

A Comment on Professor Wing Thye
WOO's paper "*A Realistic Vision of
Asian Economic Integration*"

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Part II: *1997 AFC resulted in a government-driving integration*

- reasons of the crisis
 - *crony capitalism,*
 - *market booms & busts, and*
 - *the incompetence of IMF*
- two lessons from the crisis
 - *excessive price movements are not ‘peso problems’.*
 - *the only form of reliable help is self-help.*

Part III: economic union's size-structure

- *“unlike the EU, AEU won't be a club of equals at any point of time, and unlike NAFTA, there is no stable dominant economic giant across time.”* So,
 - *“the only stable configuration is the survival of individual East Asian currencies with limited coordination among them in normal time.”*
 - *“Many present efforts to promote closer exchange rate cooperation will not succeed in the long-run.”*
Such as AMU.

Part IV: an opportunity for AMF

- What Asia can do now
 - *support the establishment of a working group on the reform of the IMF*
 - *enhance Asian swap facilities to AMF*
- Five reasons for US and Western Europe to support AMF suggestion

Part V: the leadership structure of AMF

- *“the leadership structure of AMF should not be locked in the balance of economic power that existed at the time of its founding.”*
- *a self-updating leadership structure would be a great innovation and contribution to Asia and the world.*
- I agree on final conclusions but the reasoning.

Q1: why not a time for AMU but AMF?

AMU

- An obstacle: instability of economic size-structure
- *As a result: present efforts will not succeed*
- Can't be self-updating...?
 - weights (if it is a basket), or
 - leadership structure (if it is a single currency)

AMF

- Same obstacle
- Won't succeed?
- As a suggestion: *a self-updating leadership structure*

Why not a time for AMU? (continue)

- Other scholars' approaches:
 - *Not enough market demand: ...Otherwise, financial institutions such as Nomura may provide it without bothering any central banks or professor Eiji Ogawa.*
 - Coordination failure, if exists, cannot be lift by an AMU.
 - Too high an opportunity cost: no Asia country needs to endure any unfavorable currency basket because it can always provide itself with an optimum one at relatively low cost.

Q2: is Japan so generous to provide free-meal to its neighboring countries?

- Do we need to thank Japan because :
 - *“The only country that was willing to commit immediate large-scale financial assistance to the crashing Asian economies was the neighboring country of Japan, which proposed the Asian Monetary Fund”?*
- However, probably we should thank anyone else but Japan.

Why Japan became generous?

- Japan didn't do it when it had the capacity, but in an effort to do it when it is less capable.
- Why?
 - An explanation: there wasn't any competitor in the past, but now, there seems one, if not is one.
 - If so, neighboring countries should give thanks to the competitor rather than to Japan for Japan's some sort of kindness.

A benefit of AMF (a sixth reason)

- A potential competition between AMF and IMF
 - That's why IMF do not welcome AMF.
- Such a competition is beneficial to Asia. And,
- The benefits will spill out with
 - A calm Asian financial market, and
 - An example to other regions and the world.

Q3: Could the five reasons change the mind of US and Western Europe?

- The answer seems uncertain.
 - (further discussions likely to be a long process. So I'd better highlight but wrap them up here.)

Q4: how confident we are to remove all doubt with crony capitalism?

- How about if we make a misjudgment?
 - “*Red Cliff*” (赤壁) is on show in Tokyo at this moment.
- Could such an old tale, as well as the new tale of IMF, be a help to integrate Asian countries together in an satisfactory way?

- Thank you every one!