

Emerging Vision for Shared Prosperity: South Asia and Beyond

**Welcome Remarks by
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I. Introduction

Honorable guests, distinguished delegates, ladies and gentlemen, good morning.

On behalf of the Asian Development Bank, I would like to extend a warm welcome to all of you.

We are extremely pleased to have your continued support as we embark on this Second High Level Forum. During the past three decades, we have celebrated some achievements in South Asian regional cooperation, but many challenges still remain. Now is the time to accelerate the momentum.

II. Regional Cooperation and Integration in Asia: How far have we come?

Countries in the Asia and Pacific region are closer to each other than ever before. Improved connectivity by land, air, water, and information technology has deepened economic integration. Regional air traffic in East Asia doubled from the mid-1980s to the new millennium, and is still increasing. Asia now holds more than 60% of the world's container traffic.

Improvements in transportation and communication have considerably reduced trading costs, and the impact on both intra- and inter-regional trade is enormous. Asia's share of world exports expanded from 16% in the 1980s to 27% by 2008. Intraregional trade leapt from 40% in the 1990s to 60% in 2008. The Asian Highway project and the Trans-Asian Railway project, once implemented, will drive integration deeper across South, Central, and East Asia.

Yet, Asia's sub-regions have not shared equally in the success of integration. In the 1980s and 1990s, real per capita GDP rose by more than 6% annually in East Asia, but only 3% in South Asia. South Asia's lack of physical integration translates to lower intraregional trade, which is only 5% of total trade compared to 53% in East Asia. Moreover, South Asia is home to nearly one-quarter of the world's population, but accounts for only 2% of the world's GDP, and less than 1.2% of global trade. In contrast, the ASEAN+3 countries account for close to a third of the world's population, 22% of the world's GDP, and 24% of global trade. I firmly believe that South Asia has the potential to attain inclusive growth and enjoy similar prosperity. But to do so will require closer economic ties.

III. Regional Cooperation and Integration in South Asia: Status

While progress in regional cooperation has been slow, some milestones have nevertheless been attained. The South Asian Free Trade Agreement has begun to bring down tariffs. And each SAARC (South Asian Association for Regional Cooperation) Summit has contributed to attaining specific outputs. These include the establishment of the SAARC Development Fund, the Inter-Governmental Framework Agreement on energy cooperation, and the emphasis this year on the need for a policy to address climate change.

Over the years, SAARC has also adopted several sector-specific initiatives. The SAARC Energy Center in Islamabad has produced several energy-related studies, and the ADB-supported SAARC Energy Trade Study serves as SAARC's energy roadmap. SAARC also formally articulated the importance of cross-border connectivity in 2004, when it stressed the need to intensify cooperation in "strengthening transport transit and communication links across the region." And the SAARC Regional Multimodal Transport Study has identified priority road, rail, inland waterway, maritime, and air corridors. These are encouraging signs that regional cooperation in South Asia is progressing. But much more needs to be done.

IV. Way Forward

Collaborative efforts are not only important to expand trade and integration, but also in areas such as cross border infrastructure and other regional public goods, where the scope and effectiveness from national efforts alone may be limited. Last year's High Level Forum and subsequent country consultations identified three key sectors where collective efforts are expected to lead to tangible outcomes. Let me touch briefly on each of these.

The first is energy. An assured supply of energy is crucial to sustain high growth. The region suffers from a substantial energy shortage for economic use, as well as everyday domestic requirements despite its endowments of traditional energy resources and considerable renewable energy resources, including hydro and solar. The region needs a long term energy plan to mitigate the imbalance between supply and demand, and accelerate investments in a diverse range of energy options. This is consistent with SAARC's focus on climate change, and would help to minimize South Asia's carbon footprint.

South Asia also needs to consider developing the infrastructure for trade in energy, as has been done in some East Asian economies. Increased access to energy has substantial implications for economic growth, poverty alleviation, and meeting the [MDGs](#) (Millennium Development Goals) in health and education.

The second sector is transport. Improving physical connectivity through roads and railways will create the platform for trade in goods, foreign investments, and transit facilities. It will connect less developed communities to major cities and ports, increase market access for agricultural sectors, encourage the growth of new firms along logistics networks, and create new employment opportunities. Affordable transport systems in rural areas also increase access to health and educational facilities for poor and remote communities. Connectivity to cities is essential to attain balanced development across South Asia.

The third area is trade. Intra-regional trade in goods and services requires more than physical connectivity. It requires simplification, standardization, and harmonization of trade procedures, and the application of technologies to reduce the time and monetary costs of trade. We need to ask why it takes 27 days on average in South Asia to

complete trade-related procedures at borders, compared to just 10 days in the OECD economies. About 60-80% of this time is spent on the assembly and processing of documents, rather than in the physical handling and transportation of goods. These behind-the-border non-tariff barriers to trade must be removed to allow small and medium enterprises to access intra-regional and international markets, which would boost employment growth. Many small and medium enterprises in the region do not have, and cannot afford, access to accredited product testing facilities. And the lack of cold chain facilities at critical border points is a major hindrance to trade in agricultural products. Strengthening national and regional institutions that address these and other trade barriers should become a priority for trade reforms in South Asia.

With these priorities in mind — energy, transport, and trade — it is now time for the region to accelerate the identification, preparation, and implementation of projects. Past successes and failures have taught us many lessons, and have shaped the way we think about regional cooperation and integration. One of the critical challenges we face is to devise specific methods that work best for the region.

In ADB's experience, small-scale initiatives with tangible outputs have proved highly successful in other subregions, such as the [Greater Mekong Subregion](#) or GMS. For example, with support from ADB, the GMS Economic Corridors Programs fostered customs cooperation, improved transport corridor performance, and led to the development of single-window customs clearance systems. South Asia may be able to pursue similar initiatives. We must keep in mind, however, that close monitoring and timely progress are essential for the successful implementation of regional projects.

V. Development Partner's Role

As you know, ADB, in its own modest way, has actively promoted regional cooperation in South Asia over the past decade. Our three-pronged approach supports cooperation at the regional, subregional, and interregional levels. It is flexible and pragmatic, multi-track and multi-speed, responding to the unique needs of South Asia.

With support from ADB, the SAARC regional multimodal transport study and the BIMSTEC (Bay of Bengal Initiative for MultiSectoral Technical and Economic Cooperation) transport infrastructure logistics study laid the groundwork for potential investment opportunities with major regional and interregional implications. ADB also assisted in preparing master plans for the SASEC (South Asian Subregional Economic Cooperation) information highway project and the South Asia tourism infrastructure development project.

Our regional cooperation assistance program for South Asia is aligned with the strategic development objectives of the [developing member countries](#) (DMCs) involved. The implementation of regional projects requires leveraging resources and actions from multiple stakeholders—the government, multilateral development banks, and the private sector. We need to work jointly in a concerted effort to achieve mutually desired goals.

The ongoing and proposed regional projects in ICT, transport, and energy are likely to enhance inclusive growth and reduce poverty. South Asia needs to build on these successes while addressing challenges. Collectively, South Asia must increase the speed of decision making and project implementation; enhance country ownership of projects; and encourage private sector participation in regional projects.

ADB is currently developing its next South Asia Regional Cooperation Strategy in close consultation with stakeholders, focusing on the regional priorities of energy, transport, and trade facilitation. The key now is to design and implement projects that can best attain targeted outcomes and bring quick benefits for the people. ADB is committed to

help SAARC in translating its regional cooperation ideas into viable regional projects, and supporting their implementation.

VI. Conclusion

Ladies and gentlemen, over the past two decades, Asia's spectacular economic resurgence has come to underpin Asian regionalism. South Asia must seize this opportunity, accelerate regional economic cooperation within itself, and enter the mainstream of Asian regionalism. I look forward to hearing your deliberations over the next two days and renew ADB's strong commitment to working with you to expand and deepen cooperation and integration in South Asia. I wish you great success.

Thank you very much.

SOURCE: Asian Development Bank (ADB)

<http://www.adb.org/Documents/Speeches/2010/ms2010072.asp>