

East Asian Economies Must Cooperate to Boost Resilience to Crises

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- Greater interconnectivity means heightened risk and increased exposure to the impact of sudden shocks
- While East Asian economies are more resilient today than before, they must continue to deepen collaboration to improve their individual and collective capacity to weather crises
- Business and government, in particular, must work together to prepare for natural disasters
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Bangkok, Thailand, 31 May 2012 – With risks to the global economy multiplying and increasingly interconnected, countries in East Asia must work more closely together to deepen their capacity to withstand crises, particularly unexpected shocks, a panel of business, government and civil society leaders agreed in a session on the region's risk resilience at the 21st World Economic Forum on East Asia.

“ The lack of resilience is the most important threat to the global economy, ” warned Jane Harman, Director, President and Chief Executive Officer, Woodrow Wilson International Center for Scholars, USA. Added Idris Jala, Minister in the Office of the Prime Minister of Malaysia: “ If you have a strong and solid economy, that is the foundation for you to have the means to deal with shocks. ”

A key risk-mitigating factor is connectivity – how well different sectors in a country work together and how closely nations collaborate both in preparing for a crisis and in reacting to it. “ In any natural disaster, business had better sit down with government, ” explained Emirsyah Satar, President and Chief Executive Officer of PT Garuda Indonesia. Companies, for example, can contribute to crisis response planning by running simulations and applying technology to efforts to prevent, plan for and react to crises, said Masami Yamamoto, President and Representative Director of Fujitsu, Japan, and Co-Chair of the World Economic Forum on East Asia, recalling the earthquake and tsunami that hit his country in December 2011. “ We have to come up with ways to minimize the impact on the global supply chain. This is the task for the global community. ”

While noting that the resilience of countries in East Asia to economic shocks is much stronger than before, Naoyuki Shinohara, Deputy Managing Director of the International Monetary Fund (IMF) in Washington DC, reckoned that ongoing regional efforts such as the Chiangmai Initiative, a multilateral currency swap arrangement to manage short-term liquidity problems, “ will further strengthen the resilience of economies in this region ”. Shinohara warned that, while many countries in East Asia have developed very strong supply chains, “ final demand is still outside Asia, so countries in the region should not be complacent and should prepare for potential shocks. ” He added: “ If there is huge stress in Europe, there will also be a major impact on trade financing and project financing in East Asia. ”

Idris noted that, as ASEAN economies become even more interconnected with the global economy in their efforts to promote growth, they will be even more exposed to global risks. Geoff Riddell, Member of the Group Executive Committee and Regional Chairman, Asia-Pacific, Middle East and Africa at Zurich Insurance Group in Hong Kong, agreed. “ As you go up, you also drive up the interconnectivity of risks, ” he observed.

There is only so much any country can do to prepare for the unexpected, Riddell reckoned. “ However much preparation is done, nature can overwhelm it. And however much we try to protect settlements from natural disasters, that is not always enough. ” Still, the region and the world must collaborate to do what they can and to boost their individual and collective risk resilience. But to do so will require leadership, Riddell concluded.

Unfortunately, he lamented, “ global leadership today isn ’ t where it should be. ”

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