

Recommendations to East Asian Leaders for G20 Meeting by Asian Policy Forum

19 March 2009

East Asia, along with the rest of the world, is severely affected by the global financial and economic crisis, especially via the trade, investment, and liquidity channels. This threatens to increase unemployment, poverty, and social instability in the region. However, East Asia's economic fundamentals remain sound and its long-term growth prospects are robust. Working collectively, East Asia can weather the crisis and contribute to a global economic recovery. We believe that the global crisis calls for a collective response, and that individualistic and inward-looking solutions are not appropriate. We call on East Asian leaders to put forward the following points at the upcoming G20 meeting in London.

1. As a pre-requisite for a global economic recovery, the health of the financial and real sectors of the US and other developed economies needs to be restored. East Asia encourages the US and Europe to make all efforts to resolve toxic assets, clean up balance sheets, recapitalize the financial system, and support real sector recovery as quickly as possible.
2. East Asia has already begun to expand domestic demand by easing monetary and fiscal policies, and supports a coordinated effort with a long-term focus on inclusive and sustainable growth. This should emphasize infrastructure investment, environmental improvement, and social sector protection. East Asian leaders should call on the rest of the world to support monetary and fiscal stimulus measures as well. This could include the establishment of a global expenditure support fund to overcome local financing gaps.
3. Maintenance of open trade is vital for a return to economic expansion. East Asia rejects trade protectionism, and is mindful of the dangers of competitive currency depreciation.
4. East Asia calls on world leaders to maintain their commitment to provide concessional and non-concessional assistance to developing countries, focusing on the poor and vulnerable groups. East Asian leaders urge for quick action on a general capital increase for the Asian Development Bank.
5. East Asia is concerned about the withdrawal of capital from the region and supports measures to maintain levels of international capital flows and liquidity. It is important to take measures to ease shortages of foreign exchange, trade financing, and SME financing. To this end, East Asian leaders should commit to enhance regional economic and financial integration that is open and outward-looking, including enhancement of the Chiang Mai Initiative (CMI) and development of regional bond markets.
6. East Asia supports the reform of the international financial architecture, and should play a significant role in this process. This includes reform of the functions and governance structure of the Bretton Woods institutions and of the global surveillance and regulatory framework. East Asia encourages global supervision and regulation of cross-border financial activities and systemically important institutions so that recurrence of a global financial crisis can be prevented. Regional arrangements such as an enhanced CMI should be considered as a building block for such global efforts. The role of East Asia in the governance of these institutions needs to be enhanced, reflecting the region's greater global role.