

# Economic Recovery & Growth in Asia & the Pacific

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# Summary

**Recovery in Asia Pacific**

**Sustaining the recovery**

**Unbalance in the Asia Pacific Economy**

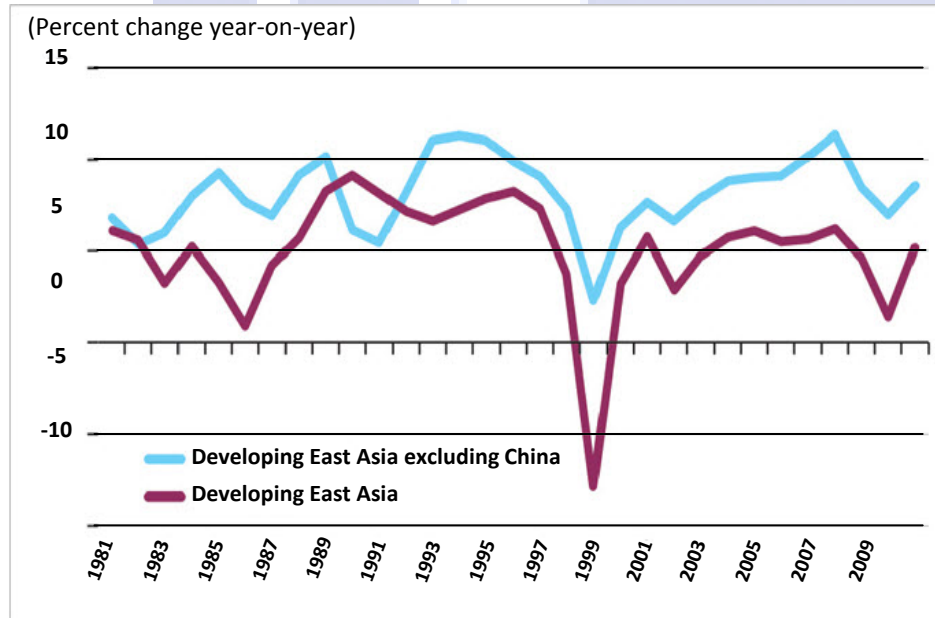
**Factors hindering restructuring/rebalancing**

**Restructuring of the Asia Pacific Economy**

**Conclusion**

# The recovery in Asia Pacific economies since 2009 has been strong

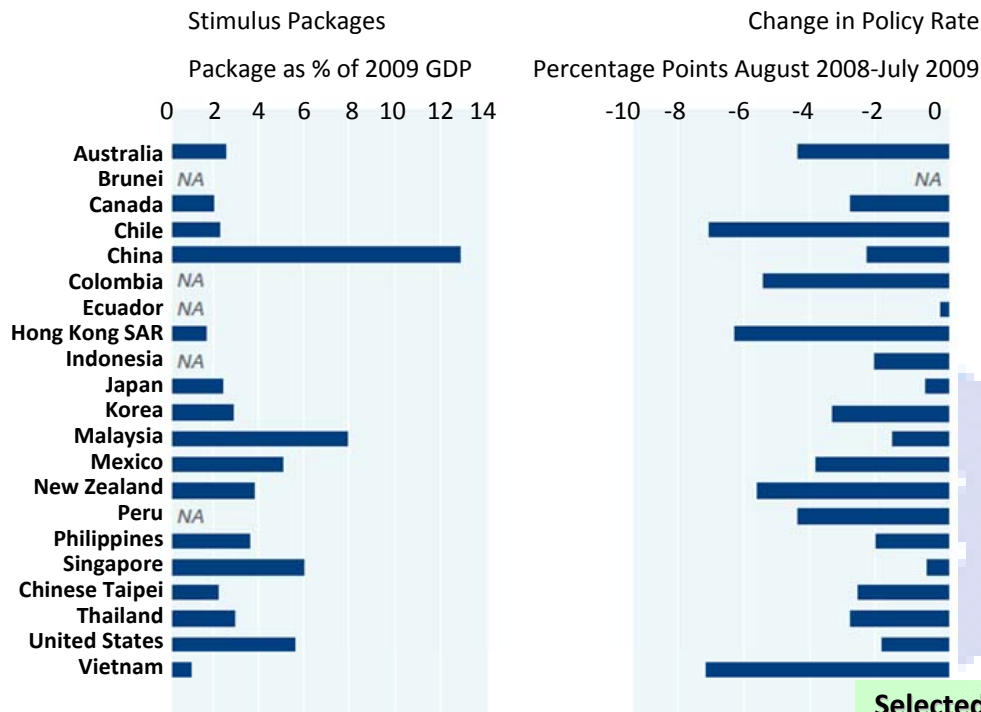
Real GDP has rebounded fast for East Asia



Sources: CEIC and World Bank staff calculations



## Recovery in Asia Pacific

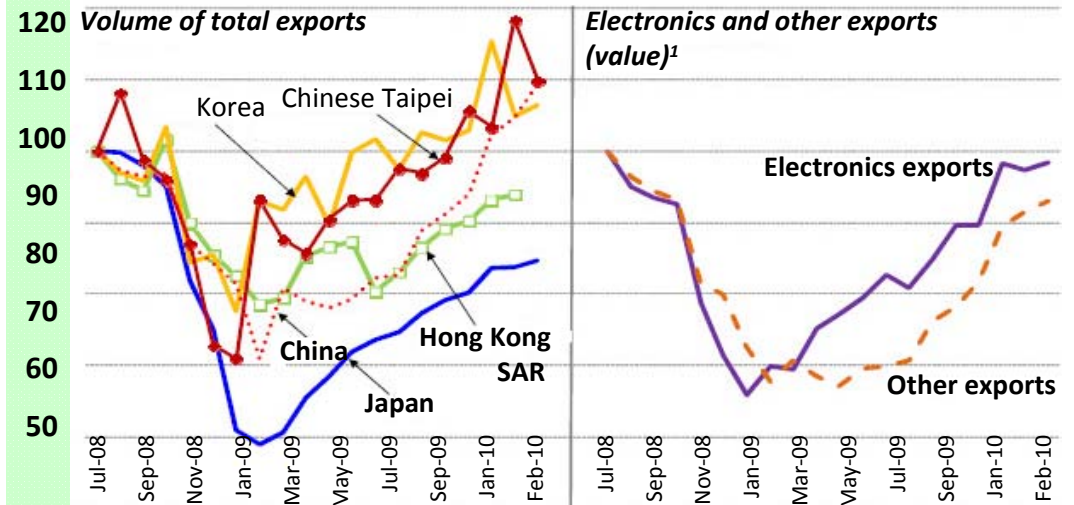


Economic Recovery is contributed to some extent by discretionary stimulus

But it is contributed more by strong export growth driven mainly by recovery in the US

### Selected Asia: Exports

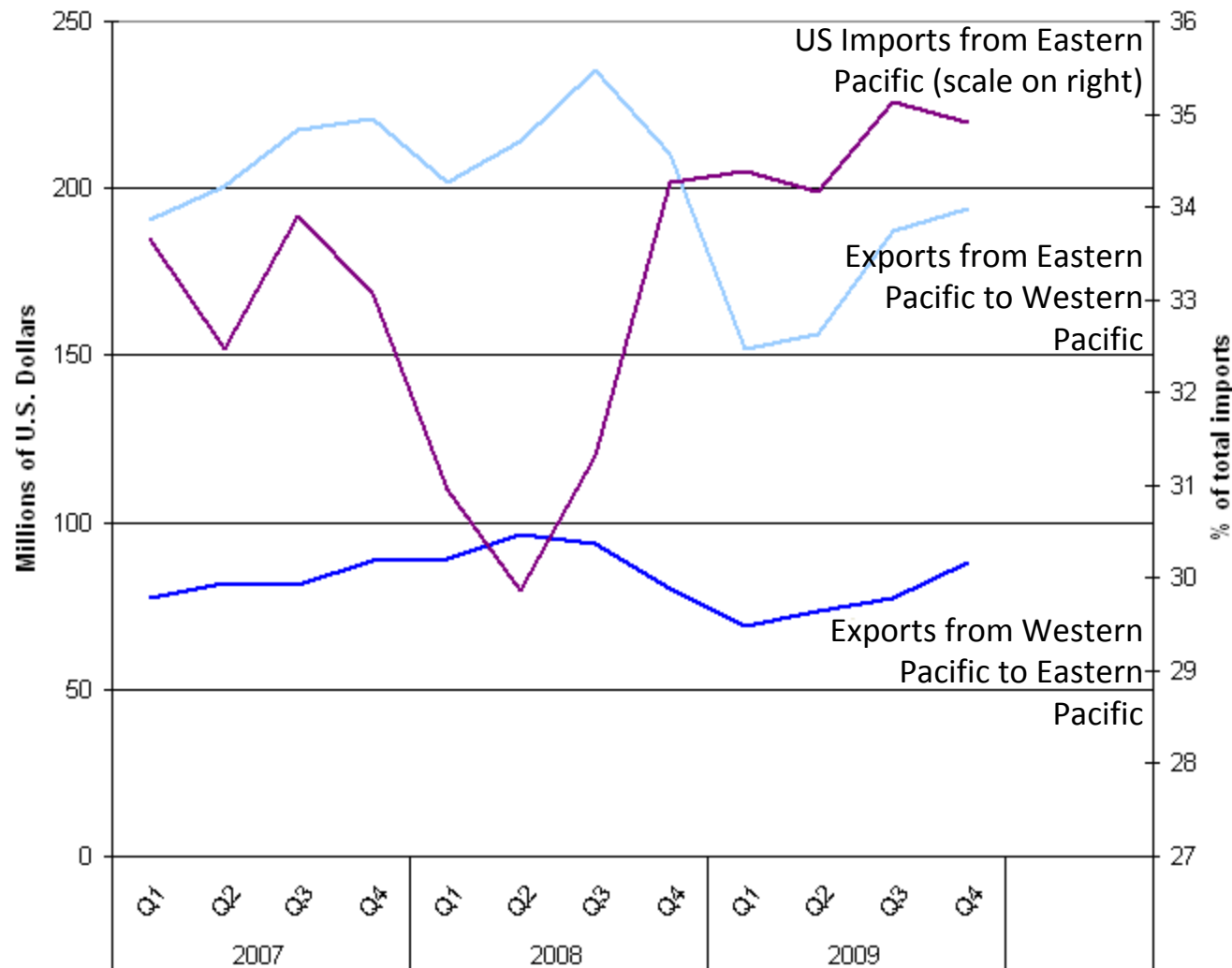
(July 2008 – 100; seasonally adjusted)



Sources: CEIC and IMF

<sup>1</sup> Includes China, Japan, Malaysia, NIEs, the Philippines and Thailand

# Recovery in the US boosts demand for East Asia's exports



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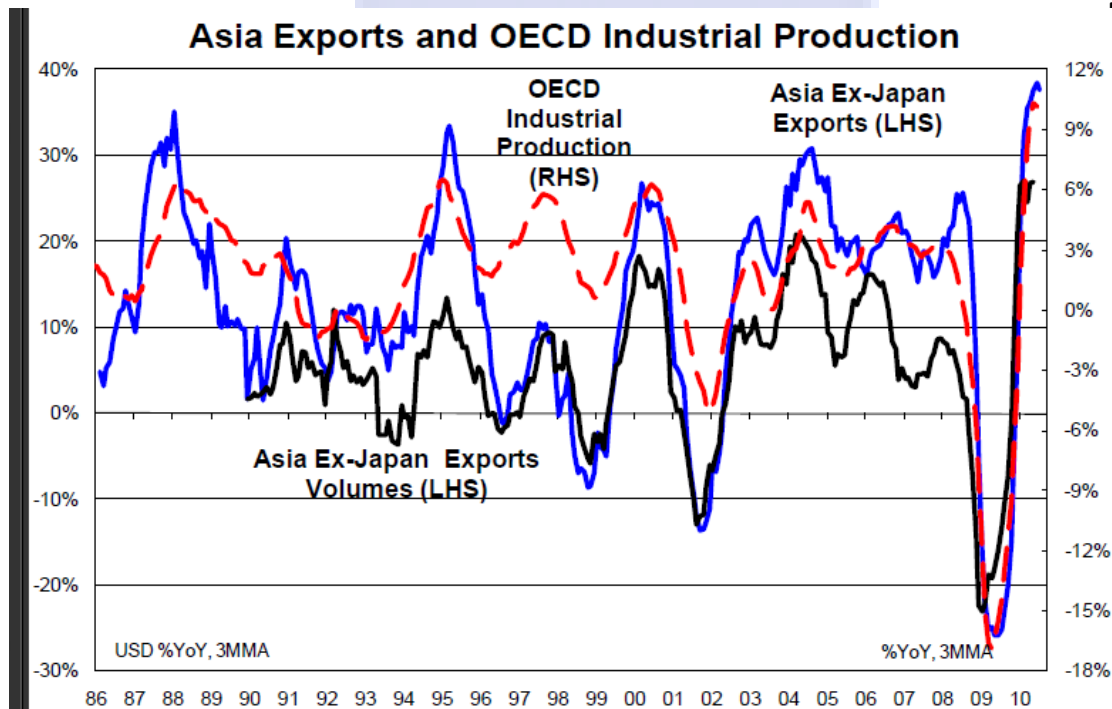
**Conclusion**

# Unbalance between East Asia and the West

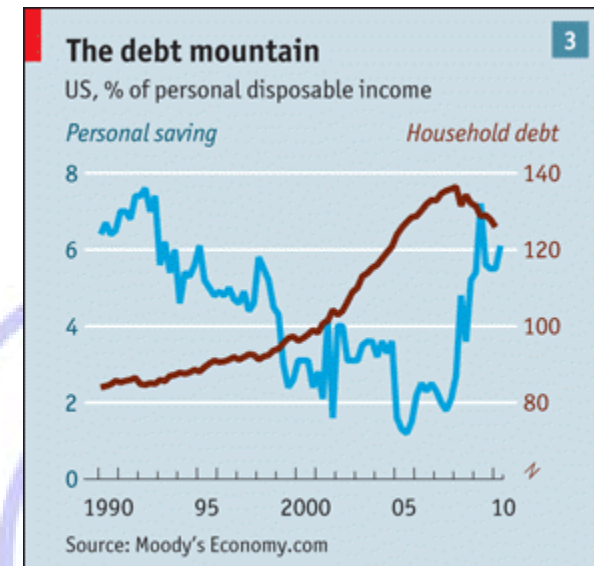
for the last 10 years

	High	Low
East Asia	<ul style="list-style-type: none"><li>● Reliance on exports</li><li>● Supplying the western pacific, particularly US</li><li>● Savings</li></ul>	<ul style="list-style-type: none"><li>● Income and purchasing power</li><li>● Consumption spending</li><li>● Productivity</li></ul>
West Pacific (especially US)	<ul style="list-style-type: none"><li>● Consumption spending</li><li>● Borrowings</li><li>● Imports, especially from China</li></ul>	<ul style="list-style-type: none"><li>● Investment</li><li>● Production</li><li>● Exports</li><li>● Savings</li></ul>

# Decoupling has not taken place



Prior to crisis, US has been growing driven by high consumption spending and low saving



With the absence of decoupling, Asia will need to grow faster than the western pacific in order to be able to consume more and to sustain world growth. This is particularly important for Asian economies which have saved excessively over the last decade



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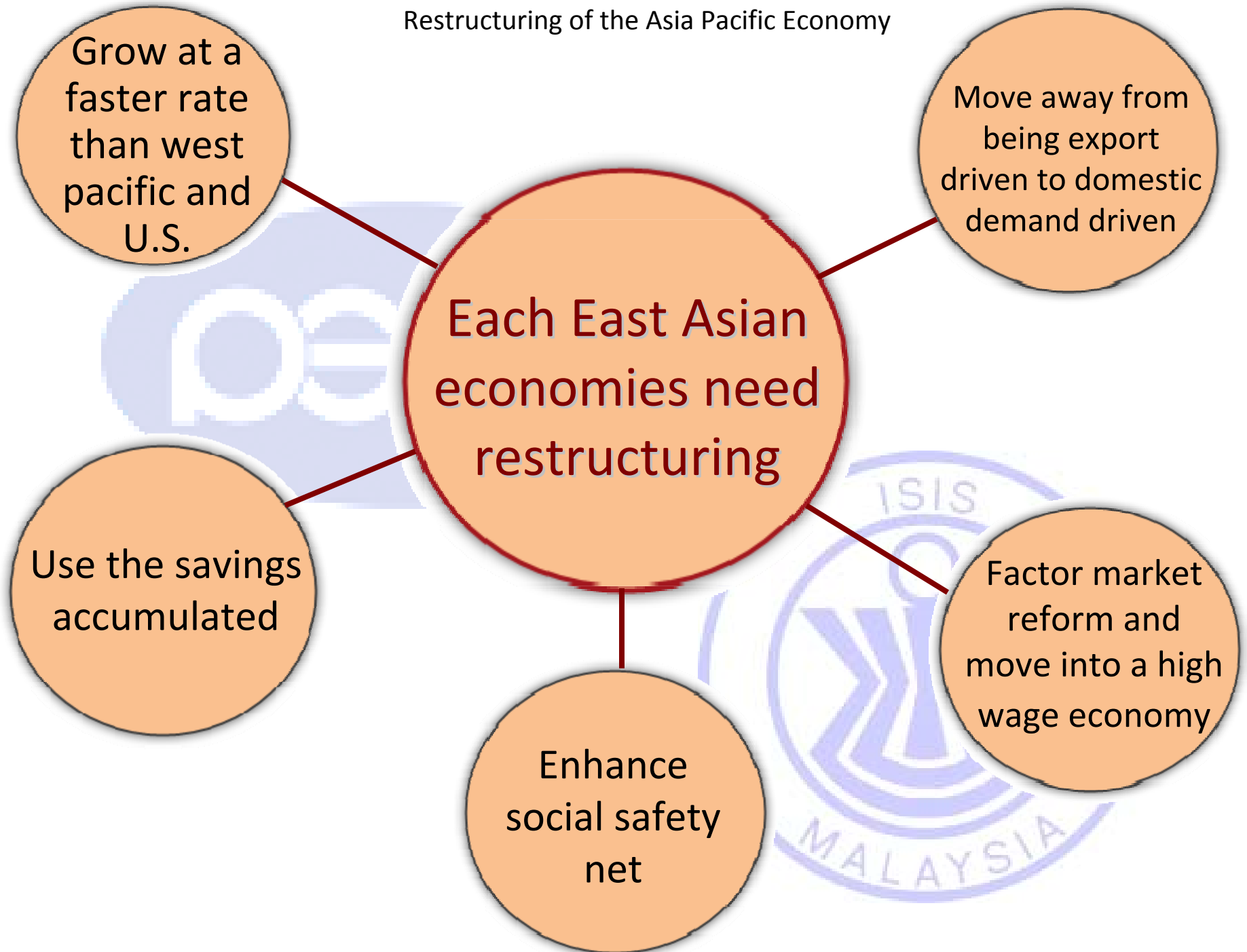
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# Asia Pacific Needs to Restructure

	Growth Potential	Trade	Investment
East Asia	High Growth	Engage in trade in final goods and not entirely to supply the US	Step up private investment domestically
West Pacific (especially US)	Low growth for a long time	Export more actively to east Asia	Invest in East Asia both short term (i.e stock market) and the real sector (infrastructure building etc.)

**Conclusion:** East Asia has the potential to be a high growth region and become the world's growth pillar

## Restructuring of the Asia Pacific Economy



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# Sustaining the recovery requires carefully calibrated macro policies

- Exchange rate policies, at economies' individual pace and circumstances
- Coordinated structural change policies such as reducing distortions in factor market and increasing labour market mobility
- Increase productivity to raise income in East Asia and to stimulate exports in the West
- Establish and increase confidence that recovery is sustainable

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# Restructuring is challenging, and imbalances will not disappear rapidly

Uncertainty over  
exchange rate

Possibility of a  
double dip in the  
U.S.

Prospects of China

Low income  
causing inability to  
immediately switch  
to domestic  
consumption

Low purchasing  
power

Lack of social safety  
net which induces  
precautionary  
savings

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# Conclusion

- The global crisis has highlighted global imbalances
- With uncertainty in US and European economies, reliance on export-led growth is not sustainable
- Sustained recovery requires a concerted approach to restructuring and correcting imbalances
- Restructuring of Asia Pacific is not only hampered by currency, and there should also be focus on structural reforms to spur domestic demand and to improve productivity
- Confusion over the definition of rebalancing perhaps causes hesitation among economies to shift away from being export-led
- Can Japan or China lead other East Asian economies to strengthen region-wide support for restructuring?



Thank You

