

EABER WORKING PAPER SERIES

PAPER NO.11

EAST ASIAN CAPITAL MARKETS INTEGRATION: STEPS BEYOND ABMI

ANDREW SHENG

TUN ISMAIL ALI CHAIR IN MONETARY & FINANCIAL ECONOMICS, FACULTY OF ECONOMIC AND ADMINISTRATION, UNIVERSITY OF MALAYA

ADJUNCT PROFESSOR

GRADUATE SCHOOL OF ECONOMIC MANAGEMENT, TSINGHUA UNIVERSITY

AS@ANDREWSHENG.NET

KWEK KIAN TENG

ASSOCIATE PROFESSOR

FACULTY OF ECONOMICS AND ADMINISTRATION, UNIVERSITY OF MALAYA

KTKWEK@UM.EDU.MY

PAPER PREPARED FOR DISCUSSION AT THE

ADVANCING EAST ASIAN ECONOMIC INTEGRATION:

THE INSTITUTIONAL AND FINANCIAL FOUNDATIONS OF ECONOMIC GROWTH AND INTEGRATION IN EAST ASIA

BANGKOK 22-23 FEBRUARY 2007

ABSTRACT:

July 2007 will mark the 10th Anniversary of the Asian Financial Crisis. Following the Crisis, the ASEAN Finance Ministers' Meeting in Manila in April 1999 decided to work towards strengthening ASEAN cooperation and also aims at wider (ASEAN+3) cooperation. Since then, many measures, such as the Asian Bond Market Initiative (ABMI) and Chiangmai swap arrangements have been launched to considerable fanfare. There was common recognition that Asian economies need to cooperate more, build deep and liquid capital markets, improve surveillance, and strengthen risk management and supervision in order to avoid future financial crises.

In an earlier paper, it was suggested that despite considerable goodwill and intentions by the different Asian authorities, it has proved difficult to integrate Asian Bond Markets due to bureaucratic differences within countries and between countries. This paper tries to take the analysis further by using Network Theory and Douglass North's new institutional framework to understand Asian capital markets can work together, through the "process" of searching for common values, common beliefs, common products and shared infrastructure.