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# A Shifting Paradigm and Growth Strategies Reappraisal in Post-Crisis Asia

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# **A Shifting Paradigm and Growth Strategies Reappraisal in Post-Crisis Asia**

by Winston Koh

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# Introduction

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- The Financial Crisis of 2007 has had far-ranging implications for the global economy.
- Questions were raised if export-led growth model in Asia has hit the limits.
- Income growth must be inclusive and sustainable, and to be achieved alongside other goals.
- Asian economies need to rebalance growth toward greater reliance on domestic and regional demand with a greater emphasis on social and environmental sustainability.

# Rethinking about Growth Strategies

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- Policy makers are reviewing long-term economic growth strategies for sustained post-crisis growth.
- Drivers of growth remain strong in the Asia Pacific region.
- Rapid economic growth to raise income levels remains a critical priority, on top of the longer-term challenge to achieve inclusive, balanced, sustained growth.
- Governments should also improve the management of capital flows, to insulate economy from the adverse impacts of capital flow volatility.

# Enhancing Social Inclusion and Protection

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- Focus on growth strategies that expands access to opportunities, and contributes to poverty reduction.
- Increase investment in public education and improve skill-training systems.
- Create more secure jobs with adequate social protection.
- Expansion of social security, public health insurance, and unemployment insurance can reduce the need for private precautionary savings.

# Rebalancing spending and production

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- Recent rapid Asian export growth was accompanied by a sharp worsening of the global payments imbalance.
- Some observers argue that surplus countries to consume more, and save less to address the imbalance.
- Growth in developing economies requires that the world economy absorb a rapid increase in the supply of tradeables produced in developing economies.
- In the near term, export demand from developed markets will remain sluggish.

# The Outlook

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- Trade liberalization becomes important as Asian economies must also find new sources of demand.
- Create and strengthen new engines of growth, focusing on entrepreneurship and innovation.
- Investment in education, deregulation, and policy incentives are key priorities.
- Develop a financial sector that supports and finance entrepreneurship and small and medium sized businesses,
- Despite diversity of Asia-Pacific region, there is convergence on economic and social priorities in many Asian economies,