

Welcome to the first issue of the ADB–Asian Think Tank Network e-Newsletter!

Here you will find a brief on how the ADB–Asian Think Tank Network started, the discussion highlights of its first forum held in Beijing on 30–31 October 2013, and a list of the participating think tanks.

## WHY NETWORKING?

Recent development experience has highlighted the importance of knowledge sharing among countries. Through knowledge sharing, whether it is North–South or South–South, countries can learn good development practices and policy lessons from each other. Think tanks play a critical role in providing policy advice and knowledge sharing, as many are involved in supporting governments in preparing medium- and long-term development plans, addressing emerging policy issues, and in cross-country knowledge-sharing.

In consultation with think tanks in the region, the Asian Development Bank (ADB) approved a regional technical assistance project in May 2013, Provision of Knowledge Products and Services to Developing Member Countries through Systematic Knowledge Sharing, funded under the People's Republic of China (PRC) Poverty Reduction and Regional Cooperation Fund. This aims to support networking among think tanks in the region for sharing knowledge on development experiences and policy lessons under the ADB–Asian Think Tank Network, of which the annual ADB–Asian Think Tank Development Forum will be the project's flagship knowledge sharing event. The technical assistance intends to provide initial support for knowledge sharing among think tanks. It is hoped that this will lead to strong interest among participating think tanks in self-sustaining the knowledge sharing network.

## THE 1ST ADB–ASIAN THINK TANK DEVELOPMENT FORUM: HIGHLIGHTS

“Innovation and Inclusion for a Prosperous Asia” was the theme of the 1st ADB–Asian Think Tank Development Forum held on 30–31 October 2013 at the Tangla Hotel in Beijing. The forum was organized by ADB in partnership with the Beijing office of the Asia–Pacific Finance and Development Center (AFDC), a think tank of the PRC Ministry of Finance. The forum gathered 130 participants, comprising mostly of representatives of 47 think tanks from 26 countries in Asia and the Pacific. The discussions covered latest global and regional policy developments and country-specific experiences and policy issues on innovation and inclusion.

The forum was organized into four sessions. The opening session was followed by a presentation and discussion on Asia's Challenges and Opportunities in Scaling Up Innovation, followed by a session on Inclusive Growth in Asia: Retrospect and Prospects. Both these sessions included regional overviews and country perspectives. The fourth session was on Asian Think Tank Networking. Capping the forum was a visit to Beijing's Forbidden City, giving the participants an opportunity for informal networking.

## OPENING SESSION

**Jiayi Zou**, Director General of the PRC's Ministry of Finance, opened the session and thanked ADB and the AFDC Beijing Office for their efforts in organizing this inaugural event.

**Qiangwu Zhou**, Director General of AFDC Beijing Office expressed his appreciation for the initiative to set up a networking platform for the region's think tanks. He said the forum presents an opportunity for their representatives to get to know each other and to forge alliances for future cooperation.

**Bindu Lohani**, Vice President of ADB's Knowledge Management and Sustainable Development, said that holding the forum's first gathering in the PRC was highly appropriate given the country's important role in knowledge sharing and management. Dr. Lohani said innovation and inclusion are essential for propelling Asia to its next level of development, and that it was timely of the forum to focus on these issues. He stressed that building knowledge economies will be critical for developing countries to avoid falling into a middle-income trap, and that innovation and inclusion are the most important parameters in this effort.



L-R: Jiayi Zou, Bindu Lohani, Guangyao Zhu, Shijin Liu, Hassan Nawaz Tarar, Qiangwu Zhou

“By 2015, 50% of GDP will be in Asia; this means it is going to be one of the richest regions. This means taking on big challenges, such as moving from resource-driven growth, dependent on low-cost labor, to growth based on high productivity and innovation. Thus, the need to transform Asian economies into knowledge economies.”



**Guangyao Zhu**, Vice Minister of the PRC's Ministry of Finance, gave an overview of the global economy. He noted that while there may be slight improvement on 2012's growth of 2.3%, this year's recovery will be constrained by several uncertainties such as US fiscal issues and Europe's sovereign debt crisis. On the outlook for the PRC, Mr. Zhu said daunting challenges have been faced in 2013. But he expressed confidence that the goal of 7.5% economic growth for the year will be attained, thanks to targeted macroeconomic policies, which include a proactive fiscal policy and a prudent monetary policy, reforms in capital investments approval system, and the improvement of economic structures.



“[The People's Republic of] China will comprehensively deepen reform of its economic, political, cultural, social and ecological civilization structures, and will incessantly broaden openness to the rest of the world.”

**Shijin Liu**, Vice Minister of the Development Research Center of the State Council, commended the timeliness of the forum, especially for the PRC, which, he said, needs to put greater emphasis on innovation and inclusive growth after experiencing rapid economic growth and development. Innovation will be key for economic restructuring and, to provide the driving force for innovation, the PRC will deepen reforms and pursue an inclusive growth model, said Dr. Liu.

## ASIA'S CHALLENGES AND OPPORTUNITIES IN SCALING UP INNOVATION

Presentations on innovation, starting with a regional overview, were moderated by **Larry Strange**, Executive Director of the Cambodia Development Resource Institute.



**Dr. Jesus Felipe**, Advisor in ADB's Economics and Research Department, made a presentation on "Asia's Economic Transformation". He emphasized the need to modernize agriculture—the region's largest employer with over 700 million workers—to jump-start development. Dr. Felipe noted that in many Asian economies the share of manufacturing employment in total employment is rather small. These are undergoing structural transformation from agriculture into services. He also stressed that while services were the major absorber of employment during 1995–2009, many workers are transferring into low-productivity services; and that manufacturing is essential for high-quality services sector. Being the largest absorber of employment (and hence the largest employer soon), it is important for countries to determine what services will be critical for their economies.

**Dr. Poh Kam Wong**, Director of the National University of Singapore Entrepreneurship Centre outlined various facets of innovation and the stages of technological capability that allow innovation to prosper. Dr. Wong explained how Singapore's National Innovation System (NIS), through policies and institutions, promoted the creation and use of new knowledge and technology, and fostered interactions between producers and users of knowledge and technology. In particular, Singapore's NIS has benefited from integration into the Global Innovation System, by tapping foreign direct investments and knowledge flows from the leading innovation hubs in the world and attracting overseas science and technology talents. Dr. Wong said innovation has been a critical determinant of economic growth and the international competitiveness of firms and industries. But he stressed that it is important for countries to adapt successful models to their national contexts. Emerging economies trying to enhance innovation should also consider policies that target the needs of their lower-income populations because, in addition to complementing traditional technological catch-up learning strategies, innovation contributes to inclusive development.





**Dr. Inhyung Lee**, Senior Fellow and Research Director of the Korea Capital Market Institute, noted that exposure to global competition can spur innovation and growth. While conglomerate models can be used to transform economies by using their knowledge, managerial skills, and financial capital to venture into new industries, they can also dominate markets and stifle competition. Dr. Lee said innovation can easily succeed in industries where barriers to entry are not so high, such as information and communication technology. However, spurring innovation in complex industries can be difficult and may only be achieved by conglomerates given their resources.



L-R: Larry Strange, Jesus Felipe, Poh Kam Wong, Inhyung Lee, Yuqing Xing

**Dr. Yuqing Xing**, Director of the Capacity Building and Training Department of the ADB Institute, emphasized that the development histories of advanced countries suggest that industrialization is a necessary step for developing countries to transform themselves into high-income economies. As an alternative to industrialization, Dr. Xing said the proliferation of global value chains provides an opportunity for developing countries to achieve this goal and define a clear road map for technology innovations.



L-R: Poh Kam Wong, Zhongxia Jin, Nonarit Bisonyabut, Zakariah Bin Abdul Rashid, Radhicka Kapoor, Enkhbaigali Byambasuren

**Dr. Zhongxia Jin**, Director General of the Institute of Finance, People's Bank of China, moderated the session on the country perspectives on innovation presented by **Suguru Tamura**, Senior Fellow, Research Institute of Economy, Trade and Industry (Japan), **Dr. Poh Kam Wong** (Singapore), **Dr. Nonarit Bisonyabut**, Senior Fellow, Thailand Development Research Institute (Thailand), **Dr. Zakariah Bin Abdul Rashid**, Executive Director of the Malaysian Institute for Economic Research (Malaysia), **Dr. Radhicka Kapoor**, Indian Council for Research on International Economic Relations (India), and **Dr. Enkhbaigali Byambasuren**, Director of the Mongolian Development Institute (Mongolia). All the presentations underscored the role of government in formulating policies and programs to promote innovation. Among common measures adopted by these countries were tax incentives to attract foreign investments, especially in higher technology and more knowledge-intensive industries; investments supporting infrastructure development; improving ease of doing business; and promoting local technological upgrading. A theme that emerged from the session was the considerable emphasis countries are putting on the development of local research manpower.

## INCLUSIVE GROWTH IN ASIA: RETROSPECT AND PROSPECTS

**Rathin Roy**, Director of India's National Institute for Public Finance Policy, moderated the regional overview in the session on inclusive growth. **Dr. Juzhong Zhuang**, Deputy Chief Economist in ADB's Economics and Research Department, made a presentation on "Confronting Rising Inequality in Asia and the Pacific". He noted that while high growth has led to a large reduction in poverty in the region, it was accompanied by rising inequality in many countries. Indeed, income inequality has widened in 12 countries that account for over 80% of Asia's total population. Dr. Zhuang said technological progress, globalization, and market-oriented reform have created vast opportunities and driven rapid growth, but have also had significant distributional consequences—these forces together have favored capital over labor, skilled over unskilled workers, and cities and coastal areas over rural and inland ones. He said the distributional impact of the drivers of growth has been compounded by unequal access to opportunity. While the drivers of growth cannot be hindered, Dr. Zhuang said governments across the region can tackle rising inequality by promoting growth that is more employment-friendly, implementing interventions to support lagging regions and reduce spatial inequality, adopting efficient fiscal measures to reduce inequality in human capital, and moving toward an inclusive growth strategy based on equality of opportunity.



L-R: Juzhong Zhuang, Rathin Roy, Richard Rigby, Xiaoming Huang, Athar Hussain

Dr. Zhuang's presentation was the subject of a lively debate. **Dr. Richard Rigby**, Executive Director of the Australian National University's China Institute and the East Asia Bureau of Economic Research, said increased funding is needed for education systems to address human capital disparities, and, in policy efforts to promote inclusiveness, fundamental reform of factor markets are needed to deepen international market integration. **Dr. Xiaoming Huang**, Director of the New Zealand Contemporary China Research Centre, and **Dr. Athar Hussain**, Director of the Asia Research Centre at the London School of Economics, both observed that the problem of inequality should be placed in a global and historical context across different development stages and growth models. While the speed of the growth of inequality matters, of equal relevance is the level of inequality.

The second day of the forum started with the country perspectives on inclusive growth, moderated by **Kyaing Kyaing Sein**, Director of Myanmar's Center for Economic and Social Development. Presentations were made on promoting inclusive growth in the PRC (**Dr. Kang Jia**, Director General of the Research Institute for Fiscal Science, Ministry of Finance), Republic of Korea (**Dr. Taejong Kim**, Korea Development Institute School of Public Policy and Management), India (**Rathin Roy**, Director of India's National Institute for Public Finance Policy), Philippines (**Dr. Rafaelita Aldaba**, OIC Vice President of the Philippine Institute for Development Studies), Indonesia (**Dr. Carunia Mulya**



**Hamid Firdausy**, Director of the National Research Center for Economics), Viet Nam (**Dr. Tran Kim Chung**, Vice President of the Central Institute for Economic Management), Nepal (**Dr. Ram Chandra Dhakal**, Executive Director of the Center for Economic Development and Administration) and Pakistan (**Hassan Nawaz Tarar**, Ministry of Planning and Development Secretary). Their presentations vividly showed the diversity of approaches being taken to address poverty, create employment, promote inclusive and sustainable growth, and build social protection systems. While countries confront different constraints and challenges, common strategies for more inclusive growth included raising agricultural productivity, supporting labor-intensive economic activities, building human capital by investing in health and education for the poor, and institutional and governance reforms to improve basic services.



L-R: Kyaing Kyaing Sein, Juzhong Zhuang, Qiangwu Zhou, Taejong Kim

## ASIAN THINK TANK NETWORKING

A fitting close to a stimulating forum was the session on networking moderated by Dr. Zhuang. **Dongxiang Li**, Advisor in ADB's Knowledge Sharing and Services Center made a presentation on "Support for Asian Think Tank Networking". Among the session's objectives was to establish the ADB-Asian Think Tank Network to enhance systematic knowledge sharing and strengthen the capacity of think tanks in Asia and the Pacific, as well as to increase the region's voice in the international arena. Targeted participants are primarily the economic development-oriented think tanks in ADB's developing member countries. The network is a joint initiative of ADB and think tanks from 26 countries.



Dongxiang Li

The participating think tanks supported the establishment of a network to promote knowledge exchanges. The network will give ADB and member think tanks access to regional and country-specific knowledge that will enrich their respective research work and in providing policy advice.

As agreed by the forum, the next steps include launching a website, preparing and disseminating the e-Newsletter, and holding a second forum in 2014 in the Republic of Korea. Dr. Taejong Kim confirmed the acceptance by KDI President Joon Kyung Kim of ADB's invitation to co-host the 2014 forum. A questionnaire will be put together to help set the theme and topics of the next forum, which will become an annual event.



## LIST OF THINK TANKS THAT PARTICIPATED IN THE FORUM

1. ANU China Institute, Australian National University
2. Cambodia Development Resource Institute
3. Economic Institute of Cambodia
4. Asia-Pacific Finance and Development Center (Beijing Office)
5. China Center for Urban Development, National Development and Reform Commission (NDRC)
6. Institute of Economic Research, Academy of Macroeconomic Research, NDRC, People's Republic of China (PRC)
7. Institute of Finance, People's Bank of China
8. Research Institute of Statistical Sciences, National Bureau of Statistics, PRC
9. Research Center for Rural Economy, Ministry of Agriculture, PRC
10. Institute for Finance and Economics of Central University of Finance and Economics, PRC
11. National Academy of Economic Strategy, Chinese Academy of Social Sciences (CASS), PRC
12. Institute of Foreign Economic Research, Academy of Macroeconomic Research, NDRC, PRC
13. Institute of Taxation Science, State Administration of Taxation, PRC
14. School of Economics, Renmin University of China
15. Center for Financial Products, Institute of Finance and Banking, CASS
16. Academy of Macroeconomic Research, Development Research Center, PRC
17. China Academy of Land and Resource Economics
18. Institute of Economics Research, Stated-owned Assets Supervision and Administration Commission of State Council, PRC
19. Institute of Finance and Banking, CASS, PRC
20. Financial Research Office, Research Institute for Fiscal Science, Ministry of Finance (MOF), PRC
21. Foreign Finance Research Office, Research Institute for Fiscal Science, MOF, PRC
22. International Poverty Reduction Center in China
23. School of Economics and Resource Management, Beijing Normal University, PRC
24. National Institute of Public Finance Policy, India
25. Indian Council for Research on International Economic Relations
26. National Research Centre for Economics, Indonesian Institute of Sciences
27. Research Institute of Economy, Trade and Industry, Japan
28. Economic Research Institute, Kazakhstan
29. National Institute of Strategic Studies, Kyrgyz Republic
30. Korea Development Institute
31. Korea Capital Market Institute
32. National Economic Research Institute, Lao People's Democratic Republic
33. Economic Research Institute for Trade, Lao PDR
34. Malaysian Institute for Economic Research
35. Mongolian Development Institute
36. Centre for Economic and Social Development, Myanmar Development Resource Institute
37. Center for Economic Development and Administration, Nepal
38. New Zealand Contemporary China Research Centre
39. Philippine Institute for Development Studies
40. National Research Institute, Papua New Guinea
41. NUS Entrepreneurship Centre, National University of Singapore
42. Institute of Policy Studies, Sri Lanka
43. Thailand Development Research Institute
44. Center for Economic Research, Uzbekistan
45. Asia Research Centre, London School of Economics, United Kingdom
46. Pacific Institute of Public Policy, Vanuatu
47. Central Institute for Economic Management, Viet Nam