

Regional Integration Will Enhance East Asian Stability

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Deepening and widening regional integration is critical to strengthening the stability and resilience of East Asia's economies in the face of mounting global risks, particularly the possibility of another financial crisis, according to business and government leaders in a panel session on the opening day of the 2010 World Economic Forum on East Asia. While East Asia has weathered the global economic crisis well, it is crucial that countries take coordinated steps to ensure that the region is in an even better position to withstand further turmoil.

"The spirit of open regionalism is very important," said Donald P. Kanak, Chairman of Prudential Corporation Asia in Hong Kong, in the session which focused on how East Asia is responding to global risks. "If there is anything we have learned, it is that the spirit of open trade and open capital has made [East Asia's strong growth performance] possible."

According to Victor L. L. Chu, the Hong Kong-based Chairman and Chief Executive Officer of First Eastern Investment Group, who is a Member of the Foundation Board of the World Economic Forum, cooperation is essential.

He said: "We have to accelerate regional cooperation and coordination. Knowing all the constraints of the global market, ASEAN Plus Three [South-East Asia along with China, Japan and South Korea] is the minimum. ASEAN is too limited to be the third leg of the stool. ASEAN Plus Three will stand a chance to create a powerful enough trading bloc."

To strengthen their economies, panellists argued, East Asian countries should focus on two other priorities: promoting inclusive growth and environmental sustainability. "Many economies in Asia have to pay attention that the benefits of policies are shared by all and not just the privileged segments of society," warned Masahiro Kawai, Dean and Chief Executive Officer of the Asian Development Bank Institute in Japan and a Member of the World Economic Forum's Global Agenda Council on Systemic Financial Risk.

Kanak added: "Moving to a more sustainable and low-carbon growth path will insulate Asia more from an economic downturn." Investing in the green economy will drive new growth, Kiat Sitttheeamorn, President of Thailand Trade Representative, observed. "This would be a very huge business opportunity for many countries."

Kiat also called for East Asian countries to consider a regional currency. "Let's start the first step – macroeconomic coordination among countries. That's much more pragmatic." Countries in the region should step up collaboration in developing and regulating the financial sector, Nguyen Van Binh, Deputy Governor of the State Bank of Vietnam, agreed. "Cooperation is most important," he said. "The first step is the development of the bond markets. We should also find ways to support each other in a crisis. This is the biggest challenge."

While East Asian countries should boost cooperation, each must also look after its own economy to make it more efficient and productive, Balaji Sadasivan, Senior Minister of State for Foreign Affairs of Singapore, advised. His prescription: "Improve governance, invest in infrastructure and invest in human resources or people development."

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