



*Fiscal Policy Research Institute, Thailand*

**War Time Cooperation**  
**A Note for Seminar**  
**on**  
**Regional Cooperation in East Asia under the Global Financial Crisis**

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# *Damage Increases and the Crisis is Deepening*

February 2009

- ❖ Re-estimation of the Financial Damage  
2.2-3.0+ T\$US From 1 T\$US (estimated in Nov 2008)
- ❖ 85% of the damages is in USA and EU  
USA: EU: Japan: Asia: ROW = 45%: 40%: 10%: 5%: 0%

It reflected the even more deeper and longer of the crisis

**Predicted Damage by Regions (T\$US)**

	Q42008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Total
USA	-297	-282	-252	-119	-119	-1069
EU	-264	-251	-224	-106	-106	-950
JAPAN	-66	-63	-56	-26	-26	-238
EA	-33	-31	-28	-13	-13	-119
ROW	0	0	0	0	0	0
<b>Total</b>	<b>-660</b>	<b>-627</b>	<b>-561</b>	<b>-264</b>	<b>-264</b>	<b>-2376</b>

## *Correction of Global Imbalance is Rapid and Severe*

### Global Economy 2009 (Without Rescue Packages)

- ❖ Contraction - 1% to -2%
- ❖ Recover in 2010 as the earliest

	Q42008	Y 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Y 2009
US	-0.18	1.29	-2.45	-1.35	-1.10	-1.05	-1.49
JP	-0.96	0.16	-1.10	-1.06	-1.49	-0.94	-1.15
EU	0.11	1.06	-2.05	-2.57	-4.13	-5.40	-3.54
EA 8	4.20	6.46	1.37	0.90	1.45	2.71	1.61
ROW	2.92	2.35	-1.05	-2.05	-4.86	-2.85	-2.70
World	1.00	1.89	-1.45	-1.50	-2.13	-1.21	-1.57

### Correction of the US Current A/C Deficit comes quickly

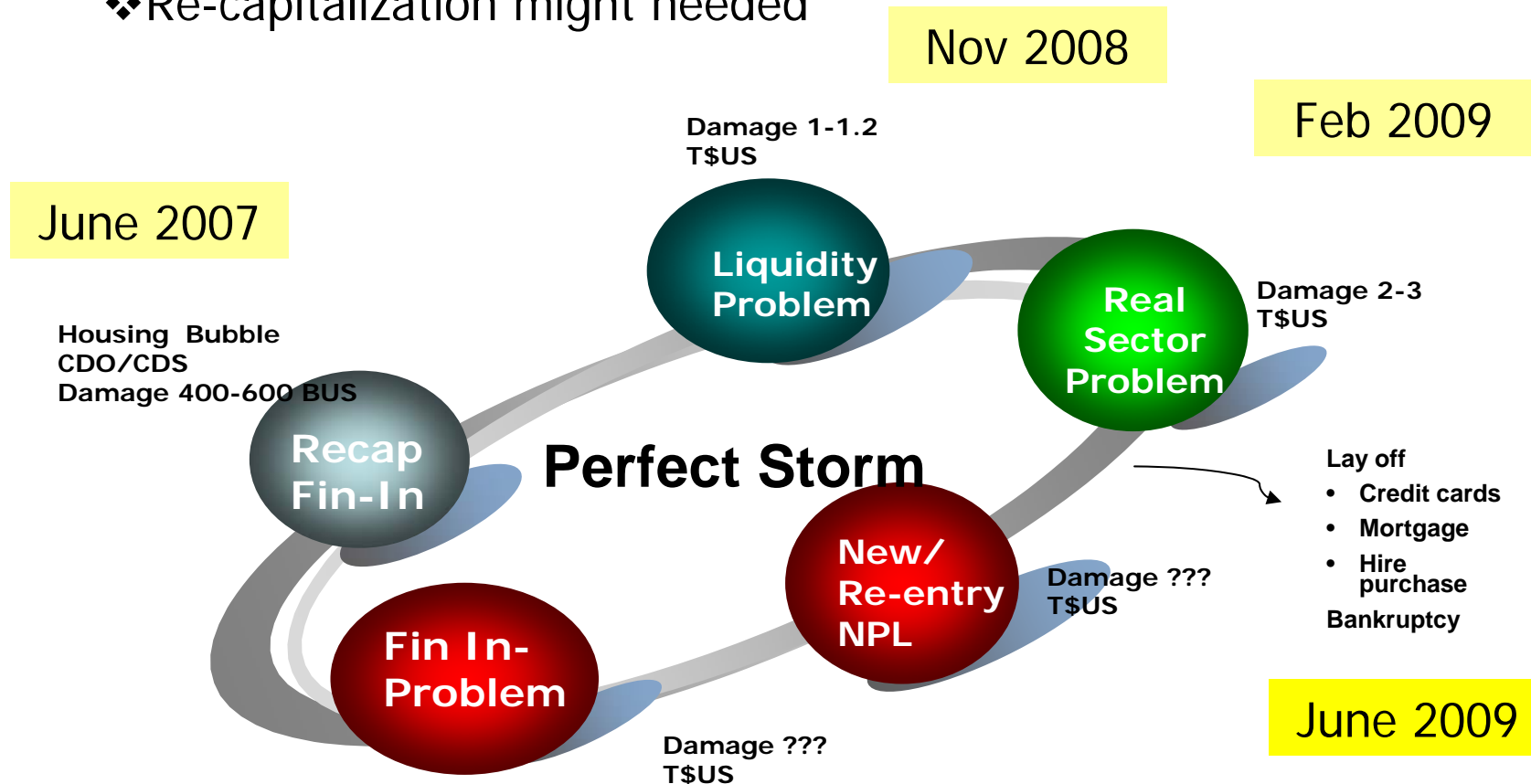
- ❖ From -727 B\$US last year to -45 B\$US this year
- ❖ Globalization increases the speed of adjustment
- ❖ US bubble abruptly ended made export contracted quickly

	Q42008	Y 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Y 2009
CA of US	-148.0	-727.5	-74.8	-25.8	6.8	48.8	-44.9
CA of JP	5.6	65.7	17.8	-5.4	1.7	-17.7	-3.5
CA of EU	-61.2	-26.4	-17.0	-17.8	0.9	-33.6	-67.4
CA of EA 8	164.4	472.5	57.2	113.8	93.4	125.7	390.1
CA of ROW	40.5	212.5	16.7	-64.0	-99.3	-122.8	-269.4

# Bottom?... Think Again

## Damages might not end here

- ❖ Unemployment led Re-entry NPL of credit card and consumer loans
- ❖ Re-capitalization might needed



# Impacts and Response of Each Individual Country

Withdrawal of Capital  
from Money and Capital Markets

\$US Shortage  
Expensive Cost of Fund

Difficulties of US-EU Owned  
Financial Institution in Asia

Domestic Funds to Buy Equity)

Low Interest rate / Liquidity Providing /

Ownership Changes

**Export  
Shortfall**  
20%

Contraction of  
Economy

Unemployment

Require Structural  
Adjustment

Rescue Package

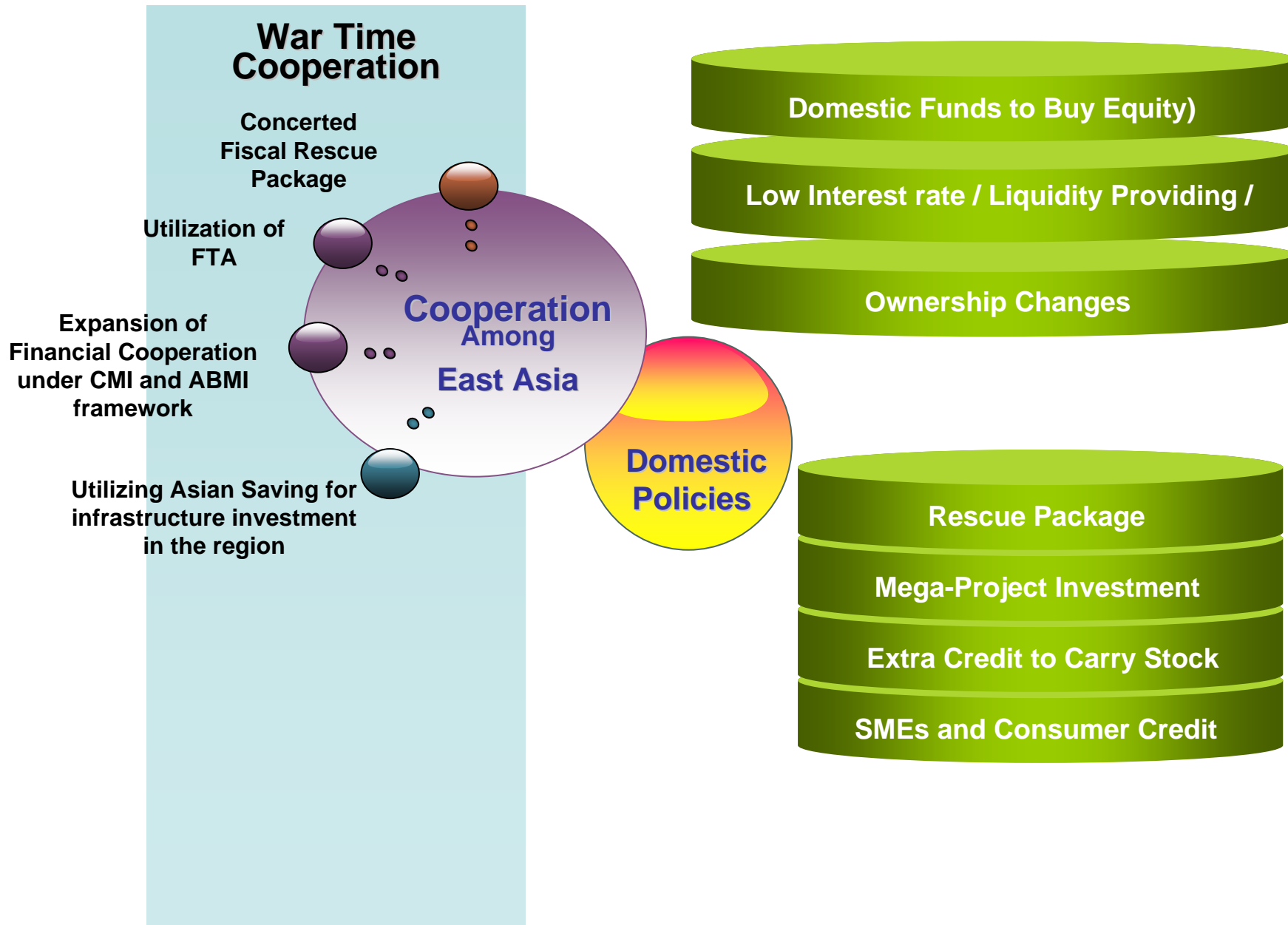
Mega-Project Investment

Extra Credit to Carry Stock

SMEs and Consumer Credit

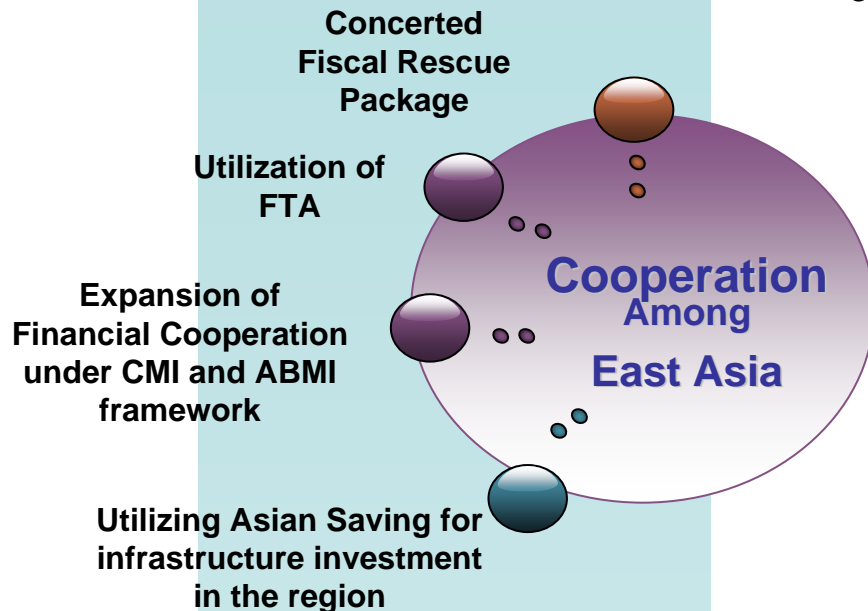
Antarctica

# Possible Regional Cooperation in the War Time



# Possible Regional Cooperation in the War Time

## War Time Cooperation



## Concerted Fiscal Rescue Package

combined stimulation create an extra economic expansion

## Utilization of FTA

Privileges from FTA was largely ignored  
Leaders' pledge of "no protectionism" might not be enough. They need to pledge on "promoting regional trade expansion" during the difficult time.

## Expansion of Financial Cooperation under CMI and ABMI

From CMI to CMIM / From 80 to 120 B\$US  
Rules and regulation / Conditionality  
Reliable Surveillance System  
Relaxing 20% threshold

## Utilizing Asian Saving for infrastructure investment in the region

A campaign for "promoting regional investment expansion" in supplementing the pledge to "promoting trade expansion".

Availability of investable fund in Asia match to the need of infrastructure development.

Boosting demand for raw material, intermediate products, employment  
Creating new linkage of regional production network