

Financial Arrangements for Financial Cooperation

The Other Four:

Australia, Hong Kong SAR, New
Zealand and Chinese Taipei

Regional financial cooperation

- Desirable and necessary?
 - yes: Australia, HKSAR and Chinese Taipei
 - depends on effectiveness of global mechanisms, nature and size of disturbance, mechanisms for coordination, degree of regional cohesion (A)
 - not necessarily involve IMF
 - underpin currency arrangements (CT)
 - maybe: NZ
 - good for sharing experience, networking and targeting assistance but concern about moral hazard and undermining IMF (always involve IMF)

Regional financial cooperation

- Regional Institutions
 - APEC Finance Ministers: China Taipei/NZ rate highly, Australia is more ambivalent
 - EMEAP: effective and highly complementary
 - SEACEN: China Taipei rates very highly
 - ADB: China Taipei gives a fair rating
 - Manila Framework: NZ would like to wound into AFM, Australia and HK support
 - Four Markets: effective and complementary

Regional financial cooperation

- Who leads
 - CT: APEC (chair, US, Australia, China); SEACEN (Malaysia); ADB (Japan, US, China)
 - A: countries with human and financial capital
 - mix of finance ministry/central bank: close
- Examples of financial cooperation
 - good: APEC domestic bond, fin regulators training, credit agencies; CMI, FLOD
 - bad: SLOD

Regional financial cooperation

- Crisis prevention
 - NZ: sound fundamentals and macro-prudential indicators
- Reform
 - extend membership
 - Australia, HKSAR and Chinese Taipei
 - finance, central banks, and capital markets and insurance
 - secretariat, private-sector links

Monetary arrangements

- CT: long-term aim, need deeper economic integration first and market-based systems
- NZ: ANZ has business but not political support
- A: no consensus yet in Asia but supports deeper integration and regional stability; Australia is well served by its independent floating ER system