

Statement by the ASEAN Finance Ministers and the Finance Ministers of Australia, China, Hong Kong SAR China, Japan, Korea and the United States

Kuala Lumpur, 2 December 1997

1. The Finance Ministers of ASEAN and Australia, China, Hong Kong SAR China, Japan, Korea and the United States met in Kuala Lumpur on 2 December 1997 to discuss current developments in the region.
2. The Meeting was chaired by H.E. Dato' Seri Anwar Ibrahim, Deputy Prime Minister and Minister of Finance, Malaysia. The meeting was attended by Their Excellencies Mr Peter Costello, Treasurer, Australia; Pehin Dato' Ahmad Wally Skinner, Deputy Minister of Finance, Brunei Darussalam; Mr Liu Jibin, First Vice Minister of Finance, China, Mr Donald Tsang, Financial Secretary, Hong Kong SAR, China; Mr Mai'ie Muhammad, Minister of Finance, Indonesia; Dr Eisuke Sakakibara, Vice Minister of Finance for International Affairs, Japan; Mr Man Soo Kang, Vice Minister of Finance and Economy, Korea; Mr Bounlith Khennavong, Vice Minister of Finance, Lao People's Democratic Republic; Brigadier General Win Tin, Minister for Finance and Revenue, Myanmar; Mr Roberto F. de Ocampo, Secretary of Finance, Philippines; Dr Richard Hu Tsu Tau, Minister of Finance, Singapore; Mr Tarrin Nimmanahaeminda, Minister of Finance, Thailand; Mr Timothy Ceithner, Assistant Treasury Secretary, United States; Mdm Le Thi Bang Tam, Vice Minister of Finance, Vietnam; Dato' Ajit Singh, Secretary-General of ASEAN; and their respective delegations.

Meeting with the Managing Director of IMF and the Senior Vice President of the World Bank

3. Ministers met with Mr Camdessus, the Managing Director of the IMF who briefed them on the state of the world economy. The Managing Director expressed confidence that the Southeast Asian economies could recover quickly if appropriate policies were taken. He further expressed confidence that the package of measures undertaken by Indonesia and Thailand under the IMF programme should restore confidence in the economies of the region and financial markets. Mr Camdessus also reported on the progress of the study on the role of hedge funds in the recent crisis in South East Asia. Ministers welcomed the preliminary findings of the study, looked forward to receiving the full report and urged the IMF to extend the scope of the study to examine the structure of the global financial markets and short-term capital flows, including the impact of hedging activities on the banking sector as well as the impact and implications of technology on capital flows.

4. Mr Stiglitz, Senior Vice President of the World Bank, gave the World Bank's perspective on recent events in southeast and northeast Asia, and the measures that would need to be undertaken to restore confidence and growth in the economies. Mr Stiglitz emphasized the importance of minimizing moral hazard, the need to build robust financial systems and the need to enhance surveillance to improve transparency and enable early responses to address any imbalances. Mr Stiglitz reaffirmed the role of the World Bank in the Implementation of the Manila Framework.

Endorsement of the Manila Framework

5. Ministers strongly endorsed and agreed on the rapid implementation of the Manila Framework as a constructive step towards promoting financial stability in the region.

6. In this regard, Ministers noted that Japan would convene a meeting of Finance and Central Bank Officials early next year to carry forward the initiatives under the Manila Framework and work closely with the IMF, World Bank, ADB and the international regulatory bodies.

7. Ministers also noted that the process of surveillance provided a mechanism for economies to identify areas that required technical assistance to enhance the capacity of their domestic financial system to meet the challenges of globalization.

8. Ministers urged IMF members for early ratification of the New Arrangements to Borrow and the Agreement to Increase IMF Quotas reached in Hong Kong SAR, China. They also urged the IMF to work expeditiously toward the establishment of a new quick-disbursing short-term facility.

9. Ministers expressed support for Korea's efforts to put in place a programme of economic policies and structural reforms to restore financial stability.

Strengthening of IMF, World Bank, ADB and International Regulatory Bodies

10. Ministers agreed to support measures to strengthen the financial resources and institutional capabilities of the IMF, World Bank and ADB working with the international regulatory bodies particularly in the areas of strengthening banking and financial systems and deepening capital markets. Ministers also noted the different roles to be played by these multilateral institutions in addressing the present economic turbulence and the need to maximize assistance that could be provided by these institutions according to their respective roles.

Liberalization of the Financial Services Sector in the WTO

11. Ministers welcomed ASEAN's firm commitment to the liberalization of financial services and to table offers before the deadline of the conclusion of the negotiations in the WTO. The Ministers agreed to work together towards a successful conclusion of the WTO negotiations in financial services. This liberalization process is expected to enhance the soundness of the financial system.

The Way Forward

12. Ministers recognized that in addressing the current financial crisis there was an equally urgent need for a balance between short and long-term measures to restore confidence. In addition to the Manila Framework, the focus of policy should also be on developing market-based solutions to address the intermediation problem in the region. In addition, efforts should also focus on strengthening domestic financial systems to the deepening of financial markets, and closer collaborative efforts on financial regulation and supervision.

Market-based approach

13. Ministers agreed that there is an urgent need to develop a deep, liquid and mature debt market in Asia to address the intermediation problem. Ministers strongly endorsed the initiative to develop a market-based approach to mobilize private sector resources, with the intermediation of the international financial institution (IFIs) to assist adjustment in this region. In this regard, ministers warmly welcomed the initiative of Hong Kong SAR, China to convene the first meeting of technical experts with the assistance of IFIs to discuss these ideas as soon as possible.

Enhancing transparency of policies

14. Ministers noted the importance of sound, consistent and transparent policies to promote efficient markets. In addition, Ministers also emphasized the need for greater transparency of capital markets. Ministers agreed that such efforts should be implemented on a global basis and endorsed the IMF initiative in this matter.

Financial supervision and prudential regulation

15. Ministers recognized the need for enhancing and coordinating supervision and prudential regulation given the importance of raising prudential management in the private sector to enable them to cope with the issues in the years to come. In this connection, Ministers noted the important role of technical assistance by the IMF, World Bank, ADS and the international regulatory bodies. Ministers also expressed support to strengthen training programmes for financial supervisors and urged closer collaboration among international and regional training providers towards that objective.

16. Ministers unanimously thanked the Government and people of Malaysia for their generous hospitality and excellent arrangements for the Meeting.

SOURCE: ASEAN Secretariat World Wide Web site <<http://www.asean.or.id/economic/prfina97.htm>>.