

**Hong Kong Committee for Pacific Economic Cooperation**

**The Global Financial Crisis and Recovery:  
A Regional Cooperation Perspective Seminar  
(27 January 2010)**

**Impact of the Financial Crisis on Regional Cooperation**

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# **Foci of Presentation**

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- **How did the global financial crisis impact on the political dimension of the world?**
- **What is the future direction of cooperation within the Asia-Pacific region, in particular Asia?**

# **Impact of the Crisis**

## **- Political Dimension Worldwide**

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- **Domestic level**
  - measures implemented by different economies might vary according to local conditions
  - increased degree of government intervention in market operation and regulation
  - risk of protectionism

# **Impact of the Crisis**

## **- Political Dimension Worldwide**

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- **International level**
  - shift of power from the West to the East
  - reshaping of balance of power in multinational institutions including the International Monetary Fund, the World Bank, etc.
  - rise of emerging economies including the BRIC countries

# **Impact of the Crisis**

## **- Future Direction of Cooperation within the Asia-Pacific Region**

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- **Impact of the crisis on the Asia-Pacific region has been brought through two major channels**
  - financial contagion and spill-over effects on the banking sector as well as the stock and currency markets
  - adverse impact on real economic variables

# **Impact of the Crisis**

## **- Future Direction of Cooperation within the Asia-Pacific Region**

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- **Instability in certain financial markets in the aftermath of the crisis**
  - flight of capital for safe haven
  - impact on inflationary pressure and risk of asset bubble

# **Impact of the Crisis**

## **- Future Direction of Cooperation within the Asia-Pacific Region**

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- **Future direction of regional cooperation**
  - strong, sustainable and balanced growth
  - no “one-size-fits-all” prescription
  - coordination
    - e.g. exit strategy
  - cooperation
    - e.g. free trade area
    - bond market development
    - multilateral currency swap

**Thank You**