



INTERNATIONAL MONETARY DEVELOPMENTS IN ASIA: CONSEQUENCES FOR THE GLOBAL MONETARY REGIME

ASIA-EUROPE ECONOMIC FORUM (AEEF) CONFERENCE:
EUROPEAN TROUBLES, ASIAN WORRIES

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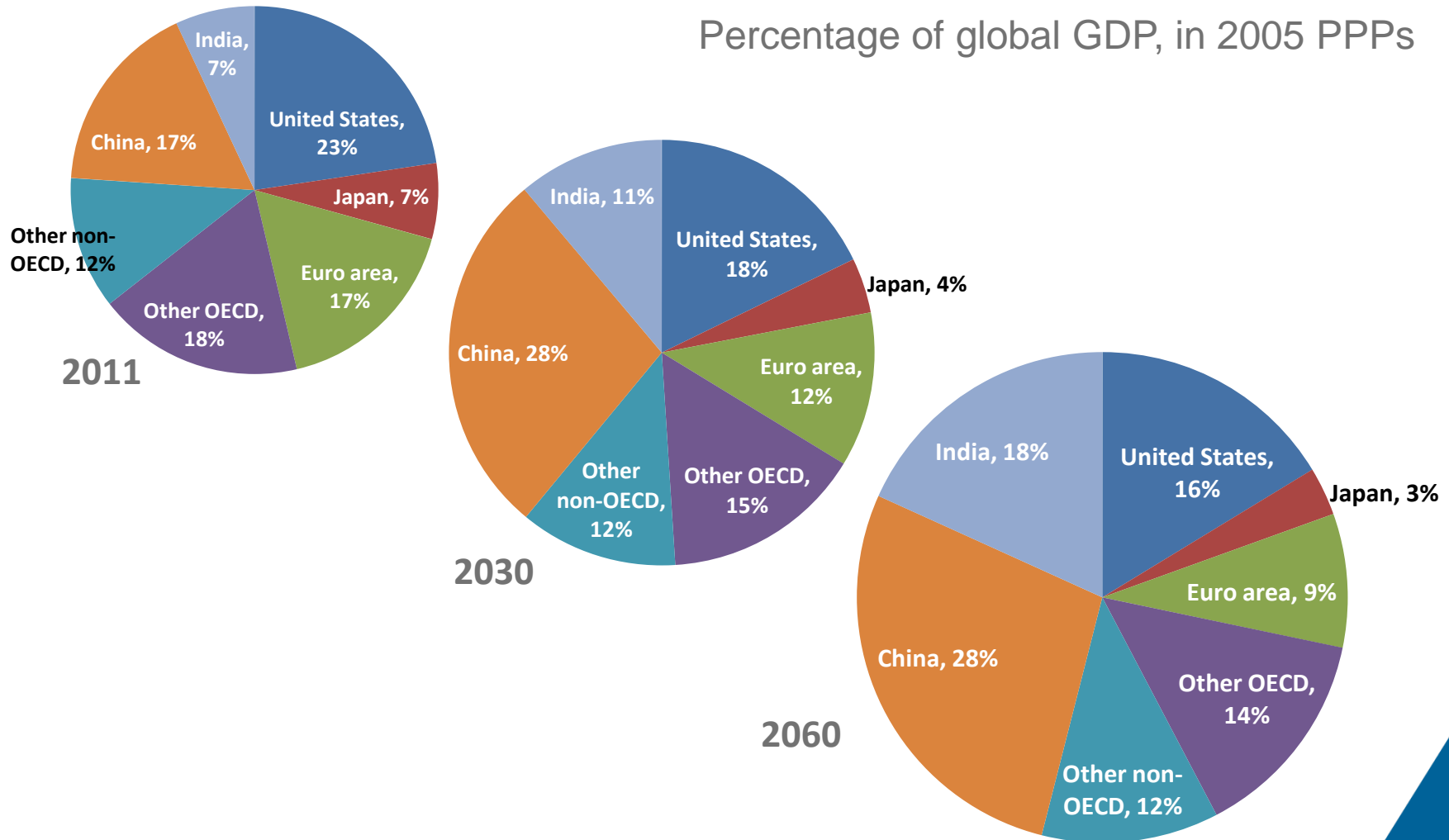
Organisation for Economic Co-operation and
Development (OECD), Paris

Bruegel, Brussels, 22 January 2013



World economy activity is shifting to Asia

Percentage of global GDP, in 2005 PPPs

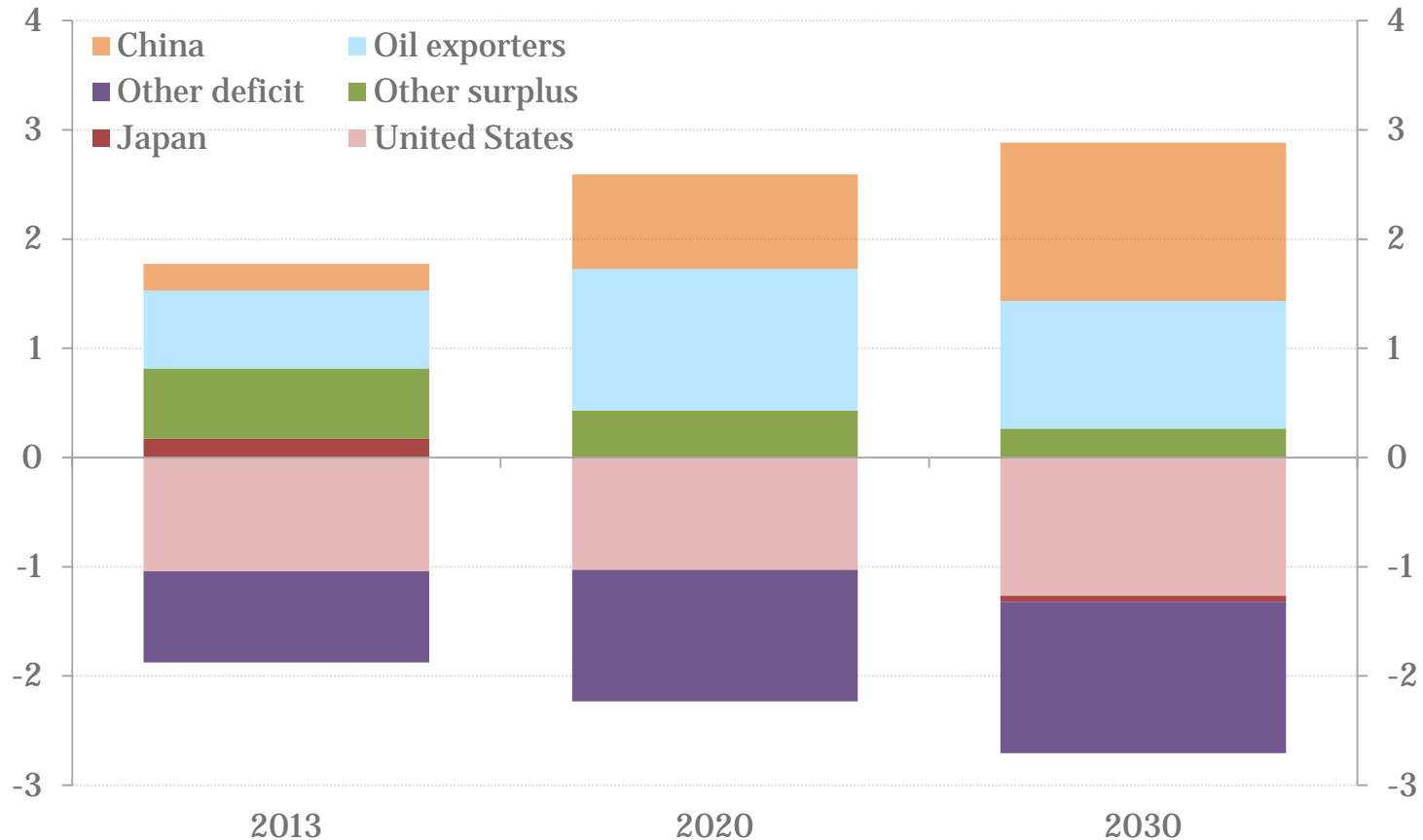


1. Global GDP is taken as sum of GDP for 34 OECD and 8 non-OECD G20 countries.
Source: Long-term Growth Scenarios, OECD Economics Department Working Paper No. 1000.



Significant capital flows will be needed to accommodate different growth and demographic trends

Current account balance as % world GDP



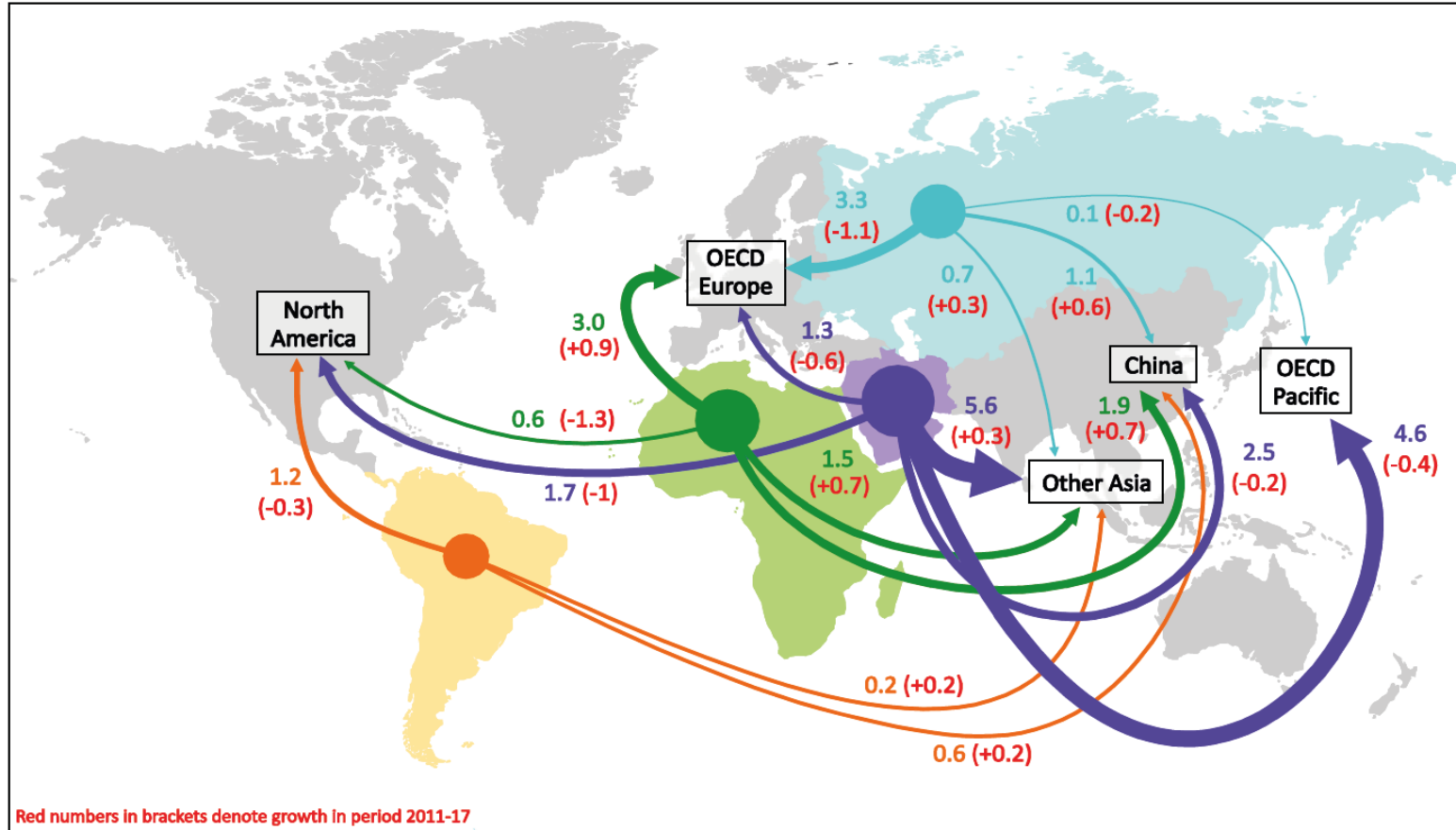
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Energy demand will create significant capital flows

Crude exports in 2017 and growth over 2011-17 for key trade routes* (million barrels per day)



This map is without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Source: International Energy Agency (IEA) (2012), Medium-Term Oil Market Report 2012: Market Trends and Projections to 2017.



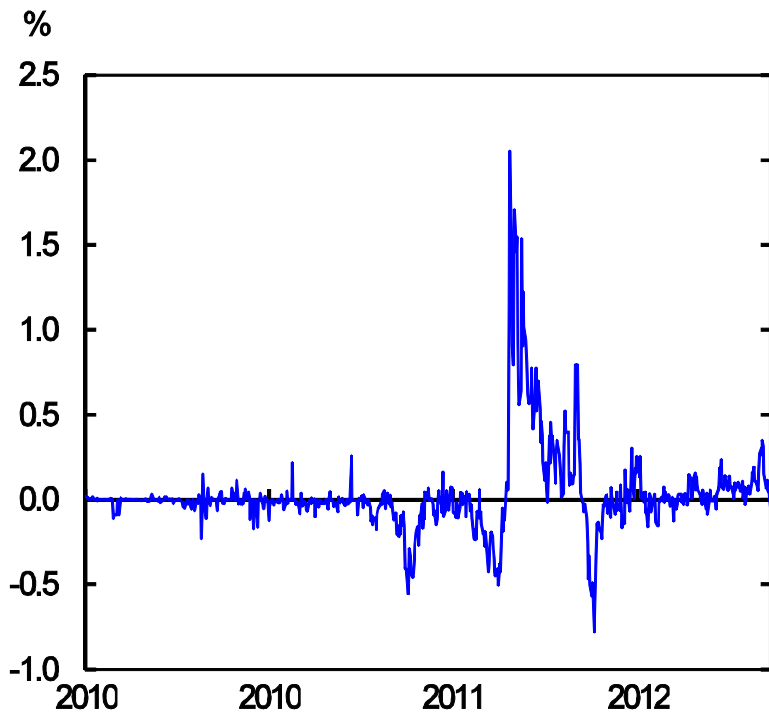
Recent moves in China towards more open capital markets

- All domestic companies can use renminbi in trade transactions in Hong Kong
- All restrictions on foreign companies opening renminbi deposit accounts removed
- China International Payments system, linked to SWIFT
- Increased quota for investment in Chinese equity and interbank bond markets
- New quota for investment in mainland equity and bond markets for Hong Kong subsidiaries of Chinese asset managers
- Direct investment in China can be financed using offshore renminbi loan

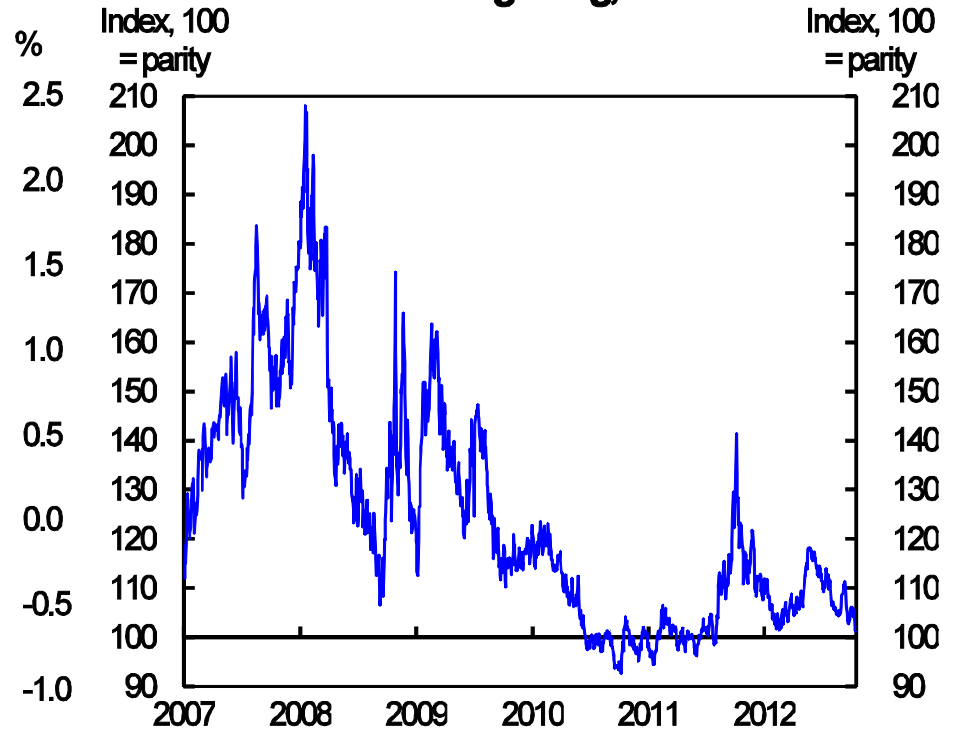


De facto capital account convertibility

A. Difference between the onshore and offshore market for the renminbi¹



B. Premium of the price of shares in selected Chinese companies in Shanghai over Hong Kong, China

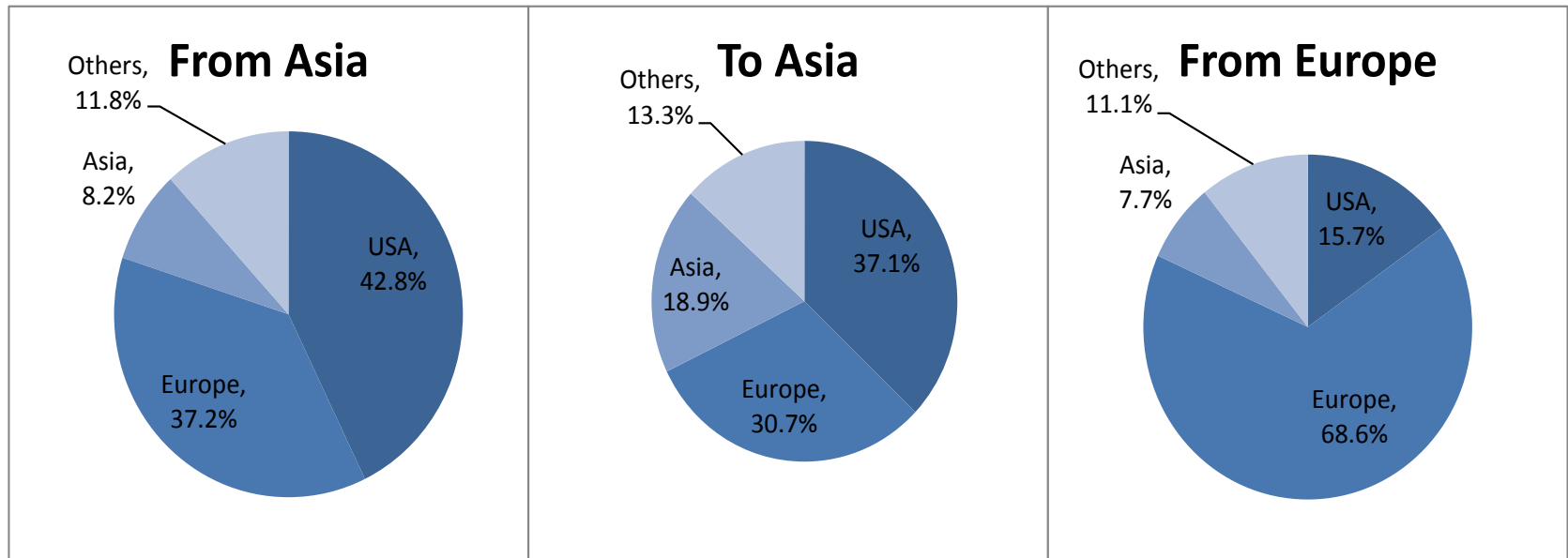


Source: Datastream.



Asian portfolio investment is still largely non-regional

Direction of portfolio investment



Source: IMF, Coordinated Portfolio Investment Survey (CIPS).



THANK YOU!

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