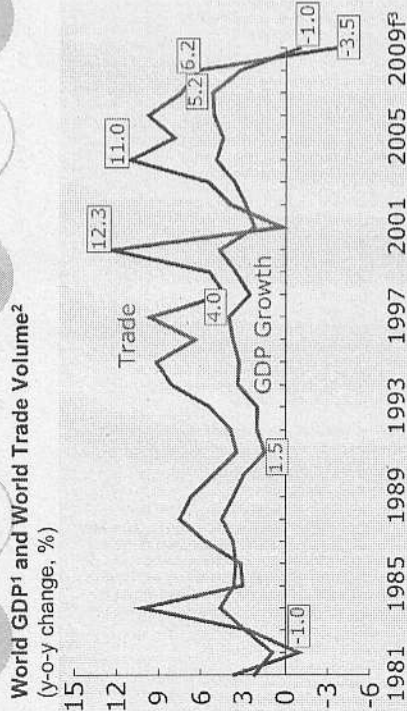


## Worst recession since WWII...



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<sup>1</sup> GDP = gross domestic product. <sup>2</sup> Export Volume. <sup>f</sup> = forecast.  
Sources: Asian Development Outlook 2009, Asian Development Bank; World Economic Outlook Database (Oct 2008), Global Economic Policies and Prospects for the G20 Meeting of the Ministers and Central Bank Governors, International Monetary Fund.

## Global Crisis and Asian Economic Integration

4th Annual Forum of Emerging Leaders in Asian Journalism  
Global Recession, Asian Repercussions

Asian Center for Journalism  
Ateneo de Manila University 18 May 2009

Jong-Wha Lee

Head, office of Regional Economic Integration  
and

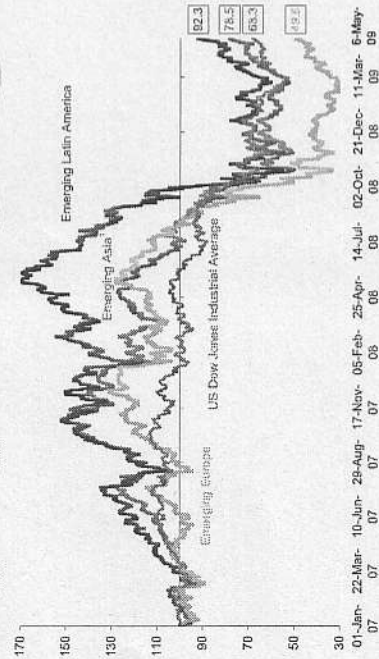
Acting Chief Economist, Economics and Research Department  
Asian Development Bank

ADB

The views expressed in this presentation are those of the author and do not necessarily reflect the views and policies of the Asian Development Bank, or its Board of Governors or the governments they represent.

## Maybe hitting bottom?

MSCI Indexes (2 January 2007=100)



<sup>1</sup> Includes People's Republic of China, India; Indonesia, Republic of Korea; Malaysia; Pakistan, Philippines; Taipei, China; and Thailand.  
Sources: Morgan Stanley Capital International (MSCI) Barra and Datastream.

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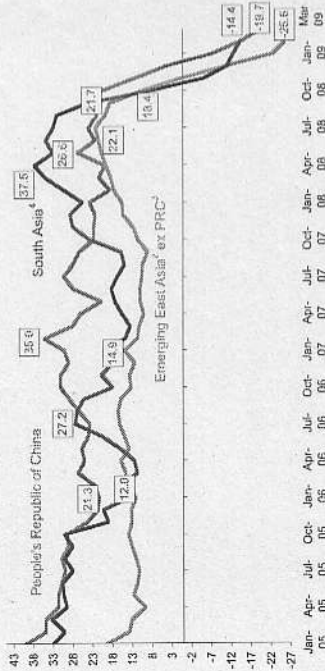
## Outline

1. The Global Crisis and Its Impact on Asia
2. Implications for Regional Integration
3. Rebalancing Asia's Growth
4. ADB's role in Regional Cooperation and Integration

ADB

## ...as export demand plunges

Export Growth<sup>1</sup> (\$ value, y-o-y, %)



<sup>1</sup> 3-month moving average.  
<sup>2</sup> Refers to NIES, ASEAN-4 and Viet Nam; does not include Brunei Darussalam, Cambodia, Lao People's Democratic Republic, and Myanmar, for which monthly data are not available.  
<sup>3</sup> PRC = People's Republic of China.  
<sup>4</sup> South Asia includes India, Pakistan, and Sri Lanka.

Source: OREI staff calculations based on CEIC data.

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## Impact on Asia

The more integrated and globalized, the harder the crisis hits

- Growth stagnates as export demand plunges; affects industrial production
- Capital flows become volatile
- Stock prices plummet
- Currencies tumble against the US dollar
- Sovereign bond spreads widen, indicating heightened credit risk

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## South Asia exports well behind East Asia

Merchandise exports (% of GDP)

South Asia	2007	Emerging East Asia <sup>1</sup>	2007
Bangladesh	18.8	People's Rep. of China	37.2
Bhutan	54.7	Rep. of Korea	38.5
India	13.1	Singapore	185.9
Maldives	15.5	Indonesia	26.4
Nepal	9.9	Malaysia	97.5
Sri Lanka	23.9	Philippines	35.0
Pakistan	13.5	Thailand	62.0
<b>South Asia</b>	<b>13.6</b>	<b>Emerging East Asia</b>	<b>49.8</b>

<sup>1</sup> Aggregate value for emerging East Asia includes Brunei Darussalam, Cambodia, People's Republic of China, Hong Kong, China, Indonesia, Republic of Korea, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Taipei, China, Thailand, and Viet Nam.

Sources: International Financial Statistics, Direction of Trade Statistics, and World Development Indicators.

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## GDP growth to slow down this year...

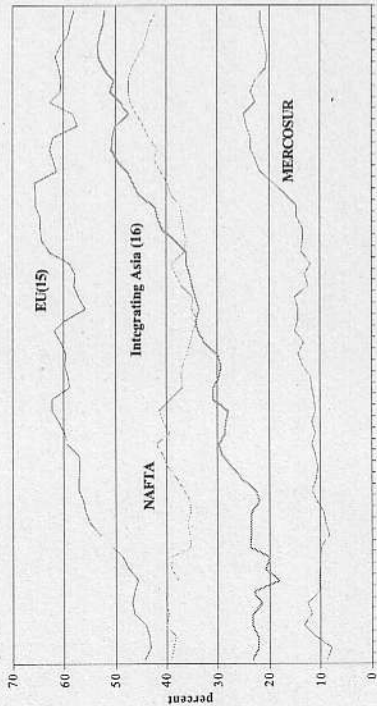
Annual GDP Growth Rates (%)	Annual GDP Growth Rates (%)										ADB forecasts*	
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Developing Asia	7.1	7.9	8.1	8.9	9.5	6.3	3.4	6.0				
Emerging Asia <sup>1,2</sup>	7.2	8.0	8.0	8.9	9.6	6.3	3.1	5.6				
ASEAN 3 <sup>3</sup>	5.7	6.0	5.5	5.7	6.3	4.8	1.6	4.3				
Indonesia <sup>4</sup>	4.6	5.0	5.7	5.5	6.3	5.1	3.6	5.0				
Malaysia <sup>4</sup>	5.8	6.8	5.3	5.8	6.3	4.5	(0.2)	4.4				
Philippines <sup>4</sup>	4.9	6.4	5.0	5.4	7.2	4.8	2.5	3.5				
Thailand	7.1	6.3	4.6	5.2	4.9	2.5	(2.0)	3.0				
Viet Nam <sup>5</sup>	7.3	7.8	8.4	8.2	8.5	6.2	4.5	6.5				
Newly Industrialized Economies	3.2	6.0	5.8	5.6	5.6	1.8	(3.3)	3.4				
Hong Kong, China	3.0	6.5	7.1	7.0	6.4	2.5	(2.0)	3.0				
Korea, Rep. of	3.1	4.7	4.2	5.1	5.0	2.5	(3.0)	4.0				
Singapore	3.8	9.3	7.3	8.4	7.8	4.6	(5.0)	3.5				
Taipei, China	3.5	6.2	4.2	4.5	5.7	0.1	(4.0)	2.4				
China, People's Rep. of	10.0	10.1	10.4	11.6	13.0	9.0	7.0	9.0				
India <sup>6</sup>	8.5	7.5	9.4	9.5	9.0	7.1e	5.0	6.5				
Japan	1.4	2.7	1.9	2.0	2.4	(0.6)	(3.5)	1.1				
United States	2.5	3.6	2.9	2.8	2.0	1.1	(2.4)	1.6				
EUROZONE	0.8	2.1	1.7	2.9	2.5	0.8	(2.5)	0.5				

\* Forecasts are from Asian Development Outlook 2009. Aggregates are weighted according to gross national income levels (Atlas method, current USD). From World Development Indicators (World Bank). Includes ASEAN, NIEs, People's Republic of China, Hong Kong, China, Indonesia, Republic of Korea, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Taipei, China, Thailand, and Viet Nam. <sup>1</sup> Excludes Viet Nam. <sup>2</sup> Excludes Viet Nam. <sup>3</sup> Excludes Viet Nam. <sup>4</sup> Excludes Viet Nam. <sup>5</sup> Excludes Viet Nam. <sup>6</sup> Excludes Viet Nam. <sup>7</sup> Excludes Viet Nam. <sup>8</sup> Excludes Viet Nam. <sup>9</sup> Excludes Viet Nam. <sup>10</sup> Excludes Viet Nam. <sup>11</sup> Excludes Viet Nam. <sup>12</sup> Excludes Viet Nam. <sup>13</sup> Excludes Viet Nam. <sup>14</sup> Excludes Viet Nam. <sup>15</sup> Excludes Viet Nam. <sup>16</sup> Excludes Viet Nam. <sup>17</sup> Excludes Viet Nam. <sup>18</sup> Excludes Viet Nam. <sup>19</sup> Excludes Viet Nam. <sup>20</sup> Excludes Viet Nam. <sup>21</sup> Excludes Viet Nam. <sup>22</sup> Excludes Viet Nam. <sup>23</sup> Excludes Viet Nam. <sup>24</sup> Excludes Viet Nam. <sup>25</sup> Excludes Viet Nam. <sup>26</sup> Excludes Viet Nam. <sup>27</sup> Excludes Viet Nam. <sup>28</sup> Excludes Viet Nam. <sup>29</sup> Excludes Viet Nam. <sup>30</sup> Excludes Viet Nam. <sup>31</sup> Excludes Viet Nam. <sup>32</sup> Excludes Viet Nam. <sup>33</sup> Excludes Viet Nam. <sup>34</sup> Excludes Viet Nam. <sup>35</sup> Excludes Viet Nam. <sup>36</sup> Excludes Viet Nam. <sup>37</sup> Excludes Viet Nam. <sup>38</sup> Excludes Viet Nam. <sup>39</sup> Excludes Viet Nam. <sup>40</sup> Excludes Viet Nam. <sup>41</sup> Excludes Viet Nam. <sup>42</sup> Excludes Viet Nam. <sup>43</sup> Excludes Viet Nam. <sup>44</sup> Excludes Viet Nam. <sup>45</sup> Excludes Viet Nam. <sup>46</sup> Excludes Viet Nam. <sup>47</sup> Excludes Viet Nam. <sup>48</sup> Excludes Viet Nam. <sup>49</sup> Excludes Viet Nam. <sup>50</sup> Excludes Viet Nam. <sup>51</sup> Excludes Viet Nam. <sup>52</sup> Excludes Viet Nam. <sup>53</sup> Excludes Viet Nam. <sup>54</sup> Excludes Viet Nam. <sup>55</sup> Excludes Viet Nam. <sup>56</sup> Excludes Viet Nam. <sup>57</sup> Excludes Viet Nam. <sup>58</sup> Excludes Viet Nam. <sup>59</sup> Excludes Viet Nam. <sup>60</sup> Excludes Viet Nam. <sup>61</sup> Excludes Viet Nam. <sup>62</sup> Excludes Viet Nam. <sup>63</sup> Excludes Viet Nam. <sup>64</sup> Excludes Viet Nam. <sup>65</sup> Excludes Viet Nam. <sup>66</sup> Excludes Viet Nam. <sup>67</sup> Excludes Viet Nam. <sup>68</sup> Excludes Viet Nam. <sup>69</sup> Excludes Viet Nam. <sup>70</sup> Excludes Viet Nam. <sup>71</sup> Excludes Viet Nam. <sup>72</sup> Excludes Viet Nam. <sup>73</sup> Excludes Viet Nam. <sup>74</sup> Excludes Viet Nam. <sup>75</sup> Excludes Viet Nam. <sup>76</sup> Excludes Viet Nam. <sup>77</sup> Excludes Viet Nam. <sup>78</sup> Excludes Viet Nam. <sup>79</sup> Excludes Viet Nam. <sup>80</sup> Excludes Viet Nam. <sup>81</sup> Excludes Viet Nam. <sup>82</sup> Excludes Viet Nam. <sup>83</sup> Excludes Viet Nam. <sup>84</sup> Excludes Viet Nam. <sup>85</sup> Excludes Viet Nam. <sup>86</sup> Excludes Viet Nam. <sup>87</sup> Excludes Viet Nam. <sup>88</sup> Excludes Viet Nam. <sup>89</sup> Excludes Viet Nam. <sup>90</sup> Excludes Viet Nam. <sup>91</sup> Excludes Viet Nam. <sup>92</sup> Excludes Viet Nam. <sup>93</sup> Excludes Viet Nam. <sup>94</sup> Excludes Viet Nam. <sup>95</sup> Excludes Viet Nam. <sup>96</sup> Excludes Viet Nam. <sup>97</sup> Excludes Viet Nam. <sup>98</sup> Excludes Viet Nam. <sup>99</sup> Excludes Viet Nam. <sup>100</sup> Excludes Viet Nam.

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# Intra-regional trade continues to rise...

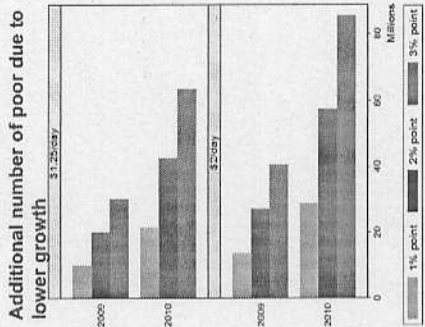
Intra-regional trade shares: EU(15), Integrating Asia (16), MERCOSUR, NAFTA  
Long-term trend: 1950-2007



Authors' computations based on data sourced from: International Monetary Fund/Direction of Trade Statistics (June 2008); and CEIC Data Company Ltd (June 2008).

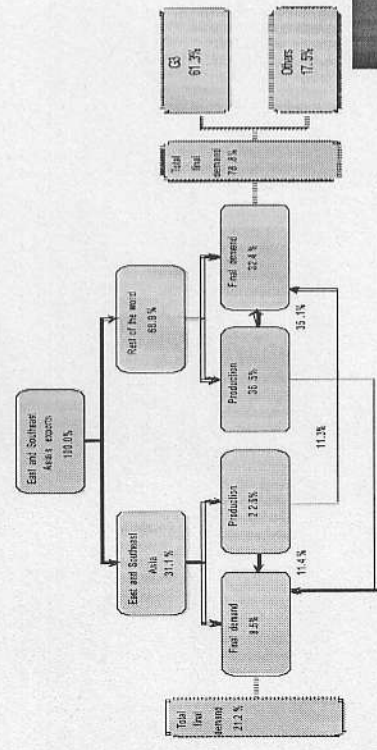
# Pace of poverty reduction to slow

- Simulations show lower GDP growth in 2008 and 2009 will keep 60 million trapped in absolute poverty
- The effects are more dramatic at the \$2/day level than \$1.25/day benchmark



# ...but more than 60% of Asia's exports cater to G3 demand

Share of exports from East and Southeast Asia



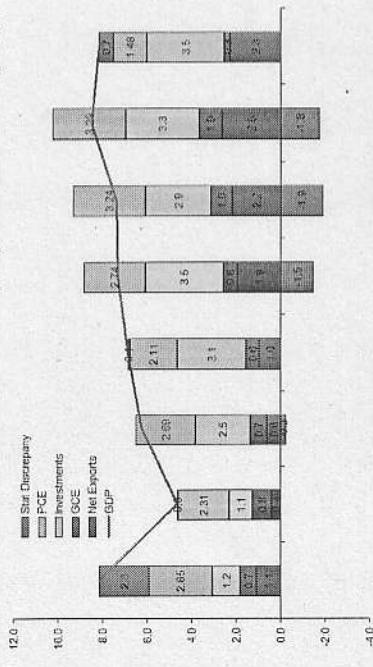
Source: Author's estimates. 1.3%

# Regional Integration: Can Asia be decoupled?

- Strong regional trade: but who's behind it?
- Regional production networks tied to global demand

## Asia relies heavily on exports...

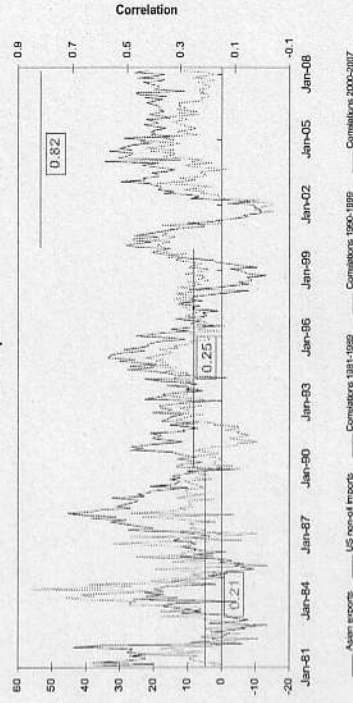
Contributions to GDP Growth Developing Asia ex. Pacific (y-o-y, %)



Source: Data sourced from World Development Indicators, World Bank

## Asian exports sensitive to changes in US demand....

Correlations between growth rates of US non-oil imports and emerging Asian exports



Source: Direction of Trade Statistics, International Monetary Fund.

## ...thus the need to rebalance growth

- Strengthen domestic demand
- Improve investment climate to attract private capital
- Promote small- and medium-sized enterprises and service industries
- Adopt financial development and exchange rate policies to promote better and more efficient resource allocation
- Strengthen regional integration and cooperation

## Implications for Asian Integration

- Rebalance growth
- Expedite greater monetary and financial cooperation





# Thank you

- Jong-Wha Lee
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- Acting Chief Economist, Economics Research Department
- Asian Development Bank
- [www.adb.org](http://www.adb.org)