

UC Davis Advises World's Top CEOs on Asia's Economy

Wing Thye Woo, professor of economics, directed a team of researchers to produce *The Asian Competitiveness Report 1999* for the Davos (Switzerland) conference of the World Economic Forum (WEF) held at the end of January 1999. The participants at the Davos conference were the Chief Executive Officers (CEO) of 2,000 of the world's largest companies, 500 senior government officials and 500 well-known scholars from all disciplines in the natural sciences, social sciences and humanities.

According to Woo, there was little particularly 'Asian' about the Asian financial crisis. "Even though official Washington, led by the International Monetary Fund (IMF), proclaimed the crisis to be one of Asian capitalism," he said, "the more generic character of the crisis became all too clear during 1998, as the crisis spread to Russia, South Africa and Brazil." Rather than an Asian crisis, Woo said the world is experiencing a type of global crisis that reflects the rapid arrival of global capitalism "in a world economy not yet used to the integration of the advanced and developing countries."

Wing Woo is one of the world's leading experts on the Pacific Asian economies, particularly China and Indonesia. His research team included researchers from the prestigious Harvard Institute for International Development (HIID), Goldman-Sachs and the Boston Consulting Group.

In Woo's opinion, there is no justification for the monopoly position of the International Monetary Fund as the sole international institution on monetary affairs, and he advocated the formation of regional monetary bodies to provide mutual support in the event of a financial crisis hitting one or another member country. Woo also advocated that an



Professor Wing Woo

international bankruptcy system be established in order to accelerate an orderly workout of international debts when a developing country falls into an extreme indebtedness crisis. "The working of the international organizations must be more democratized to include more developing countries in decision-making so that future rescue packages extended to financially distressed countries would not be biased toward the interests of the creditor countries," Woo said.

Woo called for the bad debts of the financial and corporate sectors in Pacific Asia to be quickly resolved by the infusion of public money and the takeover of some large domestic banks by foreign banks. Furthermore, the revival of the corporate sectors in Asia requires international creditors to write down the value of their loans and to convert part of their loans into equity participation.

Woo identified a serious mismatch in Pacific Asia, particularly in most of Southeast Asia, between investment in physical hardware—factories and machinery—and investment in the social software—scientific research centers, administrative and judiciary systems and growth of civil society. He said: "In a world of growing international competitiveness, when foreign direct investors are courted not just by Asia but Central Europe and Latin America, the concerns over governance are bound to grow and to weigh increasingly heavily on the unreformed countries of Asia. The long-term competitiveness of Asia rests on getting its institutions right." ●

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