

**Joint Ministerial Statement of the 3rd ASEAN Finance Ministers Meeting  
Ha Noi, Viet Nam, 20 March 1999**

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**Introduction**

1. We, the ASEAN Finance Ministers, met in Hanoi on the occasion of the Third ASEAN Finance Ministers Meeting. Our meeting was chaired by H.E. Mr. Nguyen Sinh Hung, Minister of Finance of Vietnam, who assumed the chairmanship from Indonesia. We are honoured by the presence of the Prime Minister of the Socialist Republic of Vietnam, H.E. Mr. Phan Van Khai, who delivered the keynote address at the Opening Ceremony.
2. We exchanged views on the financial and economic situation in the region under the ASEAN Surveillance Process and discussed issues relating to the international financial architecture, the implementation of the Hanoi Plan of Action and the mandates of the Sixth ASEAN Summit. In our survey of regional and global prospects, we exchanged views with representatives of the International Monetary Fund, the World Bank and the Asian Development Bank.
3. We recognise that the crisis has introduced new challenges to ASEAN's commitment to economic co-operation. We are encouraged that the crisis has strengthened our resolve to remain united, while recognising our diversity, and to explore options to further enhance ASEAN co-operation.

**Review of Regional Economic Development under the ASEAN Surveillance Process**

4. We conducted a peer review of each other's economic situation and shared experiences on the policy challenges facing our respective economies. Since our last meeting in 1998, we have made progress in establishing the ASEAN Surveillance Process. We express our appreciation to the IFIs, and in particular to the ADB, for the support extended to the ASEAN Surveillance Process.
5. We are confident that 1999 will witness improved economic prospects for the region. Policy responses to stabilise our economies have yielded several positive results, including:
  - o return of stability in the foreign exchange markets;
  - o rising current account surpluses and a build-up of reserves;
  - o substantial decline in domestic interest rates;
  - o easing of inflationary pressures;
  - o recovery in stock markets;
  - o improvement in consumer sentiment;
  - o levelling off in the contraction of industrial production.
6. With the restoration of financial stability, we have focused our efforts on hastening

economic recovery. Our policies have therefore been supportive of a revival of domestic demand and economic activity, including an easing of monetary and fiscal policies and, particularly, an increase in fiscal spending to mitigate the adverse impact of the crisis on the poor and vulnerable segments of our societies.

### **Looking Ahead**

7. Notwithstanding these encouraging signs, we undertake to persevere with economic and financial restructuring to ensure sustainable growth with stability over the medium term. In particular, we recognise that the pace of recovery will be determined to a large extent by further progress in economic and financial restructuring. We, therefore, reaffirm our commitment to expediting reforms in these areas.
8. The recovery will face several challenges. These include the risk of rising protectionism, a sharp reversal in the US stock market, weakness in the Japanese economy, exchange rate misalignment of major currencies, and uncertainty of external financial flows. We, therefore, urge the industrial countries to take the lead in sustaining global demand and to coordinate their macroeconomic policies, particularly to minimize excessive volatility among the major currencies.
9. To strengthen our position in addressing these external challenges, we resolve to further enhance regional economic and financial cooperation and play a more proactive role in international fora.

### **International and Regional Financial Issues**

#### *Reform of the International Financial Architecture*

10. This AFMM represents an important milestone in ASEAN financial cooperation. We have forged an ASEAN consensus on the reform of the international financial architecture. We shall continue to build upon the recommendations of the Group of 22 and other fora. We resolve to call for the expeditious implementation of the concrete measures that have already achieved a high degree of consensus.
11. In this regard, we agree that ASEAN's position on the international financial architecture should include the following elements:
  - (i) The global effort to resolve the current crisis must recognise the diverse circumstances and priorities of individual economies at different stages of development. Any proposed solution must therefore be sufficiently flexible to accommodate these differences.
  - (ii) In view of the global nature of today's financial markets, the reform of the international financial architecture must involve the participation of all countries, including the emerging economies. In this context, we commend the G-22 for its excellent work in this area.
  - (iii) ASEAN shall adopt a more proactive role at various international and

regional fora to ensure that its interests and priorities are given due consideration in any proposal to reform the international financial architecture.

(iv) While the purpose of any international reform is to enhance efficiency and stability in financial markets and to promote global economic activity, such efforts must not lose sight of the overriding objective of improving living standards. Due priority must, therefore, be accorded to measures to protect the poor and most vulnerable segments of society.

(v) Measures to strengthen the international financial architecture would need to include a review of the roles of the international financial institutions (IFIs), as well as the international regulatory bodies, in order to enhance their capacity and capability to contain and resolve crises.

(vi) Appropriate mechanisms are needed to enhance greater private sector participation in crisis management and resolution. (vii) Standards of transparency and disclosure must be applied equally to the public and private sectors. In particular, large market participants, such as highly leveraged institutions which have systemic significance, should be subject to regular and timely transparency and disclosure requirements.

(viii) The dissemination of necessary information will help investors to make better decisions and not rely solely on the information of rating agencies. Given the important role that credit rating agencies play in the international financial markets, there should be greater transparency in the rating process.

(ix) There must be closer and more co-ordinated monitoring of short-term capital flows. In particular, there should be global agreement on the disclosure requirements for such flows and closer collaboration and information-sharing among national and international regulators.

(x) To complement the ASEAN Surveillance Process, we shall explore options to strengthen regional support activities.

(xi) We support an orderly and well-sequenced approach to capital account liberalisation in tandem with the degree of development of the domestic financial sector and supervisory regime.

(xii) We recognise that sound, consistent and credible macroeconomic policies are fundamental to the sustainability of any exchange rate regime. We also believe that there is no single exchange rate regime that is suitable for all countries and that countries have a right to choose their own exchange rate regime based on their national objectives and priorities.

*ASEAN + Japan*

12. We appreciate Japan's assistance to ASEAN countries affected by the crisis, particularly the New Miyazawa Initiative, and urge Japan to expedite the disbursements that have already been agreed upon. We support Japan's effort to internationalize the Yen. We express appreciation for Japan's willingness to convey ASEAN's views on international financial issues to the G-7.

*ASEAN + 3*

13. We welcome the meeting of the finance and central bank deputies of ASEAN, China, Japan and Korea. This was an initiative agreed to by our Leaders on the occasion of the Sixth ASEAN Summit in Hanoi last December.
14. Our finance and central bank deputies exchanged views with colleagues from China, Japan and Korea on the monitoring of capital flows and the reform of the international financial architecture with a view to enhancing cooperation and promoting global financial stability.

*ASEAN + International Financial Institutions (IFIs)*

15. We welcome the continued assistance from the three international financial institutions in addressing the crisis. We urge them to intensify their efforts to strengthen institutional capacity, financial and corporate sector restructuring, and social safety nets in ASEAN countries. In particular, the IFIs should consider extending special assistance to the new members of ASEAN to improve their resilience against possible delayed effects of the crisis.

*Introduction of the Euro*

16. We welcome the successful launch of the Euro and the enhanced prospects for asset diversification. We look forward to the increased role of the Euro as a global currency which would facilitate the promotion of greater stability in international financial markets.

**Regional Cooperation in Finance**

17. We are pleased with the progress made in the development of work programmes to implement the finance-related activities contained in the Hanoi Plan of Action (HPA) and the mandates of the Sixth ASEAN Summit. In particular, priority should be given to the implementation of the activities that can significantly advance the recovery process.

*Bilateral Payments Arrangements (BPAs)*

18. We are encouraged by the conclusion of the BPA between Malaysia and the

Philippines and support the ongoing discussions for concluding BPAs between Malaysia and Thailand and between Malaysia and Indonesia.

#### *Insurance*

19. We welcome the establishment of the ASEAN Insurance Regulators Forum and believe that the agreed forms of cooperation will strengthen the ASEAN insurance industry and the regulatory environment. We note in particular the promotion of regional cooperation in reinsurance business, the plan to establish an ASEAN Insurance Training and Research Institute by 2003, and the initiative to harmonise insurance statistics

#### *Liberalisation of Financial Services in ASEAN*

20. We welcome the finalisation of the second package of commitments under the ASEAN Framework Agreement on Services (AFAS) containing market-opening commitments in financial services. Since further intra-regional liberalisation under AFAS could help strengthen our financial sectors, we pledge our support for the successful conclusion of the new round of negotiations as called for by our leaders at their 6th Summit in Hanoi in December last year.

#### *Customs*

The ASEAN Customs Vision calls for "An ASEAN Customs Partnership for World Class Standards and Excellence". We are satisfied that the Action Plan to implement the ASEAN Customs Vision have been finalised and that country coordinators are beginning to implement these Action Plans.