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International Symposium

Challenges of the Global Financial and Economic Crisis – Towards a “New Economic Multilateralism”

Venue: HOTEL EQUATORIAL SHANGHAI

65 Yanan Road West, Shanghai 200040

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Shanghai, April 20-21, 2009

The financial crisis that began in the United States in the summer of 2007 has turned into the most far-reaching international financial and economic crisis since 1929. Nations with well-ordered and regulated economic and financial systems have been thrown into turmoil. The threat of global recession and the dire social consequences that accompany the financial turmoil require internationally coordinated actions. It also calls for an urgent reform of the global financial architecture and its regulatory system as well as a new approach on dealing with the underlying economic imbalances between the countries.

There appears to be growing consensus that reform on a substantial scope is needed. The question however remains, how best to do it? The present crisis has shown that markets alone cannot be relied on to deliver systemic economic stability. A new balance between state and market, between the economic and the political sphere must be established to provide our societies with financial stability as a

global public good. Future regulatory systems should guarantee that the financial markets do not function as means in itself, but serve the citizens of our societies.

Some causes for the instability of the international financial system as it is now unraveling may be linked to the injustice on which it is built. In outlining the reforms necessary to stabilize the international economy, the views and interests of more actors may have to be considered and in particular, the voices of emerging and developing economies have to be taken into account. So, while the specifics of necessary reforms are not yet agreed upon, there is a broad consensus that no fundamental and global reforms can be enacted if they do not arise from a process that is inclusive of both industrial and developing countries.

Beyond the need for stabilizing financial markets, there is a strong call for addressing the underlying causes of the global crisis. Reference is here made to the global economic imbalances, that means to the imbalances between countries which over the last decade have been saving high amounts of its export revenues and thus building up huge current account surpluses on the one hand, and economies with excessive spending and huge current account deficits on the other hand. Without re-balancing these imbalances, a lasting solution to prevent future financial and economic crisis may not be found.

In addition to a better regulatory framework and an orderly unwinding of the imbalances, another element to stabilize the world economy may be found in a new framework for the management of exchange rates. In order to cope with the risks of competitive depreciations and the sometimes erratic international capital flows, more international coordination in exchange rate policies is needed. In this regard, it seems worthwhile to re-think the base for global exchange rate policies and examine to what extent a new approach does have to consider erecting restrictions on the movement of capital accounts.

With a high level symposium the Friedrich-Ebert-Stiftung (FES) and the Shanghai Institutes of International Studies (SIIS) intend to promote a dialogue between experts and policy makers from industrialized and developing countries on the challenges resulting from the global financial crisis. The following issues should frame the debate:

- Causes of the Financial Crisis and the need for a new regulatory framework
- Policy Options how to stabilize the global real economy
- Effects of the crisis for developing countries
- Perspectives for a new international financial architecture

Program (draft)

Monday, April 20

09.00 – 09:30

Opening

- 10 min. Welcome by: Prof. Dongxiao Chen, Vice President of Shanghai Institutes for International Studies
- 10 min. Welcome by: FES
- 10 min. Introduction to Program

09:30-12:00 Session I: Causes of the Financial Crisis and its Global Reach? Preventing the recurrence of a financial crisis by closing the regulatory deficits?

Issues to be discussed:

- What lessons of the crisis of financial market regulation have to be considered?
- What role played market failures?
- What role played securitization and credit derivatives in the crisis?
- What impact had financial market's informational asymmetries?
- What was the major mechanism to spread the US financial crisis globally?
- Closing down certain finance instruments? Which ones?
- Should new regulations include also off-balance sheet items, hedge funds, offshore financial centers and tax havens?
- How can the regulatory framework for the Banking system be improved? How can anti-cyclical effects be build up?

Speakers

- 09:30-09:45
- Eric Helleiner, Professor, University of Waterloo, Canada
- 09:45-10:00
- Hansjörg Herr, Professor, Berlin School of Economics, Germany
- 10:00-10:15
- Okwu J. Nnanna, Economic Consultant, former Director-General of the West African Monetary Institute, Nigeria
- 10:15-10:30
- Xuan Changneng, President of Institute for Financial Studies, People's Bank of China (*tbc*)
 - Fang Xinghai, Director of the Department of Financial Service, Shanghai Municipal People's Government (*tbc*)
- 10:30-10:45
- Break

10:45-
12:00 Discussion

12:00-
14:00 Lunch Break

14:00-17:00 Session II: Beyond financial regulations – How to stabilize the global real economy?

Issues to be discussed:

- What part do the economic imbalances have in causing the crisis?
- How can an orderly re-balancing between current account deficit – countries and current account surplus countries be achieved?
- Do surplus countries have a particular responsibility for the world economy in the present situation?
- Which instruments are best to help balancing trade and capital?
- What future for export-led development strategies?
- Does traditional fiscal policy still countervail against the crisis?
- Is monetary policy efficient?

Speakers

- 14:00-
14:20
- Albert Keidel, independent researcher, former Acting Director of U.S. Treasury's Office of East Asian Nations, Washington D.C., USA
- 14:20-
14:40
- Gustav Horn, Director, Macroeconomic Policy Institute, Germany
- 14:40-
15:00
- Shin-ichi Fukuda, Faculty of Economics, University of Tokyo
- 15:00-
15:20
- Prof. Jin Fang, Director of the Department of Global Economy Studies, Institute for World Economy, Shanghai Academy of Social Science

15:20-
15:40 Break

15:40-
17:00 Discussion

End of Day One

Tuesday, April 21

09:00-12:00 Session III: Effects of the crisis for developing countries and emerging economies and how to confront them ?

Issues to be discussed:

- How will the developing countries and emerging economies be affected by the crisis?
- How can the outflow of capital from developing countries and emerging economies to the industrialized countries be avoided or compensated?
- Is there a strong institution that could compensate the outflow of private capital?
- Is there a need for additional credit lines of the IMF?

Speakers

09:00-09:20	• Sebastian Paulo, Research Fellow, OECD Development Centre, Paris
09:20-09:40	• Dongchul Cho, Director, Korea Development Institute, South Korea
09:40-10:00	• Roberto Frenkel, Professor, Universidad de Buenos Aires / CEDES
10:00-10:20	• Fan Gang, Professor, President of The National Economic Research Institute (<i>tbc</i>)
	• Haibing Zhang, Department of World Economy Studies, Shanghai Institutes for International Studies
10:20-10:40	Break
10:40-12:00	Discussion
12:00-14:00	Lunch Break

14:00-17:00 Session IV: Outline for a "New Economic Multilateralism": Which institutions? Which arrangements ?

Issues to be discussed:

- What changes in accountability and governance are necessary?
- How can early warning capacities be established?
- Do we need a new framework for the management of exchange rates?

- Regional currency agreements – Prospects and Purpose?
- What role for the IMF: Do we need a strengthened IMF? What new roles should the IMF take? A supervisory function for macro-economic policies? Or a regulatory body for the banking sector? Should the fund be reconfigured as a central bank of central banks?
- What role for the Financial Stability Forum?
- What role should the G 20 play in the future? What role the ECOSOC?

Speakers

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| 14:00-
14:20 | • Duk-Hoon LEE, Professor, Sogang University, Korea (<i>tbc</i>) |
| 14:20-
14:40 | • Hans Eichel, former German Minister of Finance, Member of Parliament, Berlin, Germany |
| 14:40-
15:00 | • Johannes F. Linn, Executive Director, The Wolfensohn Center, Washington D.C., USA, |
| 15:00-
15:20 | • Xu Minqi, Professor, Vice President of Institute for World Economy, Shanghai Academy of Social Science, China |
| 15:20-
15:40 | Break |
| 15:40-
16:40 | Discussion |

16:40-17:00 Closing

Participant
FES

- Jiemian Yang, Professor, President of Shanghai Institutes for International Studies

End of Symposium