

Joseph Yam: Changes in Asia – a brief look at the dynamics within the region

Statement by Mr Joseph Yam, Chief Executive of the Hong Kong Monetary Authority, and Alternate Governor for Hong Kong, China in the Asian Development Bank, at the 40th Asian Development Bank Annual Meeting, Kyoto, 6 May 2007.

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I would like to thank the Government of Japan and the people of Kyoto for their hospitality in hosting this year's Annual Meeting of the Asian Development Bank (ADB). I would also like to congratulate Mr Kuroda on his re-election as the President of the ADB.

This year marks the 40th anniversary of the ADB. Over the past four decades, Asia has achieved remarkable development, particularly in terms of economic growth and the reduction of poverty, and clearly the ADB has contributed significantly to this achievement and has established itself as a regional financial institution of strategic importance.

Asia has undergone remarkable changes too over the past four decades and in many ways, in particular in terms of the economic dynamics within the region, and between the region and the rest of the world. Changes have been particularly marked in the past decade or so, under the influence of globalisation and the revolution of information technology. There has, for example, been rapidly increasing trade integration, encouraged obviously by the high degree of freedom in international trade, and consequently increasing economic interdependence within the region.

Changes always present new challenges and opportunities. And for the new challenges to be met and the new opportunities to be exploited, there is often the need for new approaches and new initiatives, at both the national and international levels. There is a view, for example, that trade integration in the region has not been adequately served by financial integration, given restrictive controls on capital mobility still being practised in selected jurisdictions. As a result there is some doubt as to whether the long term development potential of the region has been maximised and whether the rapid economic growth the region is experiencing is sustainable. There is further concern from the point of view of the maintenance of monetary and financial stability. New approaches and new initiatives are indeed necessary to promote greater financial integration in the region.

I am sure there are many other areas concerning development of the region in which new approaches and new initiatives may be desirable. Being a regional financial institution of strategic importance, it is obvious that the ADB has a significant role to play. I would argue that this should be a role of increasing significance, or even a pivotal role, given the increasing interdependence among jurisdictions within the region and therefore the greater need for regional co-operation. The ADB has the right institutional framework for promoting such co-operation, and I am glad to see that under the leadership of the President there has been increasing involvement of the ADB in regional financial co-operation recently.

I welcome the intention for ADB to launch a review of its Long-Term Strategic Framework and the fact that this has been preceded by the work of the Eminent Persons Group convened by the President last year. I am also happy to see emphasis being given in the Report of the Eminent Persons Group to financial sector development and financial integration in the region, among other operational priorities. I certainly hope that this emphasis in the Report will be reflected, through the review process, in the Long-Term Strategic Framework. I feel also that such a strategic review should cover the governance structure of the ADB as well, in order better to reflect the new economic realities and the Asian heritage of the ADB. Hong Kong looks forward to contributing appropriately to this review process and seeing a new long term strategy developed for ADB that would reflect the consensus of its members and stakeholders.

Thank you.