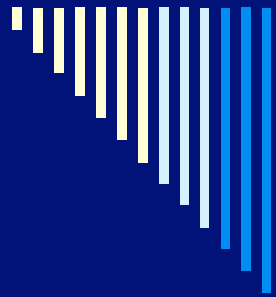


Wall Street Turmoil and Northeast Asia's response♪

Uhm, Rak-Yong♪

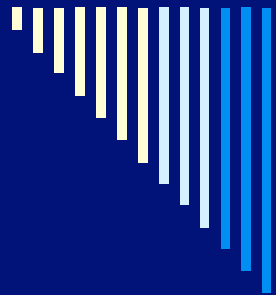
Oct. 28, 2008♪



Contents♪

❖ Part I: Turbulent World Financial Market♪

1. What happened♪
 2. Rescuing efforts♪
 3. Origin of crisis♪
 4. How N.E. Asia countries are (will be) affected♪
 5. Comparing with Korean crisis in 1997/98♪
-

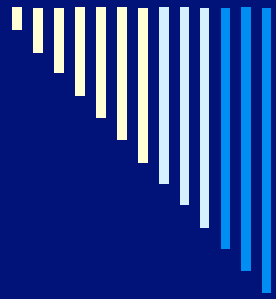


Contents♪

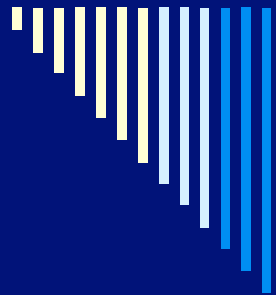
❖ Part II: Northeast Asia's Response and NEABCD ♪



1. Efforts against future crises in East Asia♪
2. Global imbalance seems unsustainable♪
3. Regional financial cooperation as a building block♪
4. Northeast Asia : Future growth engine of World♪
5. NEABCD as an investment promoter♪

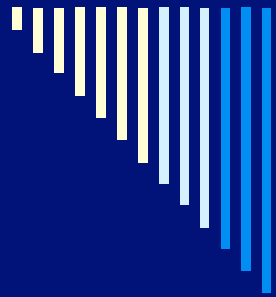


❖ Part I
:Turbulent World Financial Market♪



1. What happened♪

- 1) Sub-prime mortgage trouble grew worse into crisis of whole US financial system♪
- 2) Credit crunch and Asset prices slump♪
- 3) Liquidity and solvency problems of financial biz♪
- 4) The end of investment bank era♪
- 5) Contagion to world financial market♪



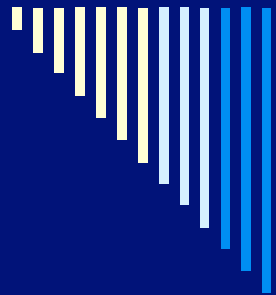
2. Rescuing efforts♪

- 1) Agile and bold actions by US Government and FRB♪
 - 2) Massive liquidity supply to financial market by FRB♪
 - 3) Bail-out of big mortgage agencies and insurance co
♪
 - 4) Set policy of US \$ 700 billion bail-out plan ♪ ♪
 - 5) Leading countries governments' joint efforts♪
-



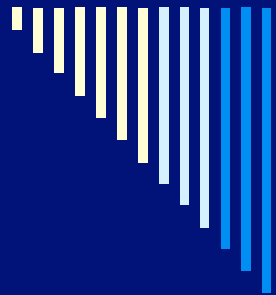
3. Origin of crisis♪

- 1) Reckless mortgage loans and House price bubble♪
 - 2) Surge of mortgage default and Falling house prices♪
 - 3) Immense and complex securitization ♪
 - 4) Highly leveraged financial market players♪
 - 5) Easy monetary policy and swelling liquidity: ♪
partly, huge reserve fund of East Asia and OPEC♪
-



4. How N.E. Asia countries are (will be) affected♪

- 1) Loss of asset value invested in US market♪
- 2) Retreating US investment from overseas markets♪
- 3) Shrinking liquidity and faltering market♪
- 4) Huge money supply may cause global inflation♪
- 5) In case of US recession, Worldwide economic slump♪
- 6) Fear of another crisis♪



5. Comparing with Korean crisis in 1997/98♪

- A. Trigger♪
- B. Weakness♪
- C. Rescuing and overcoming♪
- D. Burden sharing♪
- E. Damage to economy♪
- F. Recovery♪



Comparison♪

A : Trigger♪

[Korea]
Series of business busts and fleeing foreign capital♪



[US]
Sub-prime mortgage failure and market overexposure ♪

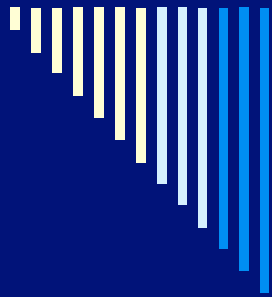


B : Weakness♪

[Korea]♪
Overly indebted businesses and Failure of foreign asset-liability management♪



[US] ♪
Asset price bubble and Undue risk taking by IBs♪



Comparison♪

C : Rescuing and overcoming♪

[Korea]♪

IFIs' assistance
and painful overall adjustment♪

[US]♪

Liquidity supply
and conserving market's faith♪



D : Burden sharing♪

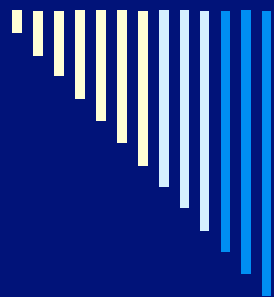
[Korea]

Borrowers and Financial biz
Shareholders,
Workers
and Tax-payers♪

[US]

Tax-payers
and Who else?♪





Comparison♪

E : Damage to
economy♪

F : Recovery♪

[Korea]♪

Interest rate upsurge, Excha
nge rate overshooting,
Asset prices collapse,
Severe recession,
Mounting unemployment♪

[US]♪

Avoid recession at any cost ♪

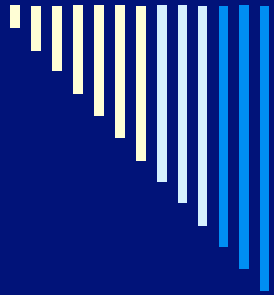
[Korea]♪

Sharp recovery of growth and e
mployment,
Return to international capital
market Jan. 1999 ♪

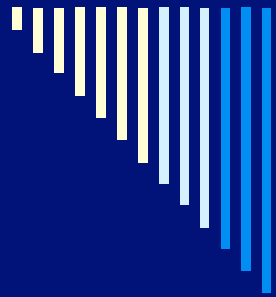
[US]♪

Crossing fingers♪



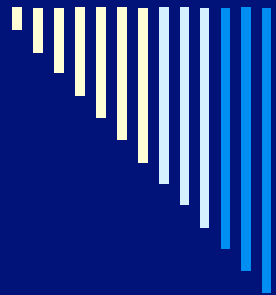


❖ Part II
:Northeast Asia's Response
and NEABCD♪



1. Efforts against future crises in East Asia♪

- 1) Huge foreign reserves as self-insurance :♪
Trade imbalance between East Asia and US♪
- 2) Progress in regional financial arrangement
such as Chiang Mai Initiative of ASEAN+3 ♪



2. Global imbalance seems unsustainable♪

1) Saving–investment gap in E.A. with♪

Twin deficits in US:♪

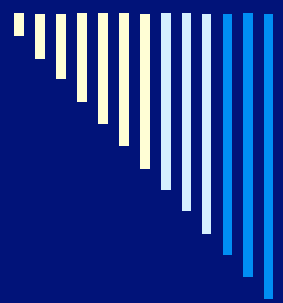
Global circulation of capital via Wall Street



2) Net export seems no longer to support growth:
East Asia needs to boost declining investment♪

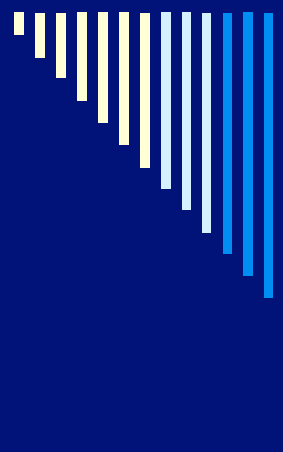
3) Needs of major traders' policy coordination ♪





3. Regional financial cooperation as building blocks♪

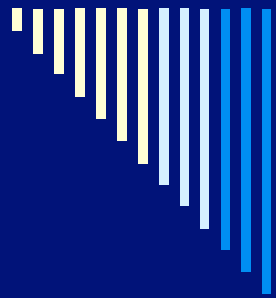
- 1) CMI (network of BSA) grows & multilateralized♪
- 2) Joint leadership by China and Japan♪
- 3) Understanding of US & non-regional countries♪
- 4) Less dependence on US dollar & burden sharing♪
- 5) More responsibility of E.A. for stability of own economy♪



4. Northeast Asia : Future growth engine of World

d
♪

- 1) Vast area with complementary industrial structure ♪
- 2) Underdeveloped potential due to poor infrastructure ♪
♪
- 3) Weak linkage of rich capital with development demand ♪
♪
- 4) Inflation and public debt make expansion policy difficult ♪
♪
- 5) Lagging development of regional capital market – ABMI ♪



5. NEABCD as investment promoter♪



1) N.E.A's demand is too large and lower priority for MFIs



2) Mobilizing funds in regional capital market, preferential



3) More important as catalyst for inducing private capital



4) Regional investment reduces global imbalance



5) New sub-regional MFI for regional financial cooperatio





Thank You
