

Global Economic Management and Asia's Responsibility

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PECC 18th General Meeting
“Economic Crisis and Recovery:
Roles for the Asia-Pacific Economies”

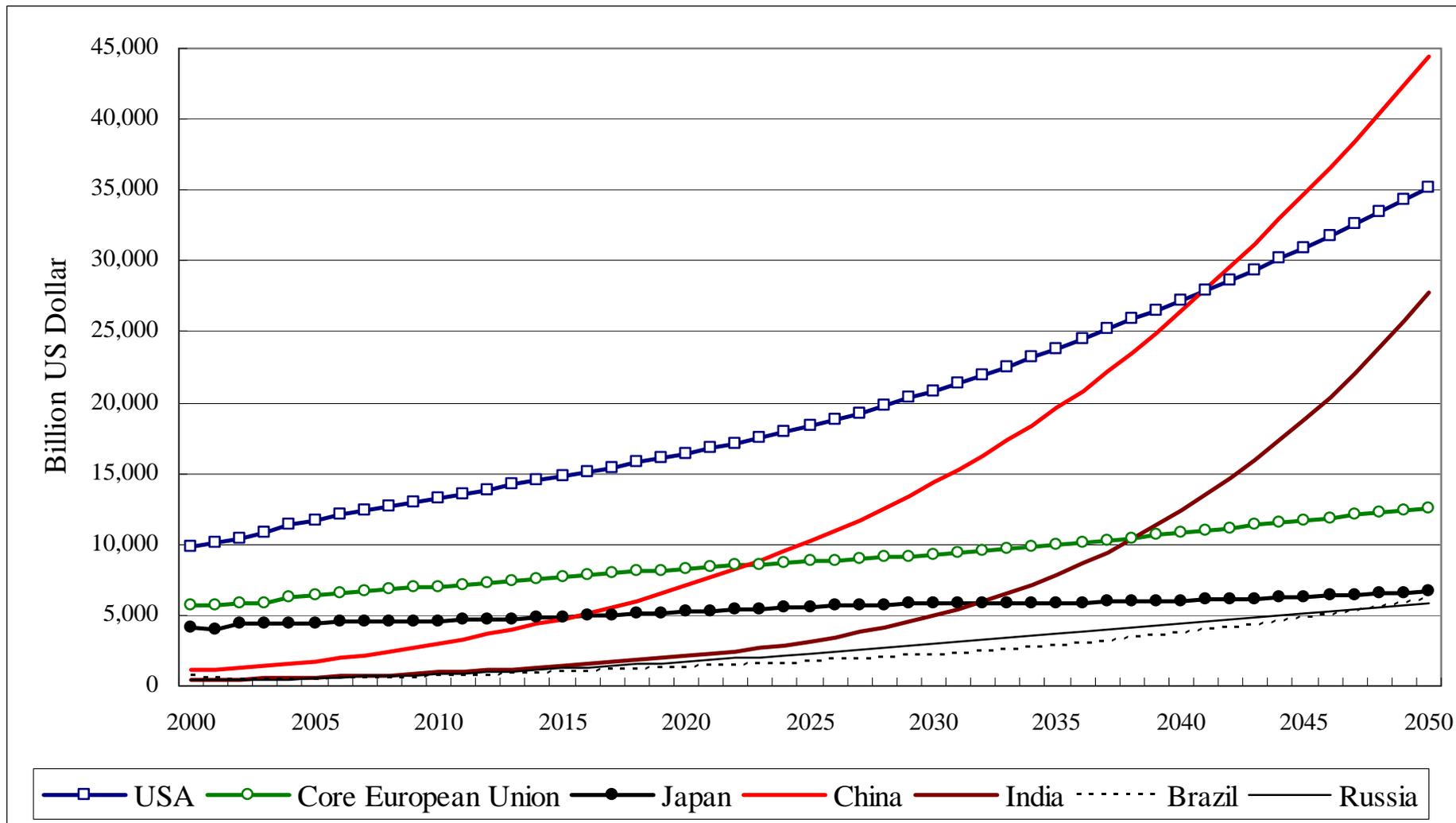
Washington, DC, 12-13 May 2009

Changing global economic landscape

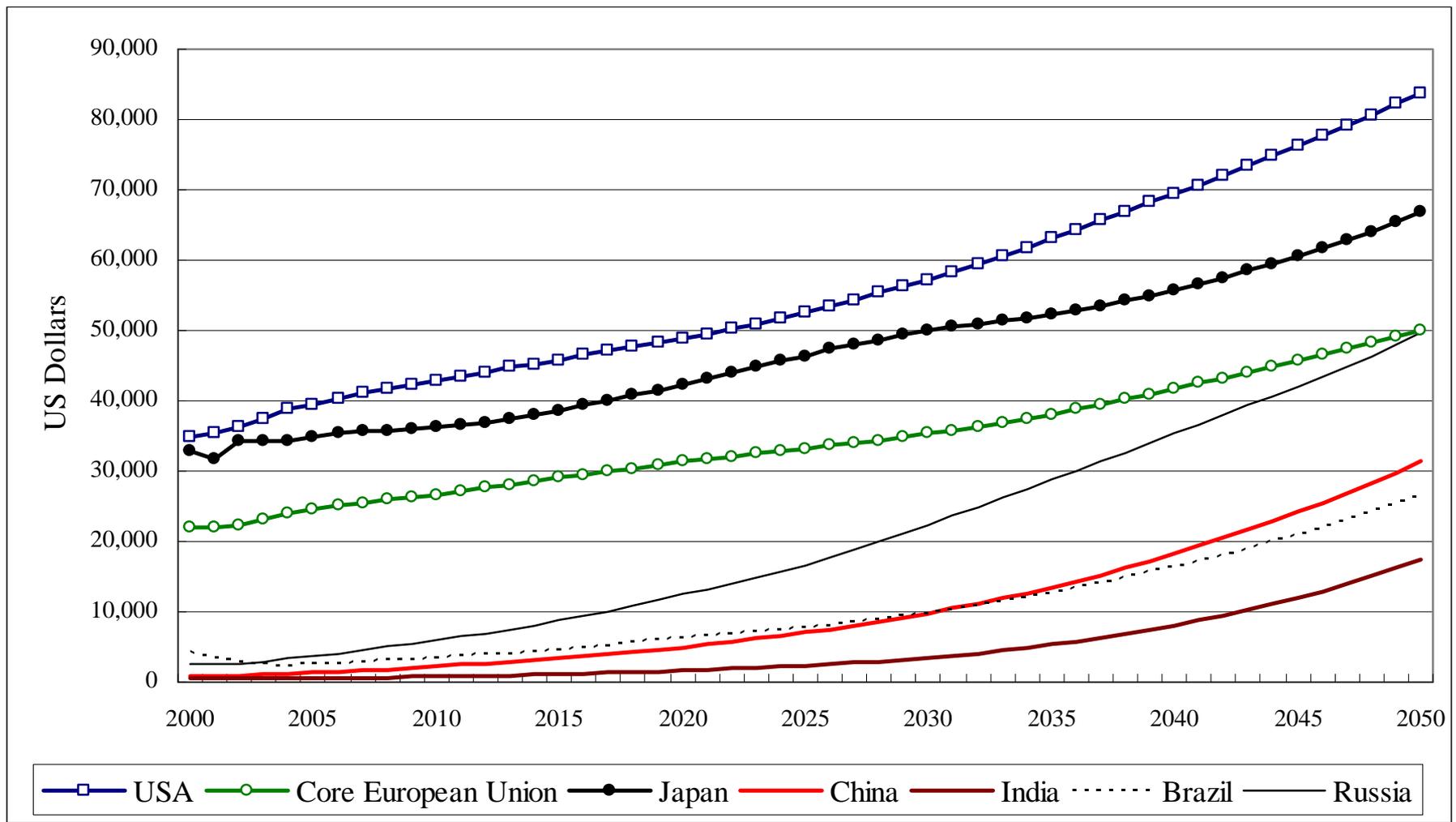
Rapid rise of BRICs esp. China and India

- “Dreaming with BRICs”—rapid growth of GDP over the next decades
- Expansion of trade and FDI (factory Asia)
- Accumulation of massive foreign exchange reserves (sovereign financial power)
- Rising GHG emissions
- But per capita GDP of China and India will remain lower than advanced economies

GDP projections for USA, Europe, Japan, China, India, Brazil, and Russia



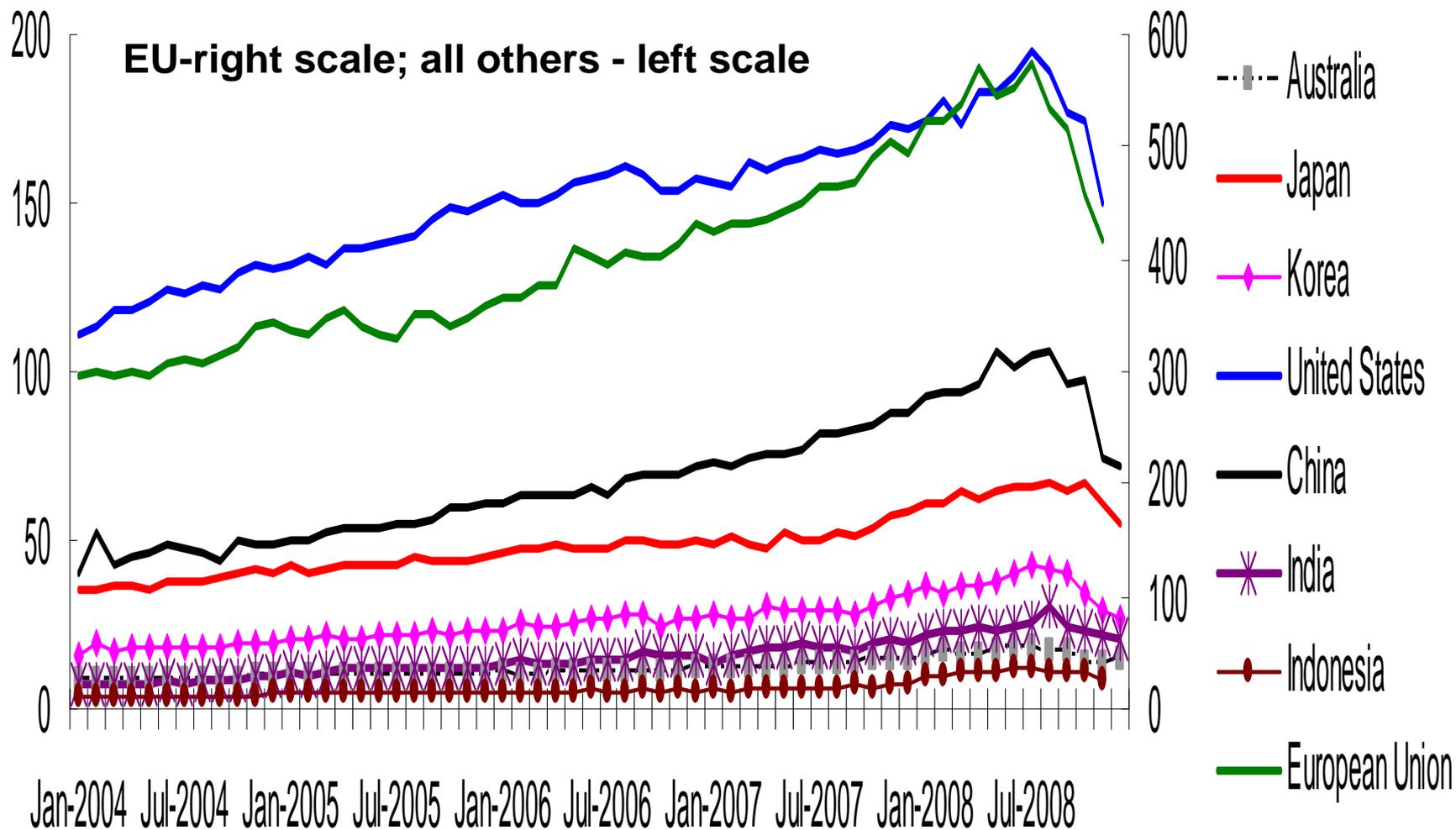
Per capita GDP projections for USA, Europe, Japan, China, India, Brazil & Russia



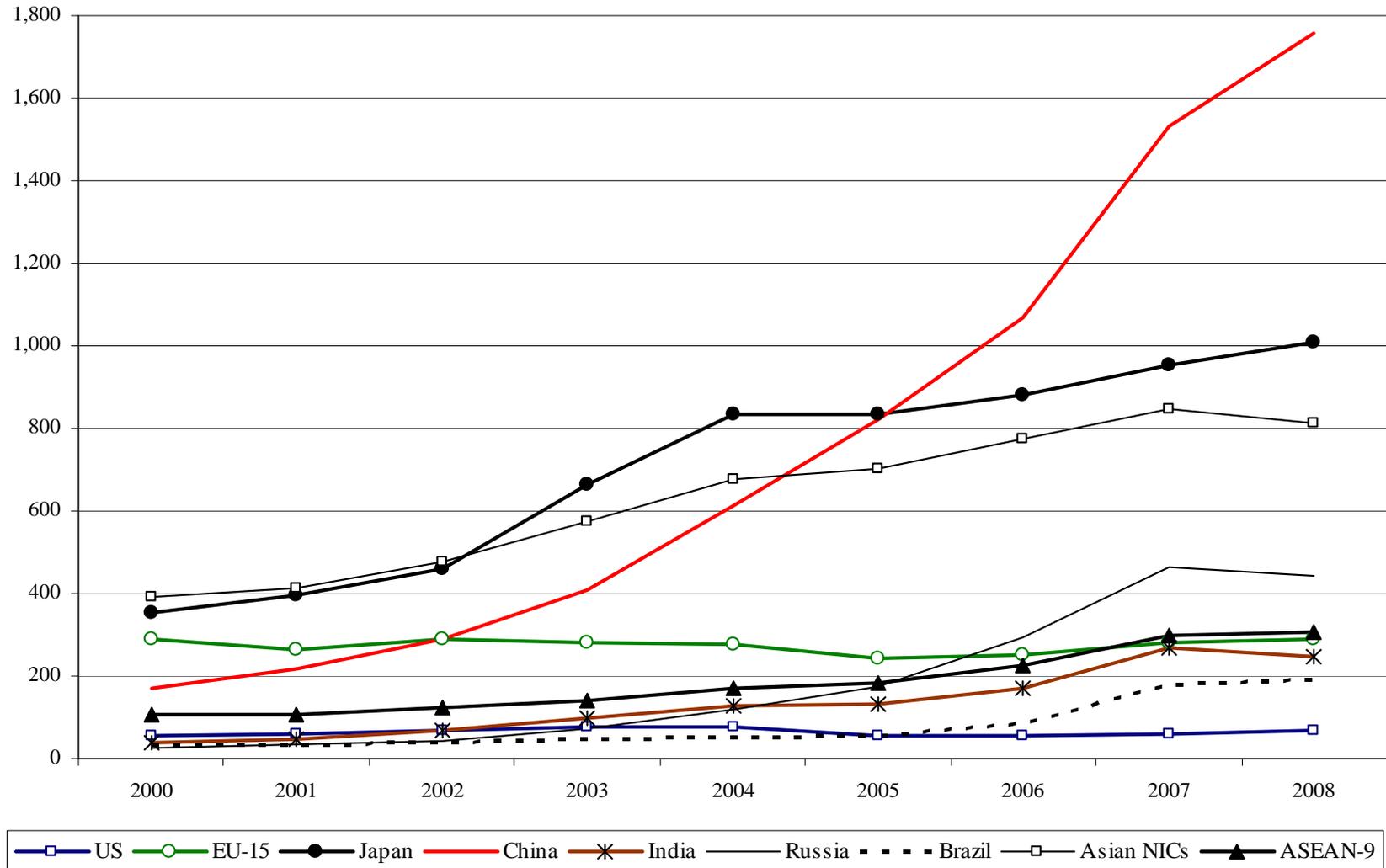
Goldman Sachs, "Dreaming with BRICs: The Path to 2050" (October 2003).

Imports of major economies, 2004-08

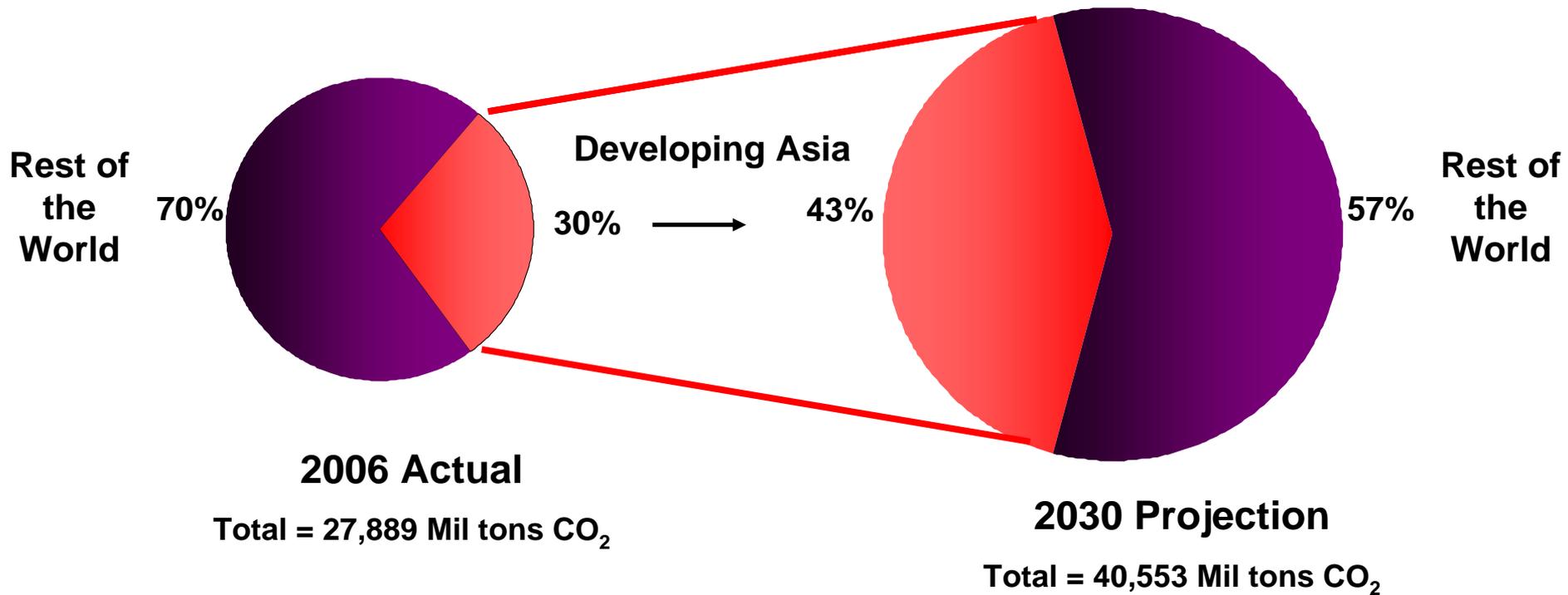
(Billions of US\$)



Foreign exchange reserves



Developing Asia's share in global carbon emissions from energy consumption is expected to rise



Rising responsibility of Asia for providing global public goods

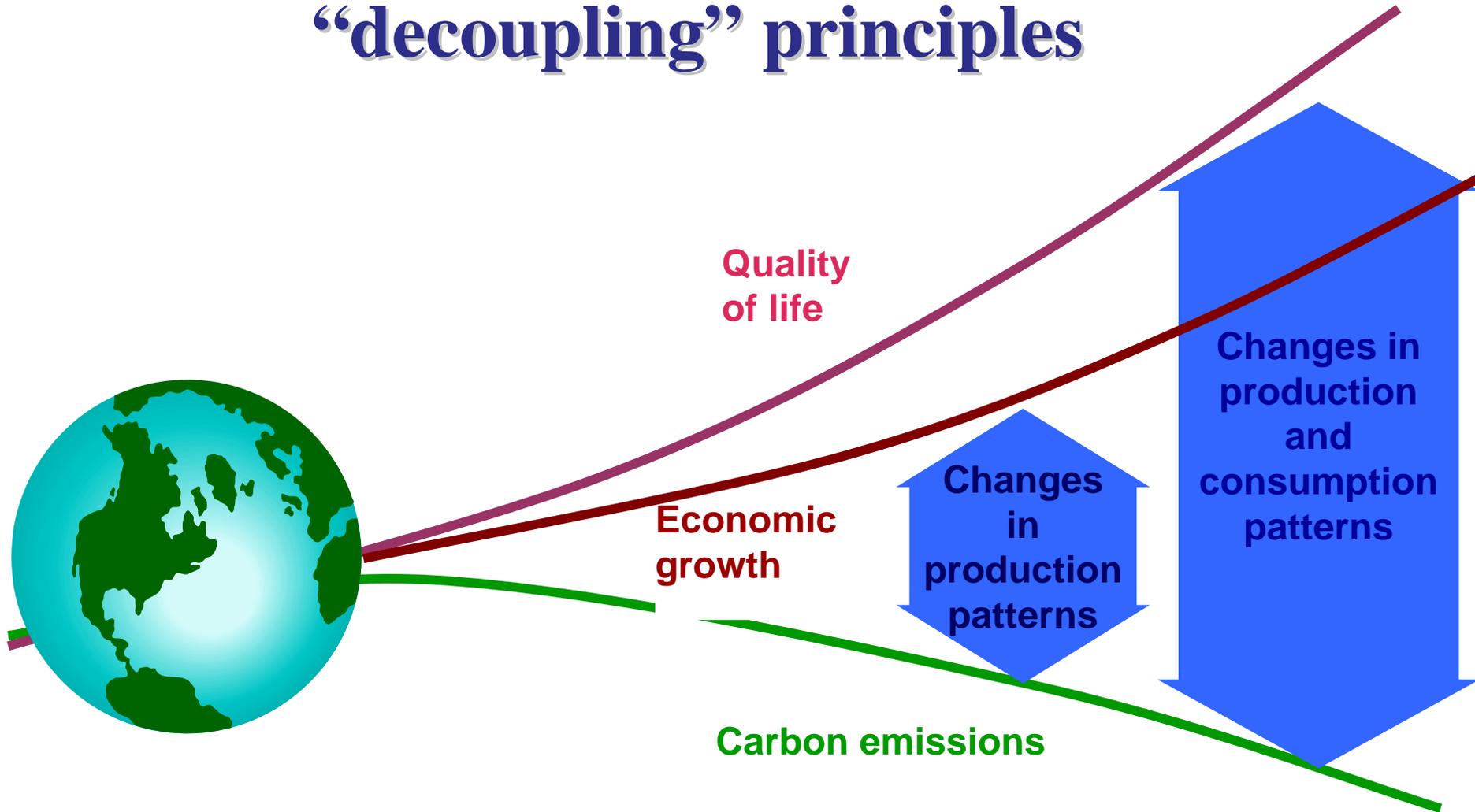
Global responsibilities

- Global economic recovery and financial stability
 - China leading the way
 - correcting payments imbalance, a challenge
- IMF resource increase and effectiveness
 - governance reform essential
- WTO Doha Development round
- Climate change mitigation

Asia's development paradigm change is the real contribution, and this is needed for Asia's sustainable growth

- A shift from export-led growth to domestic/regional demand-led growth
 - focus on consumption and social sector
 - focus on corporate governance
 - focus on non-tradable (services) sector
- A shift from a high- to low-carbon economy
 - “decoupling” and co-benefits
- This paradigm shift is beneficial to Asia

A low carbon economy is based on “decoupling” principles



Voice and representation of Asia in global governance

Asia needs to gain greater voice in global forums and institutions

- Creation of the G-20 process is a welcome development
 - but the G-20 agenda (fiscal policy, global financial supervision) seems set by US & Europe
- IMF reform needed and Asia's voice should rise
 - but perhaps only marginal changes expected
- Developing Asia's voice in climate change discussion essential: "common but differentiated" responsibility

Major groups' IMF and WB quotas, and their shares in GDP, GNI and trade

Groups	IMF (%)	World Bank		GDP (%)	GNI (at PPP) (%)	Trade (%)
		IBRD (%)	IDA (%)			
USA	17.1	16.8	12.2	25.4	21.2	11.2
EU (27)	32.4	29.0	32.6	30.8	22.2	37.3
Euro Zone (16)	23.2	20.3	20.5	22.5	16.1	28.2
ASEAN+3 (13)	14.6	14.7	14.8	18.2	23.3	20.3
ASEAN+6 (16)	18.4	19.5	19.5	22.1	29.3	21.6

Regional institution building in Asia good for the global community

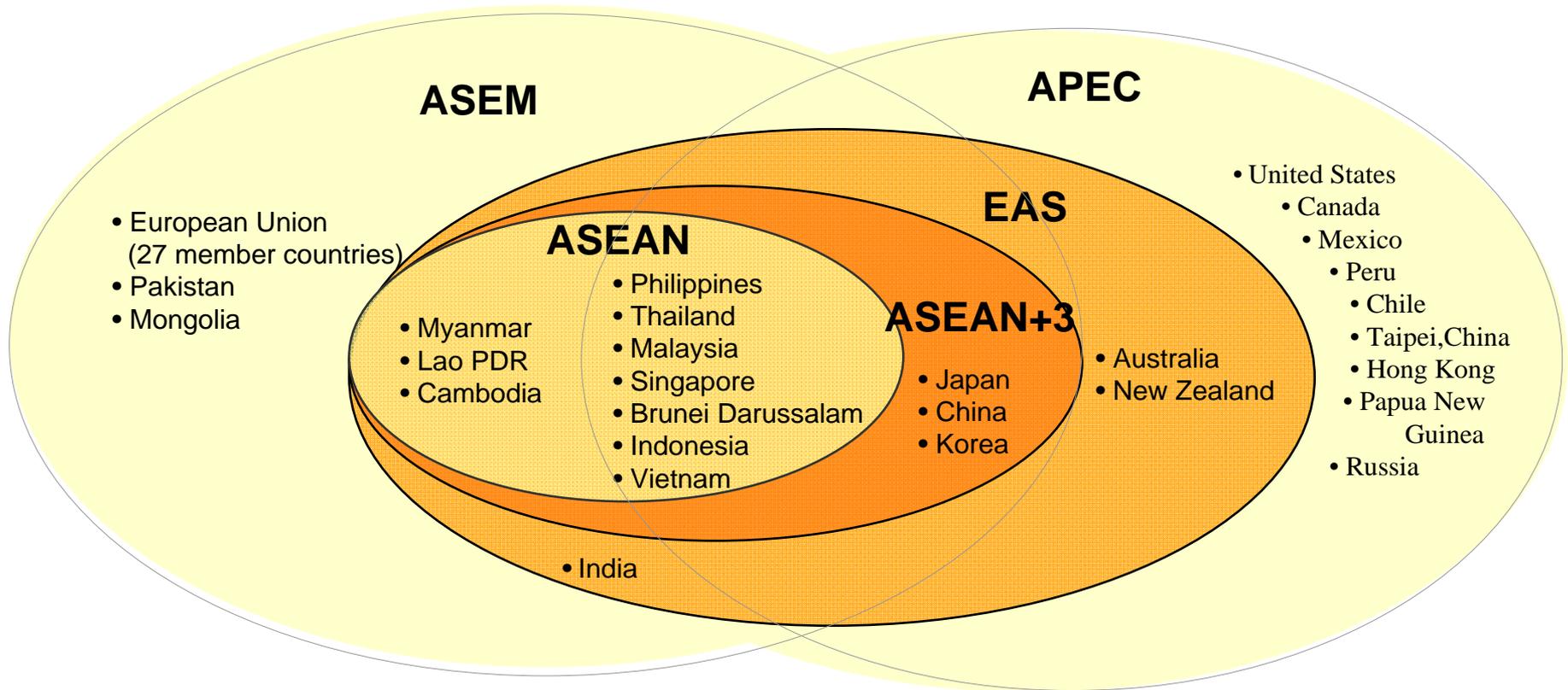
Regional governance for regional public goods:

- Asian Monetary Fund (CMIM, surveillance unit, and Asian Currency Unit) for financial & currency stability
- Asian Financial Stability Dialogue for fin. stability
- Asian FTA (EAFTA for ASEAN+3 or CEPEA for +6?) for sequenced global trade liberalization
- Pan-Asian Infrastructure Forum

This requires:

- Strong collaboration between Japan and China
- Complementarity with global institutions

Figure 2. East Asia's Evolving Economic Architecture



US and Asia in APEC

Key trans-Pacific agenda:

- Resolution of trans-Pacific payments imbalances
 - savings and investment correction
 - focus on non-tradables (services) sector in Asia
 - trans-Pacific exchange rate adjustment desirable
- Asia-Pacific “Green New Deal”
 - new sources of growth & green infrastructure
 - international support needed to encourage developing Asia to undertake paradigm shift
- Asia-Pacific social sector protection initiative
 - key for socially sustainable growth
 - basis for supporting household consumption

Thank you
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