

Impact of the Financial Crisis on the East Asian Economy

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Topics

I. Impact on East Asian Currencies and Finance

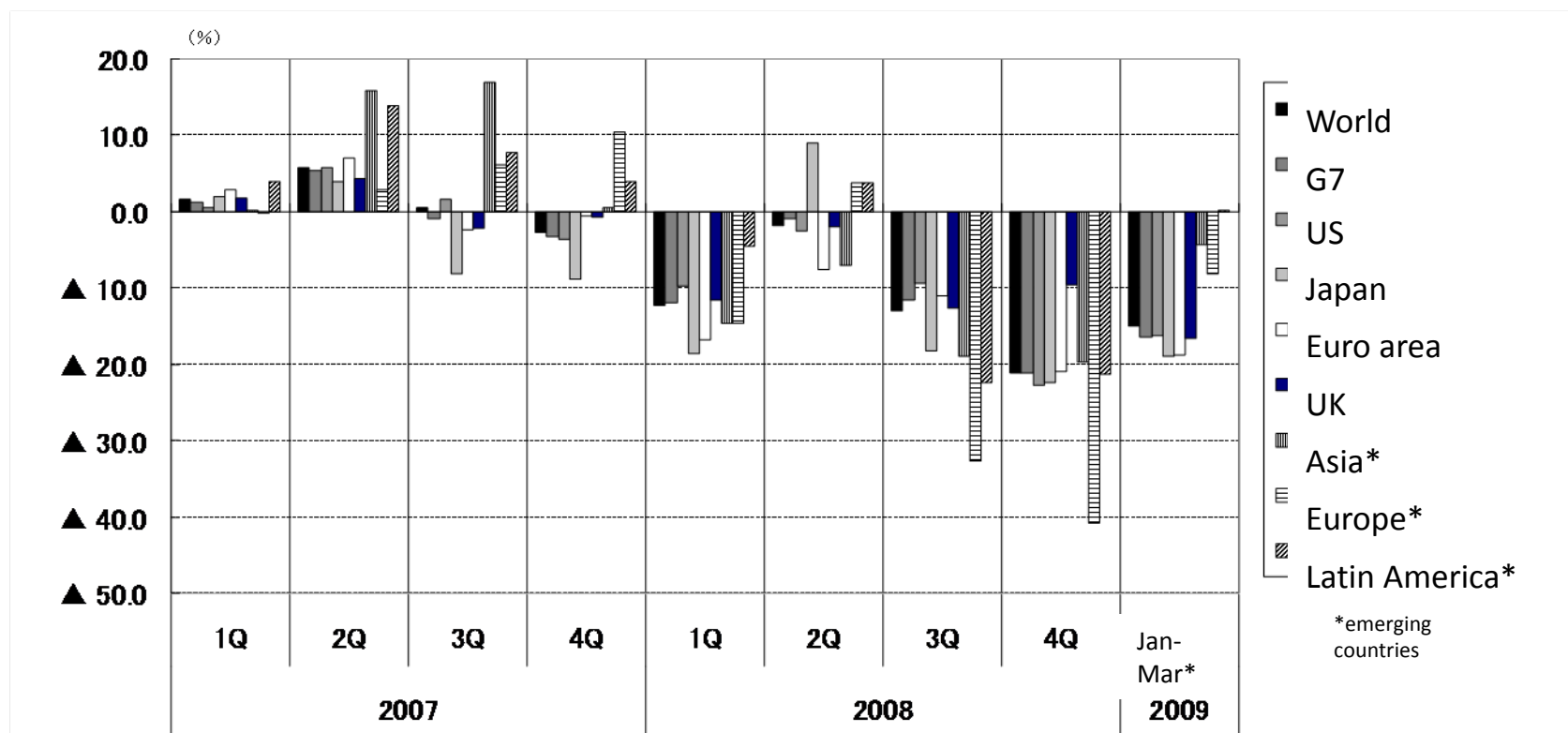
II. Impact on East Asia's Macro-economy

III. Expanding Japan-Chile Relationship

Stock Markets in Drastic Correction Phase

- Markets fell by 20% year-on-year in Japan and emerging Asian countries — East Asia may have hit bottom in first quarter of 2009

Fig.1 Stock Price Fluctuation in Major Countries / Regions



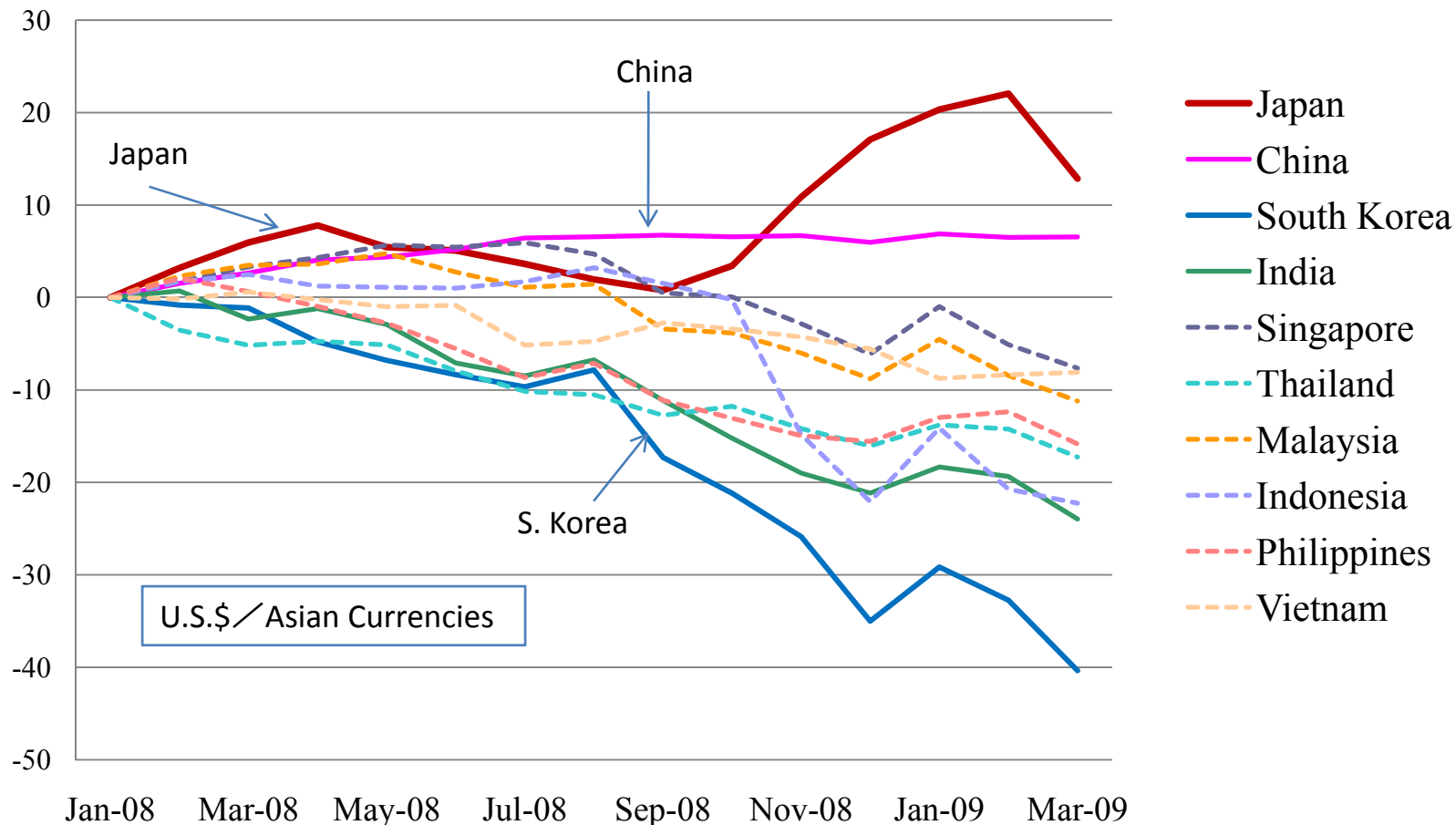
*Note: as of March 12, 2009

Source: prepared using data from Morgan Stanley Capital International and Thomson Reuters

Growing Divergence of East Asian Currencies

- Significant differences and acute fluctuation: appreciating Japanese yen and depreciating Korean won
- Stable movement: dollar-pegged Chinese yuan

Fig. 2 Fluctuation Rates of East Asian Currencies Against the Dollar



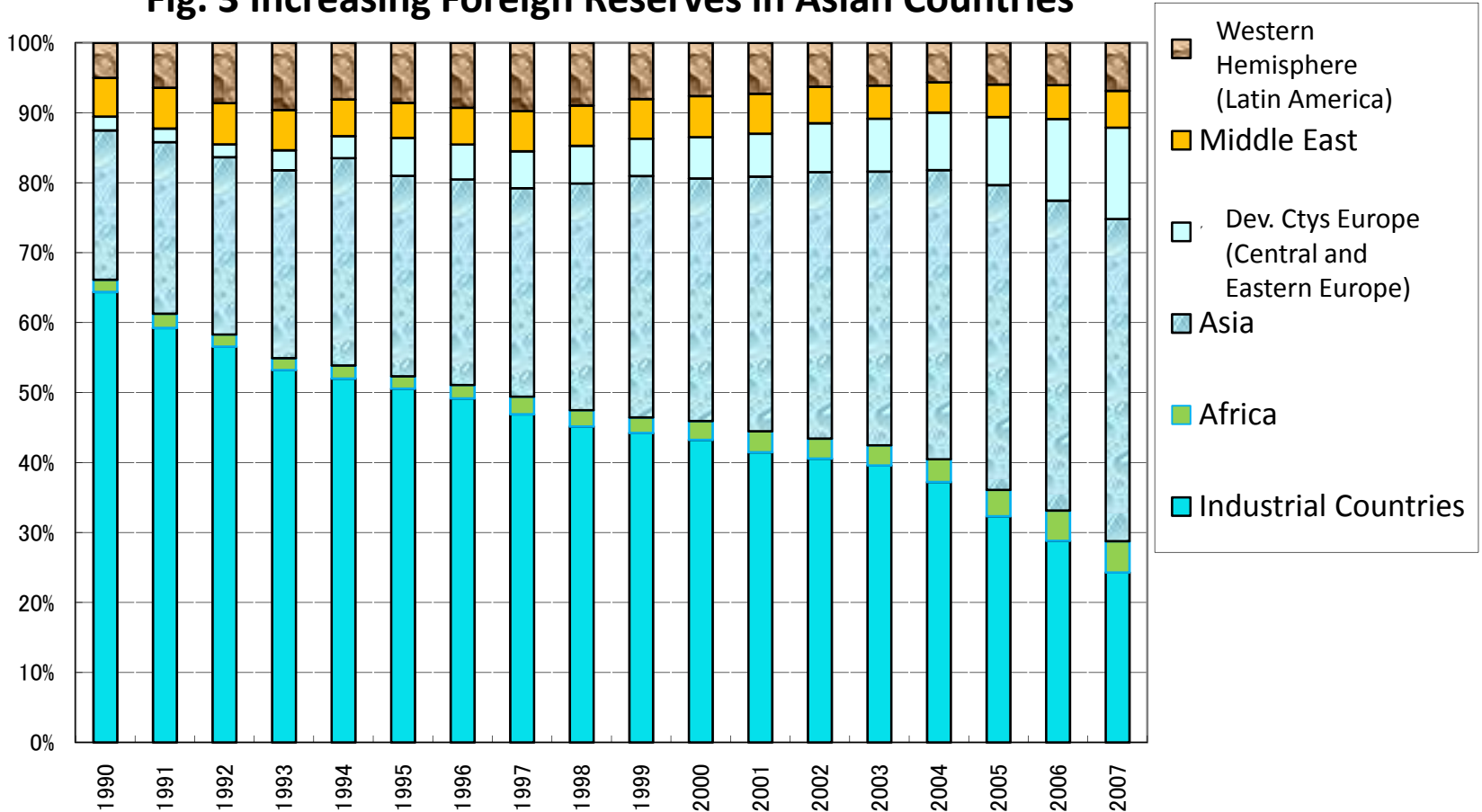
Measures that helped East Asia avoid another currency crisis

- Singapore's Monetary Authority concluded a currency swap agreement with the U.S. Federal Reserve. (October 30, 2008)
- Japan, China and South Korea agreed on currency swaps, which helped stabilize the Korean won. (December 12, 2008)
- Asian countries agreed on the need to strengthen the Chiang Mai Initiative (CMI) and recapitalize the Asian Development Bank (ADB).

Surplus Foreign Reserves Helped Avoid Currency Crisis

- Following the 1997 Asian financial crisis, Asian countries considerably increased their foreign currency reserves, thereby helping to avoid another currency crisis in the region

Fig. 3 Increasing Foreign Reserves in Asian Countries

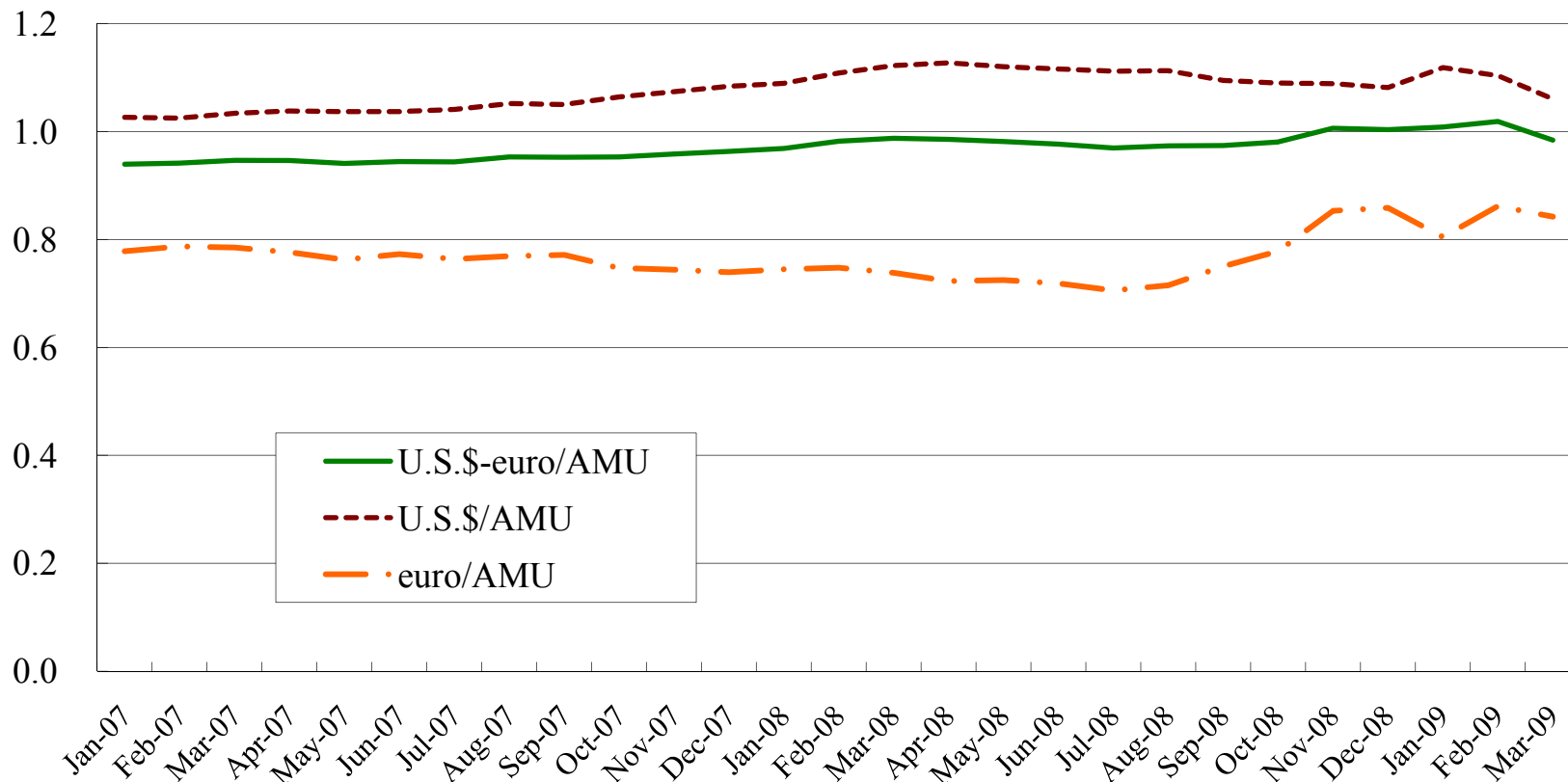


Source: IMF "International Financial Statistics"

Stable Asian Monetary Unit (AMU) Against Dollar and Euro

- As a production base for world markets, Asian economies depend on a stable AMU exchange rate against the dollar and euro to achieve growth and boost competitiveness

Fig. 4 Fluctuations of AMU Against Dollar and Euro

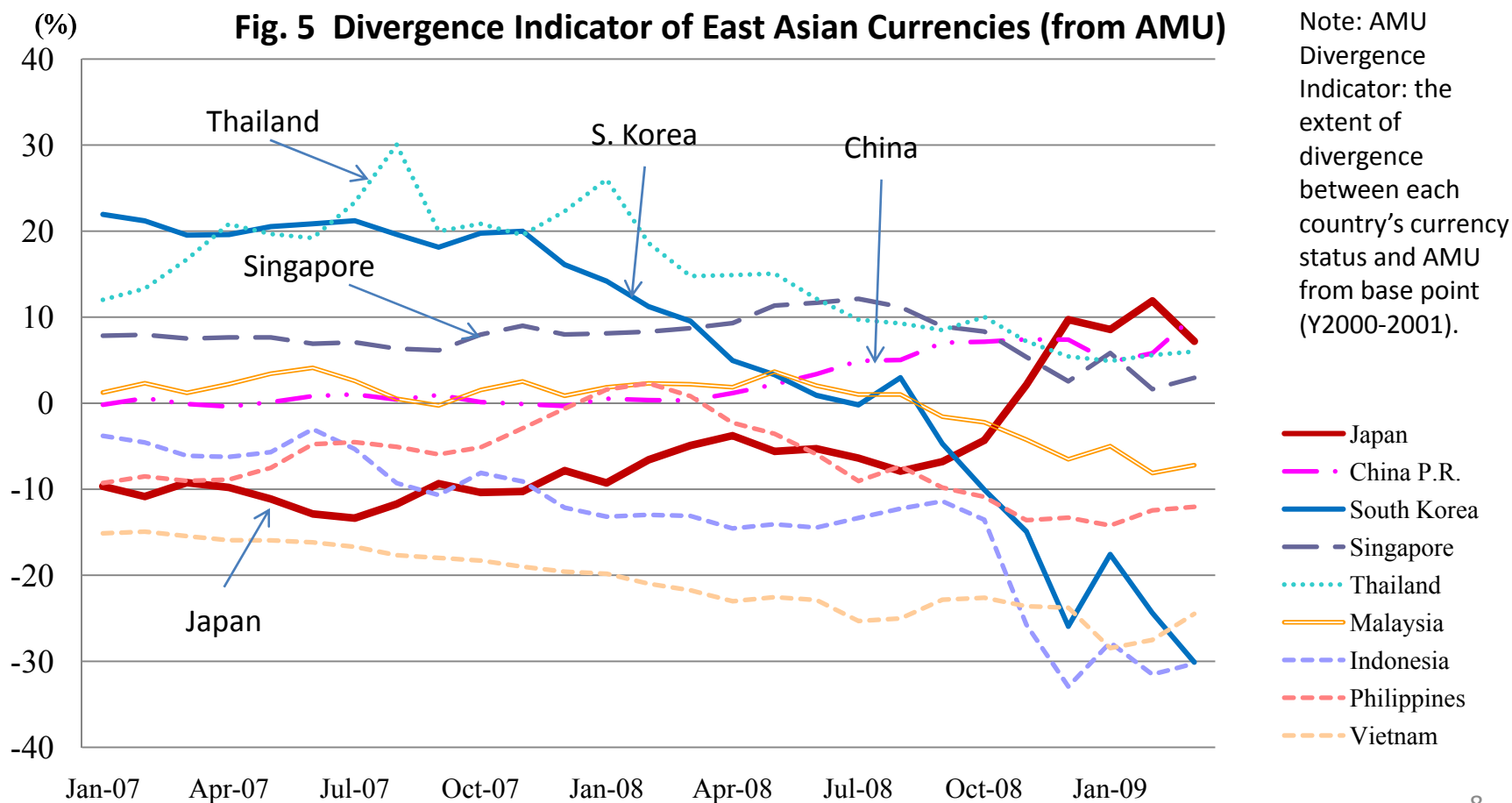


Note: AMU(Asian Monetary Unit) : Weighted average of Asian currencies (13 countries: 10 ASEAN countries + Japan, China and South Korea)

Source: <http://www.rieti.go.jp/users/amu/index.html>

Polarizing of Asian Currencies

- Although the AMU has been relatively stable against the global currency market, East Asian currencies have polarized: with the AMU as a base, currencies for Japan, China, Thailand and Singapore at positive end, while currencies for South Korea and other ASEAN nations in negative.
- Asia needs to shift towards a system that stabilizes regional currencies and keeps them more in line with the dollar and euro.

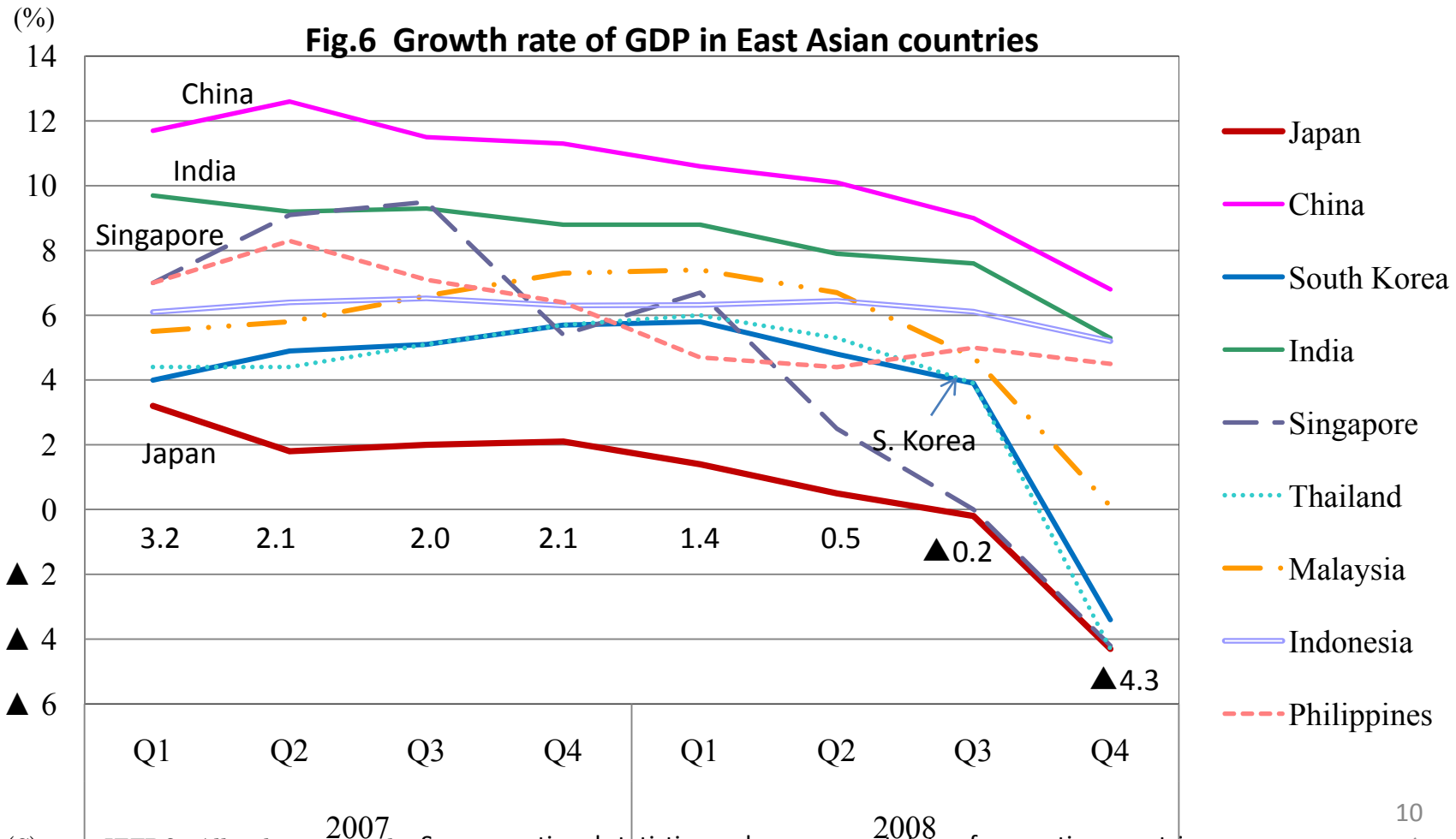


Challenges Ahead: Furthering Regional Financial Cooperation in East Asia

- Removing limits of Chiang Mai Initiative: reducing or eliminating the “IMF link”
- Transforming a bundle of bilateral swap agreements into a regional monetary fund
- Creating a common monetary unit for Asia and, eventually, a common currency

GDP Growth Fell Sharply in Last Quarter of 2008

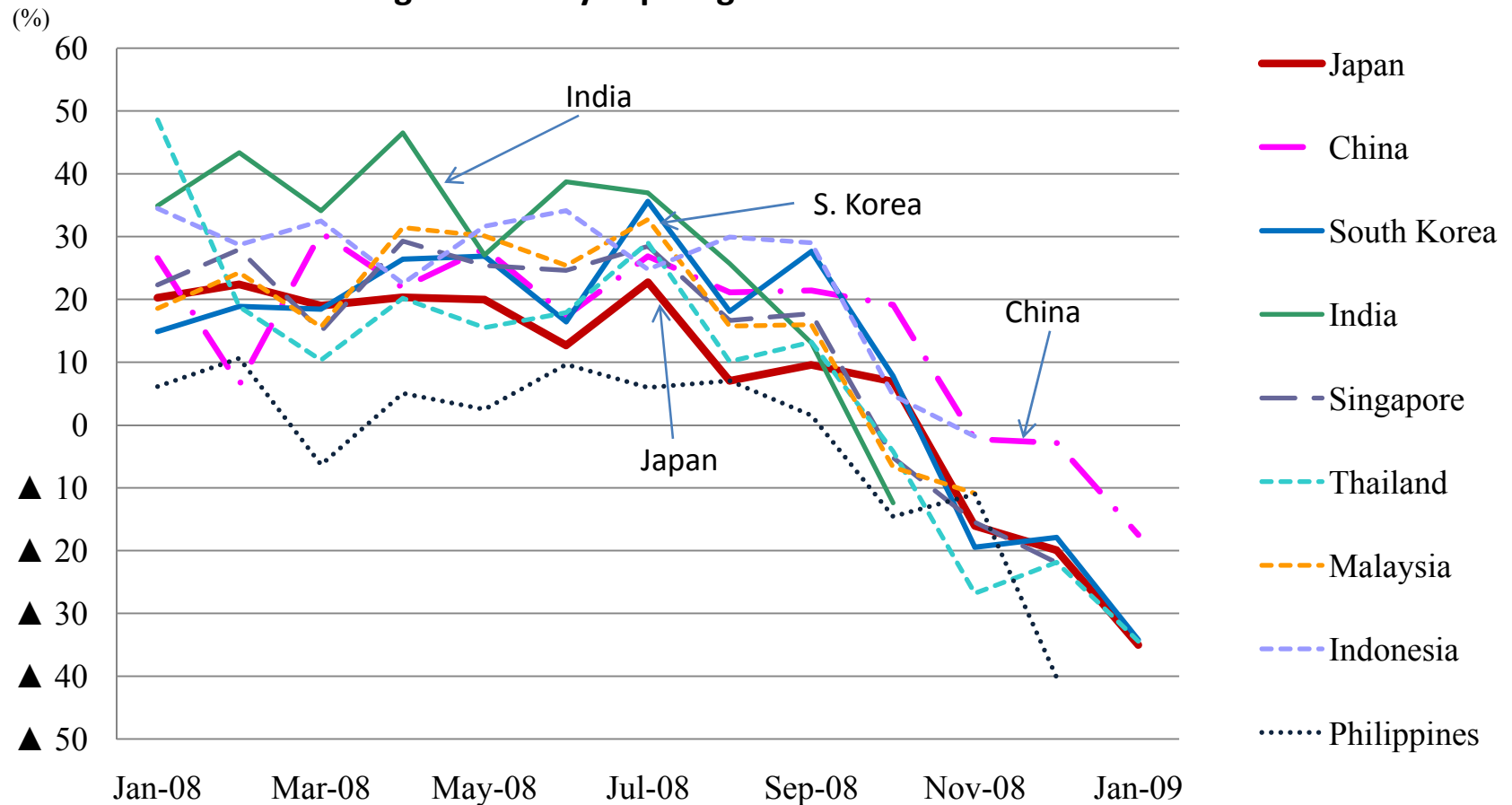
- Japan saw negative growth in two consecutive quarters, while growth in China and India slowed from high to moderate.
- Countries deeply integrated into the global economy (Malaysia, Singapore, South Korea, Vietnam, etc.) are more affected by the financial crisis.



Exports Plunge after Lehman Shock

- Exports from all Asian economies have been falling since November 2008.
- Notable decline in exports of electrical/electronics goods and autos, reflecting these industries' heavy reliance on the EU and US markets.

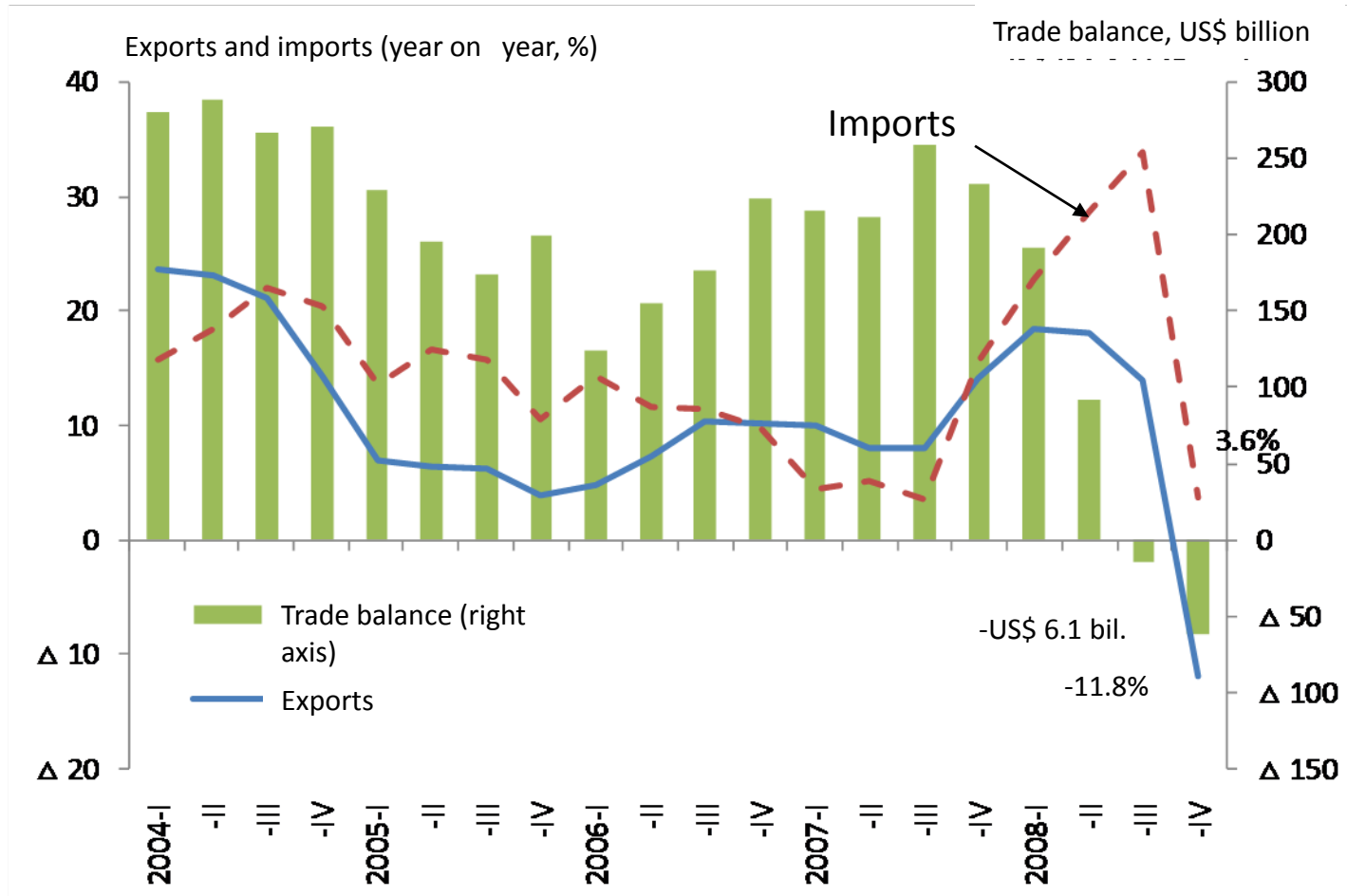
Fig. 7 Monthly export growth of East Asian Countries



Japan Economy Hit by Declining Exports

- Posted trade deficits for two straight quarters

Fig. 9 Japan's Export Growth (quarterly)

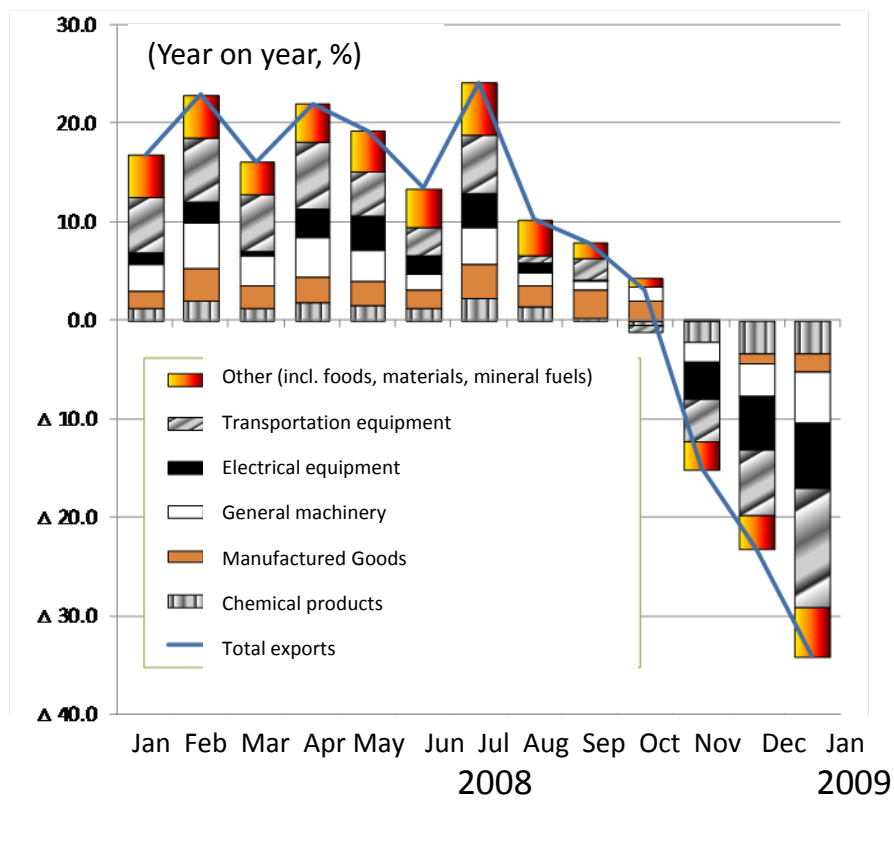
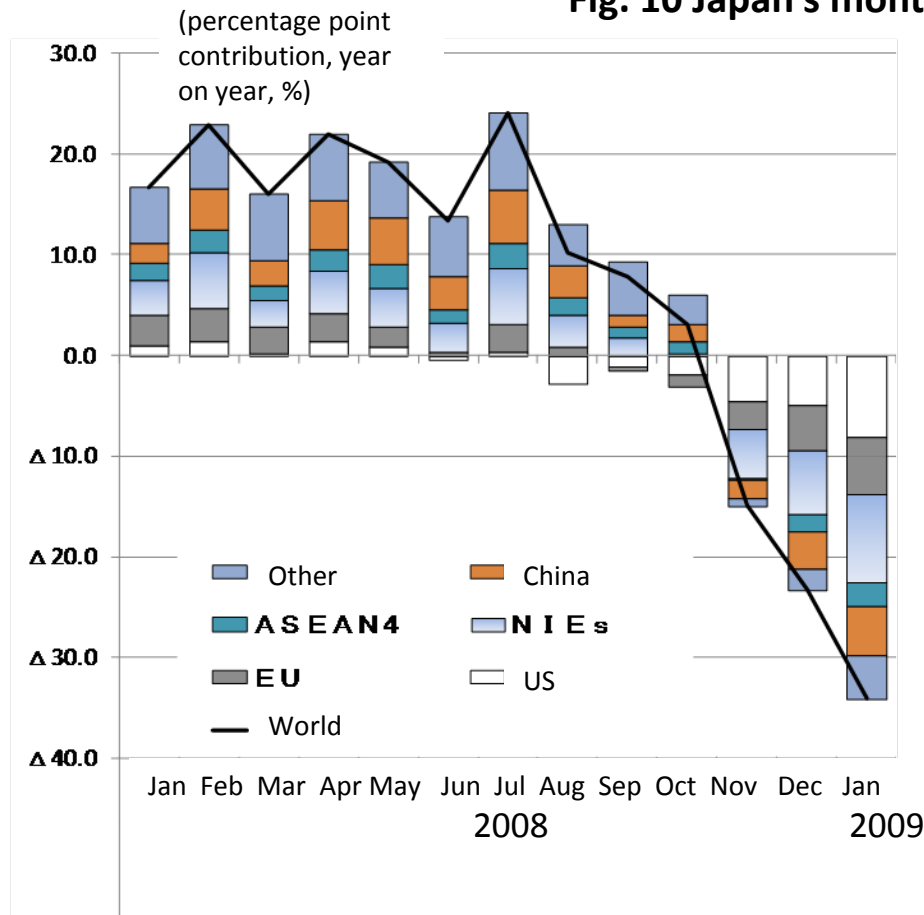


Source: prepared using trade statistics, Ministry of Finance, Japan

Fall in Japan's Exports Due Mainly to Export Declines to the US and Europe, in Particular for Autos and Electronics

- Japan's exports fell off sharply due mainly to export declines to markets in the US, EU and Asian NIEs, particularly for autos and auto related products (to the US and EU) and electrical/electronic products (Asia).

Fig. 10 Japan's monthly export growth by destination and product



Source: prepared using Japan's Ministry of Finance statistics

Hitting Bottom in 2009? Growth Estimates by Int'l Financial Institutions

- Japan: worst post-war crisis. Recovery of the US and EU economies key to Japan's recovery.
- NIEs: second worst hit after Japan. Openness of these economies made them vulnerable.
- ASEAN: trade-sensitive economies (Thailand, Malaysia) are shrinking, while those less dependent on trade (Indonesia, Philippines) expect minor growth.
- China and India: slowing from high to moderate growth

Economic Outlook for Asia and the World (estimates by major international financial organizations)

(Year on year, %)

	IMF (as of Jan 2009)			World Bank (as of Mar 2009)			ADB (as of Mar 2009)		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
World	3.2	-1.0~ -0.5	1.5~2.5	1.9	-1.7	2.3	-	-	-
Japan	-0.7	-5.8	-0.2	-0.7	-5.3	1.5	-	-	-
China	9.0	6.7	8.0	9.0	6.5	7.5	9.0	7.0	8.0
South Korea	2.6	-4.0	4.2	-	-	-	2.5	-3.0	4.0
India	7.3	5.1	6.5	5.5	4.0	7.0	7.1	5.0	6.5
Singapore	-	-4.9	-	-	-	-	1.1	-5.0	3.5
Thailand	-	1.5	-	2.7	-2.0	1.7	2.6	-2.0	3.0
Malaysia	-	1.4	-	-	-	-	4.6	-0.2	4.4
Indonesia	-	3.5	-	6.1	3.4	5.4	6.1	3.6	5.0
Philippines	-	2.2	-	-	-	-	4.6	2.5	3.5
Vietnam	-	4.8	-	-	-	-	6.2	4.5	6.5

Note: IMF's estimates for world and Japan for 2009 and 2010 are the revised figures as of March 14, 2009.

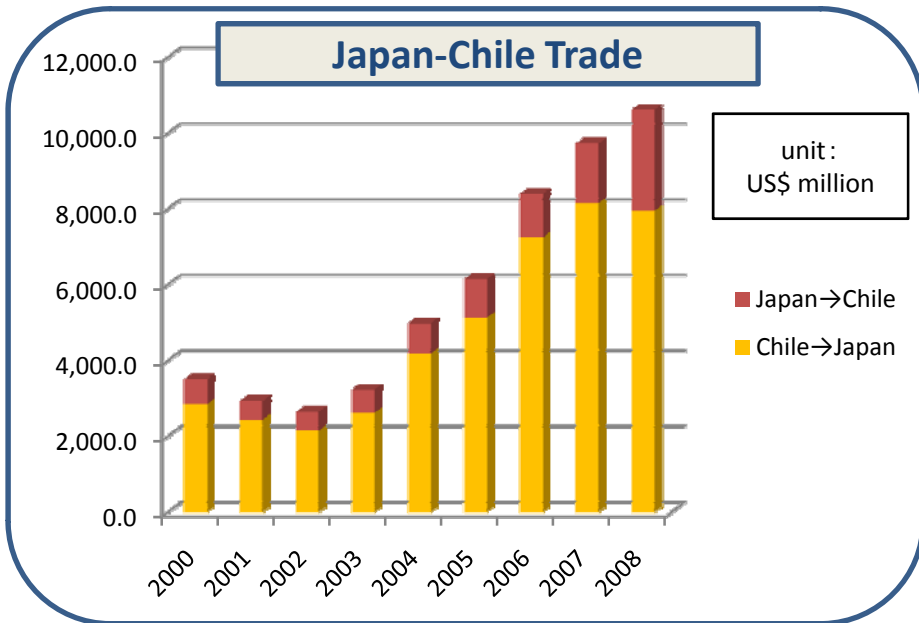
Sources: IMF "World Economic Outlook Update" (January 2009),

Global Economic Policies and Prospects (March 13-14, 2009)

World Bank "Global Economic Prospects 2009 Forecast Update" (March 2009)

Asian Development Bank "Asian Development Outlook 2009: Rebalancing Asia's Growth"

III. Expanding Japan-Chile Relationship



EXPO JAPON 2007

-La Magia de la Calidad- (October, 2007)



JETRO organized a study group to examine the effects of a Japan-Chile FTA in strengthening economic relations between the two countries (May 2000 – June 2001)

-Conclusion: maximum efforts should be made to conclude a Japan-Chile FTA as soon as possible.

JETRO Program to Improve Chile's Food Packaging Technology (2007-2008)



ありがとうございました。
Thank you very much.

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