

International Conference  
**“Asian Market Integration and Financial Innovation”**



Session 3: Asian Market Integration: Competition and/or Cooperation

**Asian Market Integration & Global Rebalancing**

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**abstract**

Long recognized as a regional priority, the deepening of financial markets in Asia is increasingly a matter of global economic importance. More effective intermediation of capital is essential not only to sustaining continued strong growth in Asia, but also to supporting global rebalancing amid structural impairments in the industrialized world. Finance can play multiple roles in promoting domestic demand in Asia: lower capital costs and increased credit availability may boost investment and hiring by the labor-intensive, service-oriented enterprises in the SME sector; exchange rate appreciation induced by portfolio reallocation into the region provides the price signal for transitioning economies away from overdependence on exports; and lower costs of funding for governments provides more fiscal space for social safety nets that reduce the need for precautionary household savings. The agenda for promoting regional capital market development is extensive, embodying market access, transparency, competition policy, corporate governance, legal reform, and regulatory harmonization. This comprehensive agenda should not be a deterrent to sustained incremental steps at the more micro level to address impediments that unnecessarily distort potentially productive capital allocation, including those related to the ability to transact foreign exchange with third parties, withholding tax regimes, and the predictability of the regulatory environment.