, looking back at the distance we have covered thus far make me proud. The zeal of our think tanks to continue these forums equally match ADB’s commitment to see its continued growth in terms of participation and in its importance to the region.
PARTNERS

- Asian Development Bank
- Korea Development Institute

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- Joon-Kyung Kim
- Hyung-Hwan Joo
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EXECUTIVE SUMMARY

Recent development experience highlights the importance of knowledge sharing between countries. Knowledge sharing, whether North–South or South–South, produces better development practices and provides policy lessons—particularly relevant when countries face similar challenges and circumstances. Think tanks offer critical policy advice, as many help support governments prepare medium- and long-term development plans, address emerging policy issues, and share knowledge regionally and globally. In Asia, think tanks are bastions of knowledge on national development issues, with many actively involved in cross-country knowledge sharing. However, without clear channels and processes, knowledge networking among Asian think tanks remains far from optimal.

In May 2013, after consulting think tanks across Asia and the Pacific, the Asian Development Bank (ADB) approved a regional technical assistance project—Provision of Knowledge Products and Services to Developing Member Countries through Systematic Knowledge Sharing—funded under the People’s Republic of China (PRC) Poverty Reduction and Regional Cooperation Fund. The project aims to draw together the region’s think tanks to share knowledge on development experience and policy lessons learned through the ADB–Asian Think Tank Network, with the annual ADB–Asian Think Tank Development Forum the project’s flagship knowledge sharing event. It is hoped this technical assistance support will build momentum among participating think tanks to create a self-sustaining knowledge sharing network.

On 30–31 October 2013, the 1st ADB-Asian Think Tank Development Forum was held in Beijing. With the theme of “Innovation and Inclusion for a Prosperous Asia,” the forum was organized by ADB in partnership with the Beijing office of the Asia-Pacific Finance and Development Center (AFDC), a think tank under the PRC Ministry of Finance. The 130 participants represented 47 think tanks from 26 countries in Asia and the Pacific. Discussions covered latest global and regional policy developments and relevant country-specific experiences and policy issues. The forum offered an excellent opportunity to reflect on and share innovative knowledge and experiences.

In addition, participating think tanks unanimously agreed to establish an ADB–Asian Think Tanks Network to give ADB and member think tanks access to regional and country-specific knowledge that enriches their respective research work and ability to provide policy advice. They also agreed to a second forum in 2014 with the objective of holding the ADB–Asian Think Tank Development Forum annually.

The second ADB-Asian Think Tank Development Forum 2014—“Promoting Innovation and Inclusion for a Prosperous Asia”—was held 20–21 November 2014 at the Grand InterContinental Seoul Parnas, Republic of Korea, cohosted by KDI—one of the world’s leading think tanks. Sixty-eight participants represented 40 think tanks from 26 countries across the region, along with representatives from the United Nations Development Programme, the Korea International Cooperation Agency, and the International Labor Organization. KDI provided excellent arrangements and the Republic of Korea’s Ministry of Strategy and Finance offered valuable support, guaranteeing the forum’s success. The presentations at the forum were derived from the 16 research papers selected during the Call for Papers issued in February. Similar to the first forum, networking among the participants was encouraged during and outside the sessions.
FORUM STRUCTURE

Similar to the inaugural forum, the discussions on innovation and inclusion covered both global and regional issues and policy developments, as well as country-specific experiences and policies. A mix of plenary and parallel sessions provided ample time for discussion and knowledge-sharing among participants. The opening plenary session was followed by several presentations/discussions, before delving into the forum’s four subthemes: (i) opportunities and challenges of globalization and regional integration in Asia; (ii) innovation and escaping the middle-income trap; (iii) inclusive growth and social protection; and (iv) addressing poverty and inequality. It concluded with an assessment of progress made thus far and ways to sustain the ADB–Asian Think Tanks Network. Each session comprised presentations and plenary discussions. For more informal networking, the group visited several cultural attractions the afternoon of the second day.

KEY MESSAGES

Session 1: Opening. The session set the framework for the exchange of ideas that resonated throughout the presentations and ensuing discussions. The opening messages cited the importance of Asian countries working together—through participating think tanks—to acquire the global knowledge needed to help solve Asian problems. The session underscored the forum’s goals of sharing and discussing innovative and inclusive strategies as drivers of sustainable economic growth. More importantly, participants were encouraged to collectively seek ways to achieve economic innovation and social cohesion. Sustaining economic growth through greater innovation and industrial upgrading, and making growth more inclusive to reduce inequality, are among the most critical development challenges facing the region. How to make growth more inclusive is near the top of policy agendas in many Asian countries. Speakers stressed the value of holding events like the forum to provide an appropriate venue for in-depth discussions on critical issues, knowledge sharing, and policy options.

Session 2: Opportunities and Challenges of Globalization and Regional Integration in Asia. The session described various developments in deepening globalization and Asian integration. The complexities of ongoing “mega”-trade negotiations—the Trans-Pacific Partnership and Regional Comprehensive Economic Partnership—were discussed along with their impact on economic growth, development, and regional economic integration. The session explored the evolving shift in PRC trade from traditional export partners outside the region to its more Asia-centric neighbors, as protection from external shocks or economic slowdown in the US or Europe. Speakers also underscored the growing attractiveness of public–private partnerships as a financing modality for infrastructure, among others.

Session 3: Innovation and Escaping the Middle-Income Trap. Presentations dealt with diverse innovation and industrial policies of several countries to boost economic growth. Strategies adopted by the Republic of Korea were traced from their emphasis on export-oriented industrialization to policies promoting competition and better corporate governance—from (i) promoting labor-intensive to technology-intensive industries; (ii) an export-oriented economy to one better balanced between exports and domestic demand; and (iii) government-led to market-driven development. Focusing on a single development strategy would have made it far more difficult for the country to avoid the middle-income trap and attain high-income status.

Malaysia and Uruguay adopted similar approaches toward industrial development and innovation policies to boost economic growth. But while Uruguay succeeded in avoiding the middle-income trap,
Malaysia experienced problems in attaining high-income status. The comparison between the two countries showed the critical component needed to escape the middle-income trap was effective institutions—or effective yet limited government economic intervention. Malaysia’s active government role in industrialization and intervention in promoting interracial wealth distribution helped entrap and stymie the economy. In contrast, Uruguay focused more on providing sufficient conditions for the private sector to thrive.

Session 4: Inclusive Growth and Social Protection. The discussions covered various sources of inclusive growth. With adequate job-creation central to pursuing inclusive growth, the negative relationship between employment growth and a highly regulated labor market was illustrated, along with ways to temper the bad effects. Speakers underscored the importance of establishing an investment climate conducive to expanding business and, consequently, job creation. Also, speakers stressed the importance of promoting employment-friendly growth, adopting efficient fiscal measures to reduce inequality in building human capital, and moving toward an inclusive growth strategy based on equality of opportunity. Enormous gains can be achieved through allowing a more market-based allocation of resources and encouraging freer labor movement are the most efficient ways of boosting income.

Two presentations—Viet Nam and Uzbekistan—focused on social protection. With Viet Nam’s agriculture sector vulnerable to major risks, a responsive social protection system bolsters local resilience and helps reduce poverty. Uzbekistan’s existing social protection model helped mitigate adverse effects stemming from economic reform; ensuring social support is targeted at the most needy. Nonetheless, further reforms are needed to improve the model and offer incentives for the country’s continuing transformation over the long term.

Session 5: Addressing Poverty and Inequality. The presentations illustrated the diversity of approaches to address poverty, create employment, and promote inclusive and sustainable growth. While countries confront different constraints and challenges, common strategies for more inclusive growth included raising agricultural productivity, supporting labor-intensive economic activities, building human capital by investing in health and education for the poor, introducing institutional and governance reforms to improve basic services, and providing adequate infrastructure support.

Speakers said that allowing for more market-based resource allocation and encouraging freer movement of labor are the most efficient ways to boost income. Government spending on basic education and health, especially in rural areas, is critical in reducing inequality. However, no “one size fits all” strategy exists—each country needs to adapt successful models within their national context.

Session 6: Asian Think Tank Networking: Sustaining the ADB–Asian Think Tank Network. The session updated participants on forum activities and developments since 2013—primarily the establishment of the ADB–Asian Think Tanks Network, giving ADB and member think tanks access to regional and country-specific knowledge that can enrich their own research. As agreed at the inaugural Beijing forum, a network website was created; the first issue of the e-Newsletter prepared and disseminated; proceedings of the first forum published; and a survey was conducted to both measure participant satisfaction with the first forum and act as guide in designing the current forum.

The session closed with the announcement that the 2015 forum would be held in Kuala Lumpur, Malaysia, between June and September. ADB, and the Malaysian Institute for Economic Research as cohost, will collaborate closely on forum details, including forum design and topics, among others.
Inclusion and innovation will remain forum themes given their importance to ADB’s developing member countries.

FORUM CONCLUSION

After the forum, participants visited Seoul’s cultural sites, providing them both the opportunity for further informal networking and to build camaraderie after nearly 3 days. Participants visited the Seoul Tower for an aerial view of the city, explored hanoks (traditional houses built in the 1920s) in Bukchon Hanok Village, and enjoyed traditional Korean tea and sweets at Dawon.

The participants clearly enjoyed the forum, requesting ADB to continue providing opportunities for knowledge sharing.
Hyung-Hwan Joo, the Republic of Korea’s vice-minister for Strategy and Finance, said the forum was an opportunity to explore how different countries avoid or escape the middle-income trap. He urged participants to collectively seek ways to achieve economic innovation and social cohesion.

The Republic of Korea’s development experience, along with Japan, Singapore, and Taipei, China are successful examples that avoided the middle-income trap and developed into high-income status. Over the last half-century, the Republic of Korea developed rapidly in a way never witnessed before. There were occasional bumps along the way—such as the 1997 Asian financial crisis and the 2008/09 global financial crisis, but the country overcame both, continuing to post rapid, sustained growth. Per capita gross domestic product (GDP) in the 1960s was near that of Sudan. Today it is over $20,000. Ambitious targets aim for $30,000–$40,000. After years of foreign aid, the Republic of Korea itself has become a responsible donor to the global community. Many lessons were learned from the country’s development experience, especially pertaining to innovation and inclusion.

First, innovation is only achievable when traditional thoughts and practices are torn down. The world is going through rapid change in many dimensions. Asian countries have successfully ridden this tide of change to achieve remarkable growth. In this era, the rules of yesterday may be obsolete today, and the strategies of today may no longer work tomorrow. This is why we must continue to reform our strategy with an understanding of where we stand at the moment and how things will play out in the future. For instance, the strategy of inputting more factors used in the early stage of development may no longer be viable after a certain point. If a country sticks to past policies, sooner or later its development may be impaired and slow to a halt.

Second, without inclusion and social cohesion, sustainable development is difficult to achieve. In poor countries, eradicating absolute poverty is the urgent priority. For middle-income economies, the share of middle-income class citizens and balanced distribution of income play key roles in driving economic growth and hurdling crisis. The Republic of Korea has been hit with several external shocks, but its large middle class invigorated domestic consumption to offset the impact of decreased overseas demand. Also, the relatively balanced income distribution has made society more stable and lessened political and economic tension.

Quite a few countries record high growth rates of nearly 10% a year, only to stop at the middle-income level. In those economies, large income gaps and a small middle class weaken growth momentum. They could face social conflict during times of crises.

During its different stages of economic development, the Republic of Korea promoted different industries to bolster its economy. In the 1960s, the Republic of Korea focused on promoting light industry;
in the 1970s, the heavy chemical industry; in the 1980s, high technology; and since the 1990s, information technology. Focusing development on a single industry would have made it difficult for the country to escape the middle-income trap.

To foster its growth, the Republic of Korea has implemented various policies. In the early stages of its development, its only asset was human resources. Hence, labor-intensive industries were promoted. Domestic demand was also weak and neither private capital nor companies were nurtured. The government then adopted an export-oriented growth strategy, which led the country's economic development. However, as more capital and technology were accumulated, domestic demand grew and the private sector gradually developed, which required a change in strategy. The focus of policy shifted from promotion of labor-intensive industry to technology-intensive industry; from export-oriented economy to an economy balanced between exports and domestic demand; and from government-led development to a market-driven one.

Now, the Republic of Korea once again stands at a crossroads—to become an economy as advanced as those in North America and Europe. To deal with this challenge, in February 2014, the government launched the “Three-Year Plan for Economic Innovation,” a product of vigorous discussions among experts. While the Republic of Korea established itself as a great power in manufacturing, the competitiveness of its services sector has remained relatively low. While the catch-up strategy has served well in the past decades, it is no longer effective. New growth engines are needed.

The government is nurturing promising services such as healthcare, medical and tourism industries. It is also focusing on restructuring to build a creative economy, one that can invigorate existing industries with creative ideas and a pioneering spirit. Regulations that hampered corporate investments are subject to significant reform. Building an ecosystem driven by a virtuous cycle of start-up, growth, revival and start-up again is also a priority. In addition, “the Manufacturing Innovation 3.0” is being undertaken to converge information communication technology with the manufacturing sector to raise the latter's productivity. To boost domestic demand, the Republic of Korea is working to help income from the corporate sector trickle down to households, thereby creating a virtuous cycle of growing household and corporate income. Moreover, to foster a stronger market economy with firm principles, the government is striving to ensure fair trading between large companies and small and medium-sized enterprises; break down labor market dualism such as discrimination against non-regular workers; and, establish a healthy labor-management relationship.

In the past, the Republic of Korea's rapid economic growth solved both distribution and employment imbalances. Growth created more jobs, fostered the middle class, and improved income distribution. However, after the two financial crises swept the country, new policies were needed to establish growth resulting in sustainable employment and equitable income distribution. The government has been approaching this issue on three fronts: social safety nets, employment, and human capital development. First, as companies tumbled and breadwinners lost their jobs during the 1997/98 Asian financial crisis, many raised the need for strengthening social safety nets. In response, the coverage of the social insurance such as the National Pension Scheme and unemployment insurance was expanded to cover the entire working population and all firms. Also, the National Basic Livelihood Security Act was adopted to ensure the people's livelihood. The current administration also introduced government-subsidized childcare for toddlers aged 5 and below and the Basic Old Age Pension for those over 65 years.

Second, highest priority is given to increasing the employment rate. As “jobs are the best kind of welfare,” importance is given to promoting employment of disadvantaged groups such as youth, women, and the elderly. More decent jobs are created for youth to ensure their better future; high quality part-time jobs
are created for women so that they can enjoy a better work-life balance; and the expansion of the wage peak and extension of the retirement age are pursued for the elderly. Third, the government is heavily investing in human resource development to encourage social mobility. Elementary and middle school tuitions are now fully subsidized by the government. More student loans are available to allow students from low-income families the option of receiving tertiary education.

Asia is well-established as the “factory floor of the world”—the hub of manufacturing and information technology. Asia is also where the most successful economic development in recent history took place; and it has maintained a high growth rate after the 2008/09 global financial crisis. However, it is also here in Asia where a substantial portion of the population suffer from absolute poverty and illiteracy, coupled with income disparity that continues to plague the region. These challenges must be overcome to enjoy the many opportunities that lie on the horizon.

Joon-Kyung Kim, president of the Korea Development Institute (KDI), welcomed participants, saying KDI was happy to cohost the forum, building on the success of the 2013 forum held in Beijing. He stressed the importance of knowledge sharing and drawing appropriate policy lessons. He said there was a need for countries and organizations to collaborate when assessing Asia’s policy challenges within the broad context of sustainable development.

He stated that the forum’s goals were to share and discuss the results of innovative and inclusive strategies as drivers of sustainable economic growth. One of the biggest challenges faced by developing countries in Asia is the middle-income trap. Countries must move up the quality ladder and maintain social cohesion if they are to avoid or escape from the middle-income trap.

The Republic of Korea’s experience provides a useful lesson in economic development. In the past, the country was able to undergo rapid social and economic transformation through human capital development. However, the Republic of Korea is again in the midst of great change. The economic growth rate has been declining for some time; and the economic challenges of today are complex and multi-faceted in nature. Not seeing the kind of job opportunities and wage growth as before, Koreans feel uncertain and pessimistic about their economic prospects. Consequently, economic inequality has become a major social and political issue creating conflict and tension, and worsening social cohesion. Unable to find good jobs, younger people are feeling disenfranchised, uncertain and cynical about their future. Without adequate seniority-based pay structures and social security, many older people are often forced into early retirement and struggle to make ends meet. This perception of growing economic inequality and falling social mobility—whether real or not—has led to sharp social divisions.

The social and economic consequences of these changes will be gradual, but profound and long lasting, affecting the vitality of Korean society and the sustainability of its economy. To understand and overcome the challenges that lie toward the path of sustainable growth, the Republic of Korea must make an integrated effort among governments, markets and citizens under one vision of attaining a long-term sustainable economy.
To better understand these trends, it is important for the country to share its knowledge and experience; and to learn as well from other countries so the right policy lessons can be drawn. This underscores the importance of working together to promote knowledge exchange and cooperation among partner countries and organizations. Indeed, we look forward to understanding better the experiences of many Asia-Pacific countries in promoting innovation and inclusion. These are just some of the issues that will be discussed during the forum.

Following the two days of discussions, this grand gathering of Asian think tanks will facilitate networking and discovering common interests for further, future collaborative research.

President Kim closed his welcome message by thanking ADB for its cooperation and hard work in coorganizing the forum, as well as recognizing the efforts of all those involved in making the forum happen. He wished everyone productive and insightful discussions.

**Juzhong Zhuang**, deputy chief economist at ADB, welcomed participants and expressed his thanks to KDI for cohosting the forum. He encouraged participants to exchange views broadly and deeply on the topics ranging from (i) opportunities and challenges of globalization and regional integration in Asia, (ii) innovation and escaping the middle-income trap, to (iii) inclusive growth and social protection, and (iv) addressing poverty and inequality. He stressed how regional knowledge-sharing can boost the capacity of think tanks to better advise policy makers in promoting innovation and inclusion.

The ADB–Asian Think Tank Development Forum is designed to be an annual knowledge-sharing event under the Asian Think Tanks Network, which was established in Beijing last year. The Network provides a platform for sharing knowledge on development experiences and policy lessons among think tanks within and outside the region and between think tanks and ADB. The positive feedback from the first forum was very encouraging, as was the enthusiasm and ownership showed in preparing for the second forum. This forum continues its focus on inclusion and innovation. As discussed last year, sustaining economic growth through greater innovation and industrial upgrading—and making growth more inclusive to reduce inequality—are among the most critical development challenges facing the Asia-Pacific region.

The region experienced rapid economic growth in the last several decades, and as a result, many countries have joined the middle-income rank. While the transition from low-income to middle-income status can rely on capitalizing on low-cost advantage, the transition from middle income to high income has to be based on improved productivity through innovation and upgrading. How can innovation and industrial upgrading be promoted? What policy lessons can be learned from the successful countries as well as those not so successful? These are certainly among important questions that need to be answered.
At last year’s forum, it was noted that Asia’s rapid economic growth has been accompanied by rising income inequality. Technological change, globalization and market-oriented reform provided strong impetus to economic growth, but also led to widen income gaps among different population groups, compounded by unequal access to opportunity. How to make growth more inclusive is now on the topic of policy agendas in many Asian countries. Hence, events like this forum provide an excellent venue for in-depth discussions on such important issues; sharing knowledge and policy insights.

ADB is committed to supporting its member countries in the region eradicate poverty through inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration. A midterm review of its long term corporate strategy, Strategy 2020, was undertaken recently to prepare the organization to meet the challenges of a transforming Asia and the Pacific. Through this review, 10 strategic priorities up to 2020 have been set in order to improve ADB’s relevance, responsiveness, and effectiveness. One of these priorities is enhancing ADB’s role in providing knowledge solutions through measures including promoting knowledge partnerships and sharing.

ADB is committed to continuing its support for knowledge-sharing through platforms and events such as this forum. In order to maintain good momentum, additional resources will have to be sourced. It is hoped that participating think tanks can also collectively explore ways to make the network sustainable even in the eventual absence of ADB financial support.
**Key Indicators for Asia and the Pacific 2014—Poverty in Asia: A Deeper Look**

**Juzhong Zhuang** gave a presentation on ADB’s *Key Indicators for Asia and the Pacific 2014—Poverty in Asia: A Deeper Look*. The region’s rapid growth has led to a dramatic reduction in extreme poverty at $1.25/person/day. Yet many argue that this conventional poverty line is outdated and inadequate. It underestimates the cost to maintain a minimum living standard by the poor. He highlighted three sources of underestimation: Asia-specific consumption patterns, food insecurity, and increasing vulnerability of low-income households to shocks caused by natural disasters, economic crises, or illness. Combining these factors together would increase Asia’s extreme poverty in 2010 from 21% (using the conventional measure) to 50%. While economic growth is most important to drive poverty reduction, food price stability, food availability and food supply stability should be promoted; considering that the poor spend 70% of their budget on food. In addition, measures to address vulnerability to shocks by disaster risk reduction, climate change mitigation and adaptation, diversification of income sources, promotion of social assistance and protection including market-based instruments (e.g., disaster insurance, health insurance, crop insurance) need to be taken alongside economic growth. He concludes that, despite the huge gains already made, alleviating poverty will continue to be a significant challenge in Asia for decades to come.
New Directions for a Rapidly Maturing Miracle Economy: The Case of [the Republic of] Korea

Wonhyuk Lim, executive director of KDI Center for Regulatory Studies, gave a presentation on “New Directions for a Rapidly Maturing Miracle Economy: The Case of [the Republic of] Korea.” He illustrated how the Republic of Korea—through joint government and private sector efforts—was able to boost its comparative advantage first in labor-intensive manufacturing and then advance into capital and knowledge intensive sectors, leading to export-oriented industrialization. Through a coordinated and broad-based program of trade, industrial, and human resource development, the country generated rapid, shared growth, similar to other East Asian economies such as Japan and the People’s Republic of China. In recent years, however, the Republic of Korea faced diminishing growth prospects and increasing socioeconomic disparities. This required an effective new policy package—one that nurtures a business ecosystem that promotes innovation, an integrated labor market that links compensation to productivity, and a proactive public finance system that addresses economic and social disparities.
This session examined various facets of globalization and regional integration, and their impact on Asia and the Pacific.

The first three presentations—on regional economic structures and trade regimes, processing trade, and employment—and the ensuing discussion were moderated by Rathin Roy, director of India’s National Institute of Public Finance Policy.
The last two presentations focused on the Lao PDR joining the ASEAN Economic Community and the PRC’s experience with the public–private partnerships. This portion—and the ensuing discussion—was moderated by Rethy Kieth Chhem, executive director of the Cambodia Development Resource Institute.

**East Asian Economies, Regional Economic Structure and the Emerging Regional Trade Regimes**

Xiaoming Huang, executive director of New Zealand Contemporary China Research Centre, discussed the status of ongoing Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP) negotiations. He examined their implications for the development of multilateral institutions in Asia and the Pacific, and their impact on economic growth and development in the region. These are outlined in his paper, “Economic Structure and Regional Institutions: A Political Economic Analysis of TPP and RCEP.” The TPP and RCEP are frameworks for large, regional free trade areas. But more importantly, they are seen as platforms for deeper economic integration. He said the TPP and RCEP should be welcomed, as they include key economies with substantial interests in the region.

The TPP and RCEP are the two most recent efforts of global significance in forming multilateral institutions in the Asia-Pacific region. Amid uncertainty over future directions of multilateral institutions in the region, TPP and RCEP are positive developments. As the latest examples of regionalism in East Asia, TPP and RCEP are a good step forward in building an FTA area, involving key economies with substantial economic interests in the region. They seem to be more feasible and less complicated than previous attempts, with (i) smaller scope and managed openness in membership; (ii) two blocs instead of one giant campus as in the past, reflecting shifts in the regional economic structure between Northeast and Southeast Asia; and (iii) a more carefully controlled process of negotiation. However, given the complicated memberships within and across each—and the “high qualities and standards” intended for the arrangements—they intend to go beyond trade and enter the category of regional integration and economic community building. Given the historical tension among different visions of multilateral institutions in the region, the TPP and RCEP run the risks of being seen as an institutional imposition, a framework or platform for economic integration in an economic community that does not exist. TPP and RCEP will therefore be transitional if they ever get themselves established. Once the mission for an FTA area is achieved, they will have all the interests and incentives to converge or extend themselves into a larger FTA for Asia-Pacific (FTAAP).

For economic integration to lead to an economic community or a single common market it would be more practical and realistic to aim first at a more narrowly defined “region.” Indeed, analysis shows that efforts to build an economic community in ASEAN and Northeast Asia are making steady progress. There is much stronger economic substance in each of these two subregions for creating an economic community. Advancing economic integration at this level will link regional institutions closer to the regional economic structure and to economic growth and development.
Development of the People’s Republic of China’s Processing Trade and Employment

Guoqiang Long, director general of the PRC’s Development Research Center of the State Council, presented his paper, “China’s Processing Trade and Labor Change,” which primarily discusses the reexport of processed products with imported content exempt from tariff and value-added tax. From 1981 to 2012, total volume grew 14% annually, accounting for 35% of PRC total trade—42% in exports, 26% in imports.

Processing trade is the main source of the PRC trade surplus, reaching $2,731 billion or 148% of the total trade surplus in 1981–2012. Over the past 25 years, low-cost, quality labor, made the PRC attractive to foreign investors as an export base for labor-intensive manufacturing. However, the recent rapid rise in labor costs and high employee turnover (and resignations) have created new challenges. Nonetheless, the growing number of university graduates, rapid growth in domestic demand, good infrastructure, and the development of industrial clusters are bringing new impetus to manufacturing.

Enjoying the Fruits of Their Labor: Redirecting Asian Exports to Asian Consumers

Willem Thorbecke, senior fellow at the Research Institute of Economy, Trade and Industry, presented his paper, “Enjoying the Fruits of their Labor: Redirecting Exports to Asian Consumers.” There has been an explosion of parts and components traded within East Asian production networks. The PRC has emerged as final assembly point for the goods produced, which flow primarily outside the region. The global financial crisis decreased demand from the US and Europe, bringing a synchronized decline in Asian exports. Greater Asian consumer demand would provide insurance against the effects of another economic slowdown elsewhere.

A gravity model was used to investigate if emerging Asia is importing fewer consumption goods than predicted. The results indicate that, after the global financial crisis, the PRC and ASEAN imported more final goods than expected. Nevertheless, their consumption imports per capita are orders of magnitude lower than those of developed countries. This highlights the need for further growth in emerging Asia. One key step would be to invest in human capital beginning at a young age. Investments in education are needed due to the appreciation of the renminbi and ASEAN currencies, which leads to a large decrease in labor-intensive exports (such as furniture, footwear, toys, and sporting goods, among others). To offset this, emerging Asia needs to assimilate new technologies and move up the value chain. A better educated workforce increases the technology transfer from
multinational companies. Thus, investing in education will help companies in emerging Asia adapt new technologies and enhance the value chain. In the same vein, the PRC would receive a higher expected return by investing in health, education, and welfare of the people within its borders rather than by investing further in foreign exchange reserves. The government should especially focus on remedying economic deficiencies in ways that benefit the nontradable sector.

The Lao PDR’s Joining ASEAN Economic Community by and After 2015: Opportunities and Challenges

Leeber Leebouapao, director general of the Lao People’s Democratic Republic (Lao PDR) National Economic Research Institute, presented the main points of his paper, “Lao PDR’s joining the ASEAN Economic Community by and after 2015: Opportunities and Challenges.” Establishing the ASEAN Economic Community (AEC) by 2015¾ initially through a single market and production base—will enable the Lao PDR to better integrate within the ASEAN market, expanding market access and joining the region’s production networks through the free flow of goods—and eventually services, capital and skilled labor.

The Lao PDR will face challenges as well: increased competition for investments due to cheaper imports and more competitive foreign investors; increased competition for Lao exports in the ASEAN market; and challenges of labor mobility. To minimize negative impacts, the Lao PDR can make use of the opportunities and maximize the benefits from joining the AEC by focusing on its comparative advantages and niche market; strengthen the capacity and expand the potential export products; and strengthen competitiveness by focusing on human resource development through investments in education and skilled labor; technology upgrading and transfer; and investing in research and development.

PPP Modality in China: Experience and Way Forward

Qiangwu Zhou, deputy director general of the Asia-Pacific Finance and Development Center’s Beijing Office, presented his paper, “PPP Modality in China: Experience and Way Forward.” PRC local governments began using public–private partnerships (PPPs) in the 1980s mostly for infrastructure projects. To date over 1,000 infrastructure PPPs have been completed valued at $160 billion, through schemes such as build-operate-transfer and build-transfer.

Over the past 2 years, the central government strengthened its PPP modality to deepen reforms as part of an overarching
objective to increasingly use market forces in allocating resources. This means letting the market play the decisive role—private resources invested in public services such as transportation, power, telecommunications and other franchise sectors. PPPs are an efficient way to address the gap between demand for public goods and narrowing fiscal space. The PRC is promoting PPPs in conjunction with the efforts of major multilateral economic cooperation forums such as the G20 and APEC, among others, to support regional infrastructure and global economic development.

The Ministry of Finance, as lead agency, established a PPP Center and Working Group to propose institutional arrangements and general guidelines for PPP promotion and implementation. To promote regional connectivity through PPPs, the PRC initiated the Asian Infrastructure Investment Bank and the Silk Road Fund (which has an initial fund of $40 billion). In addition, the PRC is working closely with other BRICS countries (Brazil, the Russian Federation, India, the PRC, and South Africa) to establish the New Development Bank to support infrastructure in developing countries. Several policy recommendations were suggested—such as innovating PPPs to increase efficiency through multi-party collaboration, drawing in multilateral finance institutions into partnerships, and strengthening risk management through regulatory and standardized PPP project procedures.
Five papers were presented, focusing largely on innovation and overcoming the middle-income trap. **Derek Brien**, executive director of Vanuatu’s Pacific Institute of Public Policy and **Nonarit Bisonyabut**, research fellow at the Thailand Development Research Institute, moderated the session.
An Exploratory Cross-Country Analysis of the Relationship between New Firm Entry and Income Inequality

Poh Kam Wong, director of the NUS Entrepreneurship Centre and professor at the NUS Business School, presented his paper (coauthored by Yuen Ping Ho), “An Exploratory Cross-Country Analysis of the Relationship between New Firm Entry and Income Inequality.” The study describes the empirical relationship between entrepreneurship and income distribution using data from 32 developing and advanced economies. A key finding is that increasing rates of new firm entry are associated with widening income inequality. This is consistent with previous studies on two advanced economies, the US and Italy, and suggests that entrepreneurial income accumulation accrues disproportionately to wealthier economic agents, and this accumulation effect is stronger than the redistributive effects of increased resource utilization and the demand generated by newly created firms. This finding is consistent with the view that opportunity-driven entrepreneurs create a temporary monopoly and that profits generated accrue temporarily to the innovator–entrepreneur.

The study also found that the positive association between new firm entry rate and income inequality is stronger in developing economies compared with high-income economies. This suggests that the increased resource utilization effect of entrepreneurship may be stronger in advanced economies, which typically have more efficient market institutions.

These findings suggest several policy implications for mid- to high-income economies in entrepreneurship development and promotion. In recent years, many governments have increasingly embraced the notion that entrepreneurship should be actively promoted through public policy—as it contributes to economic growth and job creation. Contrary to the unbridled optimism about the role of entrepreneurship in economic development among many government officials, a major implication from this study is that public policy makers need to recognize that a pure pursuit of entrepreneurship may not be optimal. It may lead to potential adverse effects on social equity. As with many other areas of policy making, entrepreneurship policy making must weigh the trade-off between growth and equity effects. A related policy implication is that, if and when a government decides to use public policy to promote entrepreneurship, it should also incorporate policies that mitigate the potential for increasing income inequality as a result.

Malaysia’s Structural Impediments to High-Income Status: Decomposition Analysis of Output Growth

Zakariah Bin Abdul Rashid, executive director of the Malaysian Institute for Economic Research, discussed his research on “Malaysia’s Structural Impediments to High-Income Status: Decomposition Analysis of Output Growth 1991–2005.” Over time, Malaysia has evolved into a robust modern economy. Extreme poverty has almost been eradicated. Malaysians have full access to universal basic needs such as health, education, communication and other amenities and services. The vast majority
of the population enjoy a good quality of life. To raise these levels further, the country set a 2020 target to attain advanced economy status.

However, the economy is currently stuck in the middle-income trap. The economy requires structural transformation if it seriously wants to achieve a high-income status. The government has initiated an Economic Transformation Program (ETP), comprised of a New Economic Model (NEM) that incorporates urgent structural and market reforms (Strategic Reform Initiative, SRI), including a massive private-led investment plan. The NEM, covering 2010–2020, details how it will be implemented in two 5-year development plans—the Tenth (2011–2015) and Eleventh (2016–2020) plans. As an export-oriented economy, growth will certainly continue to be affected by global cycles. The world economic outlook will continue to present challenges as globalization and liberalization proceeds. The ETP is more than a mere investment plan. It aims to transform Malaysia into a high-income nation by rebalancing in favor of domestic demand in the face of weak or at least uncertain external demand.

To test its impact on the economy, the investment plan was simulated on a hypothetical “superior” production structure. Technological capacity was assessed based on the most recent input–output tables (2005)—whether it could deliver NEM targets and better than that of three comparator countries—the Republic of Korea, Japan, and Poland. The assessment showed a technological gap existed between Malaysia and these countries. Also, it found that the existing Malaysian production structure was unable to deliver NEM targets—which require the ETP to be closely followed. Implementing the ETP alone does not ensure success, unless supported by market and structural reforms—the necessary condition. Structural reform initiatives should be viewed as a continuous adjustment process to ensure the economy always moves on its optimal growth path. Under current dynamics, an economy can easily fall off the optimal path as changes in internal and external ecosystems make the current structure non-optimal or even irrelevant. These cross-cutting measures not only need to be implemented consistently and holistically, but the right mix and sequence are also critical. Ultimately, successful implementation depends on the political will and determination of all Malaysians.

Industrial Policies to Escape from the Middle-Income Trap: Cases of Uruguay and Malaysia

Alibek Konkakov, analyst of Kazakhstan’s Economic Research Institute, discussed his study (coauthored by Bakhytzhan Kurmanov) on “Industrial Policies to Escape from the Middle-Income Trap: Cases of Uruguay and Malaysia.” The study focused on industrial and innovation policies designed to move through middle-income status. Uruguay, recently succeeded in escaping, while Malaysia still remains middle-income.

Malaysia’s failure to graduate to high-income status could be attributed to several factors: (i) ineffective government policies in pursuing industrialization, (ii) imposing limits on economic growth under the
New Economic Policy, and (iii) inability of the economy to escape from the harmful effects of recessions. The first represents the failure of government to create a strong and competitive manufacturing sector well connected to the rest of the economy. This was due to the government providing high protection to infant industries and its inability to produce sophisticated products due to underdeveloped human capacity. The second represents the problem of putting wealth redistribution ahead of wealth creation under the New Economic Policy—which contributed to institutionalizing discrimination against sizeable portions of the population, which obviously put brakes on economic activity. Finally, the third represents the damage from global recessions on the Malaysian economy. This stems from the effects of the two other reasons and from the failure of the government to develop human capital in line with industrial developments, which resulted in low labor productivity.

Uruguay, on the other hand, managed to become one of the first Latin American countries to escape the middle-income trap, despite the severe financial crisis that hit the country in 2002. The country tripled per capita gross national income in 23 years, attracted foreign investment, created technological clusters and supported social policies. The critical factor behind the country’s remarkable development was the quality of institutions. Uruguay preserved its democratic traditions combined with political stability, leading to inclusive and efficient institutions. These inclusive institutions allowed the country to recover quickly from the 2002 crisis; a new government was elected in 2004 to introduce a set of “smart” industrial policies to help rather than hinder domestic industries. Moreover, the government expanded its social programs, including investments in education and health, among others. As a result, Uruguayan exports diversified and increased their presence in global markets.

The comparison shows that the critical component needed to escape middle-income status is effective institutions. It emphasizes the need for effective and limited government intervention in the economy. Malaysia failed because it too actively intervened in industrialization, trying to pick winners and stressing inter-ethnic wealth distribution. In contrast, Uruguay developed democratic institutions focused on providing a private sector-friendly business environment. This is not to imply the Malaysian government was totally ineffective. Since independence Malaysia achieved one of the most remarkable economic transitions of the century. The government transformed its economic structure by building a new industrial sector that helped reduce poverty from a 43% initial rate to 5%. However, as the economy matured, the government failed reduce its role and promote competition. When Malaysia initiated steps to shift emphasis from public to private sector economic development, it achieved one of the highest growth rates in Asia.

Several policy recommendations could help escape the middle-income trap. First, it is essential to develop industry based on high value-added production. Producing sophisticated goods builds better linkages with other economic sectors. Second, to increase labor productivity, human resource development must go hand-in-hand with industrialization. Finally, once industry matures, the private sector must move into areas previously controlled by public companies.
Does Innovation Mediate Good Firm Performance?

Gilberto Llanto, president of the Philippine Institute for Development Studies, presented his paper, “Does Innovation Mediate Good Firm Performance?” The current Philippine Development Plan expects that the growth and development of small and medium enterprises will significantly add to economic growth and, more importantly, generate enough new jobs to reduce poverty. The paper attempts to (i) determine the impact of innovation on firm performance; and, (ii) identify factors that could lead firms to innovate. A survey was conducted with 211 firms of the 220 sample responding. The findings indicate that large and more mature firms seem to have a higher propensity to introduce process and product innovations than smaller, younger firms. The large firms are more established in the market and, to maintain competitiveness, need to invest in innovation. Employment size matters, particularly for process innovation. The results showed that innovation mediates good firm performance, as product and process innovations increase sales and profits, and improve labor productivity. Firm size, age, and foreign equity participation are also important factors in pushing firms to innovate. Of particular importance to the Philippines is the finding on the role of foreign equity as a determinant of innovation. Removing regulatory and structural barriers to entry of foreign investment will be critical in attracting FDI to support the domestic market. FDI brings new products, expertise, innovations, and a host of complementary institutions—for example, efficient global supply chains that play a substantial role in greater ASEAN economic integration.

Chaebol and Industrial Policy in the Republic of Korea

Wonhyuk Lim, executive director of KDI’s Center for Regulatory Studies, discussed his article, Chaebol and Industrial Policy in Korea. The Republic of Korea launched its export-oriented industrialization policy in the early 1960s, reversing its previous bias against exports by using latent comparative advantage to develop labor-intensive manufacturing. While continuing to pursue export-oriented industrialization for better resource allocation, scale economies, and dynamic learning effects, the country moved quickly to develop its potential comparative advantage in more sophisticated industries, rather than wait for income and skill levels to rise on their own. The Republic of Korea sought to indigenize intermediate inputs imported from foreign upstream industries—through technology acquisition, human resource development, and building optimal scale plants designed...
to service the global market. Although the degree of sector targeting changed dramatically from the 1960s to the 1970s and then from the 1980s onward, the country maintained an outward-oriented, bottom-up, integrated approach to industrial policy, relying on close public–private consultation and international benchmarking. In the 1970s, heavy and chemical industries were targeted based on considerations over national security as well as industrial upgrading.

The economy met serious problems in 1980, the result of excessive intervention in the 1970s that led the economy to the verge of a debt crisis. Extensive and prolonged price controls severely hampered market mechanisms and created substantial distortions. This prompted a reappraisal of the way the economy was run. Macroeconomic stabilization measures were pursued to fight inflation, while the economy was liberalized, direct price controls abolished, and trade and investment opened. As private sector capacity increased and sectoral targeting became more difficult, a more sector-neutral approach was adopted, which provided support for rationalizing industry and promoting research and development regardless of sector. This fit in the larger shift from industrial policy to competition and corporate governance policy—starting with the enactment of the Monopoly Regulation and Fair Trade Act in 1980.

In the 1980s, the Republic of Korea began to promote information technology (IT) and pay greater attention to small- and medium-sized enterprises, especially after democratization in 1987. It adopted an integrated approach to export promotion with comprehensive and interrelated measures, policies, and institutions. Export promotion served as the engine of growth and organizing principle under which industrial upgrading, infrastructure development, and human resource development were pursued.

Even under today’s World Trade Organization rules, public–private consultations, performance-based rewards, and integrated policy approaches remain workable and effective instruments. Industrial policy in IT systematically reinforced weak segments of the domestic value chain through public–private consultations, with the objective from the outset to secure international competitiveness. Targeting global markets instead of domestic, the government played a critical role in addressing coordination and innovation externalities, by creating demand through procurement projects and investing in research and development and education. The government, however, made merit-based appointments and abided by the principle of performance-based rewards so as to minimize the downside of government intervention.

The Republic of Korea is now attempting to address the long shadow cast by the big-push partnership between the chaebol and government. Suitably exposed to competition, the chaebol are among the most technologically and commercially advanced, but their dominance of the economy also has a downside. Chaebol may unduly concentrate and entrench economic and political power, using it to extract rents and influence policy making in ways that favor large-firms at the expense of the economy as a whole. The best solution is for the government to strengthen investor protection and make it easier for shareholders to seek private remedies against “tunneling” and breaches of fiduciary duty, while enhancing intellectual property protection, continuing to strengthen competition, and expanding access to finance to promote the kind of entrepreneurship and entry vital to innovation—despite the threat of being stifled by the presence of very large business groups.
The second day of the forum began with the session on inclusive growth and social protection, moderated by Zaw Oo, executive director of the Myanmar Development Resource Institute.

Creating Jobs in India’s Organized Manufacturing Sector

Radhicka Kapoor, consultant at the Indian Council for Research on International Economic Relations, presented the results of her analysis on why the role of organized manufacturing in employment creation has been so modest—in her paper, “Creating Jobs in India’s Organized Manufacturing Sector.” If employment growth was very low during a period of high output growth, the concern is that it will probably be even worse when GDP growth has weakened. The findings show the negative relationship between employment growth and labor market regulation, with firms responding to labor market rigidities by substituting contract labor for a permanent workforce and adopting capital intensive production. Also, India’s labor regulations cover only organized sectors—there are no regulations covering work conditions and no social security provision for workers in unorganized sectors. Among others, the study emphasized that impetus from central government policy alone cannot accelerate manufacturing growth. Creating a more favorable investment climate at the state level is imperative,
consistent with the finding that manufacturing subsectors operating within a more liberal business environment and more developed infrastructure had faster growth.

Despite a decade of rapid economic growth, an acceleration of growth in organized manufacturing has eluded India. Using data from the Annual Survey of Industries, factors that held back output and employment growth were examined. Findings show heterogeneities in the performance of manufacturing across industries and states. Recent economic growth has benefited industries that rely more on capital and skilled labor as opposed to unskilled/low-skilled workers. This, combined with the rising capital intensity of production over the decade, partly explains the limited contribution of manufacturing to employment generation. At the state level, those with more inflexible labor regulations saw slower employment and output growth in manufacturing than states with more flexible labor market regulations. However, it would be incorrect to put the entire onus of poor manufacturing performance on labor regulations—as firms are responding to labor market rigidities in innovative ways, such as the greater use of contract workers. Factors such as cumbersome product market regulations and infrastructure bottlenecks have also hurt growth in manufacturing. Given that the days of industrial licensing are gone and markets are influenced by state as well as central government regulations, much of the work for improving the business environment must be taken at the state level.

Inclusive Growth Agenda: A Case for Emerging Mega Economies

Rathin Roy, director of the National Institute for Public Finance Policy, presented his paper, “Inclusive Growth Agenda: A Case for Emerging Mega Economies.” Emerging mega-economies (EMEs) globally face twin challenges when applying fiscal policy instruments. The first, longer term, is for fiscal allocation, distribution and growth enhancement to provide inclusive growth without jeopardizing macroeconomic stability. The second is to protect inclusive growth from exogenous shocks through fiscal stabilization.

The 2008/09 global economic crisis was used to examine these issues from a policy perspective using three Asian and two non-Asian EMEs—India, the People’s Republic of China (PRC), Indonesia, Brazil, and Turkey. The review aimed to (i) identify the role fiscal policy plays in securing inclusive growth and, (ii) assess the extent to which stabilization policies deployed during and after 2008 minimized the crisis impact on inclusive growth. The findings showed that when assessing the fiscal stance in the five EMEs, there is no congruence in revenue trends. The PRC, Brazil, and Turkey had a steady rise in revenue-GDP ratios, while India and Indonesia display a discernible revenue gap. Hence, this infers that tax and revenue performance are correlated strongly with levels of GDP rather than with high growth. Similarly, lower-income EMEs (India and Indonesia) spend less than high-income EMEs (Brazil and Turkey). The PRC is an exception in that despite high growth and GDP, the growth to GDP ratio remained constant. The PRC has yet to attempt large scale redistributive measures through fiscal policy to address rising income inequality. The analysis of macro fiscal and sectoral trends on “merit” goods like health and education show that there is considerable scope in all EMEs except Brazil to increase public spending on merit goods like before resorting to redistributive fiscal policies. Because expenditure on merit goods involves...
substantial increases in current as opposed to capital expenditure, EMEs will need to raise their tax effort to finance any increase. As all the EMEs except India run current surpluses, expansionary fiscal policy is feasible over the medium term. India will need either substantial expenditure switching within its current expenditure portfolio or implement policies that significantly increase the revenue-GDP ratio to levels comparable with other EMEs. The countries show that the countercyclical fiscal policies deployed have been tailored to individual circumstances, and have been mindful of prudential limitations, thus alleviating the fear that continuing these policies would jeopardize fiscal prudence. Even in the case of India—which in recent years has gone through some macroeconomic difficulties—supply side constraints and the balance of payments have caused problems in macroeconomic management, rather than the inability to speedily tone down countercyclical fiscal policies.

On inclusion, the study does not find any dramatic, first-order link between performance in individual measures of inclusion and the conduct of fiscal policy. In the EMEs, there is an apparent case for redistributive measures to address the increase in top-bottom inequity in consumption. However, it found this may have been feasible only in the PRC, given its fiscal prudence. In all other EMEs studied, inclusion is best served by using fiscal policy as an instrument to maximize public spending on merit goods, and to secure growth that maximizes the macrofiscal environment.

Social Protection for Small-Scale Agriculture—Evidences from Viet Nam

Tran Kim Chung, vice-president of the Central Institute for Economic Management, presented his paper, “Social Protection for Small-Scale Agriculture—Evidences from Viet Nam.” With accelerating globalization and increased environmental concerns, the combination of new and old vulnerabilities, particularly related to poverty, pose a specific set of challenges when designing resilient measures and building a responsive social protection system—especially in agriculture. If unaddressed—and coupled with currently weak social protection—this would seriously threaten future development. It ultimately requires fundamental social protection system reform, which should bolster local resilience and reduce poverty.

Viet Nam has achieved impressive poverty reduction since the early 1990s—approximately 30 million people were lifted out of poverty. Broad-based economic growth has improved the well-being of almost the entire population—the overall poverty rate consistently fell from 58% in 1993 to 10.4% in 2010. Empirical results of data collected from 580 rice growers in two provinces show the various shocks that affect households. The most common shocks are (i) illness/injury or accident of household members; (ii) sharp overall price increases; (iii) flooding; (iv) sharp increases in input prices; and, (v) crop pests. Shock frequency and severity varies with income level, and by characteristics such as gender of household head, age and education. Although poor and non-poor households face similar types of shocks, the shock effect is much more severe for the poor. Some households adopt strategies to cope by reducing overall expenses; borrowing from relatives, acquaintances and/or financial institutions such as agricultural banks, social policy banks; and by finding a second job.
The study shows it is important to strengthen the formal social security system, focusing on broadening coverage and improving enforcement to protect the elderly and those affected by unforeseen circumstances. Two transitions should be encouraged—from farm to higher productivity non-farm employment; and from informal to formal sector jobs. Within the formal business sector, regulations on social security participation should be better enforced, while outside, awareness should be raised and procedures simplified to encourage participation in voluntary schemes.

Both chronic and transient poverty require new instruments—including strengthened cash transfers based on household targeting. In addition, the specific gaps in current poverty reduction and social protection systems must be identified—those in programs that help address urban vulnerability and poverty; and that help the poor and vulnerable manage shocks. Although existing national programs have targeted certain groups and beneficiaries, they remain limited in coverage. This suggests Viet Nam may have to consider modernizing and strengthening household-targeted social safety net interventions as a complement to geographically-targeted poverty reduction programs and social insurance.

Effective Social Protection for Transforming Economy and Society of Uzbekistan

Kamila Mukhamedkhanova, researcher at the Center for Economic Research, presented her paper, “Effective Social Protection for Transforming Economy and Society of Uzbekistan.” As a result of policies aimed at creating economic incentives for private sector development, the tax burden in Uzbekistan is much smaller than in Scandinavian economies. At the same time, despite tax wedge relieving policies like in Asia, the large share of Uzbekistan budget expenditures goes to social sectors—particularly social protection, education, healthcare and public services. For this reason the tax rate in Uzbekistan is larger than in many other Asian economies. However, government budget expenditures for social purposes in Uzbekistan are not as large as in Nordic countries, but not as small as in other Asian economies.

Although the rates of economic growth are not as high as many in Asia, Uzbekistan has a developed social protection system, providing social assistance and insurance for specific population sectors as well as universal access to basic social services. Access to education and healthcare is also much better than in many developing economies. The existing model of social protection, introduced in Uzbekistan in early 1990s and aimed at mitigating the negative impact of economic reforms during transition, proved its validity by preventing a sharp drop in living standards and ensuring social support was targeting the most needed.

Over the long term (2030), several reforms are needed to improve the model of social protection and offer incentives to accelerate economic transformation, society and institutions. These include decreasing the tax burden of the state budget from 21.7% to 18% in 2030 to stimulate economic growth and formal employment. To decrease the level of poverty, the number of recipients of social allowances to low-income families needs to drop from 977 thousand families in 2012 to 709 thousand families in 2030—as reducing the number of allowance beneficiaries is a prime element of transformative
social protection. To ensure allowances have a transformative effect and remove beneficiaries from low income and vulnerable categories, the size of the allowance should be increased, but not too high to avoid encouraging dependency. For nonmonetary social allowances, it is necessary to expand the coverage of programs that assist schoolchildren from low-income families. The proportion of expenditures for financing nonmonetized social assistance programs should be increased from 2% in the state budget by 2.8%; sourced from the reduction of cash welfare allowances. Furthermore, integrating persons with disabilities and pensioners in active economic and social activities should be promoted.

The projected employment growth and implementation of large projects with considerable multiplier effects create the need for retraining and provision of refreshment courses to ensure ample supply of appropriately skilled labor. To provide high quality education, expenditures in all levels, including higher education, must be increased substantially. For the period 2012–2030, the cost of public health services per capita should rise 4.5 times or $600. In the same vein by 2030, 36% of the costs of public health services should be covered by voluntary insurance and services of private clinics.
Alternative Concept and Measure of Poverty in Indonesia

Carunia Mulya Hamid Firdausy, deputy minister for Social Dynamics of Ministry of Research and Technology (2005–2010) and professor of Economics of the National Research Center for Economics, Indonesian Institute of Sciences, presented “Alternative Concept and Measure of Poverty in Indonesia.” Poverty is one of the long standing problems in Indonesia. Using the national absolute poverty line, it was estimated that the proportion of the poor declined from 40.1% in 1976 to 11.2% in 2013. However, many people claimed the declining percentage of poor was only true statistically. They argued that the national poverty line used to measure the incidence of poverty was unrealistic. This is simply because the amount of rupiah expenditure set as the poverty line is inadequate to fulfill the poor’s basic needs.

Variables and dimensions to define the poverty line should not only consider food, but also non-food items. The study proposes the use of the subjective poverty line (SPL) instead of the national poverty line. A field survey of 360 respondents of poor and non-poor in three villages in three provinces located...
in the East, West, and Central Indonesia was done to calculate the SPL. Data collection involved use of questionnaires, focus group discussions and in depth interviews. The results revealed that the official poverty line was far below the poverty line defined by respondents. Apart from food, non-food items were also important. These non-food items include daily expenditures for soap, toothpaste, electricity, payment for social/cultural contribution, proper housing, and access to work. Education and health were relatively unimportant as they are provided free by the government. The estimation showed the SPL is more than IDR500,000 or $42.0 per capita per month, nearly double the official poverty line of IDR302,000 or $25.0 per capita per month. Increasing the present official poverty line to IDR500,000 per capita per month will provide the government more accurate data on the poor and thus, implement policies and programs that improve the quality of life of the poor. The SPL is useful not only to measure the poverty incidence but also to determine real conditions of the poor. Hence, it is a challenge for the present government to rethink and raise its national absolute poverty line to a more realistic level.

The Impact of Remittance on Poverty and Inequality: Evidence Using Data on Labor Migration in Nepal

Dr. Ram Chandra Dhakal, executive director of the Centre for Economic Development and Administration (CEDA), Tribhuvan University presented “The Impact of Remittance on Poverty and Inequality: Evidence Using Data on Labour Migration in Nepal.” The practice of remitting earnings of overseas Nepalese workers has a significant economic impact. Remittances allow workers’ families to buy land, educate their children and improve their standard of living and that of their village as a whole. These benefits are key drivers for growing migration—not only to other countries, but also, from the countryside to cities, especially to Kathmandu.

The analysis shows the biggest chunk of remittance income was spent on food, non-food expenses (construction of new or reconstruction of family homes, vehicles, payment of loans, among others) and education. In addition to improving household income, increasing consumption and savings, benefits include improved family health.

While the benefits are easily seen and felt, policies are needed to encourage remittance use to promote longer-term growth and income security. Migrant workers must be encouraged to (i) send remittances through official channels; (ii) increase remittances by encouraging holding financial assets in the country rather than abroad (or spending savings on consumer goods); or (iii) encouraging investment in productive assets domestically. A favorable interest rate policy, a market-determined and realistic exchange rate, and limited restrictions on withdrawals are also important. Policies that mobilize remittances should be accompanied with programs to promote other sources of foreign exchange to maintain stable exchange rates. Also, consistent interest rates should be accompanied with measures to curb inflationary pressures.

Policy makers should keep in mind that migrants and their families form a diverse group, ranging from white-collar workers to the illiterate and poor. Self-employment and small business formation among
returning migrants requires incentives. To promote investment of remittances in business, there must be adequate incentives for migrant workers to invest in productive activities. In this regard, microfinance institutions could expand their micro and small business portfolios, whereas government and civil society organizations could provide training, business advice and marketing assistance for micro and small entrepreneurs to facilitate matching funds for development projects.

The Rural Non-Farm Economy, Livelihood Strategies, and Household Welfare in Rural Pakistan

Shujaat Farooq, researcher economist at the Pakistan Institute of Development Economics, presented “The Rural Non-Farm Economy, Livelihood Strategies, and Household Welfare in Rural Pakistan.” Various micro datasets were used to analyze the role of rural non-farm enterprises in providing rural employment and linkages with household welfare, including poverty incidence and school enrollment of children aged 5–15 years. The results showed that the majority of non-farm enterprises are informal or microenterprises with limited production activities. They are the major sources of employment and income for poorer rural households. While there is more rural poverty among non-farm households, it is not worse for paid non-farm workers than paid agricultural workers. The non-farm economy may not significantly impact rural poverty reduction, but has significant positive impact on school enrollment.

At present, 23% of rural Pakistani households own non-farm enterprises which are microenterprises. Most of the enterprises are informal, have poor asset endowments, and are highly influenced by available soft and physical capital and infrastructure. Households, on average, own more enterprises in districts with good physical and human capital. Although agriculture still dominates rural employment, its importance has declined overtime. While there is a shift from farm to non-farm activities in rural areas, the share of manufacturing has declined substantially with a corresponding increase in the importance of service and commerce activities in the non-farm sector. The analysis shows that non-farm income accumulates to rural households primarily through paid employment and self-employment. Self-employed workers are mostly engaged in trade and transport services, while services and construction account for two-thirds of rural non-farm paid employees. Individual employment diversification shows the majority of rural workers are employed in primary sectors—either agriculture (53%) or non-farm (40%)—while only 5% of workers differ over their primary and secondary work activities—called “mix” activity. Worker’s education, gender, availability of land and access to infrastructure are the key determinants to influence livelihood strategy of rural workers.

The findings show that poorer households rely on employment in non-farm activities as the share of non-farm income for the poorest quintile is 57%. The higher non-farm income sources for the poor reflect the equity enhancing in Pakistan. Although there is more rural poverty among non-farm households, non-farm workers no longer appear to be the poorest of the poor. Wage workers in the non-farm sector are better off than agricultural laborers. However, households engaged in non-farm and mix activities are more likely to send their children to school. Despite the non-farm
sector’s large contribution to the rural economy, data on non-farm enterprises is limited in Pakistan. Institutional inefficiency is one of the major barriers for the development of the rural non-farm economy. Easy, smooth and equitable markets can be facilitated through supporting institutional mechanisms that help promote economic activity by reducing transaction costs, among others. Increasing competition requires institutions for quality control, capacity building, research and development along with reducing disputes, defining property rights and contracts, and increasing healthy competition in markets.

Targeted policies are required to overcome regional disparities by diverting resources toward deprived and remote areas. The lower participation of poor households in non-farm activities can be improved through social and economic resource mobilization. For rural development, dynamic labor-intensive agriculture along with a modern non-agriculture sector can provide better employment and income to rural households, with egalitarian income distribution and elimination of rural poverty. Policy intervention to promote rural non-farm employment can also reduce, to some extent, migration to cities. The design of rural development pro-agricultural policies needs to be revisited to address the needs of the local non-farm activities. In particular, the growth and concentration of these activities in rural towns and villages substantially raise demand for physical and soft infrastructure.

Sustained National Deworming Campaign in South Korea

Taejong Kim, professor at the KDI School of Public Policy and Management, presented his study on “Sustained National Deworming Campaign in South Korea.” The presentation described the Republic of Korea’s successful nationwide deworming campaign—jump-started in 1969 with a 3-year massive assistance program from the Overseas Technical Cooperation Agency of Japan, culminating in the 1997 World Health Organization declaration that the country was essentially worm-free.

The case study corroborates findings from recent studies set in other countries in the Americas and Africa, and confirms that public investment in deworming makes excellent sense as a worthy high-return investment opportunity. The Republic of Korea experience also demonstrates that, to raise efficiency and efficacy, it makes sense to go for the largest geographic scale possible, and to sustain efforts until the population worm infection rate is pushed below a specified threshold level—which may vary from country to country depending on the types of worms commonly found. One can easily show that a national, sustained deworming campaign more than pays for itself from increases in government revenue resulting from the large productivity growth, as captured by increases in workers real earnings. Even cash-strapped governments in the developing world should consider funding a sustained, national deworming campaign, even if they have to borrow from overseas to do so.

The three most important lessons from the study are (i) sustained, national deworming is a highly sensible public investment with the potential of huge returns; (ii) comprehensive school-based examination and treatment is a sound strategy; and, (iii) to maximize returns from public investment, it is crucial that measures are sustained long enough to attain their stated goal.
Dr. Zhuang moderated the closing session on think tank networking.

Dongxiang Li, advisor in ADB’s Regional Sustainable and Development Department, made a presentation and brief overview of the ADB–Asian Think Tanks Network (ATTN) and its organization. He apprised participants on developments and activities since the first forum in 2013. They include the establishment of the ATTN to promote knowledge exchange, giving ADB and member think tanks access to regional and country-specific knowledge that can enrich their own research. As agreed at the Beijing forum, a website for the network was created; the first issue of the e-Newsletter prepared and disseminated; proceedings of the first forum published; and, a survey conducted to both measure participant satisfaction with the first forum and act as guide in designing the current forum. Although ADB serves as network cofinancier, the generous response of think tanks coorganizing the forums—Asia-Pacific Finance and Development Center in Beijing and Korea Development Institute in Seoul—allocated substantial resources in running both forums.
Maria Christina S. Dueñas, Knowledge Sharing and Services officer at ADB, introduced the ATTN website (www.adb-asianthinktanks.org), walking participants through various website features, describing information included—especially from member think tanks. The website serves as a repository for forum materials and showcases the ATTN member activities. Consistent with the network’s objective of sharing knowledge resources, members’ research publications related to innovation and inclusion are provided on the website together with links to member websites—to encourage visitors to browse beyond the ATTN website. Members were also encouraged to use the website to promote their activities, by providing the Secretariat with the information to be posted, as well as to link traffic between think tank and ATTN websites.

A vibrant discussion from participants led to several suggestions. One was to create an alumni section on the website, showing forum photos of think tank representatives to help members recall and maintain familiarity with fellow members. Webinars can also be considered.

The importance of holding the annual forum was emphasized. Asia and the Pacific has many success stories and concerns to share and discuss—especially among organizations that governments rely on for policy advice and plan formulation. ADB’s knowledge, technical, and financial support are pivotal in organizing forums, and its role in facilitating links between research and policy was stressed. Think tanks need to work more closely with ADB in selecting suitable forum topics. To sustain the forum, the possibility of holding it on the sidelines of other international conferences was raised.

Several think tanks indicated they want to serve as cohost for the 2015 forum. Zakariah Bin Abdul Rashid announced that Malaysia accepts cohosting the 2015 forum in Kuala Lumpur, to be held between June and September. ADB and MIER will work closely on forum details, including forum design and topics, among others. Inclusion and innovation will remain topics given their importance to ADB’s developing member countries.

As all countries will report on the achievement of Millennium Development Goals in 2015, it was suggested that the post-2015 development agenda be considered in drawing up topics for the 2015 forum. Topics may also include the macroeconomic outlook for Asia and the Pacific; short-term concerns that can evolve into longer-term issues; and regionalization and globalization, among others. On design, it was suggested there be two or three plenary sessions to examine issues on a broader level; provide an overview session; and regional perspectives. Perhaps internationally-renowned speakers can be invited to cover broader issues. The think tanks need to work more closely with ADB in drawing up suitable forum topics.
To encourage governments to provide financial support for the participation of their think tanks in the ATTN/forums, it was suggested that ADB approach governments through the Country Partnership Strategy process to provide a mechanism through which governments can allocate resources for their think tanks and ensure continued financial support for agreed network activities.

Research collaboration would encourage think tanks to forge partnerships among themselves—KDI may have a program that supports research collaboration among think tanks. As ATTN objectives include think tank capacity building, schemes on how this can be carried out will have to be carefully thought out.
Forum participants appreciated and enjoyed networking activities arranged by the organizers. A day before the formal opening of the forum, participants were welcomed at an informal reception to rekindle ties begun during the first forum and to introduce new attendees.

In addition to building and strengthening linkages, participants enjoyed the array of Korean dishes (including bibimbap) at the 20 November dinner hosted by KDI. The family members accompanying several participants and the KDI staff also enjoyed the event.
A fitting close to the camaraderie after nearly three days in Seoul included the sights and the laughter shared while touring the city—an experience to bring back to their home countries. They had an aerial view of the city atop the Seoul Tower and were introduced to cultural sites—such as the hanoks (traditional houses built in the 1920s) in the Bukchon Hanok Village and took in Dawon, the Korean traditional tea café.
19 NOVEMBER 2014 (DAY 0)
6:00 a.m.–12:00 m.n. ARRIVAL OF PARTICIPANTS/CHECK-IN AT HOTEL
6:30 p.m.–8:30 p.m. INFORMAL WELCOME RECEPTION AT GRAND INTERCONTINENTAL SEOUL PARNAS, CHRYSANTHEMUM ROOM (2/F)

20 NOVEMBER 2014 (DAY 1)
8:30 a.m. REGISTRATION

SESSION 1: Opening Ceremonies (plenary)
Moderator: Taejong Kim, professor, KDI School of Public Policy and Management

9:30 a.m. WELCOME REMARKS
Joon-Kyung Kim, president, Korea Development Institute

9:35 a.m. KEYNOTE ADDRESS
Hyung-Hwan Joo, vice minister, Korea Ministry of Strategy and Finance

9:40 a.m. Key Indicators for Asia and the Pacific 2014—Poverty in Asia: A Deeper Look
Juzhong Zhuang, deputy chief economist, ERCD, ADB

10:00 a.m. PHOTO SESSION AND COFFEE BREAK

10:30 a.m. New Directions for a Rapidly Maturing Miracle Economy: The Case of Korea
Wonhyuk Lim, executive director, Center for Regulatory Studies, KDI

11:00 a.m. OPEN DISCUSSION

11:15 a.m. China’s Processing Trade and Labor Change
Guoqiang Long, vice minister, Development Research Center of the State Council

11:45 a.m. OPEN DISCUSSION

12:00 noon LUNCH BREAK

SESSION 2A: Opportunities and Challenges of Globalization and Regional Integration in Asia (parallel session)
Moderators: Rathin Roy, director, National Institute of Public Finance Policy
Rethy Kieth Chhem, executive director, Cambodia Development Resource Institute

1:30 p.m. East Asian Economies, Regional Economic Structure and the Emerging Regional Trade Regimes: TPP and RECP
Xiaoming Huang, professor and director, New Zealand Contemporary China Research Centre

1:50 p.m. OPEN DISCUSSION

2:10 p.m. China’s Processing Trade and Labor Change
Guoqiang Long, vice minister, Development Research Center of the State Council

2:30 p.m. OPEN DISCUSSION

2:50 p.m. Enjoying the Fruits of Their Labor: Redirecting Exports to Asian Consumers
Willem Thorbecke, senior fellow, Research Institute of Economy, Trade and Industry

3:10 p.m. OPEN DISCUSSION

3:30 p.m. COFFEE/TEA BREAK

4:00 p.m. The Lao PDR’s Joining ASEAN Economic Community by and after 2015: Opportunities and Challenges
Leeber Leebouapao, director general, National Economic Research Institute

4:20 p.m. OPEN DISCUSSION

4:40 p.m. PPP Modality in China: Experience and the Way Forward
Qiangwu Zhou, deputy director-general, Asia-Pacific Finance and Development Center Beijing Office

5:00 p.m. OPEN DISCUSSION

5:20 p.m. **INFORMAL EXCHANGE/NETWORKING**

6:30 p.m. DINNER AT INTERCONTINENTAL SEOUL COEX HOTEL, JUPITER ROOM (30/F)
### SESSION 2B: Innovation and Escaping the Middle-Income Trap (parallel session)

**Moderators:** Derek Brien, executive director, Pacific Institute of Public Policy  
Nonarit Bisonyabut, research fellow, Thailand Development Research Institute

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<th>Time</th>
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| 1:30 p.m. | An Exploratory Cross-Country Analysis of the Relationship between New Firm Entry and Income Inequality  
Poh Kam Wong, director, NUS Entrepreneurship Centre and Professor, NUS Business School |
| 1:50 p.m. | OPEN DISCUSSION                                                      |
| 2:10 p.m. | Malaysia’s Structural Impediments to High-Income Status: Decomposition Analysis of Output Growth 1991–2005  
Zakariah Bin Abdul Rashid, executive director, Malaysian Institute for Economic Research |
| 2:30 p.m. | OPEN DISCUSSION                                                      |
| 2:50 p.m. | Industrial Policies to Escape from the Middle-Income Trap: Cases of Uruguay and Malaysia  
Alibek Konkakov, analyst, Economic Research Institute |
| 3:10 p.m. | OPEN DISCUSSION                                                      |
| 3:30 p.m. | COFFEE/TEA BREAK                                                   |
| 4:00 p.m. | Does Innovation Mediate Good Firm Performance?  
Gilberto Llanto, president, Philippine Institute of Development Studies |
| 4:20 p.m. | OPEN DISCUSSION                                                      |
| 4:40 p.m. | Chaebol and Industrial Policy in Korea  
Wonhyuk Lim, executive director, Center for Regulatory Studies, KDI |
| 5:00 p.m. | OPEN DISCUSSION                                                      |
| 6:30 p.m. | DINNER AT COEX INTERCONTINENTAL HOTEL, JUPITER ROOM (30/F)         |

### SESSION 3A: Inclusive Growth and Social Protection (parallel session)

**Moderator:** Zaw Oo, executive director, Myanmar Development Resource Institute

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<td>8:00 a.m.</td>
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| 8:30 a.m. | Creating Jobs in India’s Organized Manufacturing Sector  
Radhicka Kapoor, consultant, Indian Council for Research on International Economic Relations |
| 8:50 a.m. | OPEN DISCUSSION                                                      |
| 9:10 a.m. | The Inclusive Growth Agenda: A Case for Emerging Mega Economies  
Rathin Roy, director, National Institute for Public Finance Policy |
| 9:30 a.m. | OPEN DISCUSSION                                                      |
| 9:50 a.m. | Social Protection For Small-Scale Agriculture – Evidences From Viet Nam  
Tran Kim Chung, vice president, Central Institute for Economic Management |
| 10:10 a.m. | OPEN DISCUSSION                                                      |
| 10:30 a.m. | COFFEE/TEA BREAK                                                   |
| 10:40 a.m. | Effective Social Protection for a Transforming Economy and Society of Uzbekistan  
Kamila Mukhamedkhanova, researcher, Center for Economic Research |
<p>| 11:00 a.m. | OPEN DISCUSSION                                                      |</p>
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<td>8:00 a.m.</td>
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<td>8:30 a.m.</td>
<td>Alternative Measure of Poverty in Indonesia</td>
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<td>Carunia Mulya Hamid Firdausy, director, National Research Centre for Economics, LIPI</td>
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<td>8:50 a.m.</td>
<td>OPEN DISCUSSION</td>
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<td>9:10 a.m.</td>
<td>The Impact of Remittances on Poverty Reduction: Evidence Using Data on Labour Migration in Nepal</td>
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<td>Ram Chandra Dhakal, executive director, Centre for Economic Development and Administration, Tribhuvan University</td>
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<td>9:30 a.m.</td>
<td>OPEN DISCUSSION</td>
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<td>9:50 a.m.</td>
<td>The Rural Non-farm Economy, Livelihood Strategies, and Household Welfare in Rural Pakistan</td>
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<td>Shujaat Farooq, researcher economist, Pakistan Institute of Development Economics</td>
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<td>10:10 a.m.</td>
<td>OPEN DISCUSSION</td>
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<td>10:30 a.m.</td>
<td>COFFEE/TEA BREAK</td>
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<tr>
<td>10:40 a.m.</td>
<td>Sustained National Deworming Campaign in South Korea</td>
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<td>Taejong Kim, professor, KDI School of Public Policy and Management</td>
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<td>11:00 a.m.</td>
<td>OPEN DISCUSSION</td>
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**SESSION 4: Asian Think Tank Networking: Sustaining the ADB–Asian Think Tank Network (plenary)**

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<th>Time</th>
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<tr>
<td>11:30 a.m.</td>
<td>Updates and Action Planning</td>
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<td>Dongxiang Li, advisor, Regional and Sustainable Development Department, ADB</td>
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<tr>
<td>12:30 p.m.</td>
<td>LUNCH BREAK</td>
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AFTERNOON

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<th>Time</th>
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<tr>
<td>2:00–5:30 p.m.</td>
<td>INFORMAL NETWORKING ACTIVITY (TOUR OF SEOUL'S CULTURAL ATTRACTIONS)</td>
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## Annex 2

### Directory of Participating Think Tanks

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<tr>
<th>Name</th>
<th>Position</th>
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<tr>
<td><strong>Presenters</strong></td>
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<tr>
<td>Guoqiang Long</td>
<td>Director General</td>
<td>Development Research Center of the State Council</td>
<td><a href="mailto:longgo@drc.gov.cn">longgo@drc.gov.cn</a></td>
</tr>
<tr>
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<tr>
<td><strong>India</strong></td>
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<tr>
<td>Radhicka Kapoor</td>
<td>Consultant</td>
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</tr>
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<tr>
<td><strong>Indonesia</strong></td>
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<tr>
<td>Carunia Mulya, Hamid Firdausy</td>
<td>Director</td>
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<td><strong>Japan</strong></td>
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<tr>
<td><strong>Lao Peoples’ Democratic Republic</strong></td>
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<tr>
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<td>Poh Kam Wong</td>
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<tr>
<td><strong>Uzbekistan</strong></td>
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<tr>
<td>Kamila Mukhamedkhanova</td>
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<td><strong>SRI LANKA</strong></td>
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AFDC = Asia-Pacific Finance and Development Center, ISET = International School of Economics at Tbilisi State University, KDI = Korea Development Institute, NUS = National University of Singapore.
A postforum survey was conducted to gather feedback on the relevance of the ADB–Asian Think Tank Development Forum 2014. All 36 member participants of the ADB–Asian Think Tanks Network believe the forum’s objectives were achieved and gave them knowledge relevant to their work. Similarly, they are satisfied with the forum’s substance and content. They found discussions provocative, often touching on unconventional ideas, and effectively enriched by contributions from different countries. Some 95% said they would likely pursue linking with other think tanks after the forum. On overall arrangements, all lauded the organization, venue and logistics of the forum.

When asked what other topics could have been included to further improve the forum content, some participants commented that special topics on the institutional strengthening of think tanks would have been useful, especially as some need to build research capabilities, among others. The forum is a tremendous opportunity to do this considering its distinct advantage of bringing together a sizeable number of think tanks operating in different environments in Asia and the Pacific, which can draw lessons and experiences from each other.

On what they liked most about the forum, some participants highlighted the opportunity to meet and interact with different think tanks in the region and to learn from each other's experiences, interests, and pursuits. The discussions were very interesting and provocative. The huge variety of topics was a great learning experience. It helped understand development challenges facing countries in the region, especially major trends on economic growth and social protection, and macro–micro strategies to achieve inclusive growth.
The Korea Development Institute (KDI), since its establishment in 1971, has been recognized as a leading think tank of the Republic of Korea significantly contributing to the economic and social development of the Republic of Korea. For over 3 decades, KDI has consistently provided policy recommendations and guidance based on in-depth analyses of international and domestic economic conditions and projections while conducting preemptive and empirical studies. While recognizing the importance of finding new growth engines for prompt economic recovery and sustainability during the trying times of global economic crisis, KDI is working diligently to put forth applicable policy directions based on comprehensive studies.

As the global economy becomes more integrated or intertwined, one nation's economic risks tend to spread fast and widely. Networks become more tightly connected, demanding a new economic development paradigm for coexistence and coprosperity, not for individualistic survival. Now that the two rounds of global economic crisis stemming from the US and Southern Europe have increased uncertainties, both internally and externally, KDI has put in enormous efforts to find a new growth path and propose policy alternatives in advance—to help the Republic of Korea economy take a leading role in the postcrisis period. Furthermore, while strengthening its ability to respond to macroeconomic crisis, it also works to develop a future strategy that could actualize welfare society, balanced growth and economic democracy so as to build a robust economic structure. The institute has produced comprehensive studies based on in-depth analyses on the Republic of Korea's economic, political, social, and future conditions to find a new growth engine and solve pending problems—such as mounting household debt, increasing income insecurity among the low-income class and slowing potential growth resulting from population aging.

By enhancing its research capacity and cooperative studies internationally, KDI intends to achieve world-class excellence in its research, formulation of preemptive and applicable economic policies, and at the same time strengthening comprehensive academic studies. In parallel with research, KDI will endeavor to continually disseminate information on pending issues of economic policy to economic agents.

Source: KDI website (www.kdi.org)
ANNEX 5

ADB-ASIAN THINK TANK DEVELOPMENT FORUM 2014 PHOTO GALLERY
ASSEMBLY OF PARTICIPANTS
OPENING SESSION
ADB-Asian Think Tank Development Forum 2014

PROMOTING INNOVATION AND INCLUSION FOR A PROSPEROUS ASIA

20-21 November 2014, Seoul, Korea
MEETING BETWEEN MOSF, KDI, AND ADB OFFICIALS
NETWORKING
TOURS AROUND SEOUL
Partnering with the Korea Development Institute, the Asian Development Bank (ADB) held the forum on 20–21 November 2014 at Seoul, Republic of Korea. The forum featured research papers that tackled issues on globalization and regional integration, innovation, middle-income trap, inclusive growth and social protection, and poverty and inequality. This publication documents the dynamic exchange of ideas and information during the 2-day event.

The ADB-Asian Think Tank Development Forum is an annual knowledge sharing event under the ADB-Asian Think Tank Network (ATTN), established by ADB and the Asian think tanks in 2013. The major objective of the network is to promote knowledge sharing and capacity building of the think tanks, particularly those which are involved in supporting governments in formulating and implementing medium- or long-term development plans and in responding to emerging issues. For more information about ATTN, please visit its website: http://www.adb-asianthinktanks.org/

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to the majority of the world’s poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.