Available online at www.sciencedirect.com

SCIENCE DIRECT

Journal of Asian Economics 15 (2004) 837–841

JOURNAL OF ASIAN ECONOMICS

Invited article

Regional financial cooperation in Asia

Adlai E. Stevenson*[,1]

SC&M Investment Management Corp., 20 N. Clark St., Chicago, IL 60602, USA

Received 31 August 2004; accepted 7 September 2004

Abstract

The pillars of the new financial architecture after 1945 were the IMF and the World Bank. The system has recently come under increasing pressure after the financial meltdown in 1997. It is no longer compatible with the new economic facts in the region. The US has become the largest debtor nation in the world. It is Asian banks that provide the necessary resources allowing the American economy to be a strong engine of global demand.

Though the world's center of economic gravity continues shifting to East Asia, the 1997 crisis revealed the vulnerability of East Asian economies. The formation of an Asian financial facility would be quite advantageous to defend the region's interests and support development of a regional currency. These objectives could only be achieved if East Asia is to take active steps to setup the infrastructure needed for successful financial regionalism.
© 2004 Elsevier Inc. All rights reserved.

JEL classification: F33; Q19

Keywords: International economics; International finance; Economic development; Role of international organizations

After two world wars that devastated the European continent during the first half of the 20th century, there was a realization in western capitals that the world needs a new financial architecture for countries that follow free market principles. The system that emerged was global in nature. The pillars of the new structure were the IMF and the World Bank. The raison d' etre of these two international institutions was to promote free trade and help *all*

* Tel.: +1 773 281 3578; fax: +1 773 281 4812.
E-mail address: Astevens@aol.com.
[1] Chairman of SC&M Investment Management Corp. and Former US Senator.

1049-0078/$ – see front matter © 2004 Elsevier Inc. All rights reserved.
doi:10.1016/j.asieco.2004.09.001

nations. The new system took care to avoid making past mistakes such as the punitive attitude taken by the victorious allies towards the vanquished after WWI or allowing for the contraction in international trade as happened during the years of the great depression.

Support for political and economic unification was ripe in early post-WWII Europe. Nevertheless, there was a long period of inaction before *regional* economic and financial harmonization started to take place in earnest in 1969. The impetus was the monetary crisis one year earlier. This was a result of speculative activities that went unchecked for several months. The devaluation of the French franc and revaluation of the Deutsche mark that followed, galvanized both France and Germany to agree in principle to economic and monetary union.

In contrast to Europe, for more than half a century after the end of WWII, Asia did not have regional institutions to devise cooperative economic policies and promote regional stability. Like Europe, it took a financial crisis to push the region towards meaningful financial cooperation. After 1997, Asian governments realized that global financial institutions were not enough to guarantee the continuation of the region's prosperity.

My association with East Asia started in 1953 as a U.S. Marine Corps platoon commander. Japan's economy was in ruins. China was impoverished, ravaged by world and civil wars and soon to be isolated for decades by the west. South Korea had no economy to speak of. The suffering was terrible. Korea was exporting human hair. The insurgencies were underway in the colonies of South East Asia and would continue until well into the 1970s.

Now Japan is the world's second largest economy. China, the world's fastest growing, is, attracting more foreign direct investment than the U.S. The Korean economy is the world's seventh largest, and Southeast Asia is the home of some of the most dynamic newly industrialized nations in the world. In the history of nations, half a century looks like a mere blip. And yet, it took only that amount of time for the East Asian region to make economic strides that have permanently ensured its rise to the ranks of advanced nations. By 1962 East Asia's share of global GDP was only about 4%. Now it is more like 30%.

At the end of WWII, the US had 80% of global gold reserves, now East Asia's central banks control about 60% of the world's foreign exchange reserves. China's alone are about $400 billion. Japan's reserves by some estimates could exceed $1 trillion by 2010. High levels of savings and investment and current account surpluses have given East Asia total monetary reserves that exceed those of Europe and North America combined.

In 1953, the US share of global GDP was roughly 50%. Now its share is little more than half that. It ran a trade surplus and was creditor to the world. Now, its current account deficit has reached 5% of GDP. The richest nation in the world needs to import about $500 billion annually to finance its deficit.

The main reasons for this appetite for foreign resources are the US high levels of corporate and household debt, low levels of savings, and its rapidly increasing public debt. Private foreign investment in the US is declining. It is little wonder the dollar has been showing signs of weakness; it is no longer the world's indisputable safe haven.

The US external deficit is being financed in large measure by central banks of East Asia buying dollars to defend their currencies from appreciation. Just as the US is dependent on East Asia, the latter remains dependent on the former, especially for export markets. While America's dependence on East Asia's financial resources is growing, the latter's

دریافت فوری ← متن کامل مقاله

ISIArticles
مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات