Foreword

This volume is a collection of the papers submitted to the second annual conference of the Finance Forum of the Pacific Economic Cooperation Council. The papers have been edited after the conference so that they collectively complement each other in providing important information on Asian bonds.

The Standing Committee of the Pacific Economic Cooperation Council (PECC) agreed to create the Finance Forum at its meeting held in Hong Kong in November 2001, as part of the effort to realign its various existing task forces. With this decision, cooperation for financial stability and development in the APEC region finally came to receive the full recognition it deserved. I had the honour of being asked by the Standing Committee to serve as the founding Coordinator of the Forum as well as the Chairman of its International Advisory Group. The Finance Forum, together with its International Advisory Group, was organised in early 2002 and launched its first two-year work program under the broad exploratory theme of Issues and Challenges for Regional Financial Cooperation in the Asia-Pacific. This work program was naturally focused on the lessons from the financial crisis of 1997–98 for financial cooperation among East Asian economies, and identified as one of the specific issues for exploration in the second year of the program the case for the development of regional bondmarkets in East Asia.

Since the financial crisis, the development of local bondmarkets has been a major objective of financial reforms in many East Asian economies in recognition of the fact that the absence of vibrant bondmarkets was one of the major causes of the crisis. In parallel with these efforts, there also have been repeated calls for developing regional bondmarkets in East Asia and the regional economies have begun to explore and promote a number of specific initiatives for this purpose, including the Asian Bond Fund (ABF) and the Asian Bond Market Initiative, and various forums such as APEC, the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP) and ASEAN+3. Likewise, there is a large and growing literature on regional bondmarkets in East Asia. Ironically, however, there is little consensus on what exactly the Asian bondmarkets are, and to the extent that an agreement on this definitional issue can be said to exist, on whether they are truly needed in East Asia, whether they can be created as viable markets in the competitive environment of the global economy, or how they should be created as well as what should be the role for intergovernmental cooperation in the context of the answer to this question.

Considering the enthusiasm of many regional economies including Thailand, Korea, and Hong Kong, in particular, and advised by several members
of the International Advisory Group, there was a pressing need to undertake a systematic examination of these issues with analytic rigor as well as to solicit a new creative input from academic experts into the constructive policy development process, and Professor Yung Chul Park of Korea University in Seoul was requested to prescribe for the Forum a team research project that would answer this need. Professor Park was kind enough to honour this request and the project so conceived was undertaken in early 2003, drawing the participation of several of the best experts on the subject matter in the APEC region as authors of six component papers. These papers were presented and discussed at the Second Annual Conference of the PECC Finance Forum that was held in Hua Hin, Thailand, on 8-9 July 2003. The present volume consists of these papers as edited by Professors Takatoshi Ito of Tokyo University and Yung Chul Park of Korea University, together with their Overview.

As the project coordinator, I am pleased and honoured to have worked to bring this research to the attention of the policy authorities of the ASEAN+3 and other APEC governments which have been either leading or supporting the effort to develop regional bondmarkets in East Asia, as well as experts in the finance industry or in academia who are interested in the subject matter. I am particularly proud to note that this research raises a number of new and provocative issues as well as specific creative proposals and believe that it contributes to the broadening of the thought horizon on how to develop Asian bondmarkets. I hope that readers of this volume, especially those from the policymaking authorities in the region intent on the development of those markets, will find this publication both timely and helpful.

I would like to express my appreciation of their contributions to this volume to all participants in the Second Annual Conference of the Forum, to the authors of the individual papers as well as both editors of the volume, to all Member Committees of PECC that have made this project possible through their support for the work of the Finance Forum, particularly Korea National Committee for Pacific Economic Cooperation (KOPEC) and Japan National Committee for Pacific Economic Cooperation (JANCPEC), which have provided extra financial support for the preparation of the volume. On behalf of the PECC, I also would like to express my special gratitude to Asia Pacific Press for agreeing to publish this volume. Finally, I would like to acknowledge the very valuable contribution of Ms Eunsuk Lee, Assistant Director of KOPEC, without whose assistance I would not have been able to carry the work of the Finance Forum thus far, as well as this publication project, to a successful conclusion.

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