Asian financial crisis—looking back, looking forward. M. Ayhan Kose, World Bank

Asia's emerging economies are becoming more focused on the region and less dependent on global markets, but they need to protect themselves from risks of becoming too reliant on emerging giants such as the People's Republic of China (PRC), says Ayhan Kose, director of the World Bank Group's Development Prospects Group.

Kose told the audience at Twenty Years after the Asian Financial Crisis, a recent conference held at the Asian Development Bank Institute in Tokyo, that global economic shocks affect different regions in different ways, throwing some into recession, others into slowdown.

The global financial crisis of 2009 had less of an impact on emerging Asia in part because it had weathered its own storm in 1998, and it was more reliant on regional than global links for trade and investment, Kose said.

> This global factor has become less important over time and the regional factors become more important over time, especially for Asia. This Asian business cycle is becoming more pronounced over time as the region gets more integrated with stronger supply chain and financial market linkages. In other words, when there is a tide in this region, it raises all the boats but when the tide goes down, all the boats go down too.

The aftermath of the Asian financial crisis was different from that of global recessions, particularly the one of 2009. For instance, the decline in investment and trade has persisted for some years. The credit and housing markets recovered more quickly but were nevertheless severely affected. Over a longer period, growth in Asia, after the 1998 regional financial crisis, was higher on average than after the global financial recession of 2009. Studies explain that there is a specific Asian business cycle due to higher integration within the region.

The major risk for Asia would be a sudden slowdown in the PRC. It is a structural risk. A decrease in the PRC's GDP of 1%, for instance, would deeply affect emerging economies and particularly in Asia.

The region also is facing a major regional risk, a sudden slowdown in large emerging market economies, in this region, of course, China, and there is a structural risk whether the region can sustain this high growth rate it has been able to deliver year in/year out and create this differential with growth rates in advanced economies to catch up. In terms of policy response this is a period to be ready to employ all measures. This is a region that is very good at planning, putting things together, but it is very important to implement, and given that there is some good news for example in the context of commodity markets, it's going to be very important for those countries in the region exporting commodities not to become complacent.

That was Ayhan Kose, director of the World Bank Group's Development Prospects Group, speaking at Twenty Years after the Asian Financial Crisis, a conference held by the Asian Development Bank and the ADB Institute.