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Excellencies, ladies and gentlemen, I am greatly honoured to be here this morning. I am discussing the ongoing reforms in global monetary and financial governance and especially the role of Asia. Crises often present an opportunity for change and the magnitude of the latest global crisis calls for change on an unprecedented scale. Robust economies have the potential to lead in the inevitable global rebalancing process. Asia is well-positioned to contribute and support necessary reforms, for a more balanced world economy and more resilient global financial and monetary systems.

The robust recovery of Asia's developing countries from the global crisis is gaining further momentum. The Asian Development Bank's (ADB) latest forecast, which was just released two weeks ago, shows the very healthy growth of developing countries in Asia. It is something like 8.2% this year, which is well above the 5.4% recorded last year. There has been a rapid turnaround in export, in particular inter-regional exports. Healthy private demand and the lingering effects of expansionary fiscal and monetary policy measures underpin the region's solid growth in the first half of 2010.

The region's two giants continue to perform strongly, lifting the growth of the entire region. ADB's 2010 forecast for the People's Republic of China remains elevated at 9.6% and India's economy is set to expand by 8.5%. However, I must also add that Asia and the Pacific remain home to two-thirds of the world's poor. Almost 2 billion people in Asia and the Pacific still live without basic sanitation and nearly half a billion live without safe drinking water. Infant mortality in some countries is well over 10 times higher than in developed countries. In South Asia, illiteracy rates are among the highest in the world.

Now, the new global, monetary and financial architecture needs to address at least three inter-related issues. First, persistently large global imbalances remain a threat to global economic and financial stability. Secondly, the financial crisis highlighted weaknesses and gaps in the national and international regulatory system. This led to excessive risk-taking and leverage, prior to the crisis. That has allowed the crisis to spiral out of control.

Thirdly, the provisions for the provision of international liquidity is fundamentally flawed. The use of a single national currency, the US dollar, as an international reserve currency heightened the tension between national and global monetary policy-making. It also continued to be a source of instability, by allowing lower financing costs for the countries with the reserve currency.

On all three counts, Asia has a crucial role to play. First, an orderly resolution of global imbalances would inevitably require a reduction of demand in the countries that currently have a deficit and an increased demand in surplus countries. Other economies deleverage by saving more and spending less. Asia needs to increase domestic and regional demand, relative to outward trends. Emerging economies in Asia need to continue to promote economic efficiency and dynamism by undertaking deeper and broader structural reforms, while further developing the region's financial sectors. In this context, I agree that significant exchange rate adjustment is required between the G3 currency, the dollar, the euro and the yen and emerging currencies, particularly those in Asia.

Already, many emerging countries are appreciating. For instance, the Brazilian real appreciated by 40-50% in the last couple of years. The Chinese currency certainly stayed quite stable vis-a-vis the dollar, as well as other major currencies. Meanwhile, quite a few South Asian currencies have been appreciating. You may know, for instance, that the Thai baht, the Malaysian ringgit and the Indonesian rupee have appreciated by at least 10%, some by more than that. This is just this year and is in addition to appreciations made last year.

The issue is not that emerging currencies should appreciate; the issue is disparity among emerging currencies with regard to currency adjustment. I think here, the G20 could play a key role in resolving these imminent issues in the coming months. It includes not only the G7 developed countries, but also many systemically important emerging economies as its members. Secondly, global regulatory reforms must be complemented and augmented by national and regional reforms.

Despite increasingly borderless finance, regulation is ultimately in the hands of the national authorities. Without proper national backbones for effective implementation, the proposed global regulatory reform cannot achieve its goal of building a resilient global financial system that can withstand shocks and dampen their effects on the real economy.

Given their comparative strengths, emerging nations should take the lead by strengthening prudential criteria, enhancing governance and transparency and upgrading accounting standards, in line with international standards. Emerging nations should also coordinate national regulatory and supervisory efforts to ensure market integrity. They should build consumer and investor confidence in their regions' financial systems and safeguard stability.

Thirdly, there is the evaluation of international liquidity during the crisis. The crisis that came immediately after the Lehman's shock was a strong reminder of the fragility of the current global monetary and financial system. The global economy is recovering and becoming increasingly diversified, with a rapid rise in emerging market economies. However, the international monetary and reserves system has yet to result to such structural change. International reserves are highly-concentrated in a few countries. The five countries with the highest reserves hold nearly half of the global reserves. Also, reserves are concentrated in one currency, with the US dollar accounting for more than two-thirds of the global reserves.

Many Asian economies have contributed to this imbalance by pursuing export-oriented growth strategies. Through persistent current account surpluses and accumulate reserves, Asian companies have traded exchange-rate stability, so to speak, for exposure to large capital losses. This is if the US dollar were to suddenly depreciate.

As the share of emerging economies in global economic activity grows, policy decisions are now pivotal. This is for the stability of the global monetary and financial systems and ultimately for economic growth and stability. The recent adjustments of global imbalances have proved highly destabilising and remain a potential cause for global economic and financial instability. Such inevitable and rapid structural changes need to be fully reflected in the new global monetary and financial governance.

At this point, I would like to refer to the G20 process again. G20 has become a premier international forum to coordinate economic policies among major countries, both developing and emerging. I would like to talk about the upcoming G20 summit in Seoul, as well as next year's G20 summit in France. They could hopefully provide the best vehicle for systemically-important countries to come up with appropriate solutions for global imbalances and the global need for currency realignment. They could also deal with global financial-sector aggregations and global monetary systems, including the provision of international liquidity.

In conclusion, the reform of the global financial architecture is clearly in Asia's own interest, as well as the global interest. Asia needs to actively participate in designing the new architecture. It needs to meet the challenge of globalised finance and minimise direct consequences from international economic and financial productivity. Thank you.