

# ADBI/RSIS CONFERENCE

THE EVOLVING GLOBAL ARCHITECTURE:

FROM A CENTRALISED TO  
A DECENTRALISED SYSTEM

CONFERENCE REPORT



26–27 March 2012  
SINGAPORE



**S. RAJARATNAM SCHOOL  
OF INTERNATIONAL STUDIES**

A Graduate School of Nanyang Technological University



# **ADB/RSIS CONFERENCE**

## **THE EVOLVING GLOBAL ARCHITECTURE: FROM A CENTRALISED TO A DECENTRALISED SYSTEM**

**REPORT OF A CONFERENCE ORGANISED BY  
ASIAN DEVELOPMENT BANK INSTITUTE (ADB), TOKYO, JAPAN,  
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THE CENTRE FOR MULTILATERALISM STUDIES,  
S. RAJARATNAM SCHOOL OF INTERNATIONAL STUDIES, SINGAPORE**

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## TABLE OF CONTENTS

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<b>Opening Session</b>	<b>3</b>
<b>Address by Guest-of-Honour</b>	<b>5</b>
<b>Session I: Global and Regional Financial Safety Nets</b>	<b>7</b>
<b>Session II: Oversight Institutions and the Evolving Global Economic Architecture</b>	<b>8</b>
<b>Session III: Global and Regional Financial Regulation</b>	<b>10</b>
<b>Session IV: WTO and Regionalism</b>	<b>12</b>
<b>Session V: Global and Regional Security Arrangements</b>	<b>14</b>
<b>Session VI: World Bank and Regional Development Banks</b>	<b>16</b>
<b>Keynote Speech</b>	<b>18</b>
<b>Conference programme</b>	<b>22</b>
<b>Conference Participants</b>	<b>24</b>
<b>About RSIS</b>	<b>28</b>

*This report summarises the proceedings of the workshop as interpreted by the assigned rapporteurs and editors appointed by the S. Rajaratnam School of International Studies, Nanyang Technological University. Participants neither reviewed nor approved this report.*

*The workshop adheres to the Chatham House rule. Accordingly, beyond the paper presenters cited, no other attributions have been included in this conference report.*

## OPENING SESSION

### Welcome Remarks by Ambassador Barry Desker



In his Welcome Remarks, **Ambassador Barry Desker** highlighted that the realities of an increasing multi-polar world had placed the legitimacy of the global economic architecture, designed at the 1944 Bretton Woods conference, under question. The recent global economic crisis of 2008–2009 had led to calls for a “New Bretton Woods” system, but Ambassador Desker said that the faster than expected recovery from the crisis had led to complacency.

On the Group of Twenty Finance Ministers and Central Bank Governors (G20), Ambassador Desker remarked that the forum’s exclusive nature and lack of broader global representation caused it to suffer from “input” legitimacy while its inability to strengthen international cooperation and provide effective solutions to the recent global economic crises raised doubts over its “output” legitimacy.

Furthermore, the G20’s agenda was also becoming overcrowded. Ambassador Desker pointed out that the global economic architecture was now moving towards a more complex and decentralised system with global, regional and national institutions. Issues related to complementarity between these institutions, the governance of the global economy and the role of multilateral institutions needed to be addressed.

## OPENING SESSION

### Welcome Remarks by Dean Masahiro Kawai



**Dean Masahiro Kawai** noted that in the post-World War II period, the global economic institutions were dominated by the Western powers and Washington Consensus dominated the thinking in these institutions. Now, however the balance of economic and financial power was shifting in favour of emerging economies, particularly those in Asia. The recent appeal by European countries to major emerging economies such as China for financial assistance was one example of this shift in economic balance. Dean Kawai added that the financial crisis had also highlighted the shortcomings of the current economic architecture resulting in the search for possible alternatives.

Despite the recent improvements in the Eurozone crisis due to agreements between European governments and international creditor banks, it would still take a long time to restore confidence in the European banking system. Further deterioration in the Eurozone crisis could have a significant impact on the rest of the world. Kawai said that awareness of this risk had stimulated policy discussions to reduce the vulnerability of the global economy to such external shocks.

On Asia, Dean Kawai mentioned that it was important for Asian economies, which are not as integrated as European economies, to strengthen regional cooperation so as to achieve macroeconomic and financial stability. To do this, they would have to improve the effectiveness of regional macroeconomic and financial surveillance, create macroeconomic and financial policy dialogue mechanisms, and strengthen regional financial safety nets. The “International Monetary Fund (IMF) stigma” towards Asia required regional mechanisms to be put in place. These included the Chiang Mai Initiative Multilateralisation (CMIM) and the ASEAN+3 Macroeconomic Research Office (AMRO).

Dean Kawai concluded by highlighting the importance of the regional economic architecture to provide regional public goods that could complement the global public goods supplied by the global institutions. This meant that Asian emerging economies would also be called to provide regional public goods in order to help maintain global financial stability, open trading regimes, sustainable economic development and international peace and security.

## ADDRESS BY GUEST-OF-HONOUR

**Mr. Bilahari Kausikan**

**Permanent Secretary of the Ministry of Foreign Affairs, Singapore**



**Mr. Bilahari Kausikan** began his address by noting that the world was currently undergoing a profound transition of power and ideas and that the international system for the last 200 years was mostly shaped by Western, and consequently, American influence. This was particularly germane in East Asia, in which American support and presence had led the region to enjoy more than 30 years of growth and prosperity. This was about to change, he said.

According to Mr. Kausikan, the current international economic system would not suddenly disappear and was in fact more likely to continue to co-exist “uneasily” alongside new regional arrangements for some time. The United States at present, nonetheless, remained the “single most important component” of the international system and therefore was able to lead the transition from one system to another. As such, any global economic recovery could only take place if the U.S. economy first recovered. Moreover, the solutions to most international issues, added Mr. Kausikan, were only possible with the participation—or at least the acquiescence—of the United States.

Nevertheless, he said, the events of the past decade in the Middle East had shown that the United States was unable to effectively exercise power by itself. Instead, it had to negotiate coalitions to manage the international economy, create new rules for international governance as well as deal with regional problems and global issues. Mr. Kausikan noted that while U.S. leadership was still “irreplaceable”, it was no longer “self-evident”. He argued that the current G20 arrangement was a “promising experiment” and not the “final configuration” and balances had to be found between effectiveness and legitimacy, and leadership and distribution of power.

Mr. Kausikan went on to highlight that the fundamental issue facing Asia as well as other parts of the developing world for the past 200 years was how to adapt to a Western-defined system. Ironically however, the international system was now being transformed by the very transformation forced upon these countries by the Western system, with China and India being the most prominent examples.

## ADDRESS BY GUEST-OF-HONOUR

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Elaborating on the Chinese system, Mr. Kausikan described it as an adaptable system that had survived traumas which would have wrecked more rigid structures. As such, the emergence of China marked the most significant fact of the twenty-first century. Engagement between the United States and China was good for both America and its allies, and Sino-U.S. relations would become the world's most important bilateral relationship.

Mr. Kausikan noted that while rivalry between major powers was inescapable, conflict in fact, was not entirely unavoidable. This was because in the case of Sino-U.S. relations, there were no fundamental ideological divide unlike in the Cold War relationship between the United States and the Soviet Union. Both countries, wanted the same things: a stable bilateral relationship and an international system which allowed them to pursue policies for the well-being of their people. As such, there was no reason for China to seek radical revisions of the international system, which had served its interests so far.

Noting that at the core of a new international system was global political and macroeconomic stability with the latter depending on the former, he added that he did not foresee either the BRICS (Brazil, Russia, India, China and South Africa) or the European Union (EU) supplanting the significance of Sino-U.S. relations in influencing global politics. Concluding, Mr. Kausikan remarked that both China and the United States had important roles to play in responding to the global challenges and expressed the hope that an evolutionary model, rather than a revolutionary one, would characterise this shifting global balance of power.



## SESSION I

# Global and Regional Financial Safety Nets

### Enhancing the Effectiveness of CMIM and AMRO



**Reza Siregar** argued that it was necessary to further strengthen the CMIM and the AMRO. The CMIM crisis fund of US\$120 billion—which would soon be doubled—remained a mere a fraction of the amount committed to the European Financial Stability Facility. Complementarity between the regional and the global multilateral fund should also be promoted in order to ensure the CMIM's success.

There were several key challenges facing the CMIM. Firstly, should the CMIM package be part of bilateral swap arrangement among the ASEAN+3 economies or should these two approaches be kept independent? Second, there was a need to develop conditionalities for the CMIM to safeguard from moral hazard while providing flexible and timely support. Third, there was a need to de-link the CMIM from IMF conditions, but this would depend on the surveillance capacity of AMRO.

Siregar highlighted that AMRO prepares quarterly reports on the macroeconomic situation of ASEAN+3 countries collectively as well as individually. During crisis periods, AMRO (i) prepares an analysis of the economic and financial situation of the swap requesting country, (ii) monitors the use and impact of the funds

disbursed under CMIM agreement, and (iii) monitors the compliance by the swap requesting country with any lending covenants to CMIM agreement. He also mentioned although it was a new institution, the AMRO had made good progress in recruiting staff.

### Regional and Global Safety Nets



Jayant Menon argued that the need for regional safety nets (surveillance and financing arrangements) arose from the Asian Financial Crisis of 1997–1998 when there was some disillusionment with IMF programs and policies. The three components of regional safety nets in Asia were the regional economic review and policy dialogue process, the Chiang Mai Initiative (CMI), and the Asian Bonds market initiative. All three components were interrelated. Subsequently, the CMI had been upgraded to CMIM and the AMRO had also been established.

Menon then asked the question whether ASEAN+3 had all the elements of a strong regional financial safety net. The answer was not yet. During the recent global economic crisis, the CMIM was not used. This was perhaps because the size of the CMIM was too small and/or the “stigma” attached to IMF conditionality. He recommended that going forward CMIM's size be expanded and linkage with IMF be reduced.

## SESSION II

# Oversight Institutions and the Evolving Global Economic Architecture

### Evolving Decentralised Global Economic Architecture



**Pradumna Rana** remarked that at the height of the global economic crisis (GEC) of 2008–2009, several academics and politicians had made calls for a “New Bretton Woods (NBW)” system meaning a comprehensive reform of the global economic architecture that was created at the 1944 Bretton Woods Conference. This architecture comprised various international economic institutions (IEIs) such as the IMF—established to promote macroeconomic stability, the General Agreement on Tariffs and Trade (GATT)—the predecessor of the World Trade Organization (WTO)—to ensure an open trading system, and the World Bank—to provide development finance for poverty reduction.

Rana noted that this relatively simple architecture designed at Bretton Woods had worked well for a few decades, but it had now come under severe strain for several reasons. First, the governance system of the old architecture did not reflect the move from a uni-polar to a multi-polar world—it reflected the dominance of the United States and does not reflect the economic rise and political power of emerging markets, particularly those in Asia (China and India) and, therefore, it lacked legitimacy. Second, as predicted by the theory of clubs, policies of IEIs (e.g. charters, quotas and voting rights) were designed in the interest of the like-minded

members in 1944 and were strongly protected by the original members.

Since the rebound from the GEC had turned out to be faster than expected, Rana argued that complacency had set in and it was unlikely that the calls for NBW would be realised. It was, therefore, likely that in the future the global architecture would move incrementally towards a more decentralised/multi-layered system where national, bilateral and regional institutions work closely with a “senior” global institution. A decentralised architecture was not hypothetical. It already exists in the development architecture, where the World Bank is complemented by four regional development banks (RDBs). Also the IMF had been working fairly closely with the European Central Bank and the recently established regional funds in trying to resolve the sovereign debt crisis affecting the region. Rana concluded that Asia could support this evolving architecture by building robust regional institutions to complement global ones.

### The G20: Input and Output Legitimacy, Reforms, and Agenda



**Andrew Cooper** argued that in a break from past situations of crisis, a new form of collective action comprising old elite of states and a cluster of emerging powers, namely the G20, emerged from the global economic crisis. While laudable, the G20 was still

## SESSION II

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an awkward institutional arrangement, with some innovative qualities and some serious gaps in terms of efficiency and representation. He credited this reformist model of governance to Paul Martin, successively Finance Minister and Prime Minister of Canada.

Cooper remarked that in contrast to the BRICS who missed the opportunity, selected middle powers had grabbed the opportunity to take a leadership role in the G20; South Korea had hosted the G20 in 2010. Mexico would host it this year, Australia in 2014, Turkey in 2015, possibly Indonesia in 2016. South Korea had been very active in the G20 from the very outset and it had introduced two new initiatives in the Seoul Summit—global financial safety net and development assistance for poor countries.

Despite its successes, G20 continued to suffer from problems of “input” and “output” legitimacy. Cooper argued that in contrast to the successes of initial summits, the Toronto summit of June 2010 and the Seoul

summit of November 2011 had presented more mixed if not completely pessimistic experiences. However the loss of momentum did not translate into a collapse of the G20 project. As a crisis committee, the G20 was still moving on a number of fronts including on issues related to global imbalances.

In terms of “input legitimacy”, Cooper remarked that there were two issues. The first was the absence of the United Nations (UN) in the design. Initially, there was a UN-oriented backlash against the G20 and Joseph Stiglitz was requested to convene another panel. This backlash had now eased and the UN had endorsed that the two institutions were different and complementary, not competitive. The other criticism was from non-member countries. This had also been addressed to some extent at the Seoul summit when the G20 settled on a formula for non-member participation, enabling the summit to invite up to five guests. The Global Governance Group (3G) had also played an important role in enhancing the “input legitimacy” of the G20.

## SESSION III

### Global and Regional Financial Regulation

#### Global Financial Architecture: European Experience in Filling the Gaps



**Erik Berglof** mentioned that during the global economic crisis period, Europe had deeply integrated financial markets but it did not have an integrated crisis management system. Europe was now attempting to address this problem, but large gaps still remained. With European Bank for Reconstruction and Development (EBRD) as the lead founder, the “Vienna Initiative” was launched in January 2009 to provide a framework for coordinating crisis management and crisis resolution issues across emerging Europe with the involvement of (i) international financial institutions (IMF, EBRD, European Investment Bank, and the World Bank), (ii) European institutions (European Commission and the European Central Bank), (iii) home and host country regulatory and fiscal authorities, and (iv) the largest banking groups. The objectives of the Vienna Initiative were, among others, to (i) prevent a large-scale and uncoordinated withdrawal of cross-border bank groups from the region as this could trigger systemic bank crisis, and (ii) strengthen cross-border regulatory cooperation and information sharing.

Berglof briefed that since its launch, the Vienna Initiative had held several general policy and country specific meetings and events. He concluded that the Initiative had successfully completed its crisis management phase

but large gaps and regulatory capture still remained. He was of the view that the unique public-private and global, regional, and national coordination framework of the Vienna Initiative could be replicated in other regions of the world where coordinated actions could bring additional benefits.

#### Regional Financial Regulation in Asia



**Masahiro Kawai** and **Peter Morgan** (i) outlined the reasons for financial regulation in Asia, (ii) compared the experiences of Europe and Asia, (iii) identified the challenges, and (iv) advanced recommendations for enhancing regional financial regulation in Asia. They argued that the recent global economic crisis had enhanced the urgency of financial regionalism in Asia—which had taken off in response to the Asian financial crisis of 1997–1998—and that financial regionalism in the region could benefit from increased regulatory harmonisation and mutual recognition. An increasingly integrated Asia needed more intensive financial cooperation including harmonised financial regulation and supervision.

They observed that financial integration in Europe had been supported by a large number of institutions including the three European Supervisory Agencies (ESAs) established for micro-prudential supervision and the European Systemic Risk Board for macro-prudential

## SESSION III

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supervision. But still there was an absence of EU-wide framework for resolution of cross-border banks and national insolvency laws were not harmonised in the region.

Kawai and Morgan then mentioned that Asia did not have an over-arching political structure comparable to that of the EU. Nonetheless, progress was being made in promoting financial cooperation under the auspices of the ASEAN Economic Community; Association of Southeast Asian Nations (ASEAN), ASEAN+3, and Executives' Meeting of East Asia Pacific Central Banks

(EMEAP) surveillance processes; CMIM and AMRO; and the ASEAN Bond Market Initiative. A weaker institutional arrangement in Asia required a different approach from that of Asia. They then suggested measures to strengthen regional financial regulation in Asia, These included improving and accelerating the ASEAN Economic Community process, a stronger CMIM and AMRO to eventually evolve into an Asian Monetary Fund, embarking on an Asian Bond Fund-3, and creating an Asian Financial Stability Dialogue to monitor regional financial markets, facilitate policy dialogue and cooperation, and secure regional financial stability.

## SESSION IV

### WTO and Regionalism

#### Free Trade Agreements in Asia: A Review of Recent Evidence



**Masahiro Kawai** and **Ganesh Wignaraja** mentioned that although Asia was a latecomer in developing free trade agreements (FTAs), it had emerged at the forefront of global FTA activity. The number of FTAs concluded in the region had gradually increased from just three in 2001 to 71 in 2012. There were now two competing processes in making a region-wide FTA: the ASEAN+3 or +6 and the U.S.-initiated Trans-Pacific Partnership (TPP). Some trade experts believed that Asia would likely witness the convergence between the two contending processes as building blocks of a region-wide FTA.

Kawai and Wignaraja, however, noted that FTAs posed a number of challenges. The first was how to improve the utilisation of FTAs. In addition to the information gap, the provisions of FTAs were complex and could not be fully understood by small and medium-sized enterprises (SMEs). There was, therefore, a need to improve business support services. The second challenge was tackling the “Noodle Bowl” effect—overlapping rules of origin (ROOs) in FTAs increasing transaction costs for firms. With the rapid spread of FTAs throughout Asia, multiple ROOs in overlapping FTAs posed a serious burden on SMEs.

Another challenge was the limited coverage of agricultural goods and services trade in Asian FTAs. WTO-plus provisions must also be considered in future FTAs, such as competition policy, investment provisions, trade facilitation and government procurement, among others.

They concluded by arguing that it remained uncertain whether there would be convergence between ASEAN-led FTA and U.S.-led TPP. Will a member of TPP, for instance, accept the template developed by the ASEAN?

#### The Emerging Post-Doha Agenda and New Regionalism in the Asia Pacific



**Michael Plummer** argued that although the WTO system was functioning well, with the rule-based system being respected and an improved dispute settlement mechanism in place, the multilateral liberalisation process had stalled with the Doha Development Agenda (DDA) negotiations being stalled. There were a number of reasons for the latter development. The traditional view was that North-South economic tensions were the cause of the deadlock. Plummer noted that this view was only partially correct. Another important reason for the DDA impasse was intra-BRICS rivalry and competition. As intra-regional trade across BRICS had

## SESSION IV

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steadily grown, political interests in these economies had been sensitive to competition from fellow BRICS members and protectionist policies were utilised.

Plummer then argued that with the stalling of the DDA, regionalism was the only game in town. He added that regional trade agreements could serve as the building blocks of multilateral trade liberalisation.

Regionalism could enhance the negotiating power of smaller economies. The process of structural adjustment unleashed by a regional trading arrangement could also make multilateral trade initiatives easier. Finally, regional integration could push member-economies to be more efficient, competitive, and market friendly, preparing them to effectively participate in multilateral trade agreements.









## SESSION V

# Global and Regional Security Arrangements

### Asian Security Arrangements



**Mely Caballero-Anthony** remarked that the five ASEAN-led political and security institutions—ASEAN+1, the ASEAN Regional Forum (ARF), ASEAN+3, the ASEAN Defence Ministers' Meeting Plus (ADMM-Plus), and the East Asia Summit (EAS)—were very loosely coordinated, cooperative in nature, and had a minimal bureaucratic structure. Consequently, they were sometimes seen as ineffective in dealing with hard security issues, but this was misleading.

ASEAN institutions generally manage non-military security issues through a normative framework, and the Treaty of Amity and Cooperation (TAC) defines their interrelationships. Comprehensive security is also their defining security approach and so, their security mechanisms are used to help develop habits of cooperation through the observance and building of certain norms and behaviour, such as non-intervention and frowning upon the use of violence or force.

She added that although most ASEAN-led activities were preventive measures focused on soft security issues like humanitarian assistance, disaster relief, creation of a peacekeeping network, cooperation meetings, maritime security discussions, and confidence and trust-building measures overall, ASEAN institutions did have an impact on traditional security issues by enmeshing major power competition and mitigating

conflicts through discussions. ASEAN institutions served a specific purpose—contributing, whether directly or indirectly, to the management of peace and security at the global level.

However, there were four key developments that ASEAN needed to manage in the coming years, namely (i) the competition between the United States and China, (ii) the recent shift in U.S. foreign policy, which, implicitly targeted China, (iii) the situation in Northeast Asia, and (iv) the new normative framework, which might not be acceptable to all of its members.

### Southeast Asia and Global Institutions: Implications for ASEAN Regionalism



**Tan See Seng** argued that despite uneven historical preferences for neutrality and non-alignment as evinced by the Zone of Peace, Freedom and Neutrality (ZOPFAN) idea, ASEAN as a grouping of small and weak states had relied mainly on global institutions and national instruments, and secondarily on their own regional institution for their security. Also, despite plenty of ideas on regionalism, Southeast Asian had generally not devoted too many resources to these efforts.

Tan argued that Southeast Asia still lacked the readiness to go regional; ASEAN countries first sought a global solution and then a regional one. Four specific examples illustrated this point. First, despite the rude shock

## SESSION V

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suffered during the Asian financial crisis and the harsh austerity measures imposed on them by the international financial institutions, the East Asian responses—the CMI and the CMIM—were nonetheless tied to IMF conditionality. Second, ASEAN had relied on the United Nations for peacekeeping in order to end conflicts in the region (examples were the cases in Cambodia and Timor-Leste). Third, official data showed that ASEAN countries have often used the WTO’s dispute settlement body to resolve trade issues among themselves. Fourth, official data again indicated that ASEAN states had often turned to the International Court of Justice (ICJ) to help resolve border disputes.

These examples showed that global mechanisms are still central to resolving disputes in Southeast Asia

because there remains a high level of mistrust among ASEAN member states. Nevertheless, it was noted that the more ASEAN member states learnt at the global level, the more direct impact would be observed at the regional level. For example, the disparity between the old and new members’ perspectives on the new ASEAN Charter might be the result of their respective experiences with legalisation at the international level.

Tan concluded that eventually Southeast Asia’s participation in global institutions and practices would be beneficial to the region. Ultimately, ASEAN needed to preserve the perception that it was vital to the region’s success, while using its regional mechanisms to strengthen its mandate over time.

## SESSION VI

### World Bank and Regional Development Banks

#### The World Bank and the Asian Development Bank: Should Asia Have Both?



**Vikram Nehru** argued that the traditional foreign aid framework connected several channels. Citizens in rich countries paid taxes to their governments, some of which were used for development assistance. These rich countries provided foreign assistance to poor countries who in turn implemented projects to accelerate development and reduce poverty. This “aid architecture” had become more complicated in the present globalised world. On the supply side, there had been an explosion of bilateral and multilateral agencies, and multiple new private donors. On the delivery side, the explosion had been even more dramatic. There had been increasing number of international non-governmental organisations (NGOs) receiving money from bilateral and thousands of private sector groups involved in aid. Issues of efficient aid delivery had to be found and implemented. Also, the issue of donor coordination had become more important so that donors did not work at cross-purposes and add to administrative burden of the recipients. Implementation of the Paris Declaration on Aid Coordination had to be accelerated and expanded to cover non-traditional donors. National development

agencies must also insist on rigorous evaluation to identify successful projects.

Nehru went on to add that there was a need to promote coordination between the World Bank and the Asian Development Bank (ADB). In Asia, the World Bank and the ADB faced a very challenging situation. First, the rapid growth of the Asian countries meant that many had moved from low-income status to middle-income status and consequently needed fewer resources from the World Bank and the ADB. There was a need to provide more knowledge resources. The second issue was governance which was more acute at the World Bank. Recent increase in shares of developing countries, particularly China, had raised the share of developing countries from 42.6 per cent to 47 per cent but this was still short of parity with the advanced countries. The third challenge confronting World Bank and ADB in Asia was their relationship with each other in operational matters and in advising clients on development policies and strategies.

The two institutions must coordinate on all of these issues to reduce the cost of operations and the burdens on client countries. Where the two institutions had cooperated (e.g. to carve out “areas of primacy”) results had been encouraging, but there remained areas of frictions between them. Nehru then recommended several modalities for enhancing coordination between the World Bank and the ADB. One was that the World Bank focus on global issues—trade, climate change, international migration, global financial stability, and disaster management—and the ADB focus on regional public goods and services such as regional integration, regional financial stability, and regional infrastructure development. The order modality was to merge the two institutions with the centre mobilising resources and generating money, and operations being decentralised to the regional level. The final modality was for the two institutions to muddle along much as they had done in the past.

### **World Bank, Inter-American Development Bank, and Sub-Regional Development Banks in Latin America**



**Fernando Prada** argued that the Inter-American Development Bank (IADB) had been successful in promoting sustainable growth in Latin America by striking a balance between its three main functions, namely the provision of (i) financial assistance, (ii) capacity-building (institution building and knowledge generation and dissemination), and (iii) international public goods (infrastructure for regional integration).

He argued that the “aid architecture” in Latin America was fairly decentralised. While the World Bank and IADB focused their assistance on the social sector, public sector reform, and capacity building, sub-regional development banks focused on infrastructure, capital market development, and private sector operations. An important difference between Asia and Latin America was the fact that unlike the latter, the former did not have sub-regional development banks. Asia could, therefore, benefit from Latin America’s experience with sub-regional development banks.

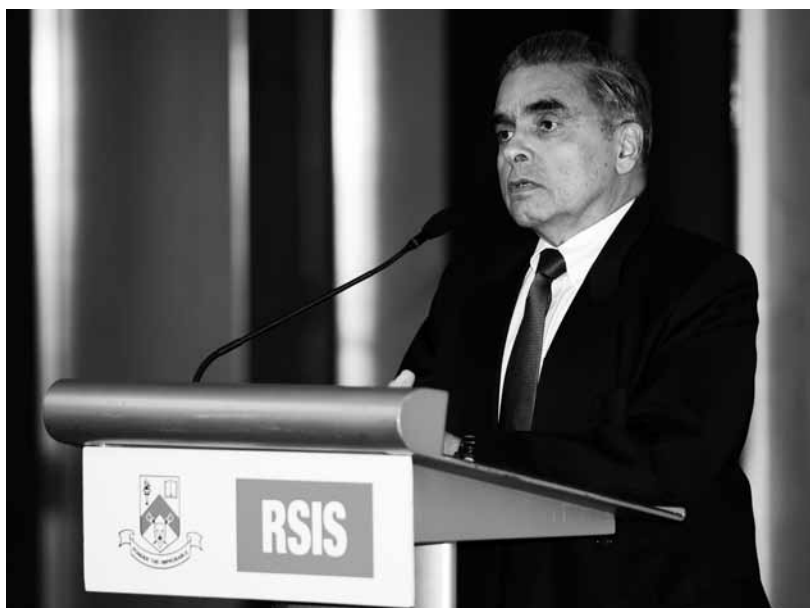
One particular dimension worth inspecting, argued Prada, is the contrast between the World Bank and IADB in terms of dialogue. He noted that the ability of RDBs to conduct high-level dialogues with local government officials and the World Bank’s inability thereof, not only allows institutions like the IADB to become more in touch with the region; it also contributes to the rapid decline of the World Bank’s significance. Nevertheless, in spite of this dissimilarity, the World Bank and RDBs remain to be equally relevant in generating growth and overcoming challenges in the world today. More importantly, he remarked, they complement each other in providing regional and global public goods, which shall eventually evolve into international public goods.

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## KEYNOTE SPEECH

### Is Capitalism Dead?

#### Ambassador Kishore Mahbubani



**Ambassador Kishore Mahbubani** opened his address by remarking that while Asian capitalism is looking ahead, the same may not be said about capitalism in the West. To further qualify this statement, he enumerated the three fundamental errors being committed by the West in addressing its economic issues, which are firstly, the state of denial among Western intellectuals and thinkers in relation to the challenges being encountered by Western capitalism; secondly, the humongous disparity among people in terms of the distribution of benefits, which results in the disintegration of the social contract; and thirdly, the West’s failure to respond to what Joseph Schumpeter refers to as “creative destruction”—the rise of new industries at the expense of the gradual death of others.

According to Ambassador Mahbubani, the continuous decline of Western capitalism is a product of corrupted notions and ignorance of the dangers of capitalism, in which he rebuked regulatory institutions for their failure to perform their responsibilities and their inability to prevent the so-called “financial weapons of mass destructions” from generating a financial disaster. He also went on to disagree with the common perception among Western thinkers that things will come back to their natural balance. He stressed that the problem would remain until a “rebalancing of roles” between the government, regulatory agencies, and the market takes place.

Furthermore, Ambassador Mahbubani warned of the adverse effects brought about by Western negligence of the interconnection between capitalism and the social contract. Given that 99 per cent of the benefits mainly go to one per cent of the population, he predicted that there would be a continuation of the social crisis should the West refuse to take any action in this regard.

As for the West’s ineffective response to “creative destruction”, Ambassador Mahbubani noted the West must take a more innovative approach in creating jobs. Also, he said that it must reverse its notion that the state is the cause of the problem and start looking at it as a source of solution. When asked about viable measures for the West, Ambassador Mahbubani cited the strategy that was advocated by former Singapore Deputy Prime Minister Goh Keng Swee in the past, which is to emulate the models from other countries with the necessary adjustments.

## KEYNOTE SPEECH

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Ambassador Mahbubani argued that the West's propensity to advocate for market liberalisation has become a dilemma because doing so would more often than not result to employment opportunity losses in the West while jobs are created in Asia. In addition, Ambassador Mahbubani reflected on the West's deteriorating confidence in keeping pace with its competitors in a largely globalised trading system by referring to it as a "tremendous global contradiction". Bearing this in mind, he was convinced that the problem should only be expected to intensify in the years ahead.

In response to a question from a participant regarding the stagnating status of the United States as the sole hegemon in the context of a rising China, Ambassador Mahbubani could only advise the United States to become more pragmatic in viewing its position in the international arena.

Nevertheless, after giving a critical projection on the future of Western capitalism, Ambassador Mahbubani took an optimistic tone in underlining the positive developments that have taken place over the last 30 years. Upon creating a contrast between human condition today and in the past 3,000 years, he pointed out that the advancements have indeed been remarkable and that in spite of the vulnerable state of the global economic system, countries are moving towards a positive direction. Finally, he concluded by expressing his belief that the world has more to benefit from an economically and politically powerful United States than from one that is weak.



# CONFERENCE PROGRAMME

## Monday, 26 March 2012

08:45-09:00 Registration

09:00-09:30 Opening session

### Welcome remarks

*Ambassador Barry Desker, RSIS and Dean Masahiro Kawai, ADBI*

### Address by Guest-of-Honour

*Mr. Bilahari Kausikan, Permanent Secretary, Ministry of Foreign Affairs, Singapore*

9:30-11:00 Session I

### Global and Regional Financial Safety Nets

*Chair: Benhua Wei, Director, AMRO*

#### Paper 1: CMIM and AMRO - The Way Ahead

*Reza Siregar, Senior Economist, AMRO*

#### Paper 2: Promoting Complementarity between Global and Regional Safety Nets

*Jayant Menon, Lead Economist (Trade and Regional Cooperation), Office of Regional Economic Integration, ADB*

*Discussant 1: Charles Adams, Professor, National University of Singapore*

*Discussant 2: Chia Wai Mun, Assistant Professor, Division of Economics, School of Humanities and Social Sciences, NTU*

Open floor discussion

11:00-11:15 Coffee break

11:15-12:45 Session II

### Oversight Institutions and the Evolving Global Economic Architecture

*Chair: Lim Chong Yah, Albert Winsemius*

*Chair Professor of Economics and Director of Economic Growth Centre, Division of Economics, School of Humanities and Social Sciences, NTU*

#### Paper 3: The Evolving Global Economic Architecture - The Likely Scenario

*Pradumna B. Rana, Associate Professor, RSIS*

#### Paper 4: The G20 - Input and Output Legitimacy, Reforms, and Agenda

*Andrew Cooper, Distinguished Fellow, Centre of International Governance Innovation*

*Discussant 3: Tarisa Watanagase, Former Governor, Bank of Thailand*

*Discussant 4: Liqing Zhang, Professor and Dean, School of Finance, Central University of Finance and Economics*

Open floor discussion

12:45-14:00 Lunch break

Venue: Café Biz, Lobby Level

14:00-15:30

Session III

### Global and Regional Financial Regulation

*Chair: Soedradjad Djiwandono, Professor, RSIS, NTU*

#### Paper 5: Reform of Global Financial Regulation: Institutions and Policies

*Erik Berglof, Chief Economist, EBRD*

#### Paper 6: Regional Financial Stability and Regulation

*Masahiro Kawai, ADBI and Peter Morgan, Senior Consultant for Research, ADBI*

*Discussant 5: Matthew Yiu, Senior Economist, AMRO*

*Discussant 6: Chow Hwee Kwan, Professor of Economics and Statistics (Practice) and Associate Dean at the School of Economics, Singapore Management University*

Open floor discussion

15:30-15:50 Coffee break

15:50-17:20

Session IV

### WTO and Regionalism

*Chair: Barry Desker, RSIS, NTU*

#### Paper 7: Asia's FTAs: Recent Findings and Evidence

*Ganesh Wignaraja, Principal Economist, Office of Regional Economic Integration, ADB and Masahiro Kawai, ADBI*



# CONFERENCE PROGRAMME

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**Paper 8: WTO and Regionalism**

*Mike Plummer, Eni Professor of International Economics, OECD*  
*Discussant 7: Razeen Sally, Visiting Associate Professor, National University of Singapore*  
*Discussant 8: Chia Siow Yue, Senior Research Fellow, SIIA*  
 Open floor discussion

19:00-21:00 Dinner  
 Venue: Ah Hoi's Kitchen, Level 4

**Tuesday, 27 March 2012**

09:00-10:30 Session V  
**Global and Regional Security Arrangements**  
*Chair: Tan Seng Chye, Senior Fellow, RSIS, NTU*  
**Paper 9: Global Security Institutions**  
*Tan See Seng, Associate Professor, Deputy Director and Head of Research of the Institute for Defence and Strategic Studies (IDSS), RSIS, NTU*  
**Paper 10: Asian Security Arrangements**  
*Mely Caballero-Anthony, Associate Professor, Head, Centre for NTS Studies, and Secretary-General, NTS-Asia, RSIS, NTU*  
*Discussant 9: Joseph Liow, Professor and Associate Dean, RSIS, NTU*  
*Discussant 10: Bhubhindar Singh, Assistant Professor, RSIS, NTU*  
 Open floor discussion

10:30-10:45 Coffee break

10:45-12:15 Session VI  
**World Bank and Regional Development Banks**  
*Chair: TBD*  
**Paper 11: World Bank and ADB**  
*Vikram Nehru, Senior Associate, Carnegie Endowment for International Peace*  
**Paper 12: World Bank and IADB**  
*Fernando Prada Mendoza, Associate Researcher, FORO Nacional*

*Internacional*

*Discussant 11: Indu Bhushan, Deputy Director General, Strategy and Policy Department, ADB*  
*Discussant 12: Joaquim Tres, Integration and Trade Lead Specialist, IADB*  
 Open floor discussion

12:15-12:30 Concluding session  
*Masahiro Kawai, ADBI and Pradumna B. Rana, Associate Professor, RSIS*

12:30-13:00 Keynote speech  
**Is Capitalism Dead? An Asian Perspective**  
*Ambassador Kishore Mahbubani, Dean and Professor in the Practice of Public Policy of the Lee Kuan Yew School of Public Policy, National University of Singapore*

13:00-14:00 Lunch  
 Venue: Café Biz, Lobby Level

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## ABOUT RSIS

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The S. Rajaratnam School of International Studies (RSIS) is a professional graduate school of international affairs at Nanyang Technological University, Singapore. RSIS' mission is to develop a community of scholars and policy analysts at the forefront of security studies and international affairs. Its core functions are research, graduate teaching and networking. It produces cutting-edge research on Asia-Pacific Security, Multilateralism and Regionalism, Conflict and Non-Traditional Security and International Political Economy. RSIS' activities are aimed at assisting policymakers to develop comprehensive approaches to strategic thinking on issues related to security and stability in the Asia-Pacific.





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