

Asia's Debt Capital Markets: Appraisal and Agenda for Policy Reform

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Summary

Markets for debt securities exist in a comprehensive way in no Asian economy other than Japan, even though short or medium-term bonds have been issued in almost all and Asian borrowers are established (though not prolific) international issuers. The markets provide no more than a simple borrowing medium for governments, banks and some companies, while investor activity is closely correlated with banking sector credit creation. Above all, the region's unfinished markets provide no guard against crisis or contagion, nor act as a balance to banking systems that are susceptible to distortion and event risk. Insufficient effort has been made to encourage activity by institutional investors.

This paper is concerned with markets for tradable debt securities; and with the value and appropriateness of structured finance techniques to expand general usage of Asia's debt markets. The paper examines the condition of the domestic and offshore debt capital markets for Asia-Pacific risk. It traces common patterns of development among the established and nascent public debt securities markets in the region, and looks at the dynamics that will affect these markets in the medium term. Last, it seeks to identify whether Asian markets can be made to accommodate continuous issuing and trading activity typical of advanced economies, and to consider the associated advantages and considerations.