

**IPS Roundtable on
“Sustaining Asia’s Recovery – A World Bank Update for the East Asia and Pacific
Region”
Speaker: Mr Vikram Nehru, World Bank Chief Economist for the East Asia & Pacific**

**12 April 2010
Orchard Hotel, Singapore**

Mr Vikram Nehru, Regional Chief Economist in the East Asia Region of the World Bank, presented the latest *East Asia and Pacific Economic Update*¹ to the 65 participants. He said he was more optimistic that the data from the past six months indicated that Asia was emerging stronger from the crisis.

In 2009, the developments in East Asia were a source of concern, he said. On closer look, the growth rates of the other countries excluding China were worrying. If Japan, Hong Kong and Taiwan were excluded, the rest of the developing East Asia grew much slower than South Asia and slightly faster than sub-Saharan Africa. 2010 would likely see East Asia grow to 8.7% with a sharp recovery to 2008 levels.

Regional growth was largely driven by fiscal and monetary stimulus packages, Mr Nehru said. The speed at which all governments in East Asia introduced these packages is impressive and the quantum of support given is significant. While some pre-emptive measures are now being put in place to manage the rising inflation, in some cases they have also led to a decline in credit growth. For the most part, inflation seems to be fairly benign based on the 2009 data. The Bank’s recommendation in the report is for the governments to wait and see until the end of the fiscal year before deciding when to withdraw the stimulus. This will allow time for private investment to pick up and hopefully kick in by the time the public-funded stimulus packages comes to an end.

Mr Nehru cautioned that while many of the countries in East Asia have now reached pre-crisis GDP peaks or exceeded them, the real test of the recovery is when there was a shift from public sector to private sector growth. So far, that has not happened. Also, the problems in the Eurozone and Greece could have a similar effect on the global economy as that arising from the last crisis.

The World Bank expects the advanced countries to grow more slowly, he said. It was estimated that it would take about four years or so for them to reach pre-crisis peaks. The global growth for the last decade had been driven by bubble economies, hence the current growth levels would be more sustainable.

Would East Asia economies continue to grow as rapidly as they did prior to the crisis? Mr Nehru reminded the audience that the East Asia and the Pacific region was the

¹ For the full report, please visit <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/EXTEAPHALFYEARLYUP/DATE/0,,menuPK:550232~pagePK:64168427~piPK:64168435~theSitePK:550226,00.html>

most diverse region in the world, with countries ranging from China to Tuvalu, he said. Hence there could not be a single set of policies which could be applied universally to every country. The Bank has divided the region into different groups that could be treated similarly. China is a group unto itself because of its size, internal diversity and global position. The countries that are driving growth largely based on labour production were grouped under the middle-income group. The low-income group consisted of countries seeking to break into the manufacturing production chains. Countries which are rich in natural resources were labelled as the commodity exporters and the final group comprised of the Pacific Islands. While each of these five groups had different challenges, regional policies could be put in place to support their economic growth.

Mr Nehru highlighted two possible areas of new growth. The first was regional integration. The move from trade in goods to growth in services could potentially be drivers for growth in the region. The second was climate change. For higher GDP countries in East Asia who were already creating and adopting green technologies, this could be the driver of their growth to master them and develop them. For instance, China has become a serious bidder for high-speed train services in California, and Korea was leading the charge for green growth. These are areas that East Asia could achieve growth if the rest of the world is not able to catch up.

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Notes taken by Chang Li Lin, IPS Associate Director.

