

**High-level Regional Policy Dialogue on
"Asia-Pacific economies after the global financial crisis: Lessons learnt,
challenges for building resilience, and issues for global reform"**

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UNESCAP and BANGKO SENTRAL NG PILIPINAS**

**Global Financial Crisis and the Asia-Pacific Economies: Lessons Learnt
and Challenges – Introduction of the Issues**

Presentation

**Global Financial Crisis and the Asia-Pacific Economies: Lessons
Learnt and Challenges – Introduction of the Issues**

by

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Financial Crisis and the Asia-Pacific Economies: An Overview of Issues

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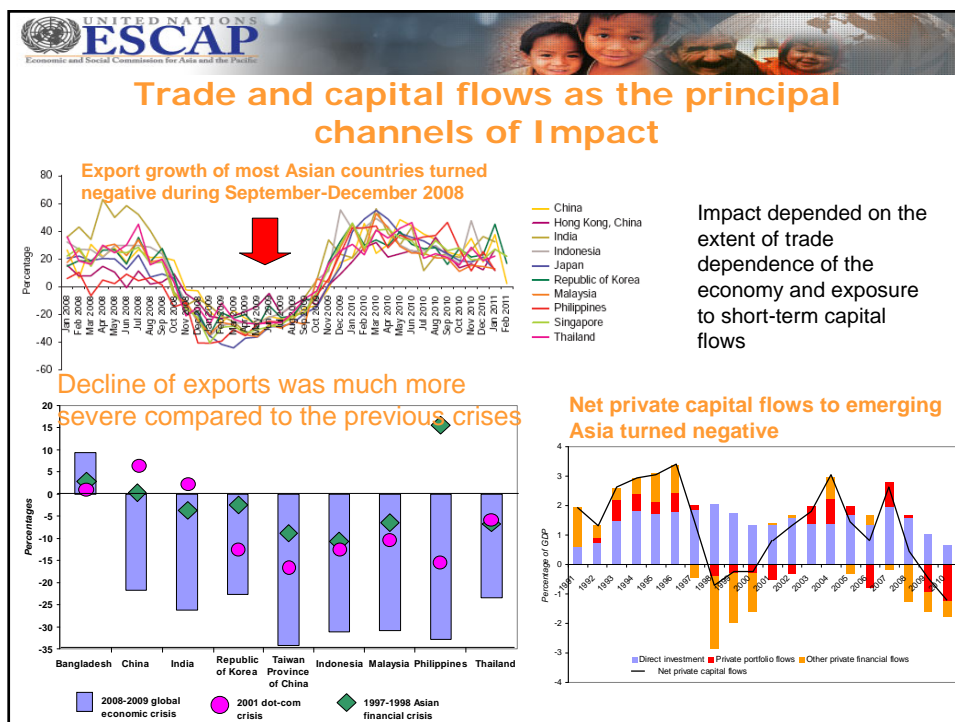


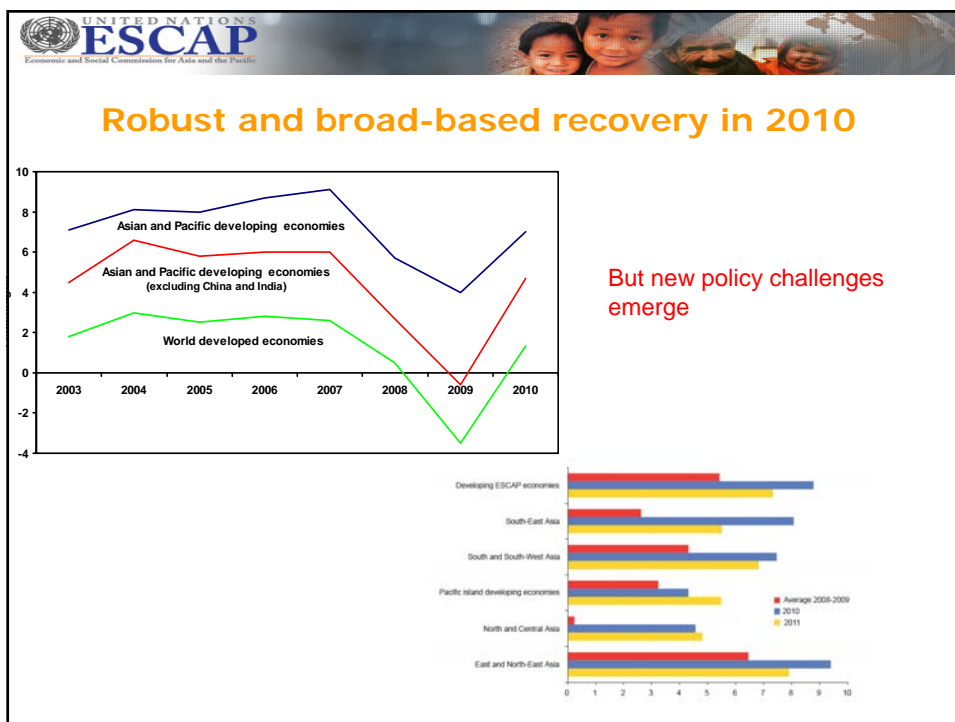
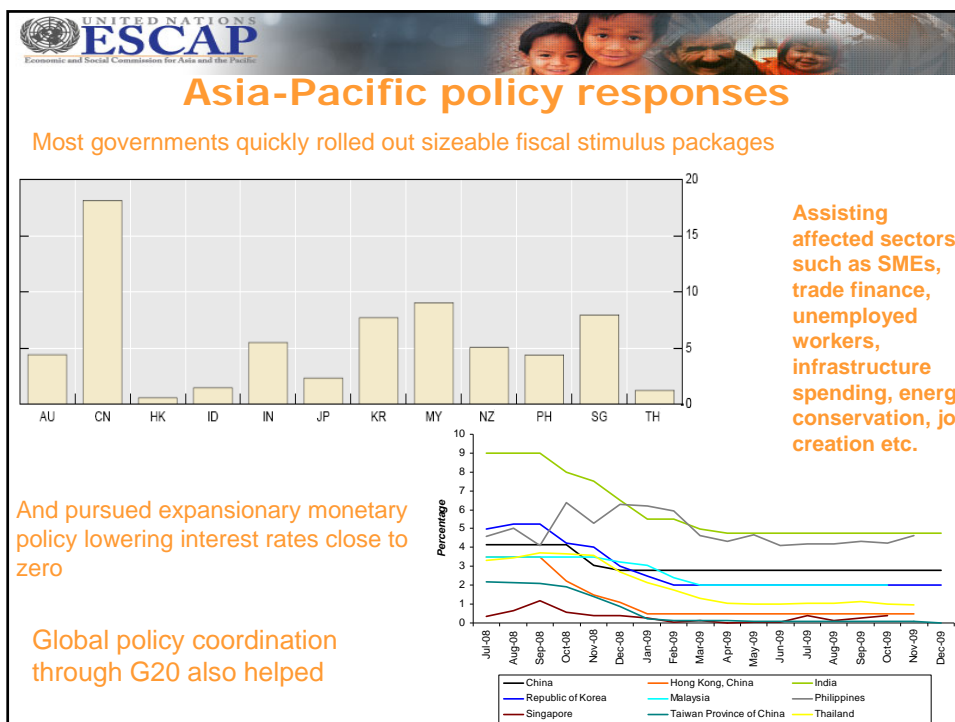
Outline

- Impact of global financial crisis on Asia-Pacific economies
- Policy responses and recovery
- Double dip and new policy challenges, circa 2011
- Policy lessons for reforms at national, regional and international levels

Global financial crisis

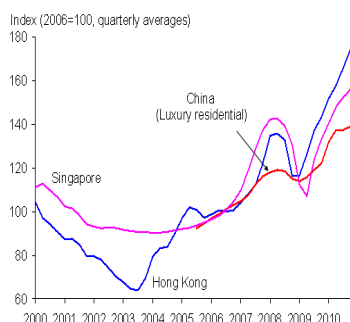
- Started as a crisis in US sub-prime markets
- Spread quickly across markets after the Lehman Brothers' collapse
- Stock markets around the world fell over 30% between September-December 2008
 - US\$ 18 trillion of market capitalization vanished in the G7 economies
 - World GDP contracted by -1.9% in 2009
- Asia-Pacific region also affected



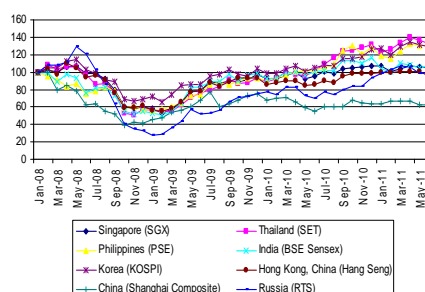


Managing volatile capital flows

- A-P assailed by volatile capital flows from loose global liquidity
- Leading to dramatic asset price rises, eg. property, equity markets though with some signs of peaking out in mid-2011

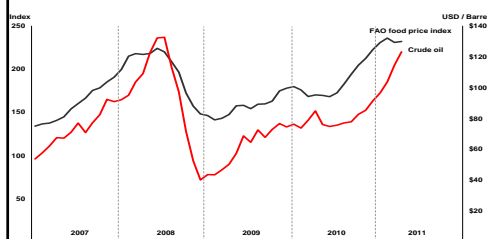


Equity market indices 2008-2011 (2008=100)



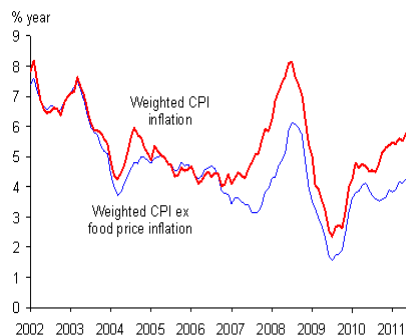
Capital controls increasingly used, as advocated by ESCAP, and need to be encouraged where necessary

Rising oil and commodity prices and inflation

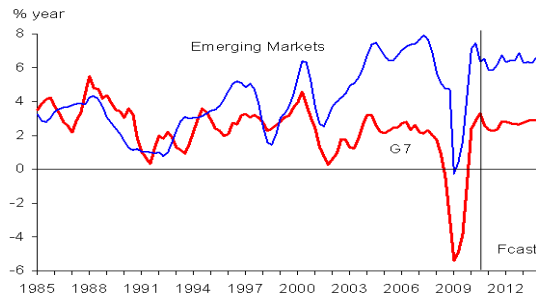


- **Impact on poor:** ESCAP estimates additional 46 million people in poverty in Asia-Pacific region
- **Policy responses** in terms of monetary tightening which affects the pace of recovery

CPI in Emerging Asia-Pacific



Coping with double-dip scenario for U.S. and Europe in 2011



Growth of Asia-Pacific economies especially the export-oriented ones is affected.

A key difference this time is that policy options for advanced economies are much more limited compared to 2008

Policy lessons 1: Imperative of rebalancing of Asia-Pacific growth

- Challenge is to boost demand in the region to complement sluggish demand in developed countries
 - Boosting consumption in East Asia and investment in Southeast Asia
- Focus on inclusive growth and narrowing development gaps
 - Agriculture productivity and rural development
 - Basic services and infrastructure
 - Job-oriented growth
 - Social protection
 - Financial inclusion

FIGURE 54. Share of consumption in long-term real GDP growth

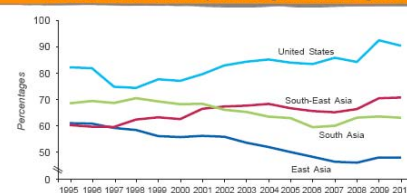
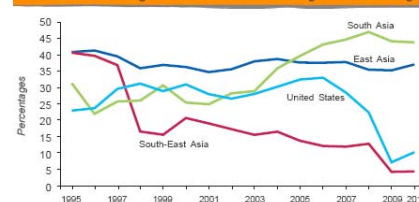
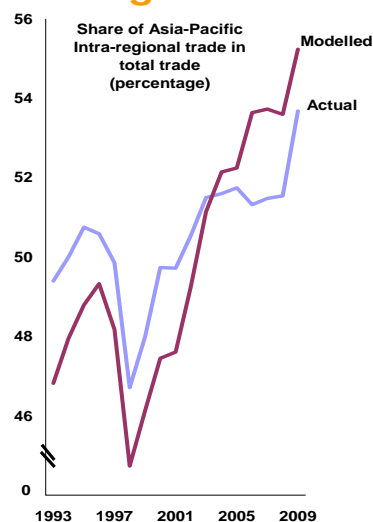


FIGURE 53. Share of gross fixed investment in long-term real GDP growth



Policy lessons 2: Exploiting potential of regional economic integration

- Intra-regional trade has grown faster than region's global trade since 1998
- Estimates suggest that potential of intra-regional trade is much higher and is growing fast
- Intra-regional trade is driven by presence of trade complementarities.
- Considerable complementarities exist within and across AP subregions
- Complementarities are generally higher across subregions than within subregions
- Case for broader cooperation across subregions

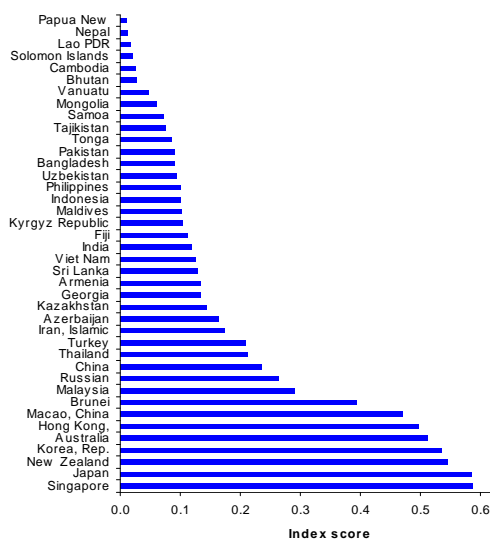


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Policy Lesson 3: Recycle Asian foreign exchange reserves for closing infrastructure gaps

- Asia-Pacific region is characterized by wide infrastructure gaps
- Huge investments to close them
- Region's foreign exchange reserves are larger than US\$ 5 trillion
- Lack a well developed regional financial architecture does not allow them to be mobilized for region's development needs
- Important steps in monetary and financial cooperation are the Chiang Mai Initiative Multilateralization and Asian Bond Funds
- Need to develop the financial architecture beyond them to channel region's savings to infrastructure needs

Infrastructure Composite Scores in Asia-Pacific, 2007



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Policy lessons 4: International cooperation for curbing volatility in commodity markets

- **Food price volatility**
 - regulate commodity futures,
 - discipline conversion of food into biofuels
- **Oil price volatility**
 - Negotiating a benchmark oil price and a price band
 - International strategic reserve

Policy lesson 5: Development friendly financial regulatory regime

- Curbing excessive risk taking in the financial services sector
- International regulation of 'too-big-to-fail' and systemically important financial institutions
- Banks capital adequacy norms
 - Impact assessment for low income countries
- International financial transactions tax



Policy lesson 6: Complete long pending reform of International Financial Architecture

- Crisis prevention and management
 - Reform of IMF conditionality
- New global reserve currency
- Enhancing the scale of development finance
- International cooperation on control of corruption
- Governance of international financial institutions
- Enhancing the inclusiveness of the G20 process

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Thank you

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