

Comments and Opinions

Asia's Delicate Balancing Act in Globalization

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This Friday, leaders of the Group of 20 economies will meet in Pittsburgh, in the United States, to reaffirm their commitment to economic stimulus and begin forging a new global financial regulatory framework.

This summit is critical. It passes the baton from the frenetic bailout emergency response phase of the crisis to one that must rebuild global confidence in the international financial firmament. The G-20 must not only continue to plot a course to a hoped-for worldwide recovery, but try to decipher what needs to be done to prevent this happening again.

To us in Asia, the problem is that the talks largely remain the industrial world's agenda. Developing countries cannot afford to have their destiny shunted aside in favour of the interests of industrialised countries. Emerging economies of the developing world must be allowed to speak frankly on their increasingly pivotal role in keeping the global economy growing. Their voices must not only be heard, but most importantly, they must play a major part in defining the reform process.

From Asia's perspective, the crisis was a kind of slap in the face. It showed that developing Asia went too far in pursuing globalisation - and too fast. In its rush to recover from the devastation of the 1997-98 Asian financial crisis, our region slipped into an over-reliance on external, extra-regional demand.

To protect itself against future crises, developing Asia used export-driven growth to boost savings - via foreign exchange reserves. This also contributed to the global payments imbalance. In our rush to become global, we actually increased the region's vulnerability to a global downturn. The more open our economies were, the harder they were hit.

Does that mean Asia should turn away from globalisation? Far from it: Asia must continue to embrace globalisation. It has helped the region give its people more than just greater income and better living standards. It has reduced poverty to unprecedented levels.

But Asia has embraced globalisation with a fervour that has left it unbalanced. Our challenge is to broaden the scope and structure of our economic openness, and reassess the speed at which we open our arms to globalisation.

Asia's openness must be broadened in a way that also fortifies economic links between ourselves. To avoid vulnerability to extra-regional demand cycles, we must solidify our own regional demand for the products we produce, including those we export outside Asia. That will provide a buffer to external shocks.

We need a balance - a delicate balance - to foster a regionally integrated, yet globally connected Asia. This is as true for products and trade as it for capital and the movement of workers, whether labourers or professionals.

We need to balance external with domestic demand as drivers of growth. We need to balance trade with the world and trade within Asia. We need to balance the gift of our labour abroad with what we receive in remittances.

It is indeed a delicate balancing act. The Asian financial crisis and the current global economic crisis both clearly showed the risks attendant on excessive and unbalanced openness. Our integration and openness must be matched by well-entrenched institutions and regulatory systems.

The potential benefits from broader globalisation are enormous. Asia is now leading the world out of this crisis. In a new report - the Asian Development Outlook 2009 Update - the Asian Development Bank forecasts that developing Asia will contribute more than 75 per cent to world economic growth this year.

That is an amazing figure. And in the years to come, Asia's global footprint will become even more pronounced. Broader globalisation will help Asia reap rewards while minimising economic distortions.

The good news is that this growth model need not come at the expense of ties with industrial economies. As we learnt from the European Union and North American Free Trade Agreement, there is no reason why vibrant international trade cannot coexist with vibrant intra-regional trade.

Balanced openness and globalisation is key to the world's future economic growth. But Asia cannot do this alone. Successfully managing globalisation calls for cooperation between advanced and developing countries.

We must work together to keep the flow of global trade, financial assets and human resources stable. Protectionism in trade, capital and labour must fall by the wayside. Promoting regional integration in a global context must be brought centre stage. With that, Asia can take its rightful place as we restructure the global economy for the benefit of all.

Emerging economies of the developing world must be allowed to speak frankly on their increasingly pivotal role in keeping the global economy growing. Their voices must not only be heard, but most importantly, they must play a major part in defining the reform process.

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