News Release

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Many post-crisis risks still facing Asian countries

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There is a growing consensus that the worst is over for Asia and the rest of the world, but many risks remain, said leaders at the 18th World Economic Forum on East Asia, which opened today in Seoul, South Korea.

Participants in the Forum meeting urged governments to formulate an exit strategy to mop up excess liquidity from stimulus programmes, avoid trade protectionism, strike a correct balance between regulation and flexibility, and use the crisis to move strongly on regional integration.

" There is a growing consensus that the worst of the crisis is over and even signs of bottoming out, and even hints of recovery in some economies, " said Lim Hwee Hua, Minister, Office of the Prime Minister of Singapore. " However, as we move out of the woods, we need to be mindful of how recovery is taking place. " She pointed to the fiscal risks associated with the various stimulus packages in Asia and elsewhere, which could spark inflation down the road and even stagflation, and the emerging risk of the H1N1 influenza virus.

Azman Mokhtar, Managing Director, Khazanah Nasional, Malaysia, counselled caution because the economic recovery in Asia is mixed. " The measures that have been instituted, which is basically to reflate, have indeed reflated, but these can also potentially turn into poison in the long run unless we know how to handle the situation. " Now that a Great Depression has been averted, the question is how to exit the stimulus programmes and avoid the volatility that comes with them.

Asia is in a good starting position domestically after emerging from the financial crisis in 1998 with robust balance sheets and better supervision and corporate governance, Azman added. He urged governments not to waste the crisis to build on these gains, including strengthening regional integration.

The panellists, who included business executives from Japan, Hong Kong SAR, the United States and the United Kingdom, warned against overregulation of financial markets and business in general. They expressed worries about rising trade protectionism, which would especially hurt export-dependent Asia, and changes in the region ' s low tax rates and openness to repatriation of capital because of the need to pay for stronger social safety nets.

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WORLD ECONOMIC FORUM
World Economic Forum, 91-93 route de la Capite, CH-1223 Cologny/Geneva
Tel. +41 (0)22 869 1212, Fax +41 (0)22 786 2744, http://www.weforum.org