

SEPTEMBER 23, 2003

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50 YEARS AGO EAST ASIA WAS IMPOVERISHED. ITS SHARE OF GLOBAL OUTPUT OF GOODS AND SERVICES (GDP) WAS ABOUT 5%. THE U.S. SHARE WAS ROUGHLY 50%. TODAY EAST ASIA'S SHARE OF A VASTLY EXPANDED GLOBAL GDP IS ALMOST AS LARGE AS THE U.S. SHARE.

WHEN I FIRST CAME TO CHINA IN 1975, I WAS A "RUNNING DOG OF CAPITALISM." AS THIS TIMELY CONFERENCE INDICATES, THERE HAVE BEEN SOME CHANGES SINCE THEN IN CHINA - AND IN MY STATUS: AN HONORARY PROFESSOR OF RENMIN UNIVERSITY. IT IS AN HONOR FOR WHICH I AM GRATEFUL AND FEEL UNWORTHY.

AMONG AMERICANS WHO REMEMBER EAST ASIA 50 YEARS AGO AND CHINA 28 YEARS AGO, THERE ARE FEW SKEPTICS. THE WORLD'S CENTER OF ECONOMIC GRAVITY IS STEADILY MOVING TO CHINA AND EAST ASIA. THIS IS A PHENOMENON OF EPIC PROPORTIONS FOR WHICH STATISTICS ARE ONLY SYMPTOMS. IT IS AS IF ONE OF THE GREAT 50 YEAR WAVES OF ECONOMIC RECOVERY AND PROGRESS DESCRIBED BY THE RUSSIAN ECONOMIST, NIKOLAI KONDRATIEF, HAD OVERTAKEN THE WORLD.

IT IS A PHENOMENON WHICH HAS OVERTAKEN AN INTERNATIONAL MONETARY SYSTEM CREATED ALMOST SIXTY YEARS AGO FOR ANOTHER WORLD.

EAST ASIA'S CENTRAL BANKS CONTROL ABOUT 60% OF THE WORLD'S FOREIGN EXCHANGE RESERVES. CHINA'S RESERVES ARE ABOUT \$350 BILLION (OVER \$600 BILLION FOR GREATER CHINA). ITS FOREIGN ASSETS IN PRIVATE HANDS (CHINA'S RUNNING DOGS OF CAPITALISM) MAY BE LARGER. THE CENTRAL BANKS OF CHINA, JAPAN, SOUTH KOREA AND HONG KONG OWN MORE THAN \$700 BILLION OF U.S. TREASURY SECURITIES.

IN SOME RESPECTS, THE U.S. FINANCIAL CONDITION HAS BECOME THE REVERSE OF CHINA'S. CHINA AND EAST ASIA RUN CURRENT ACCOUNT SURPLUSES. THE U.S. RUNS A CHRONIC CURRENT ACCOUNT DEFICIT OF ABOUT \$500 BILLION OR 5% PERCENT OF GDP AND GROWING. PRIVATE FOREIGN AND DIRECT INVESTMENT IN THE U.S. ARE DECLINING. CHINA ATTRACTS MORE FOREIGN DIRECT INVESTMENT THAN ANY OTHER COUNTRY. THE U.S. HAS HIGH LEVELS OF CORPORATE AND HOUSEHOLD DEBT, LOW LEVELS OF SAVINGS. TOTAL U.S. DEBT AT ABOUT \$31 TRILLION IS CLOSE TO 300% OF GDP. CHINA HAS A SURPLUS OF SAVINGS TO INVESTMENT, THE U.S. THE OPPOSITE. DEPOSITS IN CHINA'S FINANCIAL INSTITUTIONS HAVE REACHED ABOUT \$2.5 TRILLION, AN INCREASE OF 22% IN ONE YEAR.

SUCH STATISTICS REFLECT IMBALANCES WHICH ARE NOT SUSTAINABLE. THE DOLLAR HAS BEEN WEAKENING; THE PRICE OF GOLD RISING. MONETARY STABILITY DEPENDS ON CENTRAL BANKS OF EUROPE AND EAST ASIA. CHINA IS BUYING ALMOST \$10 BILLION OF U.S. TREASURY OBLIGATIONS EVERY MONTH. JAPAN BUYS MORE. INVESTORS ARE BEGINNING TO ASK HOW LONG ASIANS WILL BUY U.S. TREASURY SECURITIES TO FINANCE THE U.S.' RISING FISCAL AND CURRENT ACCOUNT DEFICITS.

TO REDRESS SOME OF THESE IMBALANCES, CHINA HAS BEEN URGED TO FREE UP ITS CURRENCY AND LET IT FLOAT. BUT THAT COULD LEAVE CHINA WITH FEWER DOLLARS TO HELP FINANCE THE U.S. DEFICITS AND SUCK IN IMPORTS FROM THE WORLD. CHINA'S IMPORTS ARE RISING FASTER THAN ITS EXPORTS. REVALUATION OF THE RENMINBI COULD BE FOLLOWED BY DEFLATION, AS HAPPENED IN JAPAN IN THE 80'S. CHINA'S PRODIGIOUS SAVERS MIGHT RESTRAIN SPENDING IN ANTICIPATION OF MORE REVALUATION, OR, GIVEN LOOSER CAPITAL CONTROLS, THEY MIGHT WITHDRAW LOCAL BANK DEPOSITS FOR INVESTMENT IN FOREIGN CURRENCIES, DEVALUE THE RENMINBI AND UNDERMINE CHINA'S BANKS. ANTICIPATION OF A REVALUED RENMINBI MAY ALREADY BE COMPLICATING CHINA'S EFFORTS TO REFINANCE ITS DEBT.

MANY AMERICANS RESPECT CHINA'S CAUTION AND COMMITMENT TO STABILITY AND RECOGNIZE THAT THE U.S. BEARS RESPONSIBILITY FOR ITS CURRENT ACCOUNT AND FISCAL DEFICITS. CHINA RUNS A TRADE SURPLUS WITH THE U.S. BUT NOT WITH THE REST OF THE WORLD. APEC FINANCE MINISTERS AT THEIR RECENT MEETING DID NOT SHARE THE U.S. TREASURY SECRETARY'S ENTHUSIASM FOR A FLOATING CHINESE EXCHANGE RATE REGIME.

A STRONG CASE CAN BE MADE FOR A REVALUATION OF CHINA'S PEG AGAINST THE DOLLAR OR A LOOSENING OF ITS BAND AND ADDITIONAL MEASURES TO ADDRESS CHINA'S SURPLUSES AND ASSURE THAT IT MOVES IN AN ORDERLY SEQUENCING OF CAPITAL ACCOUNT LIBERALIZATION AND TOWARD GREATER EXCHANGE RATE FLEXIBILITY. MANY SUCH MEASURES APPEAR TO BE IN PROGRESS, INCLUDING MORE MARKET OPENING MEASURES, LOWER EXPORT SUBSIDIES AND A LOOSENING OF CAPITAL CONTROLS. TO REIN IN EXCESSIVE BANK LENDING, CHINA HAS INCREASED RESERVE REQUIREMENTS. A LARGE CHALLENGE REMAINS IN ITS FINANCIAL SECTOR.

IN THE WORLD AT LARGE, BANKS HAVE BECOME INTEGRATED INSTITUTIONS WITH A BROAD ARRAY OF GLOBAL SERVICES AND FACILITIES. IN EAST ASIA MANY BANKS ARE TECHNICALLY INSOLVENT. FINANCIAL INSTITUTIONS AND MARKETS REMAIN UNDER DEVELOPED MEANS OF FINANCIAL INTERMEDIATION. CHINA MUST DO MORE TO DEVELOP ITS' FINANCIAL SECTOR AND STRENGTHEN ITS BANKS BEFORE OPENING THE FLOODGATES. THEIR LEGACY FROM THE OLD DAYS OF CREDIT ALLOCATION IS A DANGEROUSLY HIGH LEVEL OF NON PERFORMING LOANS AUGMENTED TODAY BY PRESSURES TO USE THEIR SUBSTANTIAL DEPOSITS FOR QUESTIONABLE LENDING.

IN THIS ERA OF GLOBALIZATION EVEN COUNTRIES WITH DEVELOPED FINANCIAL SECTORS ARE VULNERABLE, INCLUDING THE U.S. THE EAST ASIAN FINANCIAL CRISIS OF 1997 REACHED THE U.S. WHERE THE NEW YORK FEDERAL RESERVE BANK FELT COMPELLED TO ARRANGE A RESCUE OF THE LONG TERM CAPITAL MANAGEMENT COMPANY TO PROTECT THE U.S. BANKING SYSTEM. MORAL HAZARD AND “CRONY CAPITALISM” ARE, IT SEEMS, NOT CONFINED TO EAST ASIA. THE CRISIS REVEALED THE VULNERABILITY OF ALL ECONOMIES TO GLOBALIZATION AND EXTERNALITIES OVER WHICH THEY HAVE LITTLE EFFECTIVE CONTROL, INCLUDING LINKAGES OF THEIR CURRENCIES TO FOREIGN CURRENCIES AND THEIR DEPENDENCE ON FOREIGN OR INTERNATIONAL INSTITUTIONS IN WHICH SOME HAVE LITTLE REPRESENTATION. THE U.S. DEPLOYED ITS EXCHANGE STABILIZATION FUND TO RESCUE MEXICO, ALBEIT ON HARSH TERMS, BUT NOT THAILAND. THE INTERNATIONAL MONETARY FUND (IMF) IN COOPERATION WITH THE U.S. TREASURY IMPOSED CONDITIONALITIES IN EAST ASIA WHICH MIGHT HAVE BEEN APPROPRIATE FOR CURRENT ACCOUNT CRISES, BUT THESE COUNTRIES, THAILAND, SOUTH KOREA AND INDONESIA, WERE EXPERIENCING CAPITAL ACCOUNT CRISES. THE CONDITIONALITIES AGGRAVATED THE DISTRESS. COUNTRIES WHICH REJECTED THEM, NOTABLY, MALAYSIA, FARED BETTER.

TODAY IN THE PHILIPPINES, BUFFETED BY POLITICAL UNREST, THE CENTRAL BANK CAN'T USE ITS FOREIGN EXCHANGE RESERVES TO SUPPORT ITS CURRENCY AND PREVENT INFLATION BECAUSE RESERVES ARE PLEDGED TO SECURE ITS DEBTS, SO IT IS PAYING PHILIPPINE BANKS HIGH RATES OF INTEREST TO KEEP THEIR FUNDS AT THE CENTRAL BANK - AND NOT IN DOLLARS. IN JAPAN, THE CENTRAL BANK IS BUYING DOLLARS TO PROP IT UP AND YEN DENOMINATED BILLS FROM JAPANESE BANKS TO MAINTAIN ZERO INTEREST RATES. IN SOUTH AMERICA, ARGENTINA DEFAULTED ON ITS LOANS FROM THE IMF, THE LARGEST DEFAULT IN IMF HISTORY, EXTRACTING CONCESSIONS FROM THE IMF PROBABLY UNAVAILABLE TO WEAKER DEBTORS.

50 YEARS AGO SUCH PHENOMENA WOULD HAVE BEEN CONSIDERED SYMPTOMS OF MONETARY ANARCHY. IN THE EARLY POST WORLD WAR II YEARS, COUNTRIES WITHIN THE WARSAW PACT, LED BY THE SOVIET UNION, RELIED ON THE CONVERTIBLE RUBLE AS A UNIT OF EXCHANGE, A CRUDE SYSTEM OF BARTER, NOW VANISHED ALONG WITH THE SOVIET UNION.

MUCH OF THE WORLD CAME TO RELY ON A U.S. DOLLAR BASED FIXED EXCHANGE RATE REGIME MANAGED BY THE NEWLY CREATED INTERNATIONAL MONETARY FUND. BUT THAT DOLLAR WAS FIXED TO GOLD, AND THAT REGIME EXPIRED IN 1971 WHEN THE U.S. COULD NO LONGER SUSTAIN ITS PEG TO GOLD. CURRENCIES WERE PEGGED BY ONE MEANS OR ANOTHER TO THE DOLLAR, BUT IT WAS NO LONGER PEGGED TO ANYTHING. IMPROVISATIONS FOLLOWED. THE IMF BECAME A WESTERN DOMINATED LENDER OF LAST RESORT WITH INADEQUATE RESOURCES FOR AN EXPANDED AND INTEGRATED GLOBAL MONETARY SYSTEM.

THE NEW GLOBAL FINANCIAL ARCHITECTURE PROMISED BY PRESIDENT CLINTON IN 1998 NEVER MATERIALIZED. THE IMF DEVELOPED NEW FACILITIES AND ACQUIRED ADDITIONAL RESOURCES. IT IS MORE PRAGMATIC UNDER ITS NEW MANAGEMENT. BUT THE REGION WITH THE MOST MONEY REMAINS DEPENDENT ON INTERNATIONAL AND FOREIGN FINANCIAL INSTITUTIONS AND MARKETS FOR INTERMEDIATION. LOCAL BOND AND STOCK MARKETS ARE UNDERDEVELOPED. EAST ASIANS AND COUNTRIES THE WORLD OVER, WHETHER THEY HAVE FIXED, FLOATING OR INTERMEDIATE EXCHANGE RATE REGIMES, REMAIN INDENTURED TO THE DOLLAR AND A MONETARY SYSTEM ESTABLISHED ALMOST 60 YEARS AGO FOR A DIFFERENT WORLD.

SOME, ESPECIALLY IN THE U.S., RESORT TO FINANCIAL ENGINEERING AND COMPLEX FINANCIAL PRODUCTS, INCLUDING DERIVATIVES, TO MANAGE OR EXPLOIT THE VOLATILITY. MY GOOD FRIEND, LEO MELAMED, FATHER OF FINANCIAL FUTURES AND THE MODERN CHICAGO MERCANTILE EXCHANGE, AMERICA'S LARGEST DERIVATIVES MARKET, CAN EXPLAIN HOW DERIVATIVES CAN BE STABILIZING IN THIS ENVIRONMENT. OTHERS, INCLUDING WARREN BUFFET, THE FAMOUS AMERICAN RUNNING DOG OF CAPITALISM, BELIEVE THEY CREATE UNDUE RISKS FOR FINANCIAL MARKETS AND BANKS. THE LONG TERM CAPITAL MANAGEMENT INCIDENT ILLUSTRATES THEIR CONCERN.

IN EAST ASIA, THE 1997 CRISIS AND THE PROGRESS OF EUROPE TOWARD MONETARY UNION AND A CONTINENTAL FINANCIAL MARKET IN 2005 HAVE SHAPED NEW ATTITUDES. AS THE CHIANG MAI INITIATIVE INDICATES, EAST ASIANS RECOGNIZE THAT GLOBAL INSTABILITY AND REGIONAL VULNERABILITY REQUIRE REGIONAL ACTION. BUT WHAT KIND OF ACTION?

FREE TRADE ARRANGEMENTS, BILATERAL AND REGIONAL, ARE NOT FREE. THEY ARE DISCRIMINATORY AND TRADE DIVERTING. THEY COULD ENTANGLE WORLD TRADE IN A MYRIAD OF RULES AND TRADE DIVERTING ARRANGEMENTS LIKE A VAST BOWL OF NOODLES. THEY CAN UNDERMINE THE FRAGILE WORLD TRADE ORGANIZATION (WTO). MONEY IS FUNDAMENTALLY DIFFERENT FROM TRADEABLE GOODS AND SERVICES. IT IS THE LIFE BLOOD, OR, TO MIX THE METAPHORS, THE GREASE OF EVERY TRANSACTION - AND IT CAN PANIC, AS THE 1997 CRISIS REMINDS US. AN EAST ASIAN FINANCIAL FACILITY COULD FACILITATE TRANSACTIONS, REPRESENT THE REGION IN THE IMF AND STRENGTHEN THE IMF BY SUPPLEMENTING ITS RESOURCES AND QUALIFYING ITS CONDITIONALITIES. REGIONAL TRADE AND FINANCIAL ARRANGEMENTS ARE FUNDAMENTALLY DIFFERENT. THE MERE EXISTENCE OF A CREDIBLE REGIONAL FINANCIAL ARRANGEMENT COULD PREVENT THE KIND OF INSTABILITY WHICH SWEEPED OUT OF EAST ASIA IN 1997, BUT THE ARRANGEMENT REMAINS TO BE DEFINED. OVER TIME IT COULD INCLUDE EFFECTIVE SURVEILLANCE AND EARLY WARNING SYSTEMS, AS WELL AS SUPPLEMENTARY LENDER OF LAST RESORT AND BALANCE OF PAYMENTS FINANCING. IT COULD ASSIST THE COORDINATION OF MACRO ECONOMIC POLICIES IN THE REGION. IT COULD ESTABLISH REGIONAL STANDARDS FOR REGULATION OF FINANCIAL

INSTITUTIONS AND ISSUANCE OF SECURITIES. IT MIGHT PROMOTE OR FACILITATE THE REGIONAL SETTLEMENT AND CLEARING MECHANISMS ESSENTIAL TO INTEGRATED, REGIONAL FINANCIAL MARKETS.

CAPITAL CONTROLS, FIXED AND PEGGED RATES, DIRTY FLOATS, CURRENCY BOARDS AND SO ON ALL HAVE COSTS. A COMMON EAST ASIAN CURRENCY (ACU) COULD INCREASE INTRA REGIONAL TRADE BY AS MUCH AS 300%, ACCORDING TO SOME STUDIES. WHERE WOULD THE U.S. BE IF ITS 50 STATES HAD THEIR OWN CURRENCIES? AS IT IS NOW, EAST ASIAN INTRA REGIONAL TRANSACTIONS ARE USUALLY DENOMINATED IN DOLLARS. SOME CURRENCIES ARE PEGGED. SOME FLOAT, USUALLY WITHIN BANDS. CONTROL OF MONETARY POLICY IS SURRENDERED TO THE U.S. BUT THE U.S. IS LOSING CONTROL. IT IS DEPENDENT ON EAST ASIANS TO FINANCE ITS CURRENT ACCOUNT DEFICIT AND SUPPORT ITS BOND MARKET.

A COMMON EAST ASIA CURRENCY COULD INSULATE EAST ASIANS FROM EXTERNALITIES WHICH DO NOT REFLECT THE REGION'S ECONOMIC FUNDAMENTALS. IT COULD REDUCE TRANSACTIONAL COSTS AND RISKS. IT COULD FACILITATE AN INTEGRATED EAST ASIAN FINANCIAL MARKET. SECURITIES COULD BE ISSUED AND TRADED THROUGHOUT THE REGION IN ONE CURRENCY. THAT CURRENCY COULD BECOME A THIRD RESERVE CURRENCY FOR THE WORLD - A THIRD LEG UNDER THE WORLD'S SHAKEY MONETARY STOOL. MONETARY AUTHORITIES OF EUROPE, THE U.S. AND EAST ASIA COULD EVENTUALLY COORDINATE CURRENCIES TO GIVE THE WORLD A LARGER MEASURE OF CURRENCY STABILITY AND MOVE IT TOWARD THE VISION OF THE GREAT BRITISH ECONOMIST, MAYNARD KEYNES: A GLOBAL CURRENCY. THE HEDGE FUND PREDATORS WHO ATTACKED EAST ASIAN CURRENCIES IN 1997 WOULD HAVE SECOND THOUGHTS BEFORE TRYING THAT AGAIN.

REFORM COULD TAKE MANY FORMS AND YEARS. IT MIGHT START WITH AN EXCHANGE RATE MECHANISM, A BASKET OF CURRENCIES AGAINST WHICH CURRENCIES WOULD BE MANAGED BY CENTRAL BANKS AND AN ASIAN MONETARY FUND - NOW PRUDENTLY CALLED AN ASIAN SUPPORT FUND. HONG KONG MIGHT ADOPT THE REMNIMBI WHICH WOULD BECOME MORE OF A COUNTER WEIGHT TO THE YEN. THE PROCESS MIGHT INCLUDE LOCAL CURRENCY UNIONS. SINGAPORE AND BRUNEI ALREADY HAVE ONE. SOME EMERGING ECONOMIES WOULD MAINTAIN THEIR CURRENCY REGIMES AND INTEGRATE GRADUALLY. HONG KONG (SAR) AND TAIWAN ARE MEMBERS OF THE WTO. THEY HAVE MUCH TO CONTRIBUTE, THE REGION TO GAIN, FROM THEIR INCLUSION.

EFFORTS BY THE ASIAN DEVELOPMENT BANK AND CENTRAL BANKS ARE UNDERWAY TO DEVELOP LOCAL BOND MARKETS, INCLUDING A REGIONAL BOND FUND. ASEAN HAS A SURVEILLANCE FACILITY. SWAP AGREEMENTS ARE IN PLACE. BUT THE REGION HAS A LONG WAY TO GO AND NO INSTITUTION LIKE A EUROPEAN COMMISSION TO GET IT THERE. ASEAN, APEC FINANCE MINISTERS, CENTRAL BANKERS (EMEAP), MANILA FRAMEWORK, ASIAN DEVELOPMENT

BANK, ASIAN DEVELOPMENT BANK INSTITUTE AND OTHERS ARE ALL ADDRESSING ASPECTS OF FINANCIAL REGIONALISM, BUT AS THE CHIANG MAI INITIATIVE INDICATES, IT IS NOT EVEN CLEAR WHAT EAST ASIA IS IN THE CONTEXT OF REGIONAL FINANCIAL COOPERATION. DOES IT INCLUDE VIETNAM, LAOS, CAMBODIA AND MYANMAR WITHIN ASEAN (GROUP II) BUT EXCLUDE THE IMPORTANT CREDITOR ECONOMIES, HONG KONG (SAR) AND CHINESE TAIPEI (TAIWAN)? THE SHANGHAI ORGANIZATION IMPLIES THAT EAST ASIAN REGIONALISM MAY BE EXPANDING TO CENTRAL ASIA AND RUSSIA IN WAYS STILL OBSCURE TO MANY OF US IN THE WEST.

THE DEFINITION OF EAST ASIA IS UNDERSTANDABLY FLUID AND CAN EVOLVE IN THE CONTEXT OF FINANCIAL REGIONALISM, BUT PROGRESS REQUIRES AN IDENTIFICATION OF WILLING, CAPABLE PARTNERS WITHIN A STRUCTURE GEARED TO ACTION, AND THAT REQUIRES MORE LEADERSHIP THAN THAILAND CAN BE EXPECTED TO PROVIDE.

CONVENTIONAL WESTERN WISDOM SAYS IT CAN'T BE DONE. THE ASSYMETRIES ARE TOO LARGE, HISTORICAL DIFFERENCES TOO SHARP AND SO ON. EUROPE FACED LARGE ASSYMETRIES BETWEEN ECONOMIES AND THE LEGACY OF A BLOODY HISTORY, BUT IT MOVED ON PARALLEL TRACKS TO ACHIEVE A FREE TRADE AREA, COMMON CURRENCY AND MONETARY REGIME. IT NOW GIVES THE WORLD A SECOND RESERVE CURRENCY. EUROPE IS EXPANDING, ALBEIT HESITANTLY, WHILE DEVELOPING LINKAGES TO EAST ASIA THROUGH FINANCE MINISTERS (ASEM). CONVENTIONAL WISDOM, LIKE IDEOLOGY, HAS A WAY OF DEMONSTRATING ITS FALLIBILITY.

COOPERATION BETWEEN JAPAN AND CHINA COULD DEMONSTRATE TO PEOPLES OF BOTH COUNTRIES THAT THEY HAVE MUCH TO GAIN FROM COOPERATION, THEY AND THE WORLD MUCH TO LOSE BY PERPETUATING A LEGACY OF DISTRUST. REGIONAL ARRANGEMENTS HAVE A REINFORCING POLITICAL CONSEQUENCE. THEY GIVE THEIR MEMBERS A NEED AND OPPORTUNITY TO SUBORDINATE OR RESOLVE POLITICAL DIFFERENCES SINCE EACH MEMBER HAS A STAKE IN THE WELFARE OF THE OTHERS.

THE U.S. WOULD BE HARD PRESSED TO RECONCILE ITS SUPPORT OF REGIONALISM IN EUROPE AND THE WESTERN HEMISPHERE WITH OPPOSITION IN EAST ASIA.

AT A CONFERENCE OF THE FINANCIAL MARKETS PROJECT (FMD) CO HOSTED WITH THE WORLD BANK AND HONG KONG MONETARY AUTHORITY TWO YEARS AGO, THE SPEAKERS SUPPORTED REGIONAL FINANCIAL COOPERATION IN PRINCIPLE, BUT THEY ALSO LAMENTED THE ABSENCE OF PROCESS AND POLITICAL WILL TO ACHIEVE IT.

AT FMD'S MEETING IN TOKYO LAST YEAR, A CENTER WAS PROPOSED TO PULL THE RESEARCH AND EXPERTS TOGETHER, HOST CONFERENCES FOR PUBLIC OUTREACH AND EDUCATION - IN EFFECT BE AN UNOFFICIAL SECRETARIAT AND

PROD FOR EAST ASIAN GOVERNMENTS. THE CENTER WOULD MOVE BEYOND RESEARCH AND DISCUSSION TO LAY OUT A ROAD MAP TO FINANCIAL INTEGRATION IN EAST ASIA. THE RESPONSE TO THE PROPOSAL WAS POSITIVE, INCLUDING FROM SENIOR JAPANESE OFFICIALS. BUT IT WAS RENMIN UNIVERSITY THAT RESPONDED CONCRETELY. IT SUPPORTED SUCH A CENTER AND SUGGESTED THIS CONFERENCE AS A MEANS OF GETTING STARTED. I COMMEND PRESIDENT JI AND ALL HIS COLLEAGUES, PROFESSOR XUE, THE STATE COUNCIL, FINANCE STREET AND ALL THE CO SPONSORS. AND I THANK YOU FOR AFFORDING ME AND MY COLLEAGUES IN FMD THE CHANCE TO BE A PART OF IT.

THE CHANGES IN THE NEXT 50 YEARS WILL BE AS PROFOUND AS THOSE OF THE LAST. THE U.S. AND EUROPEAN ECONOMIES ARE MATURE - "SATURATED", SOME WOULD SAY. THE WORLD NEEDS A REGIONAL SOURCE OF ECONOMIC DYNAMISM AND STABILITY. CHINA, JAPAN AND EAST ASIA COULD BE FOR THE WORLD IN THE 21ST CENTURY WHAT THE U.S. WAS IN THE 20TH, THE CREST OF ANOTHER GREAT WAVE OF ECONOMIC PROGRESS.