

Plenary Session

“The Challenges Ahead”

Asia's Role in the Global Post-Crisis Financial Landscape

The Asian Financial Forum (AFF) 2010 got under way in Hong Kong on 20 January with several high-profile speakers noting Asia's growing influence on the global economy as they warned policy makers not to become complacent.

Chairing the Plenary Session on the Forum's first morning was Ronald Arculli, Chairman of Hong Kong Exchanges and Clearing Ltd and a member of the Executive Council, the Hong Kong Special Administrative Region Government's top advisory body.

After being introduced by AFF emcee and well-known broadcaster Lorraine Hahn, Mr Arculli said the world's economic centre of gravity was shifting from West to East. He said that perhaps Asia fared better during the recent global downturn “in part due to lessons that we might have learned over 10 years ago” from the Asian financial crisis.

Mr Arculli said that as international markets emerge from the global crisis, some of the questions to be asked are: “What will Asia's role be? What are the opportunities? And what are the limitations or difficulties?”

The first of four distinguished keynote speakers to address the Plenary Session was Dominique Strauss-Kahn, Managing Director of the International Monetary Fund, who said Asia was leading the global economic recovery and would play a key role in the years ahead. “We certainly today have a lot to learn from Asia,” he said.

Exit Strategy

Mr Strauss-Kahn said a crucial issue facing world policy makers was when to begin winding down the massive stimulus packages that staved off a depression. “Everybody came into the crisis almost at the same time. The recovery has different speeds, so different countries will exit from the crisis at different points in time.” He said coordination was essential to avoid spillover of negative effects. “If you wait too long, it's a waste of resources. The longer you have a stimulus in place, the bigger the public debt, and obviously reducing the public debt will be the top priority for most

countries in the coming years. But on the other hand, if you exit too early, you have a risk of a double dip.”

Mr Strauss-Kahn said that 2008 was “certainly a year of humility”, where confidence in markets, institutions and the status quo proved to be little more than complacency. “Now we know how fragile and interconnected we are.” He said 2009 had been “a year of unity, where everybody came together to avoid something which could happen such as the Great Depression.”

This year, he said, “has to be the year of transformation, not only the transformation in the balance of power between East and West, but also transformation in terms of global cooperation – and [awareness that by] working together we can build something which is different from the kind of economy we had before. From this point of view, Asia has certainly a crucial role to play.”

The Role of Credit

Liu Mingkang, Chairman of the China Banking Regulatory Commission, said credit played a primary role in the central government’s stimulus package by supporting massive infrastructure investment. “This year we will continue to control the pace and amount of the credit supply,” Mr Liu said, adding that he expects it to decline to 7.5 trillion renminbi this year from an “enormous” 9.5 trillion in 2009.

“Looking ahead, our list of challenges is not short,” he said. “In addition to the credit risk, market risks and operational risks are real too.” The mission, he added, was “to cultivate and guide the banks to support small businesses in China.”

Korn Chatikavanij, Thailand’s Minister of Finance, spoke of the challenges now facing Asian governments – the problem of capital inflows and their volatility; how to manoeuvre policies given fiscal restraints, which could be helped by leveraging private capital for infrastructure projects; and “how to secure adequate funding when banks are reluctant to lend.” The latter presented the opportunity to expand regional bond markets, he said.

“We can all identify, we can all see the many challenges that lie ahead,” said Mr Korn. “But I’m sure that the Asian region can work together to ensure our shared prosperity and to strengthen our role in the global economy in the coming years.”

Lessons Learned

Wang Chunzheng, Executive Vice Chairman of the China Centre for International Economic Exchanges, spoke on the topic “Concerted Efforts to Secure Sustained Economic Upturn.”

“We have learned a very good lesson from the Asian financial crisis,” he said, noting that regional governments had worked hard to achieve fiscal balance, resulting in US\$4.5 trillion in foreign reserves by the end of 2009.

Mr Wang said 2010 would be a crucial year, during which Asian governments must continue to implement effective macro measures and cooperate with one another.

“2010 is the Year of the Tiger in China,” he concluded. “It’s a very energetic and vibrant animal. We hope for healthy development in the economy and to leave past economic hardships behind.”