

Statement by the Governor for the Republic of China at the 47th Annual Meeting of the Board of Governors Asian Development Bank*

Fai-nan Perng**

Mr. Chairman, President Nakao, Fellow
Governors, Ladies and Gentlemen,

On behalf of the Republic of China
delegation, I would like to thank the government
and people of Kazakhstan for their gracious
hospitality. In terms of land mass, Kazakhstan
is the ninth largest country in the world. The
name "Kazakh" refers to "free spirit," which
I have found to be deeply ingrained in the
cultural traditions of this great country in
many ways. The city of Astana is also very
impressive. Through careful planning, design,
and construction the cityscape boasts a wide
array of modern architecture and infrastructure
that are harmonized, beautiful, and original. In
particular, the Bayterek tower, the tree of life, is
a true modern wonder of the world and provides
a delightful backdrop for the 47th Annual
Meeting. I join my fellow governors in thanking

the ADB staff for the excellent arrangements
they have made for this year's meeting.

Since last May President Nakao has
spared no efforts in promoting ADB's agenda.
Not long after he took office, the Philippines
was ravaged by Typhoon Yolanda. In the
immediate aftermath, ADB put together the
Typhoon Yolanda Response Team and readied
US\$23 million in grants for the devastated
communities to address immediate needs. A
further US\$500 million was set aside for quick-
disbursing program loan to help post-disaster
rehabilitation and reconstruction. I commend
ADB for reacting quickly and for delivering
emergency aid efficiently. The unfortunate
circumstances notwithstanding, the leadership
and management skills demonstrated by
President Nakao augur well for ADB's future.

Over the years, ADB has made remarkable

* Speech delivered at the 47th Asian Development Bank Annual Meeting of the Board of Governors, held in Astana, Kazakhstan from May 2 to 5, 2014.

** Governor, Central Bank of the Republic of China (Taiwan).

progress in carrying out its development goals. Looking ahead, this institution's future depends critically on a solid financial footing. ADB has embarked on a wide range of initiatives, yet the resources at our disposal are very limited. As interest rates in many economies fell to unprecedented levels in recent years, ADB's interest income has declined sharply. Several solutions have already been proposed, including raising the lending rate, transferring some assets from the Asian Development Fund (ADF) to Ordinary Capital Resources, and promoting co-financing. I support ADB's efforts to strengthen its finances, but would recommend that ADB review its policy priorities in the allocation of funds and take steps to reduce administrative expenses in order to free up more resources.

During last year's meeting President Nakao coined the three i(s), "innovative, inclusive, and integrated Asia and Pacific," as his vision for Asia's future. He envisaged sustainable growth by promoting innovation and research development, inclusive growth by building infrastructure and improving universal access to education and medical care, and higher economic growth across Asia by stepping up regional integration. To back up these proposals, ADB put together the Midterm Review of Strategy 2020, in which

strategic priorities for 2014-2020 were mapped out under three separate headings: sharpening ADB's operational focus, responding to the new business environment, and strengthening ADB's capacity and effectiveness.

While these strategies are meaningful and well-intentioned, the good work that we carry out here at ADB can easily be undone by a different set of agenda. On the one hand, advanced member economies contribute generously to ADB's preferred funding mechanism to foster development in developing member economies. On the other, some donor countries have implemented monetary policies that create significant spillover effects, putting a number of developing member economies at risk. Member countries should be mindful that domestic policy actions may have unintended and undesirable consequences that would at times undermine regional stability and inadvertently offset ADB's support for developing Asia. Take May 2013 for example, the talk of "tapering," winding down asset purchase programs, weighed down international financial markets. The effect took its toll on many emerging economies as their currencies were heavily devaluated and capital took flight. Some economies had to resort to policy rate hikes at the expense of economic growth to stem

capital outflow. The latest Asian Development Outlook also points out how the effect of the tapering of unconventional monetary policy could induce heightened financial market volatility.

The policy conundrum for emerging market economies is made even more complex when various central banks in major advanced economies move in different policy directions, heading toward the exit of quantitative easing, staying accommodative, or looking to further monetary expansion. Given the wide variations in policy stance, the spillover effects originating from different parts of the world may partially offset each other. However, the timing differences in policy implementation by advanced economies simply create yet more uncertainty that can undermine economic and financial stability in emerging market economies.

Emerging market economies that are repeatedly subject to large external shocks may become susceptible to economic and financial crisis, putting the livelihoods of many ordinary people at risk and exacerbating income inequality in these countries. Such a scenario turns "inclusive growth" into "discriminating downturns," quickly erasing all the good work that we painstakingly try to accomplish.

Sustainable regional development must be anchored by financial stability. For many developing economies, this entails greater focus on promoting financial inclusion rather than on financial openness. After all, experience tells us that an emerging economy with a liberalized capital account can easily fall prey to aggressive and powerful financial speculators. With this in mind, ADB should direct its efforts to promoting financial inclusion and financial system reforms to bolster inclusive economic growth among developing member economies.

One other i championed by President Nakao focuses on regional integration, an important mandate long tasked to ADB. One of the key objectives of this mission is to enhance financial and monetary cooperation within the region. Given international capital movement is a major threat to regional stability, I would urge ADB to rise to the challenge and offer the necessary assistance to member economies. ADB could, for example, help some member economies to reduce excessive levels of foreign debt. ADB also has the capacity and capability to provide essential guidance and policy recommendations for economies where capital controls are required to stabilize the exchange rate. If necessary, ADB can even step forward to coordinate a regional policy response to help

the region deal with large external shocks.

As we discuss inclusiveness in terms of economic growth and access to finance, it is important to remind ourselves that official initiatives designed to promote these goals have to be inclusive as well. The selection criteria for inclusion in any regional cooperative framework should be based on economic and financial considerations rather than political factors.

Last but not least, I would like to reiterate

that the Republic of China is a founding member of ADB and has fully carried out her membership responsibilities. My delegation continues to protest against the unilateral alteration of our membership designation. I would also like to call on member countries to respect each other concerning the equal opportunities of hosting meetings and workshops of ADB.

I wish the meeting every success. Thank you.

