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East Asia should integrate to revive global economy: 'Mr. Yen' [CNA 2012-05-25]

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Taipei, May 23 (CNA) With the global economy's center of gravity shifting from the West to the East, countries in East Asia should integrate to lead a worldwide economic recovery, a former Japanese finance official nicknamed Mr. Yen said Wednesday.

Speaking at a press conference ahead of a scheduled speech on the same day in Taiwan, Eisuke Sakakibara predicted that the world economy in 2012 and 2013 would be the worst since World War II, and he believed Taiwan, Japan, South Korea and China should integrate to lead the world out of its current economic depths.

Intra-East Asian trade accounts for 60 percent of the region's total trade, and Asian countries should use the market as a driving force for businesses to work together, said Sakakibara, Japan's vice minister for finance and international affairs from 1997 to 1999.

Trade integration will be the future trend in the East Asia region, and with China, Japan and South Korea launching free trade agreement negotiations, Taiwan should also pick up the pace and start signing agreements with other countries, he suggested.

Sakakibara also recommended Asian countries to contribute 5 percent of their foreign exchange reserves to establish an Asian Monetary Fund (AMF), which will be worth an estimated US$25 billion.

The fund could become another mechanism to stabilize the region's economy other than the current Chiang Mai Initiative Multilateralisation Agreement, Sakakibara added.

The economist also observed that the European debt crisis has led risk-averse investors to divert their funds from stocks to bonds, leading equity markets to tumble, and pushing bond prices higher and yields lower.

In such an environment, investors should also favor bonds, said Sakakibara, who became "Mr. Yen" as Japan's former currency chief because of his ability to influence the yen rate through his outspokenness and government intervention in currency markets.

The Japanese economist also predicted that the United States may be facing a lost decade similar to Japan's in the 1990s following the bursting of its financial bubble in 2007.

Sakakibara said the U.S. bubble grew steadily from 1995 to 2007 before exploding, as was the case in Japan, resulting in mounting debt in both the private and public sectors that the U.S. will have trouble surmounting for years.

(By Kao Chao-fen and C.J. Lin)

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