



# Institute of International Finance Meeting

## Regional Cooperation - Asian Chapter

**Mr Andrew Sheng  
Chairman**

**Securities and Futures Commission**

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# Asia in Global Economy I

## (% of World)

	Market Exchange Rate Weights	PPP Weights
<i>Japan</i>	<b>15.1</b>	<b>7.6</b>
<i>4 Tigers</i>	<b>3.3</b>	<b>3.3</b>
<i>China</i>	<b>3.3</b>	<b>11.2</b>
<i>India</i>	<b>1.5</b>	<b>4.6</b>
<i>Other Asia</i>	<b>2.9</b>	<b>5.4</b>
<b>Total ASIA</b>	<b>26.1</b>	<b>32.1</b>
<b>US</b>	<b>30.2</b>	<b>21.9</b>
<b>EU</b>	<b>26.3</b>	<b>20.3</b>
<b>Others</b>	<b>17.4</b>	<b>25.7</b>
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

Source: IMF, *World Economic Outlook*, May 2000.

# Asia in Global Economy II (% of World)

	PPP-adjusted GDP	Exports	Population
<i>Japan</i>	7.6	6.7	2.1
<i>4 Tigers</i>	3.3	9.5	1.3
<i>China</i>	11.2	3.1	21.1
<i>India</i>	4.6	0.7	16.6
<i>Other Asia</i>	5.4	4.5	14.4
<b>Total ASIA</b>	<b>32.1</b>	<b>24.5</b>	<b>55.5</b>
<b>US</b>	21.9	14.0	4.6
<b>EU</b>	20.3	39.3	6.3
<b>Others</b>	25.7	22.2	33.6
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: IMF, *World Economic Outlook*, May 2000.



# Lessons of Asian Crisis

**Bad accounting =**

**Bad statistics =**

**Bad decision-making =**











**Bad risk management =**

**Flawed policies =**

**Financial crisis**

# Asian V-shaped Recovery

## Real GDP Growth Rate (%)

		IN	LOCAL	CURRENCY		IN USD
		1997	1998	1999	2000	2000 over 1997
Hong Kong		5.3	-5.1	3.1	8.7	5.7
China		8.8	7.8	7.1	8.0	25.3
Singapore		9.0	0.3	5.4	8.1	-1.2
Taiwan		6.8	4.8	5.4	6.6	9.9
Korea		5.0	-5.8	10.7	8.5	-5.9
Thailand		-1.4	-10.0	4.2	4.5	-23.8
Malaysia		7.5	-7.5	5.6	8.0	-23.3
Indonesia		4.5	-13.7	0.2	4.0	-69.1
Philippines		5.2	-0.4	3.3	4.0	-25.3
India		5.0	6.8	6.4	7.0	0.4

Remarks: figures for 2000 are World Bank forecasts in Sep 2000 (forecast for India is ADB forecast in Sep 2000); exchange rates for 2000 are Jan to Aug of 2000 averages

# More Sustainable and Balanced Growth in Asia

	GDP Growth (annual percentage change)		Inflation		Current A/C (as % of GDP)	
	<u>1992-98</u>	<u>1999</u>	<u>1992-98</u>	<u>1999</u>	<u>1992-98</u>	<u>1999</u>
<b>Asia</b>	<b>7.8</b>	<b>6.0</b>	<b>9.4</b>	<b>2.2</b>	<b>0.4</b>	<b>3.0</b>
Hong Kong	3.7	2.9	7.1	-4.0	0.2	4.4
China	11.0	7.1	11.3	-1.4	1.3	1.5
Malaysia	6.8	5.4	3.8	2.7	-2.9	16.9
S. Korea	4.9	10.7	5.5	0.8	0.3	6.0
<b>India</b>	<b>6.3</b>	<b>6.3</b>	<b>8.2</b>	<b>3.5</b>	<b>-1.2</b>	<b>-0.8</b>
Latin America	3.8	0.1	89.7	9.1	-2.9	-2.6
Central Europe	3.8	3.2	22.3	6.5	-1.9	-5.8



# Opportunities and Challenges

## ◆ External :

- US - soft or hard landing?
- Japan - end of zero interest rate era
- China's entry to WTO
- Asian Monetary Fund?

## ◆ Internal :

- Political/Social change
- Readiness for New Economy
- Bank/Enterprise restructuring
- Service Sector Process change

# Asia's Dependence on US Market

(1999, %)

	Products Export (%of GDP)	US	EU	Asia	IT Products in US imports
Hong Kong	109.6	23.8	17.6	50.6	21.2
China	19.7	21.6	18.3	52.6	27.9
Singapore	134.9	19.2	16.3	57.6	79.1
Taiwan	42.1	25.4	16.7	50.5	41.9
Korea	35.3	20.5	14.5	45.2	52.9
Thailand	47.2	21.6	16.8	48.9	41.9
Malaysia	107.1	21.9	16.8	55.4	78.9
Indonesia	34.2	14.3	15.1	60.6	22.3
Philippines	45.8	29.8	17.9	46.1	65.6



# Internal Changes in Asia

- ◆ **Political governance** - Political baby boomers still waiting in wings
- ◆ **Corporate governance** will change when second generation family inherits, as competition becomes global
- ◆ **Cultural changes** - Generation X driving consumption and life-styles
- ◆ **Regional consciousness** - still nascent



# Issues









- ◆ **Are reforms slowing?**
- ◆ **Is there a North/South Asia divide in growth?**
- ◆ **Is inflation looming again - undervalued exchange rates?**
- ◆ **Asian role in international financial architecture**



# Common Asian issues

- ◆ **Common standards - how to move towards global standards**
- ◆ **Common market - AFTA?**
- ◆ **Asian Financial market**
- ◆ **Asian Currency & Monetary Fund?**
- ◆ **Channels of public & private dialogue**
- ◆ **Dialogue between private & public sectors**

# Great development potential for bond market (% of GDP, 1999)

		Bank Assets	Equity Market	Bond Market
<b>Hong Kong</b>		<b>218</b>	<b>384</b>	<b>34</b>
<b>China</b>		<b>126</b>	<b>33</b>	<b>11</b>
<b>Singapore</b>		<b>231</b>	<b>227</b>	<b>20*</b>
<b>Taiwan</b>		<b>170</b>	<b>127</b>	<b>14</b>
<b>S. Korea</b>		<b>122</b>	<b>98</b>	<b>80</b>
<b>Thailand</b>		<b>150</b>	<b>47</b>	<b>30</b>
<b>Japan</b>		<b>172</b>	<b>102</b>	<b>203</b>
<b>US</b>		<b>61</b>	<b>180</b>	<b>187</b>
<b>Germany<sup>#</sup></b>		<b>273</b>	<b>51</b>	<b>97</b>

Remark: \* Government bonds only (1998 figure); # 1998 figure

Sources: FIBV, IFC, World Bank, various central banks and websites



# Facing Up the Challenges

- ◆ **It is desirable to build up mutual understanding and cooperation between financial firms in Asia and the financial authorities in the region.**
- ◆ **The establishment of the Asian Chapter of Institute of International Finance is meaningful.**



**Thank you for your attention**

