5TH OECD-AMRO-ADB/ADBI-ERIA ASIAN REGIONAL ROUNDTABLE on Macroeconomic and Structural Policy Challenges

Agenda

Date 14-15 July 2016
Venue: ADBI, Tokyo, Japan

Background

The OECD-AMRO-ADB/ADBI-ERIA Asian Regional Roundtable convenes leading experts from Asian countries and the OECD to discuss the issues at the fore of recent economic developments in the region. It serves as a platform for knowledge sharing between the OECD, AMRO, ADB/ADBI, ERIA and Emerging Asia’s policy makers, as well as academics and the private sector. The roundtable also provides opportunities for dialogue on near-term macroeconomic policies and medium-term growth and development challenges including the linkages between near-term and medium-term issues, current agendas as well as future challenges in Emerging Asian economies.

Through five sessions, this year’s Roundtable will address recent domestic, regional and global trends that are changing the environment facing Emerging Asia’s policy makers. The first session will discuss the challenges and opportunities brought by depressed commodity prices, and what lessons can be learned from the examples of commodity exporters that have succeeded despite such conditions. The energy challenges in the region – at the regional and domestic revel – will be discussed in the second session, which will be followed by a session focusing on options for structural reform to improve the region’s decelerating potential growth. The fourth session will include a presentation on the development of new sources of infrastructure financing in Emerging Asia, referencing the experiences of the advanced economies. The fifth session will address challenge to Asian financial market from shocks such as fluctuation in oil prices, and negative policy interest rates in advanced economies.

Previous roundtables were held in Singapore, Manila and Tokyo and focused on topics including Euro-area economic uncertainty and its implications for Asian economies, new growth models in Asia, the impact of monetary easing in the OECD on the Asian economies, and the middle-income trap.
DAY ONE

9h30 – Registration

10h00 – 10h20: Opening remarks

- Bokhwan Yu, Deputy Dean, Asian Development Bank Institute (ADBI) and representing Asian Development Bank (ADB)
- Junhong Chang, Director, ASEAN+3 Macroeconomic Research Office (AMRO)
- Rintaro Tamaki, Deputy Secretary General, OECD
- Izuru Kobayashi, COO and Director-General, Economic Research Institute for ASEAN and East Asia (ERIA)

10h20 – 11h50: Session 1: Challenges and Opportunities in Fiscal Policy under Low Commodity Prices

Falling commodity prices continue to put severe downward pressure on the fiscal positions of commodity exporting countries in the region. In particular, oil exporting countries have encountered significant challenges in their fiscal adjustment efforts amid sharply declining oil based revenue. Under generally tighter fiscal conditions, various fiscal policy options have been examined to maintain fiscal sustainability against a backdrop of rising demand for public spending. This session will examine the overall impact of declining oil price on fiscal positions of oil exporters in the region and will discuss the possibility to turn challenges into opportunities in longer-term perspective. Also, some country experiences will be shared about how those countries successfully met the challenges.

Key questions to be discussed will include:

- How severe was the impact of oil price decline on fiscal positions?
- What will be the short-term to long-term fiscal challenges for these oil exporting countries?
- What are the policy options to meet these challenges and what are the fiscal risks associated with them?

Moderator: Giovanni Ganelli, Deputy Head of Office, IMF Regional Office for Asia and the Pacific

Keynote presentation:

- Luke Hong, Principal Specialist, ASEAN+3 Macroeconomic Research Office (AMRO)

Discussants:

- Didik Kusnaini, Deputy Director, Directorate of State Budget Formulation, Ministry of Finance, Indonesia
- Mohammad Reezal Ahmad, Head of Fiscal Strategy, Fiscal Policy Office, Ministry of Finance, Malaysia
Open discussion

12h00 – 13h30: Photograph session and Lunch presentation by Rintaro Tamaki at Kazan Kaikan (Kasumigaseki Common Gate West Hall, 37th floor)

13h30 - 15h00: Session 2: Addressing energy challenges in Emerging Asia

Energy will continue to play a critical role in Emerging Asia’s development. Rapid economic growth and demographic change are driving growing energy demand and contributing to the region’s growing influence on global energy trends. Southeast Asia’s energy demand has increased by more than 50% between 2000 and 2013 and is expected to continue to see high rates of growth in the future. This raises important challenges related to connectivity, accessibility and the use of renewables, among other policy areas. Regional connectivity, as is being pursued through projects such as the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline, will help to improve the reliability and efficiency of energy supply. At the same time, the accessibility and inclusiveness of energy supplies have important implications for domestic economic activities for the countries in the region. Policy makers can be expected to pay increased attention to issues related to reforming energy subsidies, the development of green infrastructure and the adoption of renewable energy.

Key questions to be discussed will include:

- In the face of large anticipated increases in energy demand, what priorities should be set by policy makers seeking to expand energy access and inclusiveness in the region?
- How can regional integration in energy best be achieved?

Moderator: Kensuke Tanaka, Head of Asia Desk, OECD Development Centre

Keynote presentation: Laszlo VARRO, Chief Economist, International Energy Agency (IEA)

Discussants:

- Kazushige Tanaka, Director, Agency for Natural resources and Energy, METI, Japan
- Xunpeng Shi, Deputy Head of Energy Economics, Energy Studies Institute. National University of Singapore

Open discussion

15h00-15h15: Coffee break

15h15- 16h45: Session 3: Structural Reforms and Asia’s Potential Growth

Growth momentum has flagged in developing Asia since the 2008–2009 global financial crisis. From an average of 8.3% during 2006–2010, GDP growth in the region fell to 5.9% in 2015. The region’s potential growth—the pace at which an economy is deemed able to expand with full employment and stable inflation—has decelerated as well. According to estimates from Asian Development Outlook 2016, average potential growth for a sample
of 22 Asian economies, which accounted for 98% of GDP in developing Asia in 2014, fell by almost 2.0 percentage points from its 2007 peak of 8.4%. Without structural reform, potential growth in many countries in the region will slide further due to unfavorable demographics, convergence with advanced economies, and spillover from growth moderation in the People’s Republic of China (PRC). This session will discuss what lies behind the region’s potential growth slowdown, and explore what structural reforms may be needed to revive developing Asia’s potential.

Key questions to be discussed will include:

- What are the key drivers behind the slowing in developing Asia’s potential growth since the global financial crisis? Is this a “New Normal” for the region?
- Is the regional trend due to moderating potential in large economies like the PRC or is the phenomenon more widespread?
- To what extent can structural reforms help reverse the potential growth slowdown in the future?

Moderator: Joseph E. Zveglich, Jr., Director of Macroeconomic Research, ADB Economic Research and Regional Cooperation Department

Keynote presentation: Jesus Felipe, Advisor, ADB Economic Research and Regional Cooperation Department

Discussants:

- Etsuaki Yoshida, Director and Senior Economist for the Country Credit Department of the Japan Bank for International Cooperation (JBIC)
- Masato Abe, Economist, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Bangkok

Open discussion

17h00: Dinner reception and Dinner talk by Naoyuki Yoshino, Dean, Asian Development Bank Institute (ADBI) at Kazan Kaikan (Kasumigaseki Common Gate West Hall, 37th floor)

DAY TWO

9h00 – 10h30: Session 4: Mobilizing public finance for infrastructure development in emerging Asia

Emerging Asian countries have huge infrastructure needs. However, concerns are rising over insufficient funding. Financial resources for infrastructure are currently focused on private resources, PPPs, and loans from overseas. These options alone cannot lead to successful high-quality infrastructure projects with large spill-over effects. This has meant that increasing attention has been paid to the importance of public finance, including tax revenues, issuance of government bonds, and incentives created by introducing public support (reduced interest cost by government guarantee, public funds, fiscal investment
and loan programmes, government revenue bonds, etc.). Advanced economies have experience in mobilizing public finance for infrastructure, from which emerging Asian countries could learn. This session will discuss challenges facing emerging Asian countries in mobilizing public finance for infrastructure development, as well as the experiences of advanced economies and possible resource mobilization options. In addition to securing infrastructure financing, additional efforts may be needed in identifying and developing the forms of infrastructure most effective in driving growth and development.

Key questions to be discussed will include:

- What are the main challenges in raising public funds for infrastructure development in emerging Asian countries?
- What are the lessons learned from advanced economies’ experiences? How have they mobilized public funding for financing infrastructure?
- What are the possible resource mobilization options for emerging Asian countries?
- How can emerging Asia’s future infrastructure needs be best anticipated?

Moderator: Fauziah Zen, Economist, Economic Research Institute for ASEAN and East Asia (ERIA)

Keynote presentation:

- Jay Rosengard, Director of the Financial Sector Program, Academic Director of the Rajawali Foundation Institute for Asia, and Faculty Chair of the Indonesia Program, Harvard Kennedy School, US - “Public funding for financing infrastructure: Advanced economies’ experiences”
- Suahasil Nazara, Director general/Head of Fiscal Policy Office, Ministry of Finance, Indonesia - “Indonesian budget reform for infrastructure finance”

Discussants:

- Didik Kusnaini, Deputy Director, Directorate of State Budget Formulation, Ministry of Finance, Indonesia
- Fauziah Zen, Economist, and Prasiwi Ibrahim, Coordinator and Policy Analyst, ERIA

Open discussion

10h30-10h45: Coffee break

10h45 – 12h15: Session 5: The challenge to Asian financial market from shocks

Asia has weathered the global financial crisis, a subsequent implementation of unconventional monetary policies from advanced economies and global economic growth slowdown. However, the external environment offers continuing challenges. Concerns are rising over these challenges and the risks they pose to the financial market and the real economies of Asia. These risks and challenges include a prolonged spell of slow and asynchronous global growth, a continued abnormally low interest rates worldwide (negative interest rates in advanced economies and low interest rates in Asia), low inflation and low commodity prices, volatile capital flow which is sensitive to shifts in
market sentiment, and rising non-bank corporate debt. These challenges are part of a new normal that Asian countries need to address.

**Key questions to be discussed will include:**

- What are impacts of these risks and challenge on Asian economies and financial markets?
- What is the role of monetary policy to cope with these challenges?
- How to promote the resilience to the shocks?

**Moderator:** Guanghua Wan, Director of Research, Asian Development Bank Institute

**Keynote presentation:**

- Economic impacts of oil price fluctuations to Asian financial markets **Naoyuki Yoshino**, ADBI
- Oil prices, Inflation and a negative interest rate policy, **Sayuri Shirai**, Former BOJ Policy Board, ADBI visiting scholar

**Discussant:**

- **Shinichi Nakabayashi** and **Pornpinun Chantapacdepong**, ADBI
- **Hiroyuki Ito**, Portland state university, ADBI visiting scholar

**Open discussion**

12h15 – 12h45: Closing remarks

12.45 – 14.00: Lunch