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The Emerging Pacific Asian Economies[1] and the Financial Crisis

The emerging Pacific Asian economies are clearly not immune to the current international financial crisis. All the major economies remain heavily dependent on Foreign Direct Investment (FDI) and export earnings, particularly from the USA. The vulnerability of the Pacific Asia economies is reflected in the behaviour of the regional stock markets, the sharp declines in key growth indicators during 2008 and the progressive down-grading of projections for 2009. Particular concerns centre on the sharp contractions of growth in China and Japan whose economies have become the principle drivers of regional growth and integration, and key links between Pacific Asia, the West and the rest of the global system. The close economic integration that has come to characterise Pacific Asia means that recession and economic crisis in one economy tends to be rapidly transmitted throughout the region. This was most clearly demonstrated during the 1997 crisis and its aftermath.

The 1997 crisis left an indelible impression on Pacific Asia's policy makers. While the causes and lessons of the crisis remain much debated, for the major Pacific Asia economies the fear that it could happen again has engendered developments that have left them much better placed to face a major crisis than they were in 1997. Indeed, it may be that many of the Pacific Asian economies are better placed to weather the current financial storms than the West, and perhaps, any other part of the global system.

Lessons of 1997

After several decades of principally trade driven growth the Pacific Asia economies received a traumatic shock in 1997 when financial crisis brought the Asian Miracle to an abrupt halt. The severity of the crisis necessitated the most seriously affected economies, Indonesia, South Korea and Thailand appealing to the IMF for major financial assistance. There seems to have been a general expectation amongst the Pacific Asia governments that the IMF would attach comparatively low key conditions to the loans and that further assistance would come from the USA. In the event, the USA provided no assistance and backed the strict conditions that the IMF attached to the rescue packages.[2] These conditions contrast sharply with comparatively generous and gentle treatment by the Bretton Woods institutions that the Pacific Asia economies had previously enjoyed. This had been particularly evident during the crises of the early 1980s (Dixon, 1995: 213-216). Thus, in 1997 for many in Pacific Asia there was a perception of having been badly let down, even humiliated and exploited, by the West and the international agencies. The IMF was widely regarded as misreading, mishandling and even deepening the crisis. Not least, by insisting on the closure of troubled financial institutions and corporations. In addition, the prominence given to liberalisation of ownership in the IMF conditionalities led to accusations that this was serving the interests of international business rather than those of the Pacific Asia economies. While this should perhaps be seen as a coincidence of interest rather than a conspiracy (Wade and Veneroso, 1998: 11-12), the response of the Bretton Woods institutions and the USA to the crisis brought home to the South East Asian economies that the privileged position that they had enjoyed during the Cold War had ended:

> 'The Pacific Asia economies received a traumatic shock in 1997 when financial crisis brought the Asian Miracle to an abrupt halt'

'With the end of the Cold War the world had been made safe for capitalism. Under this situation and American sensitivities change and there were demands for free access to the Asian economies. Almost overnight the Asian economies ceased to be the showpiece of capitalism in the Third World and became directly at odds with American (in particular) interests and ideology.' (Chang Noi ('Don't write off the Asian economic model just yet', The Nation, 19 August 1998: A5)

In sum, the 1997 crisis fundamentally altered the relationship between Pacific Asia and the USA. Additionally, Japan lost considerable standing in Pacific Asia for not speaking loudly enough for the region and capitulating to the wishes of Washington and the IMF. In contrast, China's holding of the value of its currency and outspoken criticism of the IMF gained significant and lasting credit.[3] While the IMF seemed to loose all credibility within the region.

Almost all commentators followed the Western line that the crisis was entirely a product of domestic shortcomings and an inability to adjust to changed external circumstances with respect to currency values and, more generally, of an increasingly liberalised and globalised world. It is difficult to deny that there were (and in many cases still are) areas of domestic regulation, corporate governance and banking practices that needed reform and more robust regulatory systems. Indeed, these views were generally accepted within Pacific Asia, particularly by the governments of the most seriously affected economies. However, there was a general resistance to the idea that Pacific Asia should rapidly Westernise its economic systems as whole, and open fully to trade, investment and foreign ownership. Particular exception was taken to the implications that this was necessary because the various Asian 'ways' had failed, and fatally undermined the region's long-standing miracle growth.

Pinning the blame for the crisis on domestic shortcomings tended to divert attention from the operation of the global financial system. Since the late-1980s this increasingly liberalised system has shown marked tendencies to volatility and national crisis. In Pacific Asia the experience of 1997 brought home to policy makers the vulnerability of their region and the ineffectiveness of the Bretton Woods System (BWS) in preventing or addressing crises (Sakakibara 2003: 232). This awareness has led to some significant national and regional policy developments.

Policies since 1997

The crisis and its immediate aftermath raised serious issues over the economic policies of the Pacific Asian economies. Particularly in the most seriously affected countries, there was questioning of the wisdom of open economies, trade and foreign investment-led growth, and regional integration. Nationalist economic rhetoric came to the fore in Malaysia and Thailand, though only in the former did this translate into any major policy shift with the re-imposition of capital controls. More generally, countries began to focus on self-insurance against further national, regional or global crisis, and the need to appeal to the IMF for emergency funding. While there has been considerable variation in the sequencing, intensity and effectiveness of policies, there have been some important common features. Most significantly, there has been emphasis on trade promotion, management of currencies to maintaining stability and competitiveness, the accumulation of central bank reserves, the expansion of welfare programmes, a degree of regulatory reform, and the expansion of domestic consumption and investment.

Currency management

Since 1997 the successful economies have been able to keep their currencies undervalued and stable, a process eased by low domestic inflation.[4] This contrasts sharply with the pre-1997 situation when for a number of Pacific Asia economies, the failure to adjust currency values as the US dollar (to which their currencies were closely linked) appreciated. The resultant loss of competitiveness was a major factor in the sharp contraction of export markets in the immediate pre-crisis period.

Collignon (2008) has been termed the post-1997 Pacific Asian management of exchange rates 'monetary mercantilism' and sees it as the key to the expansion of exports and FDI inflows, and facilitating regional trade integration. However, there are down sides to these policies. Most obviously, the tensions with major trading partners who have accused the Pacific Asia countries of unfair trading practices, and threatening to impose retaliatory tariffs. This has been most clearly the case between China and the USA. Perhaps much more significant, is the impact on the development of domestic financial sectors and the implications for generally financial stability.

Collignon (2008) has argued that while monetary mercantilism develops the real economy it also gives rise to shallow, incomplete, and fragile financial markets, which renders the economy vulnerable to financial crisis. This reflects the manner in which domestic needs, including government borrowing, can be financed through current account surpluses and reserves (see below). There is, for example, little development of domestic fixed rate bond markets. In addition, surplus funds tend to be held in US dollars, again diminishing the development of money markets involving the domestic currency. This situation could leave Pacific Asian economies extremely vulnerable as governments attempt to spend their way out of the crises and current account surpluses decline or even move into deficit.

Central bank reserves

The successful management of exchange rates has been a major factor in the generation of large current account surpluses. These have facilitated the rapid expansion of central bank reserves, often under far from optimum trading conditions. Since 1997 the successful Pacific Asian economies have sought to accumulate reserves as self-insurance against major economic crises. Attention has focused on the spectacular rise of Chinese reserves. Between 1996 and 2008 these rose by a factor of 16.4, an increase in global share from 6.4% to 24.4%. However, of the top 13 holders of reserves in 2008, 7 were in Pacific Asia, with the region's major economies accounting for 54.0% of the global total. Since 1997, all the major economies have significantly increased the size of their reserves and the number of months of imports that they represent (see Tables 1 and 2). These reserves provide a major cushion against the present crisis and a source of substantial funds for economic stimulation and, if necessary, bank recapitalisation, rescue packages and debt write-downs. However, before the present crisis the accumulation of reserves was widely criticised as 'too much insurance' (Yuko Hashimoto 2008).[5] In the case of South Korea, Bowring (2008) described as 'ridiculous' a situation where the currency was kept undervalued in order to accumulate large reserves in order to defend the under-valuation of the currency.

Regional integration

In the immediate aftermath of the 1997 crisis, the close trade, investment and value chain linkages that had characterised Pacific Asia were seen as its Achilles heel by many commentators and the region's politicians and policy makers. There was in particular, some serious reconsideration of the wisdom of the full establishment of the AFTA (ASEAN Free Trade Area) and there were significant attempts to expand trade with the rest of the world, notably through proliferation of BLTs (Bi-lateral Treaties). The result was a slight decline in intra-regional trade, before recovering to 1996 levels by 2002, in the wake of a general (but not full – see Booth 2009; Dixon 2009) economic recovery. Subsequently, while there remain considerable tensions between domestic and regional objectives, the development of regional, trade, investment and value chains have become a major feature of governmental policy in Pacific Asia. There has been renewed interest in the development of ASEAN and a proliferation of regional trade agreements[6]. These include a 'noodle bowl' of BLTs, ASEAN+3 (China, Japan and South Korea) and the ASEAN-China FTA.[7] More significantly, there has been general agreement over the need for a Pacific Asia regional institutional and regulatory framework. This is seen as critical to deepening of regional economic integration which has developed on

Table 1: Total reserves less gold (US$bn.)

	1996	2008
China	107.04	1,738.73 (April)
Japan	216.65	982.80
Taiwan	88.04	275.03 (January)
South Korea	34.04	200.43 declined from a first quarter peak of 294.17
Hong Kong	63.81	165.86
Singapore	76.96	165.68 declined from first quarter peak of 177.46
Thailand	37.73	104.09 declined from first quarter peak of 107.47
Malaysia	27.01	97.37 declined from second quarter peak of 125.48
Indonesia	18.25	48.02 declined from first quarter peak of 57.02
Philippines	10.03	33.02
Vietnam	1.74	23.82 (October) declined from first quarter peak of 26.44
TOTAL	681.30	3,834.85

Note: 1996 is end of year and 2008 is November unless other wise stated.
Source: IMF *International Financial Statistics*, Washington, various years

Table 2: Months of imports that the reserves could finance

	1996	2008
China	9.8	20.3
Japan	31.2	16.7
Taiwan	10.6	12.7
South Korea	2.8	9
Hong Kong	4.1	5
Singapore	7.4	7.7
Thailand	7.1	8.2
Malaysia	4.4	8.1
Indonesia	4.9	7.7
Philippines	3.8	6.3
Vietnam	2	4.8

Source: Calculated from IMF *International Financial Statistics*, Washington, various years a largely informal basis to a level second only to that of the EU.[8]

The increasing proportion of trade and investment flows that are taking place within the Pacific Asian region are seen as providing a degree of insulation from events in the wider global economy. These intra-regional flows involve increasingly complex value chains, which take advantage of cost, skill, technology and regulatory differentials. Thus, intra-regional trade flows have come increasingly to comprise components and part finished goods. However, these intra-regional value chains are closely connected to extra-regional trade, particular through China. As China looses export markets, intra-regional flows will decline sharply, thus proving less effective insulators from declines in Western markets than their high level might suggest.

There is a concern that the development of an integrated regional production system has been a remarkably effective generator of growth and stability while markets are expanding, but it may make the economies involved extremely vulnerable when markets contract. There is here a basic contradiction in the Pacific Asia form of informal regionalisation and a strong argument for the development of regional structures and regulations, not least with respect to finance.[9]

Regional financial structures and cooperation

In the wake of the 1997 crisis a general consensus emerged over the need for Pacific Asian financial structures that would provide regional financial safety nets, greater independence from Western money markets and the BWS (Dieter, 2006: 5). Positions that have been reinforced by the lack of progress in reforming the BWS, Pacific Asia's limited voice in the protracted discussions over reform, and the memory of the blocking of attempts to establish an Asian Monetary Fund (AMF) in 1997.[10]

While there is agreement over the need for regional monetary and financial structures, there is still limited consensus over their exact form. There are significant differences of opinion over management, operation, monitoring, linkages (if any with Washington and the IMF).[11] Many of these problems reflect questions of regional leadership and on-going Chinese-Japanese rivalry (on this see Dieter 2006:19). Despite these problems, some very significant activity has taken place, starting with the Chiang Mai Initiative (CMI) in 2000. This was aimed at creating a regional liquidity reserve through bi-lateral currency swaps involving the ASEAN + 3 group (China, Japan and South Korea). This has been accompanied by a variety of monitoring and surveillance measures, particular short-terms financial flows, the development of the regional bond market and co-operation over exchange rates. More generally, the region's bankers have began to exchange views and co-operate, something that did not happen before the 1997 crisis.

The funds involved in the Chiang Mai Initiative have been steadily increased, from and initial US$200m. to US$71.5bn in 2006. In October 2008 agreement was reached[12] over converting the bilateral arrangements into an US$80bn. multilateral fund. At the February 22-23 meeting of finance ministers held in Thailand, this fund was extended to US$120bn. (the amount required during the 1997-8 crisis), with the prospect of a further extension to the equivalent of 10% of the region's central bank reserves (this would make some US$383bn. available). These recent developments owe much to the current international crisis which is focusing attention on the need to get a workable regional financial system in place. The crisis may also stimulate progress in the wider discussions over links with India and, in the longer run, focus attention on some form of currency union. It may be that the first step towards the latter will be at the sub-regional level with the proposed Greater China Currency Union involving China, Hong Kong, Taiwan and, possibly, Singapore.[13]

Welfare

Since the 1997 crisis there has been some significant expansion of welfare systems in Pacific Asia. (Ramesh 2004; 2002). While there had been some development since the early 1990s, provision remained limited outside of Japan and Singapore.[14] Post-1997 developments initially reflected the need to cope with the immediate distress resulting from the crisis, not least in order to maintain political legitimacy. However, in the longer run the promotion of welfare became part of the broader moves towards self-insurance against further crisis, and an important component of the promotion of domestic buying power and lessening of dependence on export markets. This was particular evident in Thailand, following the election of the Taksin Shinawatra government in 2001, but there have also been major expansions of provision in Malaysia, Taiwan and South Korea, and most recently, China (see under Policies in the Face of the Crisis). These developments also have to be seen in the context of major (though regionally extremely variable in extent and impact) long-term investment in health, education, training, poverty reduction and income distribution. While the investment in 'human capital' has played a significant role in the expansion of incomes and buying power, the economies remain significantly 'two tier'. There is significant segmentation, particularly with respect to welfare, protection of employment minimum wage levels and general working conditions. Full access to these tends to be closely associated with employment in large private, state and foreign companies. In

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contrast, there are large informal / subcontracted / workshop sectors that fall outside all or most provisions. In these sectors much employment, particularly in the context of economic shocks, is maintained or rapidly re-established with little cost to the state or employers because of avoidance of the labour codes. Expansion of employment protection and welfare into these areas could significantly reduce this flexibility, however desirable and beneficial in other ways such developments might be.

The spreading of welfare and employment protection may provide important resilience in the face of adverse trading conditions, not least by maintaining social cohesion, stability and the legitimacy of the government. However, welfare expenditure is also an extremely effective means of increasing both public and private consumption. In a number of cases such welfare-led promotion of consumption has been closely linked with poverty reduction measures and the direct injections of buying power into communities, for example through the Thai Village Fund.

Reform of regulation

Since 1997 there has in all the major Pacific Asia economies been general, if slow reform of corporate governance and financial regulation. This is particularly the case in the banking and financial sectors, with changes in such key areas as equity-debt ratios towards Western norms[15] and much tighter central bank regulation. There has perhaps been a tendency to under-report the extent of reform in the latter, particularly outside of Pacific Asia.[16] However, there has been far from the wholesale change of the sort advocated by the IMF. Banks remain closely linked to the state and corporations with limited internationalisation of their activities or foreign ownership. In general, long-term relationships between banks and corporations, reinforced by high levels of social capital continue to characterise the Pacific Asian economies. For many, these relations are at the heart of the region's success, giving as they do more secure credit lines and the ability to raise large amounts of capital at short notice (Jang-Sup Sin, 2002: 18, 31; Jang-Sup Sin; Woo-Cummings 2001: 2)[17].

Policies in the face of the crisis

As the World Bank (December 2008) has noted, the major Pacific Asia economies responded rapidly to the current crisis. The lessons of the slow and uncertain response in 1997 of such economies as Thailand, compared to that of Singapore, had not been forgotten. Though it should be stressed, that in general the successful Pacific Asia economies have significant state capacity for policy formulation and implementation. That is not to say that they have always selected correct policies or modes of implication. This was amply demonstrated in 1997 and the immediate pre-crisis period, and in the varied success of the economic stimulation and reform programmes that characterised Pacific Asia during the 1998-2001 period.

It can be argued that most of the major Pacific Asia states have the capacity to respond effectively to the current crisis. While the accumulated reserves provide the necessary funds as well as giving a significant 'cushion' against falls in export earnings. All the major Pacific Asia economies have implemented programmes aimed at injecting growth and domestic consumption, though none have had to launch major rescue packages for their banking and financial sectors. This reflects the dominance of 'narrow', domestically oriented banking, a general improvement in regulation and practice since 1997, and (particularly compared to 1997) low levels of foreign short-term debt. However, with the exception of Singapore, the Pacific Asia banking systems have high levels of non-performing loans (NPLs), this despite major public funded debt reduction programmes, such as those operating through Thailand's Financial Restructuring Authority (FRA) and Asset Management Corporation (AMC). It is certain that the levels of NPLs will rise sharply with continued falls in export earnings and pressure from governments to maintain lending and credit lines. Indeed, the Chinese government has made it clear that this is expected and provision has been made for major recapitalisations and debt write-downs (World Bank 2008).

Most attention has focused on Chinese policy responses to the current crisis, a reflection of both the speed, breadth and scale of the intervention, and the importance of the Chinese economy to the Pacific Asia and global economies.[18] Thus the sharp decline in Chinese growth from 9.1% in 2008 to a projected 5.5% in 2009 is a major cause of concern not just for China.[19] This projection is well below the 8% growth that is generally seen as necessary, not least by Chinese planners, to maintain employment and income levels. The increase in unemployment to 4.6% in December 2008 – almost certainly an underestimate and a thirty year high was a particular cause of concern (Deloitte 2009). However, it may be that the projection for 2009 is far too pessimistic given the stimulation measures that are being taken. In November 2008 China announced a series of stimulation packages for 2009-2010 which are likely to amount to US$589bn. – some 13% of GDP.[20] These included infrastructure, science and technology, health care, reduction of income inequality, direct injection of funds into rural communities, and general welfare programmes.[21] Some of these are part of longer-term programmes, such as the 2009-2011 US$394bn. expansion of welfare provision (China Daily, 5 March 2009), which have been front loaded as part of the stimulation package. Overall, the impact of all these measures on domestic consumption could raise Chinese growth by 3.6% for 2009, and that of South Korea and Taiwan by 0.9% and 1.2%, respectively, lifting the latter economy out of recession (Holland et al., 2009). Thus, successful stimulation of the Chinese economy may be expected to have a major impact on Pacific Asia as a whole. On the other hand, if the Chinese measures do not succeed, the implications for the rest of region are likely to be very serious. Encouragingly, the signs are that measures are having some significant impact with retail sales increasing by 20.8% in November and 19.9% in December, and bank lending rising by 16.0% in November to 19.0% in December (World Bank 2008). However, for China, as for the rest of Pacific Asia, we are still at an early stage of the working through of the impact of the crisis on export and investment regimes. A reflection that, unlike 1997, this crisis started in the West and spread to Pacific Asia and the rest of the global system.

China has made it clear that it is prepared to take further measures

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and increase expenditure as necessary.[22] The overall aim is to stimulate growth by replacing domestic consumption and investment for exports and FDI. There is here an attempt to reorient the Chinese economy towards domestically driven growth and reduce dependence on the rest of the global system, particular that outside of Pacific Asia. However, that is not to suggest that China is attempting at this stage to significantly 'de-link' its economy. China is also continuing to manage its currency to maintain competitiveness and has extended an already vigorous policy of export promotion. Key measures included reduction of export taxes to zero, increased access to credit for exporters and FDI, diplomatic and BLT initiatives aimed at opening and expanding markets, particularly Sub-Saharan Africa and South America.

Stimulation packages, continued currency management, export promotion, and the promotion of domestic consumption and investment can only provide partial replacement for the loss of export earnings and FDI, particularly in the short-term. In addition, large as they are, central bank reserves are finite, and as they are drawn on, the prospects of further major accumulation is limited under prevailing trading conditions. Thus, even China and Japan will be hard pressed if the recession proves both deep and protracted. Indeed, combinations of reduced current account surpluses and increased expenditure during 2008 reduced the reserves of Indonesia, Malaysia, Singapore, South Korea, Thailand and Vietnam (see Note 5).[23] However, it was for a situation such as the present crisis that the reserves were accumulated in the first place and there is the prospect of further assistance from the regional fund if necessary. The concern is not the exhaustion of reserves, but the failure of policies. This could lead to all, or most of, Pacific Asia sliding into a depression, almost certainly following the path of the rest of the global system.

There are other dangers for Pacific Asia that could have global repercussions. Over aggressive currency management and trade promotion could provoke retaliation by the

USA and spark the sort of trade and currency wars that characterised the 1930s. The drastic reduction in reserves that must result from their use and declining current account surpluses will reduce the scope for the purchases of US Treasury Bonds – hitherto the preferred destinations for Pacific Asia surpluses. This could impinge on American stimulation programmes and rebound on the Pacific Asia economies in terms of further reductions in imports.[24]

Domestically and regionally there are concerns over social cohesion, and political stability. The long-term stability of the Pacific Asia countries has been a major ingredient of their economic success. A particular feature has been the manner in which the varied state forms have dealt with the destabilising pressures of the pluralist tendencies that have flowed from economic and social change. A critical question is whether stability can be maintained in the face of a major and protracted recession. Particular concerns have been voiced over China and, in very different contexts, Indonesia and Thailand. Major instability in China resulting from rapid declines in employment and income is by far the greatest cause for concern in Pacific Asia (and, perhaps for the global system as a whole). It may be that whatever the achievements of the last 40 years, political and economic institutions may prove too shallow in much of Pacific Asia to survive major economic shocks. Indeed, political events that lead to a flight of capital are perhaps the most likely of the more pessimistic scenarios for the region's economies.

Conclusion

The present crisis is reinforcing the lessons of 1997 and focusing the Pacific Asia economies on the need to develop regional structures that will ensure a stable environment for trade and investment, effective financial markets, and aid in the prevention of financial crisis. Dieter (2006: 4) suggested that in the longer run the 1997 crisis has proved to be the most important factor for the advancement of Pacific Asia regionalism (Dieter 2006: 4). It may be that the current crisis proves to be an even more important stimulus towards an integrated, institutionally structured, more internally driven, and perhaps, China centred, regional system. It may be that a major consequence of the crisis will be a very significant enhancing of Pacific Asia global position.

The comparatively strong position of the Pacific Asian economies in the face of the present crisis, is serving to focus attention on their post 1997 policies and longer-term developmental forms. Advocacy of distinctive Pacific Asia state-led development appeared to be dealt a fatal blow by the decade-long Japanese recession and the 1997 crisis. Even the emergence of a new generation of Pacific Asia growth economies in the shape of China and Vietnam failed to rekindle the fortunes of the development state view. This may well happen with a comparatively successful weathering of the current crisis by the Pacific Asian economies and what some see as the West's rediscovery of the state (see for example Eppler 2009). There has been widespread discrediting of uncontrolled markets, Western banking systems, corporate models and state-business relations. Serious debate is now emerging over the need for the return of the state as a manager and direct controller of the key parts of the economy. In this context, consideration should be given to such features of the Pacific Asia economies as: less than fully open markets and financial regimes; high levels of intra-regional trade and investment; limited dependence on the financial sector; close-state business linkages; corporate forms where management and ownership remain closely connected; corporate borrowing related to internal growth rather than M&A (Mergers and Acquisitions); banks which are principally domestically or regionally oriented, closely connected with the real economy and committed to long-term relationships with their corporate customers; and a general tendency towards much less of the short-termism that runs through much Western government and corporate policy. Many of these long-standing features of the Pacific Asian economies are ones that they have been repeatedly urged to abandon by the advocates of neoliberal orthodoxy, particularly in the wake of the 1997 financial crisis.

Finally, and perhaps most importantly, the comparative strength of the Pacific Asia economies and the loss of faith in Western forms of regulation and state-market relations has given a new confidence to the region's policy makers. This is leading them to seek their own national and regional solutions to both the current crisis and the longer-term problems of regulating markets. It may be that the crisis proves to be a watershed, marking a final stage in decolonisation of Asian minds (Kalinga Seneviratne 2008).

Notes

1 Non-Japanese Pacific Asia – the 10 ASEAN countries plus China, Hong Kong, South Korea and Taiwan.

2 See for example the summaries of conditions attached to IMF loans in Dash (2003: 274-279).

3 Though China did oppose the proposal to establish the Asian Monetary Funds (see below).

4 **Inflation differentials to USA 1998-2007**

Singapore	-2.82
China	-1.47
Thailand	0.23
Philippines	2.92
South Korea	5.52
Indonesia	2.62

Source: Collignon 2008: 8.

5 A prudent level of reserves is generally regarded as the equivalent of 3 months imports. As can bee seen from Note 5 the Pacific Asia levels were all very much higher than this.

6 This also reflects the need to increase the effectiveness and 'actorness' for a wide range of extra-regional negotiations and to provided some balance against China.

7 This is due to be implemented in 2010 and will initially involve the ASEAN 6 countries, with Cambodia, Laos, Myanmar and Vietnam, joining in 2015.

8 **2007 intra-regional trade's percentage of total trade value**

EU	67
Pacific Asia	59
NAFTA	45

Source: Calculated from IMF *International Financial Statistics*, Washington, various years.

9 This situation is complicated by the opposition of the USA to Pacific Asia regionalism. Washington's promotion of APEC (Asia-Pacific Economic Cooperation) should be seen as a very clear attempt to undermine Pacific Asia initiatives.

10 While the AMF proposal was by no means fully thought through and needed considerable refinement, it is difficult to avoid the conclusion that the USA did not want a to loose the leverage that could be exerted through the IMF to force open the Pacific Asia economies.

11 The position adopted under the Chiang Mai Initiative is that permission has to sought from the IMF before any county can access the regional fund. While this is widely seen as little more than diplomatic formality, it is a continuing source of dissent, which the 19-21 February 2009 meeting of finance ministers failed to dispel.

12 At a sideline meeting during the 7th Asia-Europe Meeting (ASEM) held in Beijing 24-25 October 2008.

13 The Chinese Renminbi has become an increasingly important (though still minor) element in the currency baskets used by Pacific Asia economies and is widely used in Mongolia and North Korea.

14 Welfare provision has development in Pacific Asia under very varied regimes, such that there is little to suggest any direct casual link with democratisation or civil society.

15 Before the crisis average debt/equity ratios in Thailand were between 2:1 and 3:1 against the Western norm of 1:1. By 2002 they had fallen to 1.5:1 (Kasian Tejapira, 2002: 325).

16 Though there are many in the West who doubt whether the Asian reforms of regulation and practice have been sufficient to ensure sufficient resilience in the face of a major crisis (*Economists*, 30 June 2007).

17 For a counter view see Regnier 2000: 17.

18 Though this should not be allowed to detract from the scale of some of the other interventions.
Between 1 January and 16th March 2009

the following stimulus were announced (US$bn.):

Indonesia	4.16	March
Malaysia	16.0	March
South Korea	4.2	March
Taiwan	9.1	February
Singapore	13.7	January
Thailand	3.3	February
Philippines	7.2	February

The Malaysia package is particularly impressive, the equivalent of 9% of GDP, this in addition to the US$1.8bn. announced in November 2008 (*Financial Times* 11 March 2009). In contrast, late in December 2008, Vietnam announced a stimulation package of US$1bn.

19 This projection was made by Holland *et al*. in February 2008, earlier projections by the World Bank and IMF gave 7.7% and 6.7% respectively (World Bank 2008).

20 Subsequent announcements could take this as high as US$900bn. Though there may be some significant double counting in the various Chinese announcements (see 'Troubled tigers', *The Economist* 31 January 2009).

21 Many of these measures are also aimed at promoting social cohesion and what is officially termed the 'harmonious society'.

22 See: People's Bank of China 'State treasuries urged to serve economic growth', December 2008, http://www.pbc.gov.cn/english//detail.asp?col=6400&ID=1229: and the interview with Wen Jiabao, *Financial Times*, 2 February 2009.

23 It is unclear to what extent Chinese reserves have been diminished late in 2008 by an unwise incursion into equities (*Financial Times,* 16 March 2009.

24 This would of course bringing some adjustment to the global imbalances that appear to lie at the heart of the current crisis.

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The Global Policy Institute was created in August 2006 as a Research Institute of London Metropolitan University. It brings together academics from the social sciences and business disciplines to analyse the dynamics of globalisation and formulate policy solutions. The Institute's research and consultancy will be of direct practical use to decision-makers, policy formation, business users and civil society groups, and it will offer partnerships within and beyond the academic community.

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