

# **EAST ASIAN OASIS OF STABILITY: GEOGRAPHICAL RE-BALANCING OF TRADE**

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## FACTORS AFFECTING SEVERITY OF A CRISIS

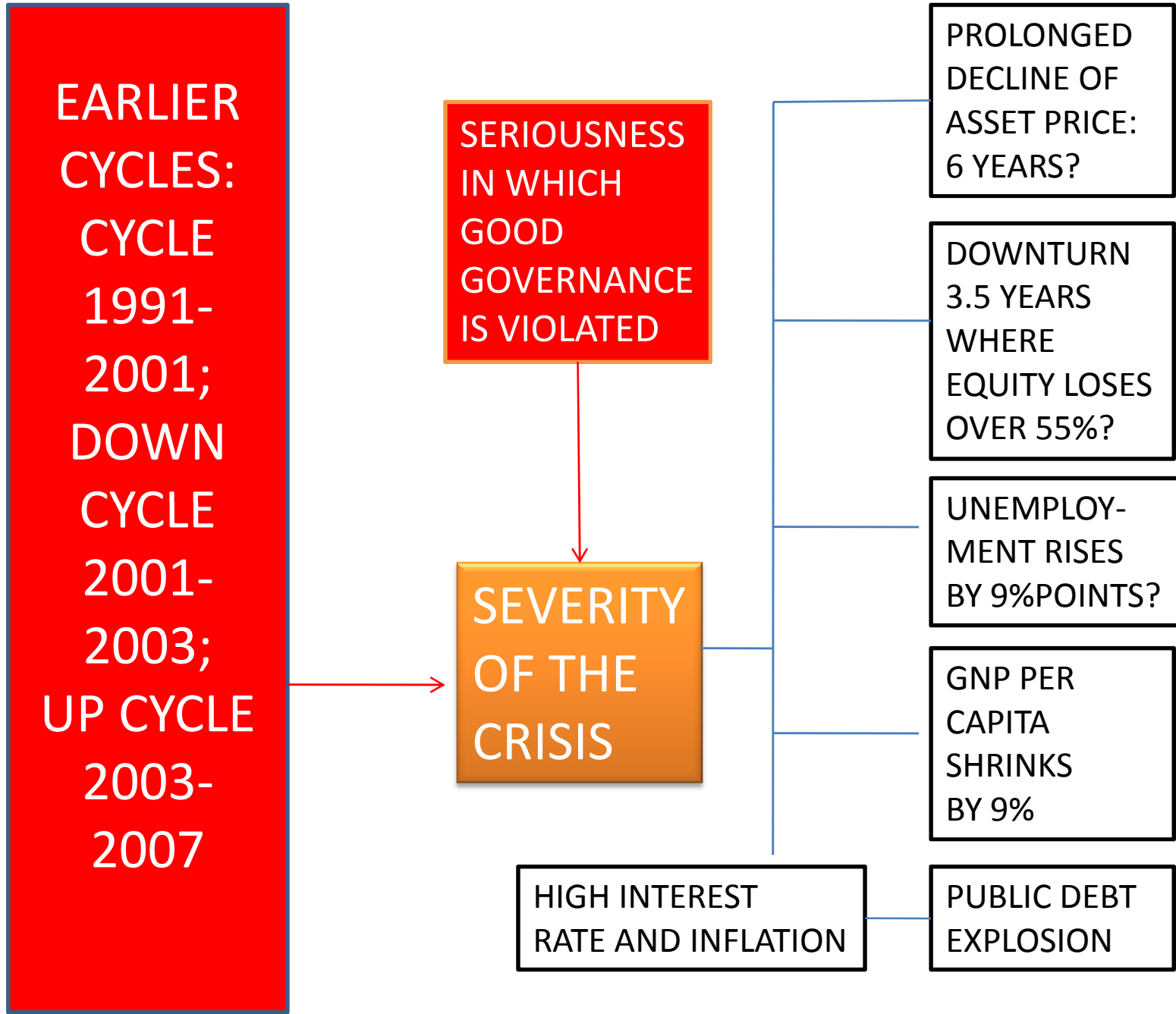
RATIO OF FINANCIAL WEALTH TO TOTAL WEALTH

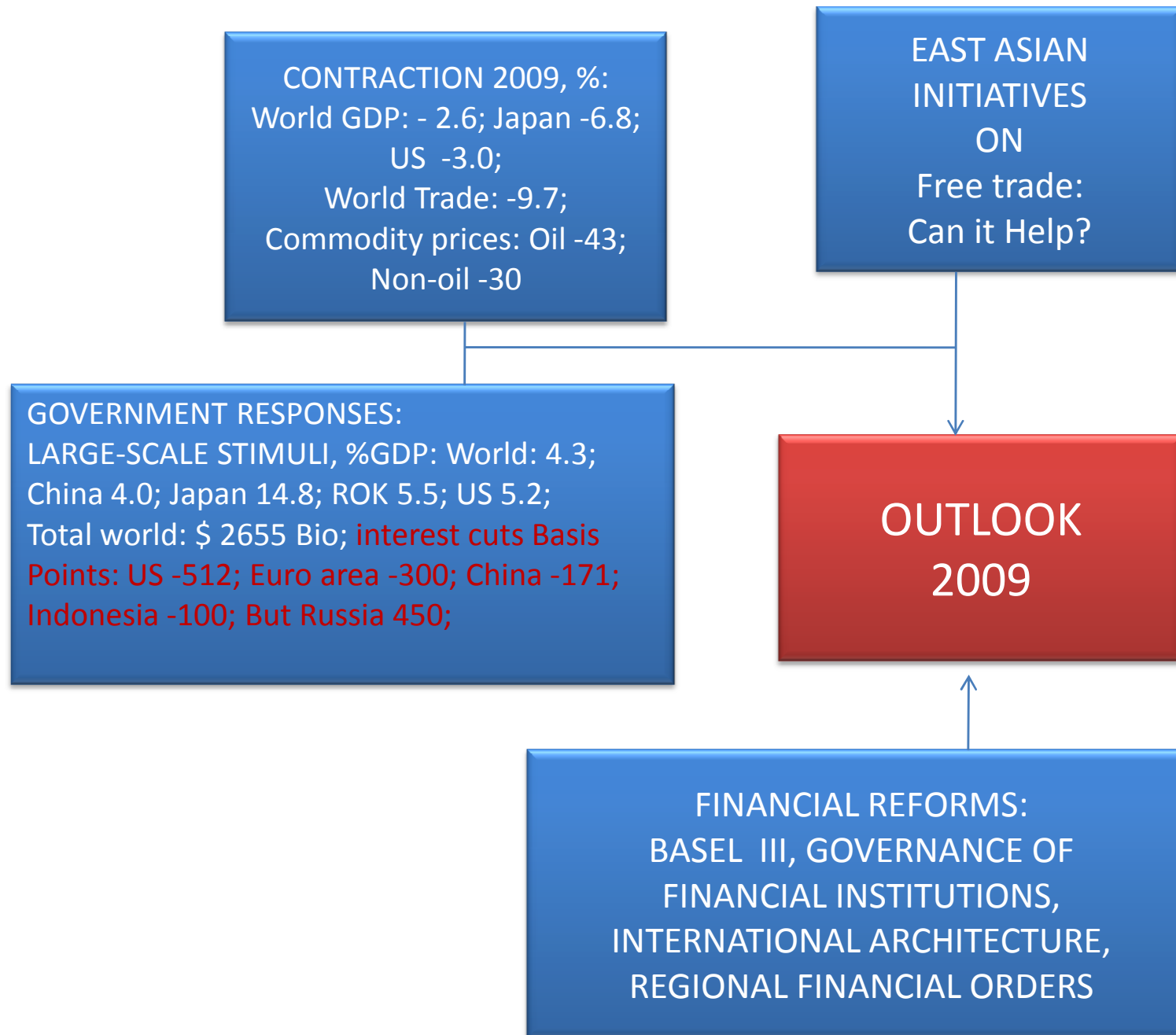
RATIO OF INTERNATIONALLY TRADED FINANCIAL ASSETS  
AND LIABILITIES

POSSIBLE WEALTH BUBBLES IN EARLIER CYCLES

SERIOUSNESS OF SUBSTANDARD GOVERNANCE

SPEED OF CRISIS MANAGEMENT





EAST ASIA IS LESS VULNERABLE  
JUDGED FROM ITS COMPARATIVELY  
LESS-ADVANCED FINANCIAL MARKETS,  
PUTTING JAPAN, SINGAPORE AND  
HONG KONG ASIDE AND THE MAJOR  
CORRECTIONS IN 10 YEARS EARLIER,  
BUT WAS, NEVERTHELESS, HIT  
SEVERELY

# COMPLEX CONFLUENCE OF CHANGES

THE USUAL BUSINESS CYCLE: PAST BOOM, CURRENT BUST, FUTURE BOOM

TECTONIC SHIFT THROUGH THE RISE OF CHINA AND INDIA:  
REDEFINITION OF LOW COST

SOFTNOMIZATION 1: STRUCTURAL SHIFT IN FAVOR OF SERVICES  
IN WHICH TRADE INTENSITY IS MUCH LOWER THAN IN MERCHANDISE

SOFNOMIZATION 2: RISE OF NET FINANCIAL WEALTH IN NET WEALTH  
(US 07 = 54%; UK 07 = 35%; JAPAN 06 = 54%; France 07 = 25%;  
GERMANY 06 = 32%)

HIGHLY IMPERFECT FLATTENIZATION: RISING TRANSNATIONALITY  
OF OUTPUT, TRADE IN GOOD AND SERVICES AND INVESTMENT

DEEP GLOBAL IMBALANCE: US SPENDING VS EAST ASIAN SAVING

TURNING POINT IN FOSSIL-BASED CIVILIZATION

THE NEARING OF THE CARRYING CAPACITY OF THE MATERIAL WORLD

## GENERIC GOVERNMENT RESPONSES

HUGE FISCAL STIMULI: 4.3 PERCENT OF WORLD GDP

ACCOMODATIVE MONETARY POLICY: EXCEPT FOR CIS

OBSCURED PROTECTION OF DOMESTIC MARKET: BUY LOCAL

NEW WAVES OF FINANCIAL REGULATION: DERIVATIVES, RATING

ATTEMPTS AT REFORMING INTERNATIONAL FINANCIAL ARCHITECTURE:  
EMERGENCY LIQUIDITY, EXCHANGE RATE, CONDITIONALITY,  
REGIONAL OASE

## VERY SEVERE IMPACTS ON TRADE

TRADE IN 2009/Q2 OVER HIGHEST QUARTERS IN 2008 FELL BY ONE-THIRD WORLDWIDE, ASIA AS A GROUP, BY 35 PERCENT IN EUROPE, BY 36.7% IN THE US, BY OVER 40 PERCENT IN CHINESE TAIPEI, INDONESIA, JAPAN AND KOREA, RO. EVEN CHINA SUFFERED FROM SHRINKING TRADE BY 26 PERCENT AND INDIA BY NEARLY 40 PERCENT

UNCTAD'S WIR 2009 INDICATES A FALL IN FDI FLOWS TO EAST ASIA (JUDGED FROM NUMBER OF GREENFIELD PROJECTS) WHICH IN TURN MAY IMPACT NEGATIVELY ON TRADE



## ROOM FOR A RE-BALANCED DEVELOPMENT

- ASSUMING THE US AS TRADE BALCKHOLE IS NO LONGER REALISTIC. US CURRENT ACCOUNT IS UNDERGOING MASSIVE CORRECTIONS
- REVIVING DOMESTIC DEMAND, NOTABLY HOUSEHOLD AND GOVERNMENT CONSUMPTION IS INCREASINGLY URGENT
- DEEP, CONCERTED REGIONAL LIBERALIZATION WILL HELP TRIGGER A LESS SHOCKING RE-BALANCING WHILE STABILITY PACT OF A KIND HELPS RECUDE VULNERABILITY TO FINANCIAL CRISIS

## EAST ASIAN INTEGRATION AND COOPERATION

PREPARATION OF A DEEP EAST ASIAN ECONOMIC INTEGRATION UNDER THE APT UMBRELLA BUT WITH PARTICIPATION OF ALL EAS COUNTRIES

CREATION OF AN ASEAN-BASED INSTITUTION FOR EAST ASIAN INTEGRATION AND COOPERATION, CONSIDERING THE RIVALRY BETWEEN JAPAN AND CHINA ON MATTERS OF LEADERSHIP

ADVANCEMENT OF EAST ASIAN MACROECONOMIC POLICY COOPERATION: PLURILATERALIZATION OF CMI, EXCHANGE RATE MECHANISM AROUND EACU (EAST ASIAN CURRENCY UNIT), EAST ASIAN INITIATIVE ON FINANCIAL REGULATION