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## Brexit and Its Aftermath – The Post-Brexit World: How Should East Asian Finance Cope?

By Kaewkamol Pitakdumrongkit



*The post-Brexit world is now bracing for the immediate effects on financial markets, including in East Asia. More enhanced macroeconomic policy coordination is needed. Yet, a strong political will is required for successful joint effort.*

AFTER MUCH heated debate, Brexit has become a reality. The United Kingdom has voted in a referendum to leave the European Union (EU). No one knows for sure in the long run how much Brexit will affect the global economy, especially in the realms of international trade, and financial stability and system. Uncertainty is now a certainty.

Although the actual UK withdrawal does not happen overnight as there will be a two-year transition period to allow for exit negotiations, the effect of Brexit has taken a toll on financial markets around the globe. East Asia has not been spared. Its stock markets plunged. The Nikkei was down 7.92% and KOSPI was off by 3.09%. Hang Seng and Shanghai Composite finished lower at 2.95% and 1.30% respectively.

### East Asian Responses

The turmoil triggered swift responses by some regional states. The Japanese government convened to discuss how to lessen the impact of Brexit on its finan-

cial market. Finance Minister Taro Aso announced that Tokyo was ready to roll out actions to address wild swings. Also, the Bank of Korea held a meeting to figure out ways to tame the local turmoil. According to its Vice Finance Minister Choi Sang-Mok, Seoul “will do its best to minimise any adverse impact of the Brexit outcome on the South Korean economy”.

The spokesperson of the Monetary Authority of Singapore declared that the entity “will continue to be vigilant and stay in close contact with fellow central banks and regulators, as uncertainty is likely to persist following the referendum outcome”. The last statement demonstrates a good sign reflecting the government’s plan to work together with the others to jointly address a potential financial roller-coaster.

### Policy Coordination to Face Future Uncertainty

As uncertainty lingers, East Asian nations should further enhance their macroeconomic policy coordination. The benefits of such course of action are clear: Firstly, policy coordination could boost information exchanges between the governments. Such sharing is useful as it improves their ability to evaluate the

situations and diagnose problems at stake, and together devise feasible policy actions.

Given that the East Asian economies are intertwined in the regional production networks, cooperating helps the countries avoid implementing measures that lead to undesirable effects, such as an upward pressure on neighbouring countries' currencies which can disrupt international trade and investment flows.

Also, policy coordination can reduce future turmoil. Financial markets are influenced by ideas and perceptions. History teaches us that some rumours trigger herd behaviour such as rapid sell-offs which led to stock market plummet and value loss. By working together, the regional states can jointly prevent rumours from spreading and becoming the "truth" in investors' minds.

More regular meetings between East Asian officials should be held because they could signal to the market about the gov-

ernments' commitment to collectively address regional financial issues. Moreover, joint press conferences or statements after the meetings should be delivered. Such communication is necessary as it lessens the probability that international investors would misinterpret states' intentions and actions. It also helps counter baseless rumours, reducing the likelihood of financial panic and chaos.

### East Asia's Role in Shaping Global Policy

Moreover, such effort can increase East Asia's roles in shaping global policy coordination. The regional states have been active participants in several platforms at the global level such as the Group of Twenty (G-20) and Financial Stability Board. Some successful actions and approaches adopted by East Asian nations can be proposed at the global platforms as ways to lessen or avoid market volatility.

How would regional macroeconomic policy coordi-

nation be improved? Among the possible modalities, one pathway that analysts agree is to build upon the existing architectures, namely the ASEAN+3 process. The framework has provided foundations in the areas of reserve sharing/liquidity provision (under the Chiang Mai Initiative Multilateralisation or CMIM), capital market development (as reflected by the Asian Bond Markets Initiative or ABMI), and surveillance mechanisms (such as the ASEAN+3 Macroeconomic Research Office or AMRO).

Despite these achievements, more work is needed to boost policy coordination which could be done, for example, by creating regional guidelines or blueprints for actions regarding the management of short-term capital flows and undertaking joint inflation targeting. Admittedly, these actions face challenges as they require policy adjustments of the involved stakeholders. As a result, there is a clear need for strong political

will to realise successful coordination.

Governments must convince one another that collective effort will better address financial problems than individual actions which can potentially offset the effect of the other states' policies. In short, regionalist interests must be seriously taken into account as well.

How the future of East Asian financial regionalism will unfold is still unclear. With Brexit now a fact, would the regional states use this event as an opportunity to foster more joint policy coordination? Or would they end up undertaking macroeconomic management on their own? ■

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## 11th Jeju Forum for Peace and Prosperity

On 27 May 2016, Associate Professor Alan Chong had the privilege of representing RSIS and CMS as a speaker at the 11th Jeju Forum for Peace and Prosperity.

The Jeju Forum is an annual regional multilateral dialogue that aims to promote peace and prosperity in Asia. The 2016 Forum spanned 3 days and focused on 'Asia's New Order and Cooperative Leadership' and included speakers such as Ban Ki-

moon, Secretary General of the UN, and Goh Chok Tong, Emeritus Senior Minister and Former Prime minister of Singapore

Dr Chong was part of the panel discussing 'Globalisation Before Neoliberalism: The Silk Roads and Global Asia in the Ancient World' with Dr Chong presenting his analysis of the 19th century Asian vision of mercantilism and commerce based on the text within the *Hikayat Abdullah* ■



Associate Professor Alan Chong with the rest of the Panel at the 11th Jeju Forum

## RSIS – WTO Parliamentarian Workshop 2016

The Seventh edition of the RSIS-WTO Parliamentarian Workshop was held from 17-19 August at Marina Mandarin. The workshop, which is part of the Temasek Foundation Series on Trade & Negotiations and jointly organised by the Centre for Multilateralism Studies and the World Trade Organisation, invited parliamentarians from across the Asia to build on their knowledge of the multilateral trading system.

The WTO held the 10th Ministerial Conference in Nairobi, Kenya during December 2015, providing extra impetus for progress within the global trading system. The workshop covered the recent agreements that came from the Nairobi conference including the expansion of the

Information Technology Agreement (ITA), and what direction the WTO will take in the future to remain relevant in the increasingly decentralised global trading system with the challenges that come with the so called mega regional trade agreements such as the Transpacific Partnership (TPP). Madam Speaker Halimah Yacob, of the Singaporean Parliament, spoke of the importance of the continuation of the multilateral trading system to Singapore and the ASEAN region. She argued that greater levels of world trade can help the region develop and become more competitive in the global economy.

The workshop gave the parliamentarians opportunities to hear from indus-



RSIS– WTO Parliamentarian Workshop Participants Group Photo

try experts as well as representatives from the WTO such as Keith Rockwell, Chief Spokesman and Said El Hachimi, Counsellor of the Information & External Relations Division. This platform allowed the representatives of the invited nations to learn more about how their respective nations could benefit from greater free trade and how the multilateral trad-

ing system can work for them and their constituents. The three day event also included field trips to the PSA Port of Singapore, to discover how Singapore organises its port logistically to facilitate trade, as well as a tour of Singapore's Parliament building. ■

## The EU and its Roles: Dr Luk van Langenhove

Dr. Luk van Langenhove, Research Professor at the Institute of European Studies at the Free University of Brussels and a Visiting Scholar at the Centre for Multilateralism Studies (CMS), delivered a pair of lectures on the role of the EU and how it can contribute to international society.

The first of these lectures was titled "Can the EU and the UN save the world" on 6 April 2016.

In his presentation, Dr. Langenhove explored existing partnerships between the United Nations (UN) and regional in the maintenance of regional peace and security. He argued that the UN and

European Union (EU) should foster systematic cooperation and coordination, calling for a networked approach of organisations and experts, including scientific communities.

In addition, Dr. Langenhove elaborated on the potential contribution that the EU could make to multilevel security governance. The EU needs to first obtain the political will of its members and the necessary resources to adopt the role of a regional or global player. He suggested that the EU's strategic approach needs to be flexible towards the increasing number of relevant actors; focused with regards to its battles in order to be efficient in the tasks it com-

mits to; and fast in taking important decisions despite its internal diversity.

The second of Dr. Langenhove's seminars was on the topic of 'Science Diplomacy as a New Tool for Soft Power' which was given on 8 April.

The seminar introduced the subject of science diplomacy as a potential vehicle for soft power. Using the EU as an example, Dr Langenhove demonstrated how science diplomacy can boost the ambitions of a region looking to become a more significant global actor. The Asia-Europe Meeting (ASEM) was also used as an example of how regions can cooperate on areas like science to strengthen relationships ■



Dr Langenhove delivers his first seminar on 6 April at RSIS Keypoint

## US Think Tank Exchange Programme

Assistant Professor Kaewkamol Pitakdumrongkit was selected to participate in the Professional Fellows On Demand Think Tank Influence and Effectiveness Exchange Programme from September 25th to October 15th in the U.S

The programme which is funded by the U.S Department of State is implemented by World Learning, and international non-profit organisation that focuses on international development, exchanges, and education. The two way exchange programme involves think tank professionals from Asia and the

U.S studying the various international bodies and their related activities and policies.

As one of the 24 multinational fellows selected to participate in the programme, Assistant Professor Kaewkamol Pitakdumrongkit will both be in-

involved in scholarly work related to the analysis of rules based bodies in the region, as well as think tank capacity building activities. ■

## Upcoming Event: RSIS Seminar Series on Multilateralism Studies - "Brexit"

Following Britain's decision to leave the European Union, the Centre for Multilateralism Studies will be holding their first seminar as part of the new RSIS Seminar Series on Multilateralism Studies, titled 'Brexit and its After-

math'.

The panel will include the EU Centre's Director Dr Yeo Lay Hwee, Former Danish Ambassador, Mr Joergen Oerstroem Moeller, GIC Economist, Adrian Chiu Ting Fung,

and RSIS Professor Pascal Vennesson. Ambassador Barry Desker will chair the discussion.

The panellists will present the different perspectives of Brexit and its possible consequences.

The event will take place at Lecture Theatre 5, NTU, on 27 July from 2:30 -4:30 and can be registered for [online](#) ■

### SELECTED PUBLICATIONS

**Brexit and Its Aftermath – The Post-Brexit World: How Should East Asian Finance Cope?**  
Kaewkamol Pitakdumrongkit, *RSIS Commentaries*  
28 June 2016

**Brexit and Its Aftermath – What Now for Britain and EU?**  
Aédán Mordecai, *RSIS Commentaries*  
27 June 2016

**Brexit and Its Aftermath – Brexit's Impact on Asia**  
Pradumna B. Rana, *RSIS Commentaries*  
27 June 2016

**ASEAN+3 Financial Cooperation and AIIB: Next Steps Forward**  
Pradumna B. Rana, *RSIS Commentaries*  
14 June 2016

**TPP, OBOR and ASEAN: Where Will They Lead To?**  
Alice D. Ba, *RSIS Commentaries*  
11 May 2016

**UN and EU: Partners in Security Governance?**  
Luk Van Langenhove, *RSIS Commentaries*  
04 May 2016

**New Global Economic Architecture: An Asian Perspective**  
Pradumna B. Rana and Aédán Mordecai, *RSIS Policy Briefs*  
22 April 2016

**Securing Singapore: Applying Biopolitics**  
Alan Chong and Tamara Nair, *RSIS Commentaries*  
15 April 2016

**Science Diplomacy: New Global Challenges, New Trend**  
Luk Van Langenhove, *RSIS Commentaries*  
12 April 2016

**After AIIB, What's Next?**  
Kaewkamol Pitakdumrongkit, *RSIS Commentaries*  
08 April 2016

The **Centre for Multilateralism Studies (CMS)** is a research entity within the S. Rajaratnam School of International Studies at Nanyang Technological University, Singapore. The CMS team conducts cutting-edge research, teaching/training and networking on cooperative multilateralism in the Asia Pacific region. The Centre aims to contribute to international academic and public discourses on regional architecture and order in the Asia Pacific. It aspires to be an international knowledge hub for multilateral cooperation and regional integration.