

## Valedictory Session: Brief Comment

Hidetoshi Nishimura  
Executive Director  
Economic Research Institute for ASEAN and East Asia (ERIA)

The impact of the current financial crisis, originating in North America and Europe, has been felt in East Asia through both the financial link and the real economy link. The East Asian countries have so far responded to the financial link calmly and cautiously.

On the other hand, the impact through the real economy link is now being felt, and the shrinkage of export markets is hitting the activities of the manufacturing and logistics sectors in this region.

However, we should never be overly pessimistic. North America and Europe are certainly important markets for East Asia, but their shares are steadily decreasing due to the growth of the East Asian market itself. Whilst the Asian market grows, the world can grow.

It is now extremely important to remain optimistic and to continue investing in East Asia in order to avoid unnecessary downturns in the short run, and to strengthen the basis of economic growth in the long run.

From the viewpoint of resource balance, some countries in East Asia need much more domestic investment using their saving surplus. A number of East Asian countries have high saving ratios. However, particularly after the Asian currency crisis in the late 1990s, only a fraction of their financial resource is invested in the domestic economy, while the rest is invested abroad. This is attributed to a problem in the circulation of financial resources, and we need to make some effort to foster more effective utilization of the saving surplus within this region.

In the field of infrastructure development, the introduction of market forces in the form of public-private partnerships (PPP) is relatively late in East Asia and should be promoted. However, in recession private investment is naturally reduced. In such a case, public investment is more important than in normal times. Wider usage of public funds, including Official Development Assistance (ODA), must be allowed and promoted in the current financial crisis.

Needless to say, the most important thing is whether or not projects are good for long-run economic growth. We should find good projects, and invest in them.

In this light, ERIA is now focusing on the East Asia Industrial Corridor Project. Once again, it is vital to continue investing in good projects that link to strong economic growth in the mid and long run, in addition to generating possible economic stimulus in the short run. The East Asia Industrial Corridor looks to be perfectly suited for these objectives.

At the Davos Forum in January, Japan's Prime Minister Aso expressed strong support and commitment to East Asian sub-region-wide developments, such as the Mekong region development, or the Industrial Corridor, through ERIA. In addition, he committed Japan to providing not less than 1.5 trillion Yen\* in the fiscal year 2009 to supporting construction of infrastructure in Asian countries. ERIA will play an important role in connection with this expenditure. We are in process of formulating a comprehensive plan to boost the regional economy, from the Greater Mekong Sub-region to India, based on developed economic theory, and intended to propose specific projects to be implemented in this region. I am sure that such measures are particularly important in coping with the current crisis, and that they will enable the Asian economy to recover from this downturn faster than others, leading the recovery of the world economy.

We have been in communication with various research institutes in East Asian countries since long before ERIA was established. RIS, the Research and Information System for Developing Countries, was one of them and always very much inspired us to develop a clear idea of ERIA's roles and activities. Now ERIA is in operation to contribute to the East Asian economy. In this sense I would say RIS gave birth to ERIA.

Finally, we would like to seek further constructive collaboration with RIS for our research work and other activities, and we shall very much appreciate their kind cooperation.

(\*) In his speech delivered on 9<sup>th</sup> April, the Prime Minister declared that his government will contribute to the infrastructure development of Asia by utilizing ODA of up to 2 trillion yen in his "Growth Initiative towards Doubling the Size of Asia's Economy". Following is the excerpt from his speech.

***"In order to concretize this initiative, it is necessary to formulate a comprehensive development plan regarding the following:***

- a) Arterial infrastructure such as rail and roads***
- b) Relevant infrastructure that should be developed in the surroundings such as power plants, industrial parks***
- c) Plans of industry development***
- d) Structures for finance***
- e) Systems that need to be improved, such as customs clearance.***

***I would like to propose that Economic Research Institute for ASEAN and East Asia (ERIA), ADB, and ASEAN Secretariat, in cooperation with related countries, will work together to make a comprehensive Asian development plan."***