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TO THE UNITED NATIONS

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STATEMENT BY AMBASSADOR VANU GOPALA MENON,
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TO THE UNITED NATIONS,
AT THE UNITED NATIONS CONFERENCE ON
THE WORLD FINANCIAL AND ECONOMIC CRISIS
AND ITS IMPACT ON DEVELOPMENT
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1 We find ourselves in the midst of a global recession – the worst since the Great Depression. The range of establishments and investors affected by this crisis is quite staggering. Equally, the measures being taken by governments and international financial institutions to deal with the crisis are unprecedented and on a scale not seen before. While experts have made various forecasts about the global economy for the rest of 2009, no one knows for sure how prolonged or deep this recession is going to be. The continued fragility of the global financial system and the high degree of risk aversion in credit markets will further contribute to significant uncertainty over how long the current recession will last.

2 The speed at which the crisis spread through the global economy is a reminder of the scale and depth of our inter-connectedness. The crisis has also exposed the vulnerabilities of the global financial and trading system. The three giant economic drivers – the US, Europe and Japan – have been hit hard by the crisis and no alternative driver of growth has yet emerged in their place. Our region, Southeast Asia, has certainly not been able to decouple itself from the rest of the world in this crisis. Industrial production and exports across the region have fallen dramatically. In Singapore, our economy contracted 10 percent in the first quarter of 2009 and the overall forecast for the year is between minus 9 and minus 6 percent.

3 As countries implement domestic policies to mitigate the impact of the crisis, they also need to consider their impact on other economies. A rise in trade protectionism will only invite retaliation, thereby undermining economic recovery. We must therefore take a collective stand to keep markets open and support free trade. We should be extremely careful about introducing ‘beggar-thy-neighbour’ policies, for example, introducing new tariffs on key goods, or mandating that stimulus funds be spent domestically. Protectionist measures hurt emerging economies the most but they can create a backlash that would spread to the rest of the global economy. Recognising this, ASEAN Leaders had issued a strong statement against protectionism at the last ASEAN Summit in Hua Hin on 1 March 2009.

4 We think that the efficacy of each country's efforts can be enhanced by increasing cooperation through regional institutions and initiatives. In the Asian context, my delegation would like to point to the recent agreement reached on the key components of the Multilateralisation of the Chiang Mai Initiative as such an example. The Chiang Mai Initiative was developed under the ASEAN+3 (meaning ASEAN plus China, Japan and the Republic of Korea) framework to create a network of Bilateral Swap Agreements among the ASEAN+3 countries to address short-term liquidity difficulties in the region and to supplement the existing international financial arrangements. The ASEAN+3 countries subsequently agreed to multilateralise the Chiang Mai Initiative and in February 2009, ASEAN+3 Finance Ministers agreed to increase the size of the Multilateralisation of the Chiang Mai Initiative from US\$80 billion to US\$120 billion. This is an excellent example of regional cooperation in response to the global economic and financial crisis, and we hope that such positive policy responses can be replicated on the global scale through existing international institutions.

5 Ultimately, the key to the recovery process is the restoration of confidence which will contribute to a solid foundation for sustained recovery. In this regard, countries must consider the global dimension of their national responses and the need to boost market confidence at the global level. Any policy or response to the crisis should be a coordinated and multilateral effort which takes into account the emerging multi-polar reality of the 21st century. We will need decisive action at the global level to arrest the negative spiral, while keeping in mind the importance of medium and long-term sustainability.

6 In the longer term, we expect that while developed economies will remain important markets when the global economy recovers, this crisis will probably increase the drive in Asian developing and emerging economies towards greater domestic consumption and intra-regional trade, investment and consumption. Macro-economic adjustments on the global scale will also be required to bring about more sustainable growth for the global economy. Such adjustments will benefit the global economy as a whole as more engines of growth will provide greater resilience.

7 In this regard, the United Nations Conference on the World Financial and Economic Crisis and Its Impact on Development is a timely and important initiative. It offers a much-needed opportunity for an inclusive dialogue on the necessary responses to mitigate the impact of the crisis. As a small country, Singapore recognises that each country's influence on the world stage and its capacity to tackle the crisis is different and often quite limited. We therefore welcome the role that the UN can play in developing a pragmatic and coherent international response to this crisis.

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