



# Agenda in the New Era of Asian Prosperity

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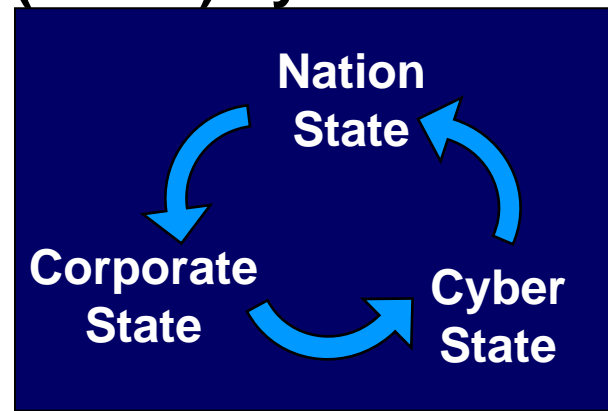
# Introduction

- **Asia is said to be the new center of global economic power, reaching the size as large as North America and the EU.**
- **This has effect on the pattern of global economy and businesses.**
- **To understand the present situations and to foresee the future economic scenario concerning Asia, it is necessary to understand how Asia has come to this point of economic prominence.**



# The Rising of Asia (1)

- The biggest turning point of the global economy was in 1989 when major events took place, leading to where we are today.
- Major events in 1989
  - February --- Soviet Union withdrew the military from Afghanistan
    - ➔ Taliban --- the spread of international terrorism
  - March --- Internet (WWW) by Tim Berners-Lee
    - ➔ Cyber state



# The Rising of Asia (2)

- **June --- Military operation to suppress a democratic protest in Tiananmen Square**
- ➔ **China's moving towards market economy and becoming "Factory of the World"**
- **September --- Vietnam left Cambodia**
- ➔ **Increasing role of GMS to the regional economy**
- **November --- Fall of the Berlin Wall**
- ➔ **End of the Cold War**
- ➔ **Socialism + State Capitalism economies adjusted to market economy**
- ➔ **Entering into the world of full liberalization**



# The Rising of Asia (3)

- **The rising trend of Asia has been reinforced by**
  - **1991 - Collapse of the Soviet Union**
    - ➔ **CLMV countries started to join the global economy**
  - **1991 - India adopted major economic reform by way of liberalization and deregulation**
    - ➔ **India and other South Asian countries increased their participation in the global economy**
  - **1990s - Decade of Asian high economic growth and Asian financial crisis**
    - ➔ **1997/98 financial crisis; Asian businesses much more risk averse, maintaining strong balance sheet after recovery**



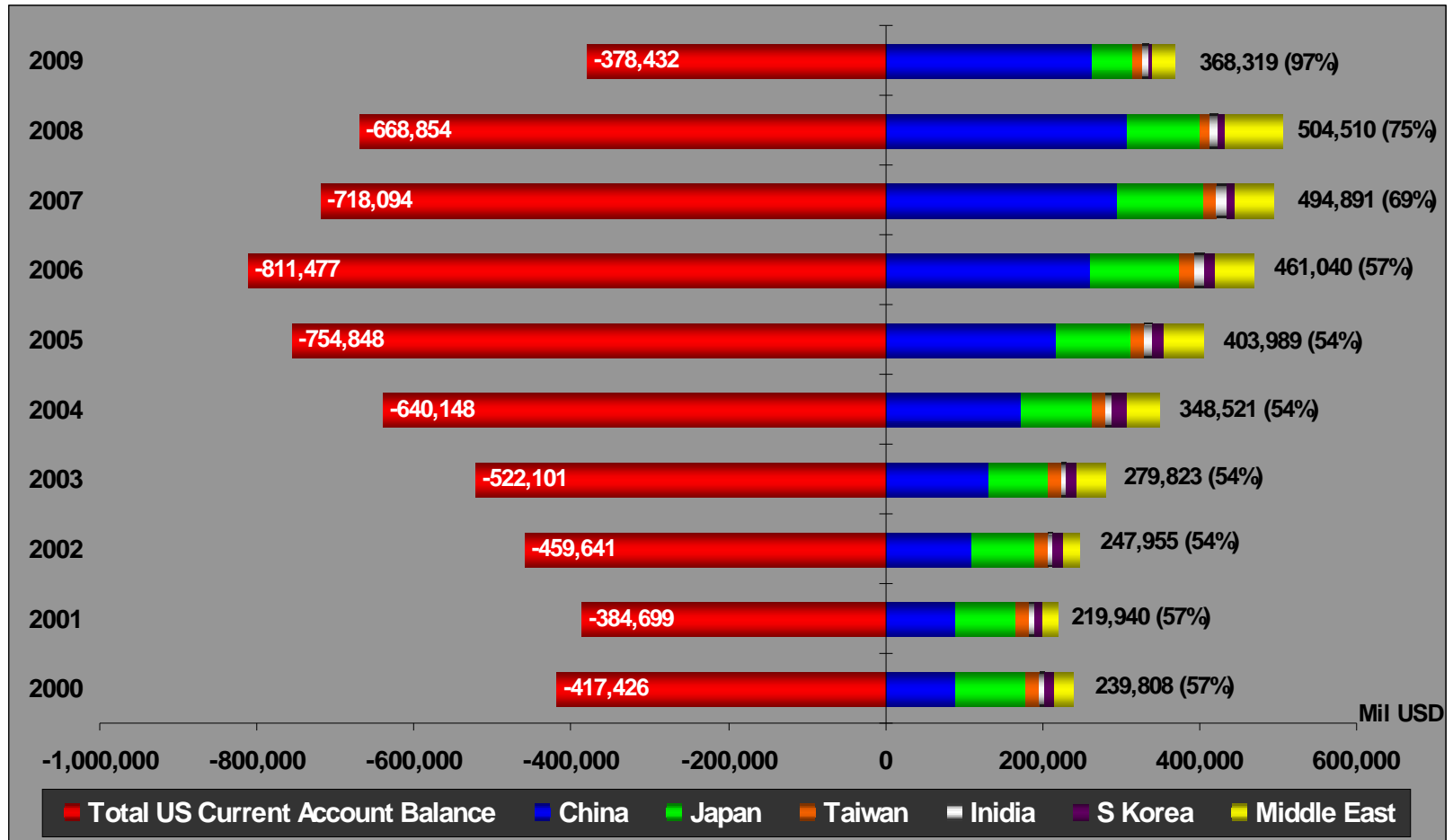
# The Rising of Asia (4)

- **2000 - Beginning of global economic imbalances**
  - ➔ **US over consumption and fiscal spending**
  - ➔ **Asian producing and savings**
  - ➔ **US deficit was financed by Asia and ME surplus**
- **2001 - 9/11 NY World Trade Center hit by terrorism**
  - ➔ **US adopted anti-terrorism policy as top priority**
  - ➔ **Iraq war + Afghanistan war → increased US war spending**
  - ➔ **Asian producers benefited**



# The Rising of Asia (5)

## US current account balances with major counterparts



Source: Bureau of Economic Analysis, US Department of Commerce

# The Rising of Asia (6)

- **2008 – Series of US financial institutions problems**

- **3/14 -- Bear Sterns in trouble**
- **9/15 -- The fall of Lehman Brothers**
- **9/17 -- Collapse of AIG**

**Etc, etc...**

- **2009 – Year of economic slump and efforts for economic recovery by fiscal spending and monetary easing**

- **2010 – Asia showed good signs of recovery**

**US economy is slowly recovering**

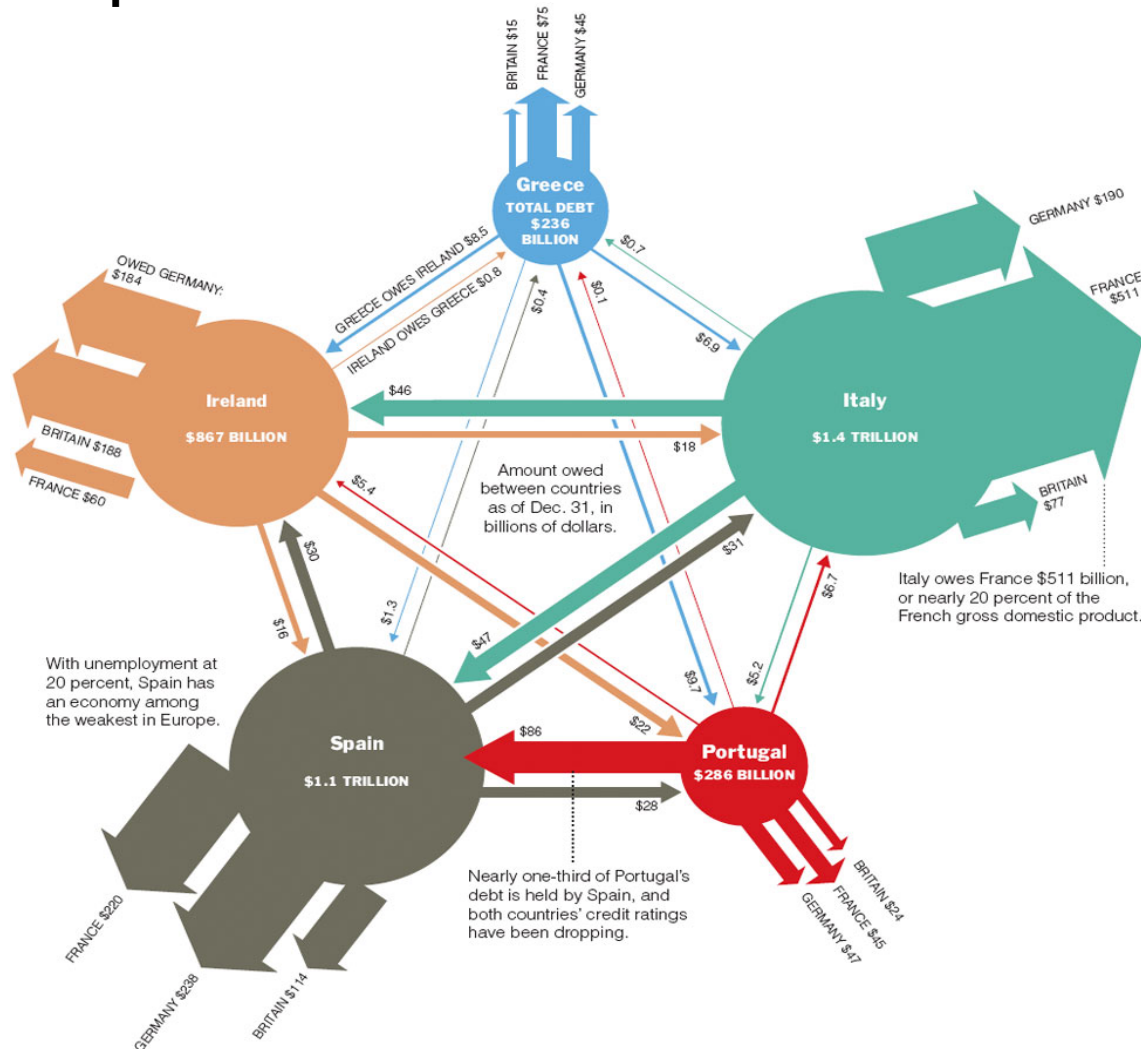
**Some EU economies, the PIIGGS, are in trouble**



# The Rising of Asia (7)

## Europe Debts Crisis

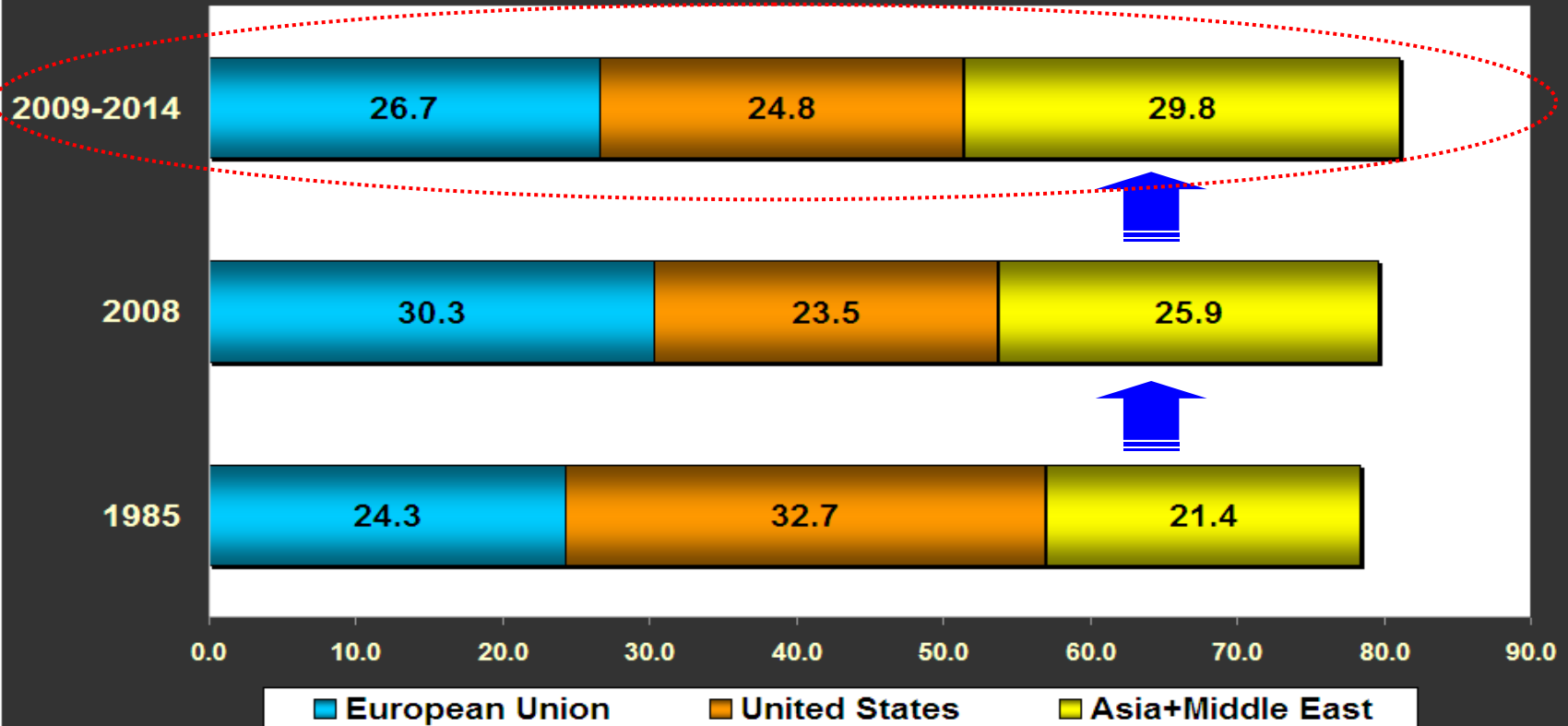
Total external debts of PIIGS in 2009 worth US\$ 3.9 trillion.



# The Rising of Asia (8)

- ➔ Global economy is not assured
- ➔ Asia became really prominent

GDP (current prices) Share of World Total

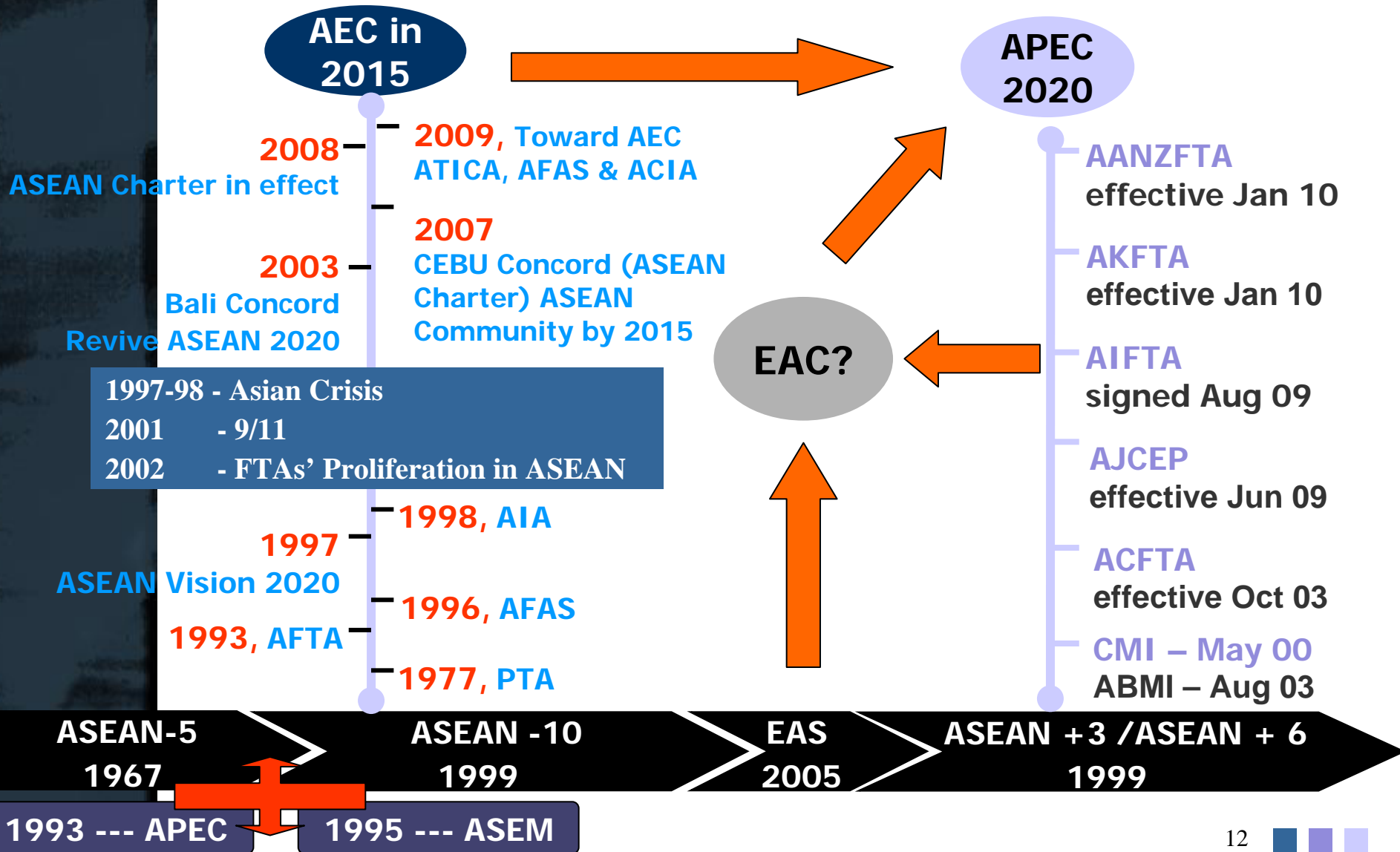


# Asia's Preparation for the New Role of Being Global Economic Power (1)

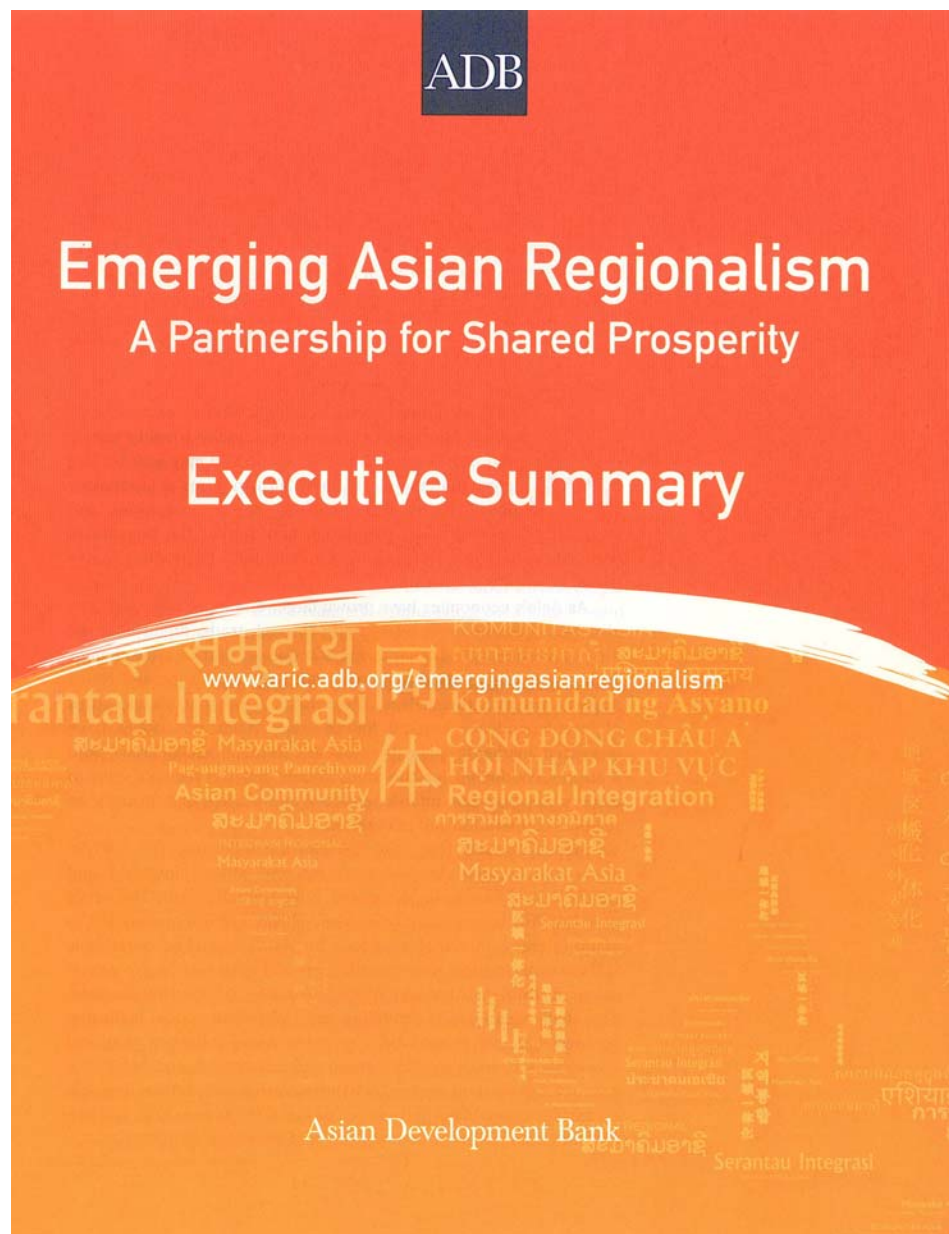
- **Asia regional cooperation schemes**
  - **Began in the 1970s, accelerated from 2000, and now very comprehensive**
  - **Not exclusive, extended to North America through APEC and to EU through ASEM**



# Asia's Preparation for the New Role (2)



# Asia's Preparation for the New Role (3)



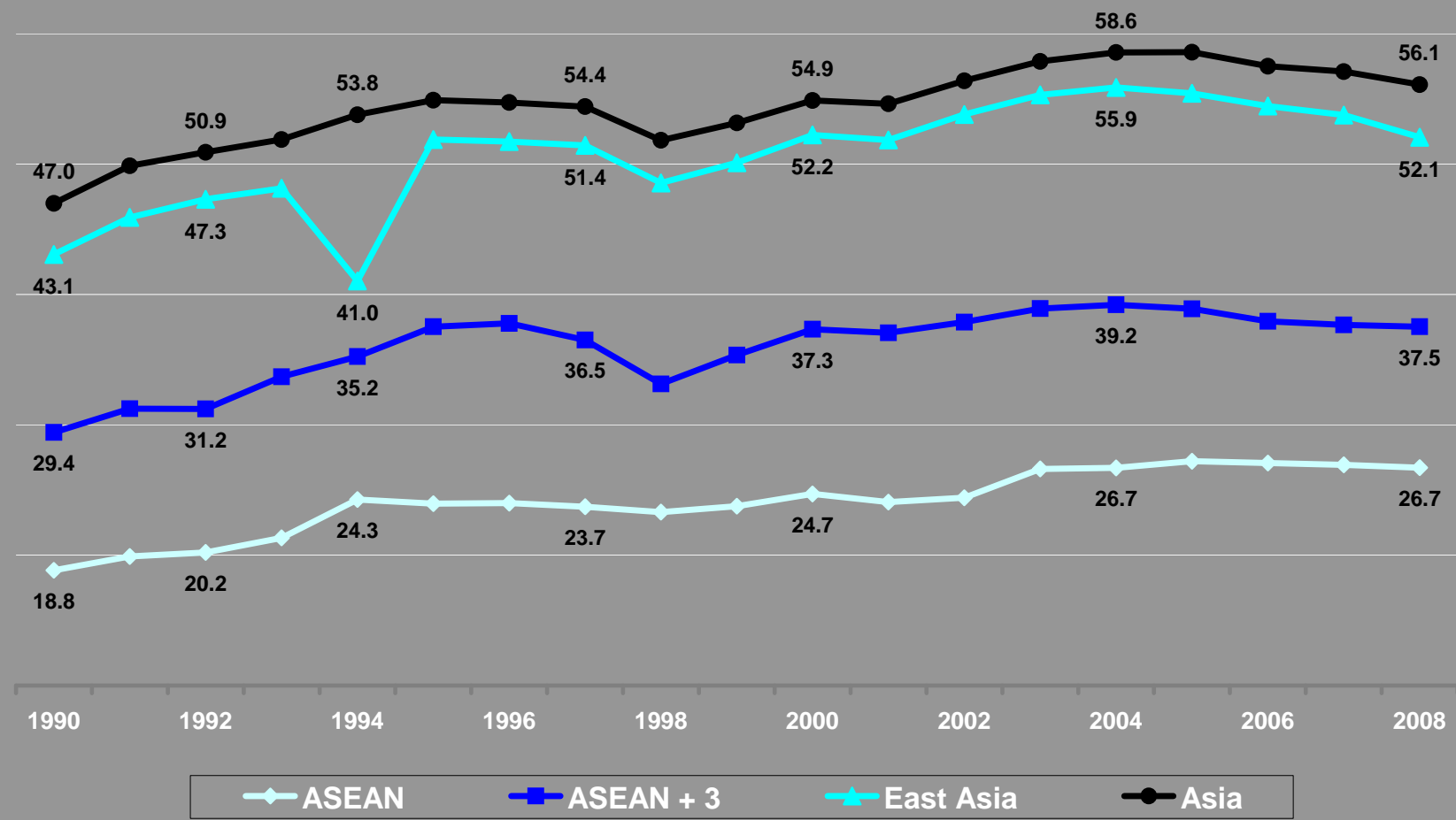
# Asia's Preparation for the New Role (4)

- **Following regional cooperation,**
  - **Asian trade pattern has changed towards intra regional trade**
  - **Now intra regional trade is bigger than extra Asian trade**
  - **But, trade among Asia still concentrated in intermediate products. A large part of final products are going to the West.**



# Asia's Preparation for the New Role (5)

Intra - subregional Trade : %



East Asia consists of the 10 ASEAN member countries; China, Korea, Japan, Hong Kong, China; and Taipei, China.

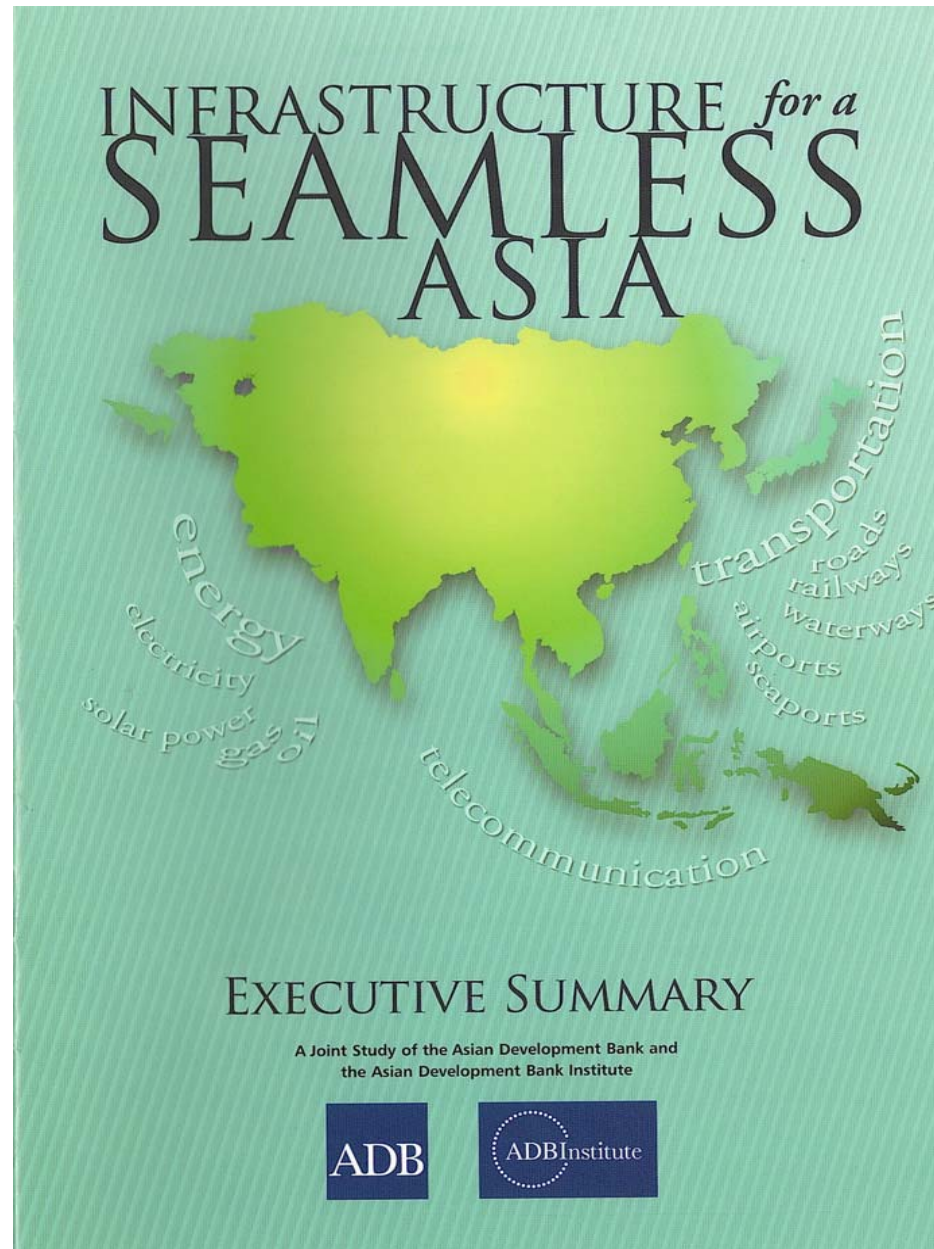
Source: Asia Regional Integration Center, ADB

# New Agenda in the Era of Asian Prosperity (1)

- **Reliance on Western market, directly and indirectly, for more than half of Asian export, which, in turn, was the main engine of growth**
  - ➔ **Stimulating domestic demand by encouraging corporate and public investment**
  
- **Saving surplus but infrastructure deficit**
  - ➔ **Investment in infrastructure, physical and educational**
    - ➔ **Seamless Asia**
    - ➔ **Innovative and creative Asia**



# New Agenda in the Era of Asian Prosperity (2)



# New Agenda in the Era of Asian Prosperity (3)

- Major production center for global trade but lacking financial market infrastructure

- ➔ Investment of surplus saving in the West

- ➔ Must develop money and capital market by means of financial liberalization

- ➔ Strengthen Chiangmai Initiatives to preempt liquidity problems

- Relying too much on technology from the West

- ➔ Promoting innovation and R&D

- ➔ Increasing mobility of professionals under regional FTAs and EPAs



# New Agenda in the Era of Asian Prosperity (4)

- Existence of wide income and opportunity disparity between urban and rural areas, and also among different urban areas
  - ➔ Source of social / political instability
    - ➔ Establishing efficient social safety net
    - ➔ Adopting efficient pricing policy for agricultural products
    - ➔ Developing irrigation system for agriculture
- Threat of environmental deterioration due to over utilization of certain areas without proper protection
  - ➔ Slowing down investment in heavy industries
  - ➔ Putting in place system to protect health and environmental impacts
- Threat to energy security due to net reliance on imported fossil fuel and inefficiency in usage
  - ➔ Promoting energy saving and alternative energy sources

