

# Asia's Recovery and Global Imbalances

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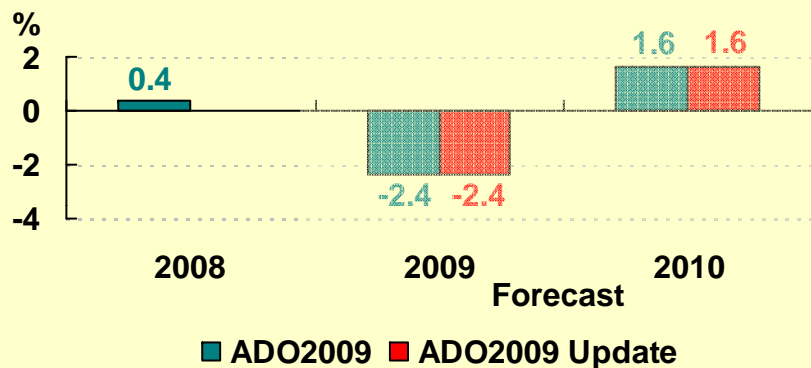
# Outline



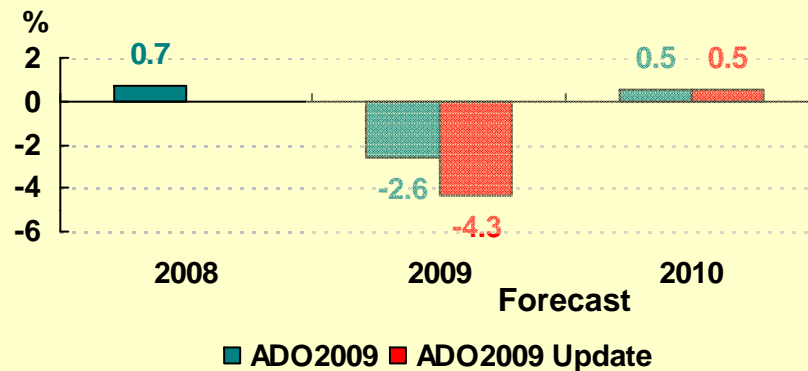
1. Crisis and Recovery
2. Risks and Prospects
3. Global Imbalances
4. Rebalancing Asia's Growth
5. Global and Regional Cooperation

# Global conditions deteriorated...

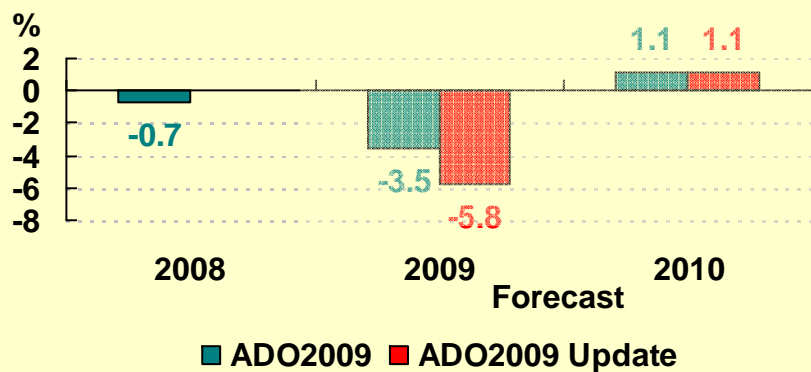
US GDP growth



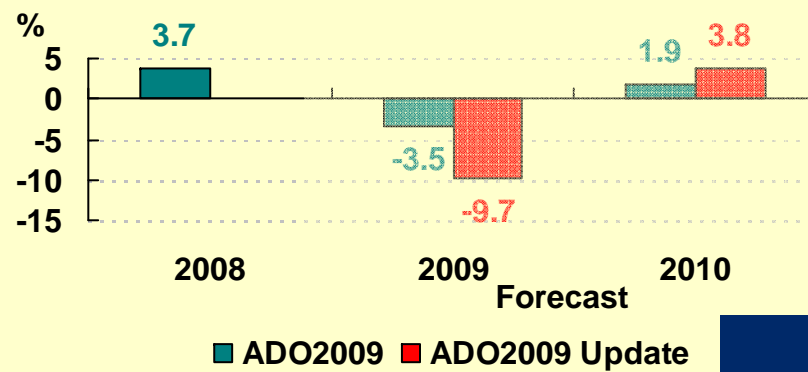
Eurozone GDP growth



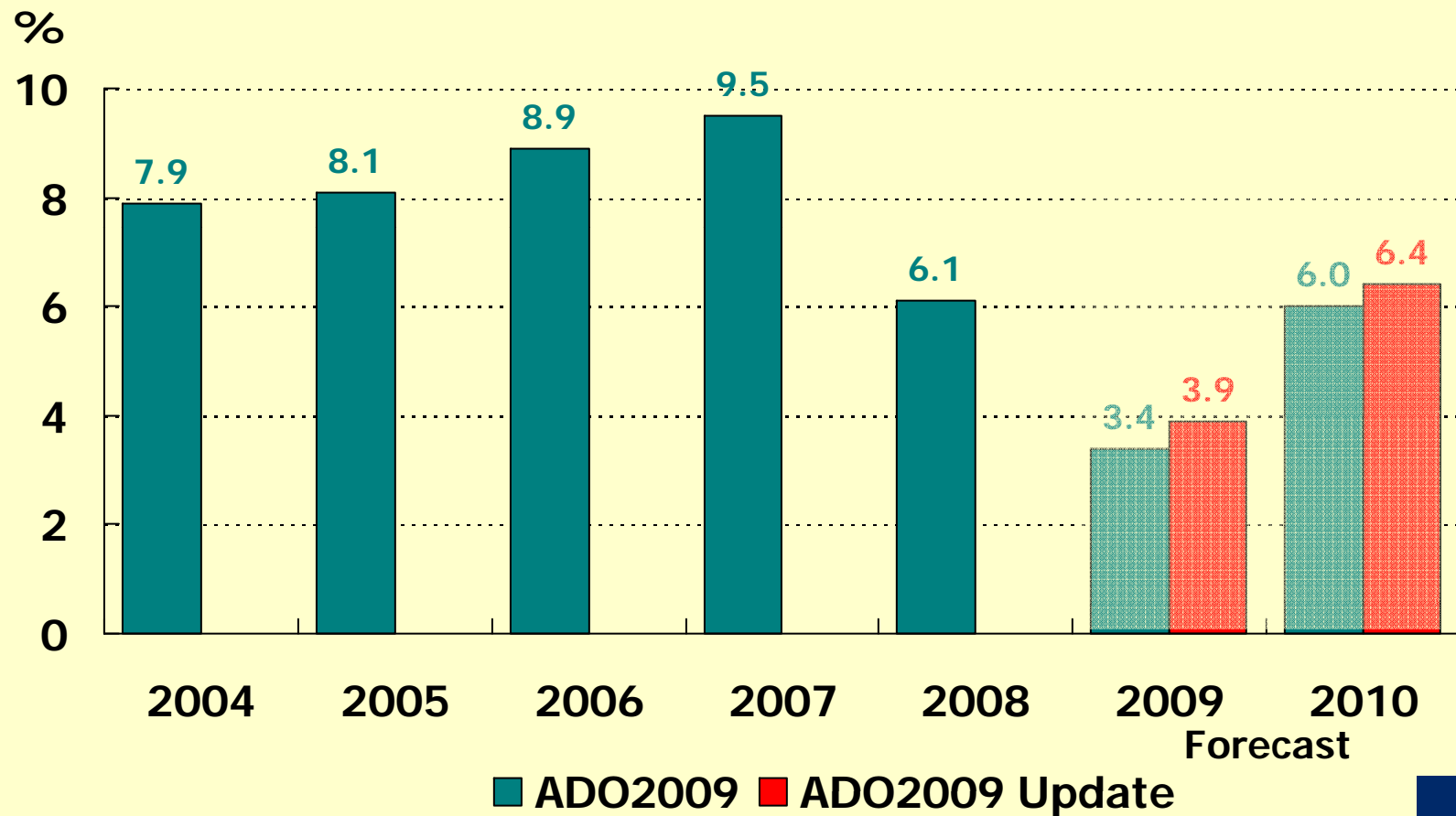
Japan GDP growth



World trade volume growth



# ...but developing Asia is more resilient than expected...



# ...thanks to a combination of factors

- Monetary and fiscal stimulus
- Better initial conditions—financial systems relatively healthy prior to the crisis
- Rapid turnaround in larger economies in the region

# Still, performance varies widely

## GDP growth (%)

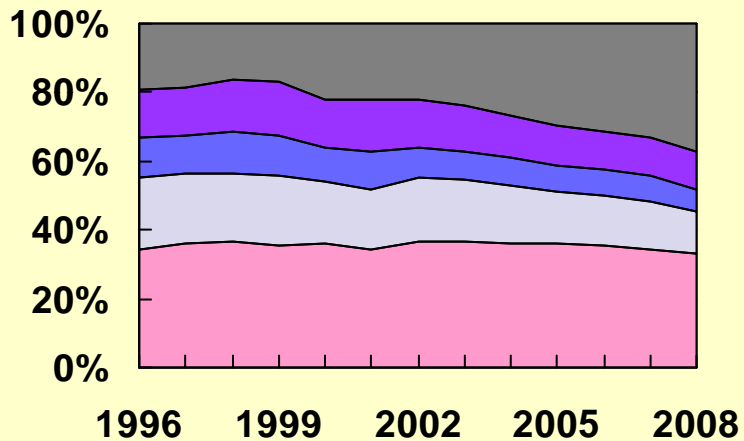
Subregion/economy	2008	2009		2010	
		<i>ADO2009</i>	<i>Update</i>	<i>ADO2009</i>	<i>Update</i>
<b>Central Asia</b>	<b>5.7</b>	<b>3.9</b>	<b>0.5</b>	<b>4.8</b>	<b>3.6</b>
Kazakhstan	3.3	2.0	-1.0	3.3	2.5
<b>East Asia</b>	<b>6.5</b>	<b>3.6</b>	<b>4.4</b>	<b>6.5</b>	<b>7.1</b>
China, People's Rep. of	9.0	7.0	8.2	8.0	8.9
Hong Kong, China	2.4	-2.0	-4.0	3.0	3.0
Korea, Rep. of	2.2	-3.0	-2.0	4.0	4.0
<b>South Asia</b>	<b>6.3</b>	<b>4.8</b>	<b>5.6</b>	<b>6.1</b>	<b>6.4</b>
India	6.7	5.0	6.0	6.5	7.0
Pakistan	4.1	2.8	2.0	4.0	3.0
<b>Southeast Asia</b>	<b>4.1</b>	<b>0.7</b>	<b>0.1</b>	<b>4.2</b>	<b>4.3</b>
Indonesia	6.1	3.6	4.3	5.0	5.4
Malaysia	4.6	-0.2	-3.1	4.4	4.2
Singapore	1.1	-5.0	-5.0	3.5	3.5
Vietnam	6.2	4.5	4.7	6.5	6.5
<b>The Pacific</b>	<b>5.2</b>	<b>3.0</b>	<b>2.8</b>	<b>2.7</b>	<b>3.1</b>
<b>Developing Asia</b>	<b>6.1</b>	<b>3.4</b>	<b>3.9</b>	<b>6.0</b>	<b>6.4</b>

# Risks to the outlook

- Protracted global recession
  - Global demand needed for Asia's full recovery
  - Asia alone cannot drive a global recovery
- Mistimed exit from monetary and fiscal stimulus
  - If left too long, may be unsustainable
  - If withdrawn too soon, may lead to double-dip

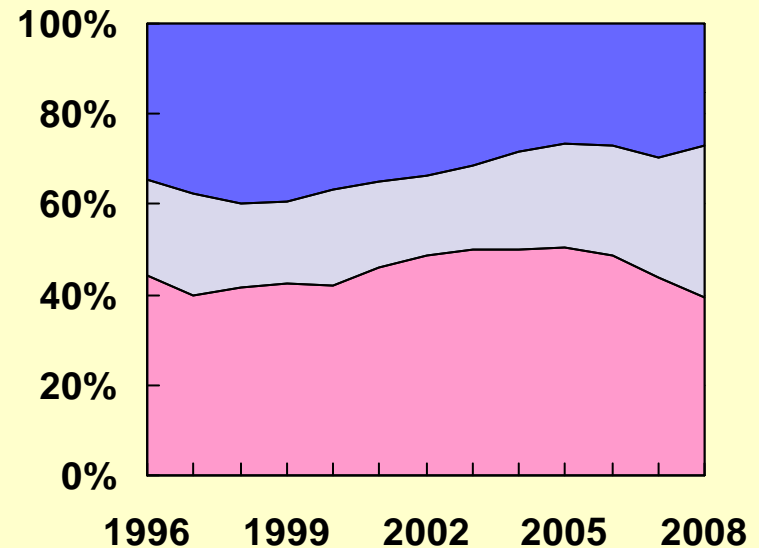
# Can China lift Asia out of recession?

Imports of PRC by Economy or Region



- Others
- EU-27
- US
- Japan
- East and Southeast Asia

Imports of PRC by Commodity Classification

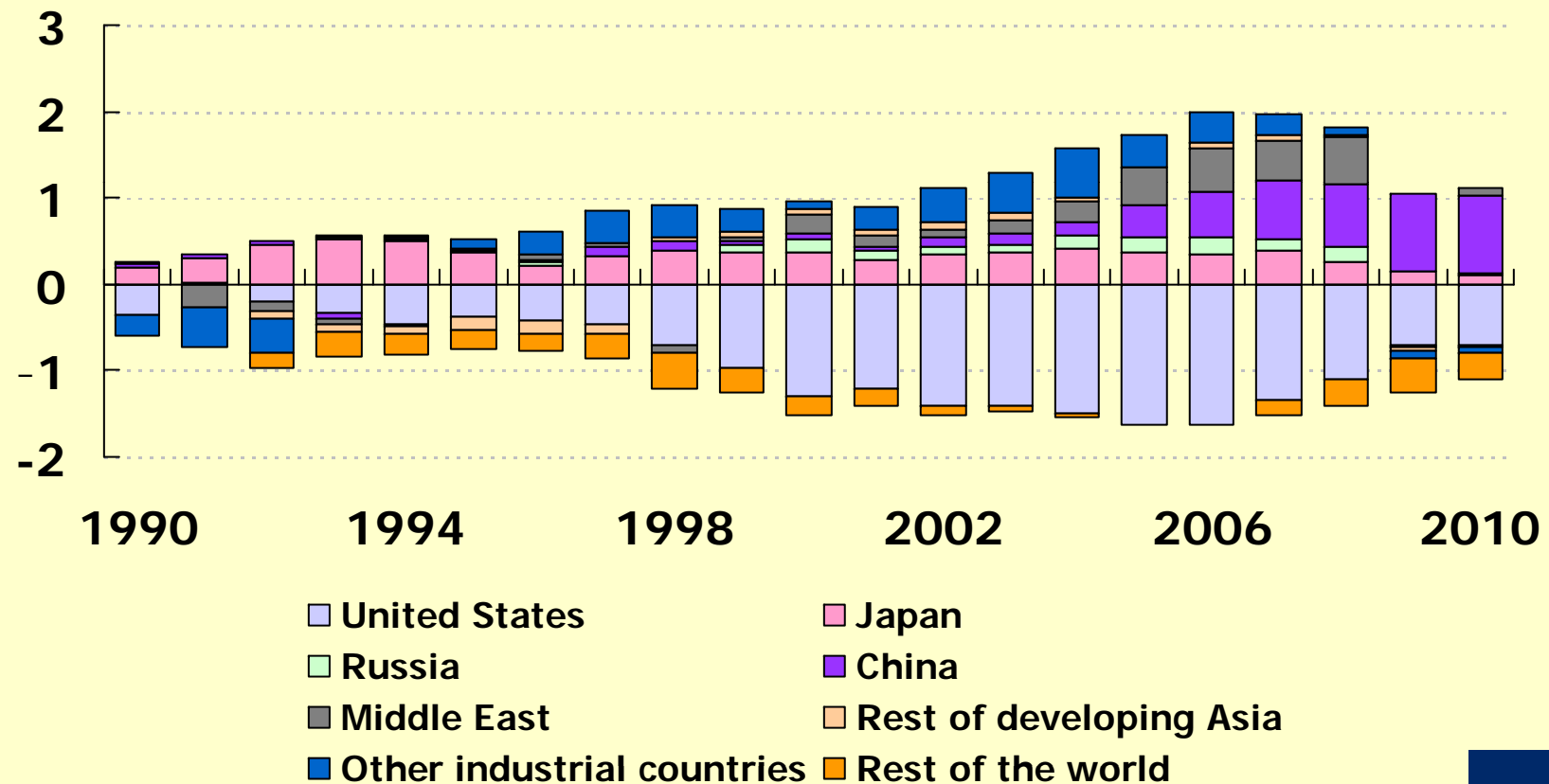


- Parts & Components
- Basic Products
- Final Goods



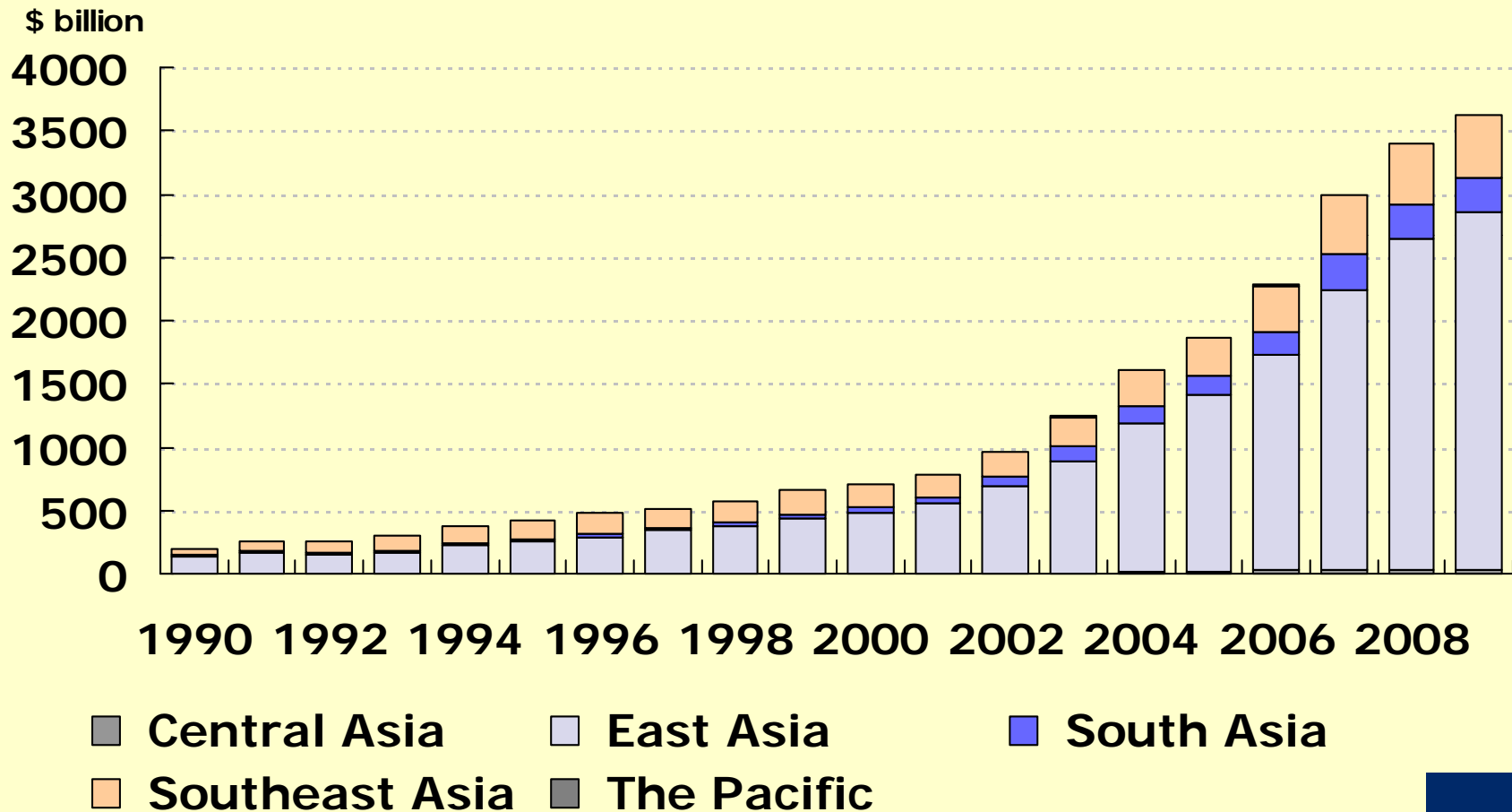
# How about global imbalances?

Current account balance  
% of world GDP



Source: IMF, *World Economic Outlook* April 2009.

# Developing Asia continues to build foreign reserves

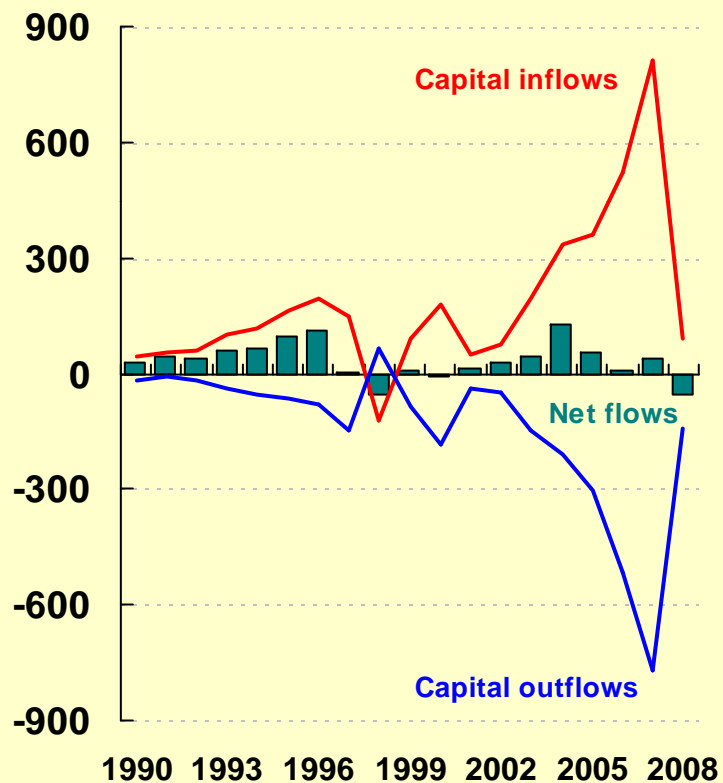


Sources: IMF, *International Financial Statistics*; CEIC Data Company, Ltd.

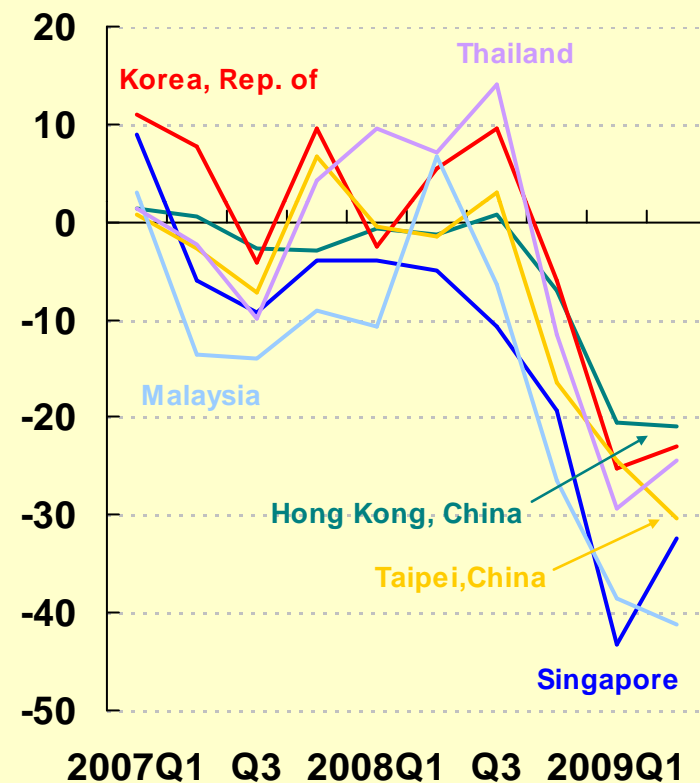


# Crises exposed risks of excessive openness

Capital flows to/from developing Asia  
\$ billion



Growth in exports to the US  
%, year on year



# Challenges and solutions

- Global crisis requires global solution
- What's expected from Asia?
  - Balance regulation with innovation
  - Rebalance sources of growth
  - Broaden openness
- How can Asia address these challenges?
  - Expand and reinforce regional cooperation
  - Fortify global partnerships

# Global cooperation can avert future crises

- G20 pledges

- Reform global financial architecture
- Keep stimulus in place for now
- Bring down trade imbalances

- Asia's role

- Link regulatory systems to reformed global financial architecture
- Avoid mistimed exit strategies
- Rebalance growth toward greater domestic and regional demand



# Rebalance Asia's growth

- Strengthen domestic consumption
- Enhance investment climate
- Promote small- and medium-sized enterprises and services
- Accelerate financial development
- Better manage capital flows—using appropriate exchange rate policies to balance foreign capital supply with demand

# Broaden openness

- Safeguard domestic and regional economies from excessive and unbalanced openness
  - Strengthen intraregional demand
  - Manage financial globalization
  - Maximize benefits from labor mobility

# Regional cooperation can contain ripple effects of global crisis

- Coordinate policy responses
- Expedite Chiang Mai Initiative Multilateralization
- Speed up Asian Bond Markets Initiative
- Maintain openness

# ASEAN+3 Chiang Mai Initiative Multilateralization (CMIM)

## CMIM's Goal

- Provide short-term liquidity when needed, supplementing existing international financial arrangements

## Why is CMIM important?

- Ensures availability of a regional multilateral reserve pool that members can draw upon in times of crisis

# ASEAN+3 Asian Bond Markets Initiative (ABMI)

## ABMI's goal

- Develop efficient and liquid local-currency bond markets—both national and regional

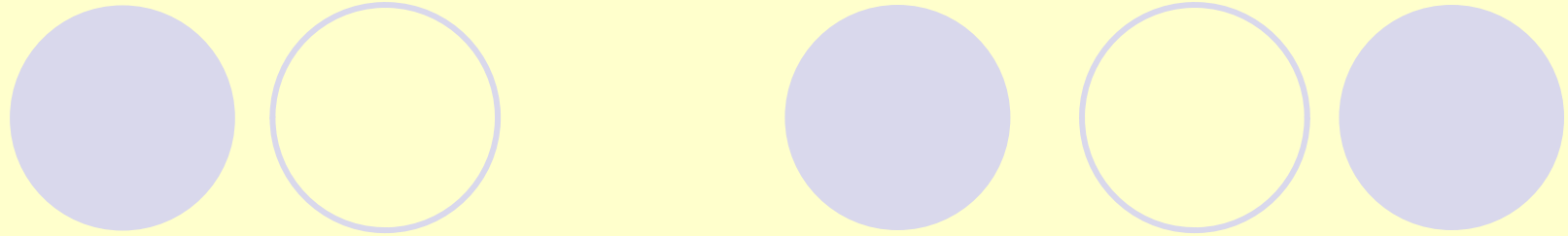
## Why is ABMI important?

- Avoids maturity and currency mismatches
- Channels Asian savings into Asian economies
- Promotes regional financial harmonization and integration



# Key messages

- Asia poised for V-shaped rebound
- Though recovery faces downside risks
- Stimulus must remain until recovery gains traction
- Openness to continue but carefully balanced
- Rebalance growth for long-term expansion and welfare
- Regional and global cooperation to avert future crises



# Thank you

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