

AQUINO SAYS ADB LEADERSHIP SHOULD REMAIN ASIAN.By **Chaitanya Kalbag**

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MANILA, April 28, Reuter - The Asian Development Bank's annual meeting opened with a call from Philippine President Corazon Aquino to keep the bank's leadership Asian and to temper its policy prescriptions.

"(The bank) must continue to view banking, especially development banking, as a relationship rather than a transaction," Aquino told the meeting's opening session.

"It must, in short, continue to be Asian in the way of its leadership and must look from within Asia to the rest of the world."

Japan, the ADB's largest financier, and the United States are waging a behind-the-scenes struggle for domination in the 47-member bank. The two currently hold equal voting rights.

In her speech, Aquino said policy debates on structural reform cannot ignore the social and political costs to the target nations.

"I know that politics cannot be measured and can find no place in the parsimony of economic models," she said, adding politics must be accommodated "by a substantial flexibility" in policy dialogues.

The U.S. is pressing the ADB to tie more of its loans to policy dialogue and says structural reform should be a pre-requisite for bank aid. The bank only last year launched a new program lending policy tied to limited sectoral reforms.

"Perhaps it is time for those of us who once aspired to follow in the footsteps of the developed world to come upon our own age of reason," Aquino said.

ADB President Masao Fujioka said prospects for the Asia-Pacific region in 1988 suggested structural adjustments, including greater emphasis on industrialisation and export promotion, were important.

He said the yen's dramatic appreciation had increased the export competitiveness of the newly industrialised countries (NICs).

"Also, Japan's imports of manufactured goods from the region are increasing while its direct private investment in the more open economies of the region is rising," Fujioka said. He said NICs were likely to respond to the possibility of lower growth this year by diversifying their export markets and switching to higher value products.

Fujioka said poverty alleviation and the diversification of agriculture remained crucial priorities in South Asia.

"Rationalisation of the public sector and promotion of private sector operations will be essential in increasing productivity," he said.

Fujioka said reform-driven China is expected to move to higher value products and maintain high growth rates.

"China will also provide a growing market for raw materials and high technology products required to expand its industries," he said.

Tuilaepa Malielegaoi, the chairman of the ADB's board of governors, criticised growing protectionism in his speech.

"The large subsidies given to the farm sector in many industrial countries adversely affect the Asian and Pacific farmers' comparative advantage to produce both food and cash crops," said Tuilaepa, who is also Western Samoa's Finance Minister.

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