

Speech by H.E. Dr. Surin Pitsuwan, Secretary-General of ASEAN
“Global Economic Outlook and Asia’s Role”
ASEAN-Korea CEO Summit
Republic of Korea, 31 May 2009



Excellencies, Ministers from ASEAN and the Republic of Korea,
Excellencies, Members of the Diplomatic Corps,
Distinguished Members of ASEAN-Korea Business Community,
Ladies and Gentlemen,

It is a great pleasure to be with you here today at this important gathering. I would like to thank the Korea Chamber of Commerce and Industry for this initiative. More importantly, I would like to express my appreciation to the representatives from the private sector, whose presence, participation and valuable contributions here are essential to the success of this first ever ASEAN-Korea CEO Summit.

I would like to also commend the organizers for this timely and appropriate CEO Summit. It is *timely* because it comes at a time when restoring confidence in Asia seems to be most urgently needed, as risk aversion and over cautiousness continue to prolong the crisis and exacerbate the turbulence in our financial markets and the real economies. Holding this CEO Summit now, particularly as we explore ways to restore vibrancy and spur growth in Asia and around the world--- this CEO Summit is indeed *appropriate*. We all know how the global and systemic nature of this crisis has led to fiscal and monetary policy changes in many countries around the world. Yet, it has become clear that overcoming the crisis requires not only individual country measures, but all of us must take decisive, coherent and mutually consistent policy efforts among all the countries. And that is why I find the theme of this Summit on “Change, Challenge, and Collaboration for Asia’s Prosperity” very suitable, as it reminds us all of the need for such a coordinated regional response to the current world economic and financial crisis need our concerted collaboration. This is evident in the recent G-20 London Summit and the continuing global endeavors under the G-20 process. This forum should be proud that out of the 20 participants at the London Summit, from our region we have 7 representing us, namely the Republic of Korea, China, Japan, India, Australia, Indonesia plus ASEAN. To me this is definitely a recognition of our collective weight, our potential and our growing influence in the global arena.

In discussing the global outlook and the role of Asia, the theme of this Summit, let me focus on three issues:

The first issue, the most basic one, is whether economic recovery can be achieved any time soon, and what would be the prospect for Asia in the immediate and medium term going forward.

Second, I would like to discuss the policy actions and responses needed to restore a desired path of growth for the region and the global economy.

Third, I want to emphasize the critical importance of regional cooperation and integration as a collective and strategic response from Asia to the crisis. In my view, how Asia will evolve over the next few years as an integrated economic community will be critical to enhance our competitiveness, to build our resilience to future shocks and to ensure Asia's role as a locomotive for a sustained global economic prosperity.

Excellencies, Ladies and Gentlemen,

Before going any further we must agree on one thing, and that is the global economy is still mired in the most severe recession in decades. According to the *April 2009 World Economic Outlook* of the IMF, global GDP growth will do worse than predicted earlier this year, from a positive growth of 0.5% to minus 1.3 %. Trade shocks will continue to be in the headlines, as global trade contracts further by 11%. As exporting economies like all of us, that is not a good prospect by any means. Financial dislocations and strains are also likely to remain ominously high. There is no doubt that these strong headwinds will keep the global economy in a state of high uncertainty and volatility, with only a glimpse of hope that improvement can be achieved during the first quarter of 2010. Initially, we believe that we would be saved from this severe global downturn due to our region wide successes in reforms undertaken a decade ago. You all remember that, we all can take pride in that, but the very deepening trade and financial linkages that we have forged with the rest of the world through integration and competition have also exposed us to these global malaise. The IMF estimated that during the fourth quarter of last year alone, the real GDP in Asia (excluding China and India) fell sharply by an alarming 15%. During the same period, lending from finance institutions to emerging and industrial Asia declined by a massive US\$295 billion, while net equity and net portfolio investment growing out of the region amounted to US\$90 billion in the last two quarters of 2008. As a result, the downturn in Asia was even sharper than initially anticipated.

Despite the current challenges, I am convinced that we can repeat the success we achieved earlier in this decade by turning around our bleak economic situation within a short period of time. Although, of course, the situation this time around is different from a decade ago. We were in trouble; the world was in good economic health 10 years ago. This time everything depends on how the US and European markets recover. Recent signs have so far been cautiously encouraging. "Green shoots" are sprouting here and there in the global landscape, which gives an impression that "spring" is just around the corner. Financial conditions have become a bit more stable, and market sentiments have improved slightly. Preliminary figures also suggest that growth in domestic credit and money supply has generally been positive, while credit shortage and liquidity risks have somehow receded in some markets. In some countries, the decline in exports appears to be bottoming out and we are seeing signs that factories and assembly lines start humming again.

Here in the ROK, for example, momentum of positive GDP growth from the fourth quarter of last year continued into the first quarter of this year. This is indeed a welcome news, this means that Korea has technically avoided a recession. And in Japan early this month the Bank of Japan also raised its overall assessment of the economy for the first time since 2006, encouraged by signs of bottoming out of decline in exports and industrial outputs. In Indonesia, the first quarter GDP growth remained positive at 4.4%, despite the financing constraints faced by the country late last year and China most encouraging of all is returning to stability and growth path with growing confidence.

Given Asia's strong links with the rest of the world in all areas of economic and financial integration, prospects for broad and sustain recovery will depend on the speed of the global economic turnaround itself. We all are export oriented economies. Despite the fact that only a mild global recovery is expected, I think there are good reasons to believe that Asia will emerge from the global downturn more rapidly than other economies, and in turn will help the world to recover from the crisis. But all this depends on all of us working together as a community, the private sector—yourselves—are very very critical in this collective effort to get us all out of this global turmoil. Your confidence, your lending, your investment, your trade, your travel, your buy and your sell will be the most critical determinants of this rescue mission.

Excellencies, Ladies and Gentlemen,

The macroeconomic and financial situation of our region is better than other regions. It is a fact that Asia remains the most dynamic region in the world today. It accounts for one third of the world's output in goods and services, and contributes almost half of the growth in global GDP. Last year, despite the financial turmoil, emerging Asia outperformed other regions, growing by 7.7% on the average, compared with the global GDP growth average of 3.2%. This dynamism has helped propel global growth and avoided developed economies from slowing down through growing financial and trade linkages, or, in other words, global integration. We have helped to stall the deepening of the crisis. This year the IMF projected growth in developing Asia to slow down to 4.8% as the global crisis continues to dissipate. But our growth in Asia is still well above that of other regions.

Can you imagine that, for the first time in the modern global economic history, emerging markets have helped stabilize and maintain global economic growth? Is it possible that this is a feature of a new global economic order? All of us in this room must deliberate on that and must think about our space, our contribution to that new order.

I want you all to consider another positive regional factor, macroeconomic policy frameworks in our region have also been stronger than a few years ago. The structural reforms and the corporate governance and integration efforts among us have helped us strengthen our overall resilience to current challenges; many Asian countries are now able to implement fiscal stimulus measures critical to the recovery and social and political harmony. For example, fiscal stimulus packages that are being implemented in East Asia, ranging in size from 1% of GDP (Viet Nam), 2% (Japan), 3.8% (ROK), 9.5% (Malaysia) and 12.6% (China) of GDP (Malaysia): all these measures helped East Asia to respond to the crisis timely, effectively and avoid disruptive social and political tensions. Already there are early indications that the various fiscal measures implemented in the region to help mitigate the impact of the crisis are producing positive results. East Asia also stands ready to implement more stimulus measures, if needed. In ASEAN we are all grateful to have partners like the ROK, China and Japan for their readiness to extend hands in helping us during this time of challenges and crisis.

Excellencies Ladies and Gentlemen,

This current crisis gives us a couple of lessons. One, exclusive dependency on external markets is not healthy. We must together reformulate our domestic economies to rely more on domestic demand and domestic consumption for all our goods and services. I know that this is easier said than done, but there is no escape and no short cut from this route. And we must work on this strategy together.

The second lesson is, with our integration efforts and growing linkages of our regional economies a Community is emerging. We must develop a common strategy to create, to maintain and to enhance our emerging Asian middle class. It is estimated that within the next decade East Asia will have 800 million people that could be categorized as "Asia middle class." This is indeed an awesome market size and purchasing power for all of us to contemplate. Let us find a common strategy to maintain, to strengthen, and to expand their size. If we succeed in this, we will be shifting our dependency from the elusive demand of the global markets to a more dependable consumer-base of our own Asian middle class. And the implications for that are enormous: social mobility, human progress, better governance, participation, transparency, accountability which will lead to broad-based and sustainable social and human progress in all our countries.

Third, all this will depend on our ability to resist the temptation of narrow and short-term measures of protectionism. We must avoid these narrow knee-jerk, habitual, immediate and selfish responses. Only regional integration, regional cooperation, community building are sustainable prescription out of this crisis. Let's go full force for regional trade arrangements and let us go head on to multilateral trade arrangements. Let's make our regional arrangements-FTAs with China, Japan and the ROK only building blocks to larger and more comprehensive global trading system.

Conclusion

We in ASEAN consider ourselves lucky to have partners in the East in all of you, here in this room, the Republic of Korea, the Peoples Republic of China and Japan. Only through cooperation and integration have we been able to achieve the miracle of prosperity that has been the envy of the world. Together we have given rise to various architectures of cooperation in the region- the Asia Pacific

Economic Cooperation (APEC), the Asia-Europe Meeting (ASEM), the ASEAN Regional Forum (ARF), the East Asia Summit (EAS), and now other architectures are being proposed. At the 7th ASEM Summit in Beijing last October and at the last G-20 London Summit in February, the air was full of optimism and hope for East Asia to serve as a Tower of stability and growth for the rest of the world. This certainly reflects a world-wide recognition of our collective achievements here in East Asia. Together in less than four decades we have come from a war ravaged and divided region to a new Phoenix of formidable force for the world to reckon with.

Excellencies, Ladies and Gentlemen,

But the real measures of our success is not how much wealth we have accumulated, how much goods and services we export, how much we are lending or even how much we are consuming. We must realise that all these achievements would not have been possible except for the existence of the global infrastructures in the form of the Bratton-woods institutions, the international organisations and other global financial and trade infrastructures. These are the common goods of the world that have been taken for granted. We must admit that we too have benefitted from all these institutions as “global common goods”.

But we also must realise that along the way to our current prosperity we have put tremendous strains and pressure on this global financial institutions, and have created a lot of structural imbalances to the global system. It is time for us to contribute to the search for the solutions to these intractable structural imbalances that we have, unintentionally for sure, but we have helped cause.

Excellencies, Ladies and Gentlemen,

The real measure of our success here in East Asia is how much we can help reform those global institutions, international regimes, global arrangements for the sustainable growth for the entire global community in the future.

The purpose of this CEO Summit is not just to get Asia or East Asia out of the current crisis. I hope that you will accept the challenge that together we must seek our rightful place in the global arena with responsibility and confidence, and we must ensure that the next round of growth will not only be beneficial to a few of us but broad-based and equitable to all. We are in urgent need of a new world economic order with effective framework and institutions to maintain and promote it in a free, fair and equitable for all. Together we in East Asia have a contribution to make. That is my final message to you all.

For such is the challenge worthy of this ASEAN-Korea CEO Summit, Commemorating our 20th Anniversary of Dialogue Partnership.

Thank you very much.