



ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND THE PACIFIC

Sixty-fifth session
23-29 April 2009
Bangkok

**ADDRESSING THREATS TO DEVELOPMENT: KEY CHALLENGES TO
INCLUSIVE AND SUSTAINABLE ECONOMIC AND SOCIAL
DEVELOPMENT IN THE ASIA-PACIFIC REGION: ADDRESSING THE
FINANCIAL CRISIS AND ITS CONVERGENCE WITH OTHER THREATS
TO DEVELOPMENT: TOWARDS A STABLE AND SUPPORTIVE
FINANCIAL SYSTEM FOR DEVELOPMENT**

(Agenda item 9 (a))

Draft report

Summary of messages from the High-level Panel on the Economic Crisis

1. The High-level Panel on the Economic Crisis, which was held during the sixty-fifth session of the Commission, provided a comparative perspective of the impacts of the economic crisis in various regions, discussed policy responses and assessed future directions for policy action. The Executive Secretary of ESCAP, Ms. Noeleen Heyzer, provided introductory remarks, highlighting the salient features of the impact of and responses to the economic crisis in the Asia-Pacific region, and served as moderator of the panel. The panellists were:

H.E. Mr. Kim Jong-hoon, Minister for Trade of the Republic of Korea and Chairperson of the sixty-fourth session of the Commission

Mr. Abdoulie Janneh, Executive Secretary of the Economic Commission for Africa (ECA)

Mr. Jan Kubis, Executive Secretary of the Economic Commission for Europe (ECE)

Mr. Ajay Chhibber, Assistant Administrator and Director, Regional Bureau for Asia and the Pacific, UNDP (recorded video message)

Mr. Martin Khor, Executive Director of the South Centre

2. Ms. Heyzer remarked that the outcome of the deliberations would not only benefit the current session of the Commission but would also feed into a United Nations high-level conference in early June, as well as the ECOSOC and General Assembly deliberations later in the year. The Executive Secretary underlined the fact that the wide-ranging regulatory reforms that had been enacted since 1997 and conservative macroeconomic management had enhanced the region's resilience to the crisis and subsequently enabled its policymakers to implement aggressive expansionary fiscal and monetary policies. Consequently, the region's developing economies were projected to grow by 3 per cent in 2009. Despite that capacity to respond, exports had plummeted by figures in the double digits and as many as 23 million people—particularly young women employed in the export-oriented manufacturing sector—risked losing their jobs; millions more would experience rising income insecurity. There was a need to strengthen regional macroeconomic policy coordination and deepen economic integration to mitigate the impact of the economic crisis and reignite the engines of regional and global economic growth. Looking towards the future, the current crisis had provided the region with a window of opportunity for addressing longer-term issues, such as the energy crisis, food security and climate change, and had emphasized the need for laying the economic and social foundations for a more inclusive and sustainable development path.

3. H.E. Mr. Kim Jong-hoon shared the experiences of the Republic of Korea in dealing with the crisis, while noting that views differed on whether the global recession was deepening or whether it had bottomed out. He also commented on the outcomes of the G-20 London Summit held at the beginning of April 2009, noting in particular that agreement had been reached on stepping up financial regulatory systems, increasing financing support and establishing the Financial Stability Board by expanding the membership of the previous Financial Stability Forum. He further emphasized the need to avoid protectionist pressures in the implementation of fiscal stimulus packages and stressed that the conclusion of the WTO Doha Round was the best means of resisting protectionism. He noted the expanded role of the United Nations in establishing a monitoring mechanism to track and enhance the understanding of the impact of the economic crisis on the poor and vulnerable, and he was of the view that ESCAP could play an important role in that regard.

4. Mr. Abdoulie Janneh noted that, although Africa had a lower level of financial integration with the rest of the world than other regions, it was also severely affected by the global crisis. Africa had suffered from drastic drops in commodity prices and cuts in foreign direct investment and remittances, putting severe pressure on balances of payments and increasing the income and food insecurity of people, with potentially huge ramifications for social and political stability. In that context, he emphasized the urgent need for developed countries to keep their overseas development assistance commitments to Africa.

5. Mr. Jan Kubis noted that the current crisis, the worst suffered by Europe since the Second World War, had had particularly severe effects on the region's emerging economies. He underlined the interdependencies among countries, be they developed or developing, while expressing concern that more decisive policy actions to restore the health of financial institutions in developed countries of the region had not yet materialized. He stressed that, without such actions, the prospects for the economic recovery of the whole region would be dim.

6. Mr. Chhibber noted that the decisions policymakers in the region took at the current juncture in time would have an important impact on prospects for the region's recovery from the crisis and the future of an Asia-Pacific century. He cautioned that important macroeconomic imbalances, which were at the root of the crisis, were not

being addressed by stimulus packages thus far. In particular, he argued that the situation of over-consumption in the United States of America and Europe and over-saving in the Asia-Pacific region needed to be rebalanced by enhancing the coverage of social protection and improving the functioning of social safety nets in the region.

7. Mr. Khor discussed the role of finance and trade in the transmission of the crisis to the Asia-Pacific region and expressed concern about the current system's reliance on the United States dollar as a single reserve currency. In particular, he noted the need for the region to evolve a stronger position on a new international reserve system. He urged countries in the region to learn the necessary lessons from the current episode and to consider the need for enhanced regulation of capital flows into the region, for financial markets to foster financial stability and to avoid activities driven by speculation, and for the reform of the international financial architecture.