

Economic Surveillance and Policy Dialogue in East Asia: **Making the ASEAN Surveillance Process a New**

A report prepared for

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by

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Glossary

ABM	: ASEAN Bond Market.
ADB	: Asian Development Bank.
AMF	: Asian Monetary Fund.
ASEAN	: Association of South East Asian Nations.
ASP	: ASEAN Surveillance Process.
ASCU	: ASEAN Secretariat Surveillance Coordinating Unit.
ASFMM	: ASEAN Finance Ministers Meeting.
ASFOM	: ASEAN Senior Finance Official Meeting.
ASTSU	: ASEAN Surveillance Technical Support Unit.
ASR	: ASEAN Surveillance Report.
APEC	: Asia Pacific Economic Cooperation.
APT	: ASEAN Plus Three.
BIS	: Bank for International Settlements.
CMI	: Chiang Mai Initiative.
EWS	: Early Warning System.
FMSU	: Finance and Macroeconomic
IMF	: International Monetary Fund.
MPI	: Macro Prudential Indicators.
OECD	: Organization for Economic Cooperation and Development.
PPM	: Post Program Monitoring.
RGTS	: Real Gross Time Settlement.
RTA	: Regional Technical Assistance.
SDDS	: Special Data Dissemination Standard.
SEACEN	: South East Asian Central Banks.
TOU	: Terms of Understanding.

Summary

The focus of our study is to assess the existing ASEAN surveillance process. ASEAN Surveillance Process (ASP) was designed as an informal process and based on peer review. It comprises of two elements: monitoring of the region-wide macroeconomic and financial developments, and peer review process. The monitoring process is carried out by Macroeconomic and Financial Surveillance Unit (MFSU) of the ASEAN Secretariat and the Surveillance Contacts attached to the Ministry of Finance. The peer review process is taken place in two levels: the deputy level and the ministerial level.

The ASP has some potential strength: the peer review process and the regional expertise associated with the ASP who follows the day-to-day economic development in the region. However, there are also weaknesses which might impede the effectiveness of ASP in fulfilling its objective. The first weakness is concerning the template and the existing databases in the region. The template is not detail enough and it is up to the Surveillance Contact in each member country to decide as to how detail the report will be. Moreover, not all members publish their data and the available data are varied across the member states hence makes it difficult to compare those data.

The second weakness is in the peer review process. At the deputy level, quite often the deputies focus their attentions on reports concerning their respective countries and pay little attention to reports on other members. Quite often the reports sent for further review at the ministerial level have been edited by the deputies whereby some issues that are considered as 'sensitive' by the deputies might have been removed. As such, the idea of peer review becomes meaningless. In other words, the peer review process under the ASEAN policy of non interference to domestic policy is ineffective to put pressure on member states to adopt certain policy recommendation.

The third weakness is concerning the fact MFSU has neither carrot nor stick to ensure that its recommendation would be followed by the member states. Moreover, MFSU itself does not have enough resources, human resources in particular, to carry out such an important task successfully. Although the ASP was designed to complement IMF's surveillance mechanism, it is not clear as to the two institutions, i.e., ASEAN Secretariat and IMF coordinate their works so that the two get maximum benefits from their activities.

If the East Asian countries are to create another surveillance mechanism, the ultimate question is what would happen with ASP? It may be argued that eventually the new mechanism will supersede the existing ASP. It seems logical that the ASP would be evolved into an independent East Asian wide surveillance mechanism. In this case, the ASP should be strengthened during the transition period and the same time should be gradually moved out from ASEAN Secretariat umbrella. It needs to be mentioned, however, that sometimes it is easier to establish a new institution altogether than transforming the existing institution into a new one.

I. Introduction

This report attempts to assess the effectiveness of the existing ASEAN Surveillance Process (ASP) and seeks the way forward to improve its usefulness as a regional surveillance mechanism. It is based on literature review and field surveys. The findings and conclusions presented in this report were drawn from interviews with the officials involved in the ASP and a thorough examination of the ASP documents.

This report should be read under the framework of the overall research on the Economic Surveillance and Policy Dialogue in East Asia. Countries included in the ASEAN + 3 grouping, i.e., the ten ASEAN members plus China, Japan and Korea are to establish an economic surveillance mechanism for the East Asia region. As such any lessons learned from the implementation of the ASP will be useful in designing the East Asia surveillance mechanism.

II. The ASEAN Surveillance Process: the background

Why was it set up?

ASEAN countries learned a very hard lesson from the 1997 crisis. Several initiatives had been proposed to prevent the occurrence of similar crises in the future and the ASEAN Surveillance Process (ASP) was one of them. The failure of the prevailing surveillance mechanism to prevent a crisis have lead many to believe that existing surveillance mechanisms were insufficient alert systems for the region. Consequently, the ASP initiative, which is a form of a regional surveillance mechanism, was established to complement the existing surveillance processes, namely the global surveillance mechanism conducted by the IMF and the national surveillance process of each member state.

In February 1998, ASEAN Finance Ministers agreed to establish the ASEAN Surveillance Process immediately, within the general framework of the IMF and with the assistance of the Asian Development Bank (Manupiatpong, 2002, p. 112). In August 1998, a Terms of Understanding (TOU) for the ASP was finalized. The TOU for the ASP, noted particularly due to its requirement of being kept informal, simple and

based on a peer review process, was finally endorsed at the Special ASEAN Finance Ministers Meeting in Washington DC on Dec 5, 1998.

Box. 1. IMF Article IV Consultation

The IMF surveillance, widely known as Article IV Consultation, is derived from the IMF Articles of Agreement, under Article IV. It mandates the IMF to conduct surveillance over the exchange rate policies of its member countries to guarantee the effective operation of the international monetary system. The IMF Executive Board recognised the need of a comprehensive analysis of the general economic situation and policy strategy of each member country. Thus, on April 29 1977, they issued an Executive Board Decision for an implementation of Article IV. In its earlier days, surveillance only covers only the exchange rate policies of its members. At the present, in order to cope with the increasingly open world economy, surveillance also covers a wide range of economic policies, emphasising on different areas depending on the country's economic situation. The ultimate goal of the surveillance, or Article IV consultation, is to help member countries achieve financial stability and sustainable economic growth.

Today, the IMF surveillance covers (1) exchange rates, monetary and fiscal policies; (2) structural policies, for example policies of the member country on international trade and labour market; (3) financial sector issues; (4) institutional issues; (5) assessment on risk and vulnerabilities, in which the volatility of capital flows have gained increasing attention from the IMF due to the recent financial crisis of 1997. The IMF Article IV Consultations usually takes place once a year. Experts from the IMF visit the member country to acquire data and information and hold discussion with the country's government and central bank officials. In addition, the IMF also holds discussions with members of the parliament, private investors and labour representatives. The experts then return and submit its report to the IMF Executive Board for discussion. The Board's views are then summarised and passed on to the country's authorities. By far, the IMF Article IV Consultation is bilateral in nature, involving only the concerned country and the IMF in the process. However, IMF also reviews economic developments and policies practised under regional arrangements, such as the euro area. In turn, the IMF surveillance of its member countries, the Article IV Consultations, supplies valuable input to the multilateral and regional surveillance processes.

Box. 2. The Manila Framework

The Manila Framework was born out of a forum comprising of senior Ministry of Finance and Central Bank officials from 14 countries in the Asia Pacific region, namely; Australia, Brunei Darussalam, Canada, China, Hong Kong SAR, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and the United States.

The forum was held in November 18-19, 1997 and developed a framework for dealing with the financial crisis in the region. The framework provides for, among others: (1) the establishment of a regional surveillance mechanism to complement the global surveillance conducted by the IMF, (2) the enhancement of economic and technical cooperation, particularly in strengthening the financial systems of the countries in the region, and (3) a possible cooperative financing arrangement to supplement the IMF resources.

ASEAN leaders, in their effort to support the framework, recognized the need to develop a more specific region-based and rapid response surveillance mechanism. Therefore, to endorse the Manila Framework, the ASEAN Surveillance Process (ASP) was established in October 1998 by the ASEAN member countries to strengthen policy-making capacity within the ASEAN group and also to support the central role of the IMF in keeping global financial and economic stability.

What is ASP?

The ASEAN Surveillance Process (ASP) comprises of two components: monitoring of macroeconomic and financial developments of the member countries and a peer review process.

The monitoring process is jointly conducted by the ASEAN Secretariat Surveillance Coordinating Unit (ASCU) and Surveillance Contact Person¹ from each member country. The Surveillance Contact Person is required to submit the necessary data and country report to the ASCU, in accordance with the template that has been provided. The ASCU then compiles the submissions from each member country and prepares a consolidated report. In many cases, ASCU was forced to collect information from publicly available resources to complement data and reports submitted by Surveillance Contact Persons.² ASCU also prepares regional and global economic reports. This, together with the consolidated country report, will be evaluated in the peer review process.

Peer review is a set up for reviewing reports prepared by the ASEAN Secretariat and the Surveillance Contact Persons as well as reports from IMF, ADB, World Bank, and other related institutions. Peer review is carried out in two stages. The first stage of the review process is undertaken at the Deputy or Senior Official Level (including Central Banks official from member countries), whereby a thorough review process is conducted. Ideally, most of the technical aspects should have been settled at this stage but this is not always the case. Deputies tend to focus on their own countries' reports in order to weed out mistakes and/or 'sensitive' issues. The second stage of the review is at the Minister level (Minister of Finance) where policy issues become the focus of the agenda.

The Structures

The core components of the ASP are the ASEAN Finance Ministers Meeting (AFMM), the ASEAN Select Committee which comprises of members of the ASEAN Senior Finance Official Meeting (ASFOM) and the ASEAN Central Bank Forum, where the peer review process is carried out. A surveillance coordinating unit was set up at the

¹ Surveillance Contact Persons are generally attached to Ministry of Finance. ASCU works are essentially supported by a regional surveillance network which comprises of contact persons and national surveillance units which are usually attached to the central banks.

² The way it works is as the following. With the exception of member countries that do not publish their official data, the templates provided by ASCU already contain some information from publicly available information. The Contacts Persons would then add further information and, whenever necessary, update the information provided by ASCU.

ASEAN Secretariat, namely the ASCU, which was then renamed into the Finance and Macroeconomic Surveillance Unit (FMSU). The FMSU is responsible for preparing, coordinating, reviewing and consolidating inputs and information from member states and from international as well as regional financial institutions. The FMSU is supported by the ASEAN Surveillance Technical Support Unit (ASTSU) at the ADB.

To assist the FMSU, each member country must provide a Surveillance Contact whose main task is to submit a country report, which will be used as inputs to prepare the consolidated FMSU Report. This consolidated report will be the main agenda discussed during the peer review process. Periodic reports from countries such as Singapore, Malaysia, Indonesia, Philippines, and Thailand are available on the websites of pertinent government authorities (i.e., ministries of finance or the central banks/monetary authorities).

The Process

The FMSU prepares a bi-annual consolidated assessment report, which is called the ASEAN Surveillance Report (ASR). The report is written based on the countries' report and data set provided by the Surveillance Contacts as well as on the data and information gathered by the FMSU from other sources. A country report is prepared using the same data sets as that submitted to the IMF by the country in question. The data and reports submitted by Surveillance Contacts are based on a template and outline circulated by FMSU. The Asian Development Banks (ADB) provides the FMSU with technical support in writing the report.

The template provided by the FMSU however, is not comprehensive and detailed enough (see Box 3). The FMSU gives too much discretion to the Surveillance Contacts to tailor the details of their country reports. As a result, the reports show significant variations in terms of the breadth and the format of the report, thus rendering it difficult to conduct cross-country comparisons. Generally, the more advanced member countries provide more elaborate reports compared to the developing ones.

The draft report will be circulated in the first stage peer review process (the deputy level) for comments. At this stage, the deputies perform a comprehensive review on the report, as much as possible touching on the technical aspects. At the second stage, i.e., at the ministerial level, the review is focused more on recent issues related to policy. It is important to note that both the ASEAN Surveillance Report and the results of the peer reviews are kept confidential.

Box 3. ASEAN Surveillance Report (ASR): The Structure

The structure of ASR consist of:

1. Current Economic Situation
2. Macroeconomic Policies
 - a. Monetary Policy
 - b. Fiscal Policy
 - i. Fiscal Policy
 - ii. Tax Policy
 - iii. Debt Management Policy
 - c. Structural Reforms
 - i. Financial Sector
 - ii. Corporate Sector
 - iii. Other Reforms
 1. Regulatory Reform
 2. Privatization
 3. Social Security Reform
 4. Reform of Local Government Finance
 - d. Issues of Concern
 - e. Assessment by International Financial Institution (IFIs)
 - i. Assessment by the IMF
 - ii. Japan's Response to the Assessment

The data

As previously discussed, the FMSU collects data from the Surveillance Contact in each country based on a template it provides. The data, mainly quarterly data, covers macroeconomic indicators such as national output, social development indicators, money and financial markets indicators, fiscal and corporate sector and external sectors such as balance of payment and external debt³. National output is measured by GDP, and the FMSU requires member countries to provide a breakdown of the GDP by sector and by expenditure. Social development indicators cover population, labor force, unemployment rate, and national monthly wage. Almost all indicators of money and financial markets have to be included in the report⁴. On the fiscal front, the FMSU requires member countries to report its fiscal management such as records of revenues and grants, national government deficit and surplus and source of financing. Data on the corporate sector covers amount of foreign direct investment (FDI), property prices, business confidence and consumer expectation indices. Meanwhile, the Balance of payment data covers, current account and capital account, including short term capital flows. Data on external debt covers public and private debt.

³ In the case of Malaysia, data on GDP and Social Development Indicators are prepared by NSO. While data on Money and Financial Market indicators are provided by Bank Negara Malaysia. In Indonesia, Central Board of Statistics provides GDP and social development indicators. Ministry of Finance provides information regarding fiscal. Bank Indonesia provides monetary and external sector data and also put together the country report.

⁴ Monetary survey, broad money, reserve money, NPL, commercial bank CAR, interest rate, stock price and exchange rate

III. ASEAN Surveillance Process: an initial assessment

An Overview

Manzano (2001) and Manupipatpong (2002) were among the first to assess the effectiveness of ASP. Manzano (2001) argues that the ASP is ineffective as it fails to bridge the gap between the existing global surveillance process and national surveillance process. He further argues that ASP would be ineffective to prevent a crisis, due to its lack of transparency and the presence of political obstacles against implementations of policy adjustment endorsed by the peer review process.

Manupipatpong's (2002) assessment focuses on the institutional capabilities of the ASP. He argues that the ASCU, which is the backbone of the ASP is not supported by adequate human resources. In addition, some member countries have limited resources to carry out their own national surveillance. Different states of development between the member countries reflect differences in institutional capacities, which have resulted in uneven quality, availability and timeliness of the data. Some member countries can only provide key indicators of certain sectors on an annual basis and sometimes with considerable lags. Consequently, it became difficult for the ASCU to conduct cross-country analysis to closely monitor their developments. However, Manupipatpong also recognizes the potential strengths attributed uniquely to the ASP, one that is absent from the existing global surveillance system. Firstly, the ASP has a regional surveillance network which comprises of a group of regional experts and the ASCU staffs who are familiar with the issues involved and follow developments in the region on a daily basis. Secondly, ASP has a peer review process, which he considers to be effective in encouraging member countries to adopt internationally agreed standards and codes.

The ASP has been in place for five years now. This study attempts to review the performance of the current ASP, not an easy task, given that the system has never been tested through any crisis yet. However, it be noted from the outset that there is no such thing as a foolproof surveillance system and there is no reason to believe that the ASP is or will become one.

The performance of the ASP will be assessed primarily by looking at the degree of compliance to a number of factors that may be considered as a pre-requisite for an effective surveillance mechanism. The first factor is its ability to predict a crisis. This indeed is very difficult to assess since at best a surveillance system can only provide the likelihood of the occurrence of a crisis. This study assesses this factor only

indirectly, which is through literature review and as a sub-set of the other criteria. The second factor is the capacity of the existing mechanism to carry out its mission effectively. The third factor is the willingness of the member states to share information, particularly crucial information for the surveillance process that is often viewed as sensitive and confidential. Finally, the study also assesses the effectiveness of the existing peer review process as a peer pressure. The rest of this section will be devoted to the discussion of these issues.

The ability to predict a crisis

The crisis-predicting power of a financial surveillance mechanism depends to a large degree on the type of currency crisis involved. Therefore, to assess the ability of the current ASP to predict a crisis it is necessary to begin by identifying the types of financial crisis, based on its possible causes. Literature on financial crisis suggests that there are at least three types financial crisis: macroeconomic imbalances, financial system fragility and contagion. A currency crisis may occur due to macroeconomic imbalances that originated from macroeconomic inconsistencies (Krugman, 1979). Krugman⁵ suggests that a currency crisis may occur when economic fundamentals are incompatible with a particular exchange rate peg. Kaminsky, Lizondo and Reinhart (1998) suggest that significant changes in macroeconomic fundamentals, such as excessive monetary expansion and current account imbalances would make an economy prone to speculative attacks. A rigid nominal exchange rate with loose fiscal policy and rising inflation will result in an appreciating real effective exchange rate, a widening of the current account deficit and capital flight. The latter will eventually trigger a balance of payments crisis. The accelerated domestic credit expansion related to monetization of fiscal deficits is the key explanation to the loss of reserves that lead to a crisis. Hence, crises are generally preceded by a real appreciation of the currency and deterioration in the trade balance⁶.

In principle, currency crises originating from macroeconomic imbalances is predictable and market participants as well as analysts can technically anticipate this by monitoring macroeconomic indicators related to the vulnerability of the economy, such as international reserves and the current account balance (Feridhanusetyawan and Anas, 2000).

⁵ However, later on in his studies on the Asian crisis, he argued that the Asian crisis was not a balance of payment crisis. He considered the Asian crisis as part of the global financial crisis (see. Krugman, 1999, *The Returns of the Depression Economics*, W.W. Norton and Company

The second type is a currency crisis that comes from the fragility of the financial system. Sugandi (2004), conducted a review of previous studies on financial crisis and finds that this type of currency crisis is preceded by financial market collapse and severe banking crisis as commercial banks and companies face liquidity problems. Financial market collapse can be precipitated by self-fulfilling changes in investors' expectation. In the banking sector, panics may lead to and act on bank runs. According to Diamond and Dybvig, "financial panics" or "bank runs" can take place because traditional demand deposits have multiple equilibria, a good one and a bad one. The good equilibrium is an optimal risk sharing equilibrium, while the bad one is attained when all economic agents panic and try to withdraw their deposits at once, acting on the expectation that the banks will fail, as sudden deposit withdrawals can force the bank to liquidate many of its assets at a loss. In general, a financial panic can occur when three conditions occur. Firstly, short-term debts exceed short-term assets. Secondly, no single private-market creditor is large enough to supply all of the credits necessary to pay off existing short-term debts. Third is the absence of lender of the last resort. It then becomes rational for each creditor to withdraw their credits if their counterparts are also fleeing from the borrowers, even though each one would be prepared to resume lending once someone starts to. Market participants and analysts can hardly predict an upcoming crisis when it is caused by financial panics (Feridhanusetyawan and Anas, 2000).

Thirdly, currency crisis can be caused by contagion. A high degree of economic openness toward foreign exposure makes a country susceptible to contagion from another country. Many analysts argue that the Asian crisis began with the collapse of the Thai Baht, which then spread to Malaysia, the Philippines, Indonesia and Korea. As Lowell (1998) points out, a number of countries might simultaneously experience, or come close to, crises as a result of a contagious loss of confidence in local financial markets. Empirical works show that contagion operates more on a regional than on a global scale and it usually spreads from a bigger country to a smaller one.

There are at least four possible channels through which the shockwaves are transmitted from one country to another. Firstly, direct links through trade and investment between the afflicted economies. Gerlach and Smets (1995) and Fratzcher (1998) show that real depreciation of a country's currency improves the competitiveness of the country's exports which negatively affects the other country's with which it has intensive trade relation⁷.

⁷Cited in Sugandi (2004), p.153. It does not mean, however, that a domino or contagion effect will always follow such an occurrence. The collapse of Thailand exports in 1996 is a case in point, which has been accredited to a sharp depreciation of Yen. Note, however, that unlike the Asian financial crisis of the

Secondly, investors' perceptions on the capital account also helped explain the contagion effect. All the crisis-hit countries were labeled as 'emerging markets.' The main channel of money into the region was through "emerging market funds," that lumped all the countries together. When bad news came from Thailand, investors instantly withdrew their money not only from Thailand but from all 'emerging market' countries in region.

Thirdly, investors' perceptions concerning creditworthiness of borrowers in the region also played an important role in exacerbating the crisis. Indeed, the Thai crisis gave a wake-up call for international investors to reassess the creditworthiness of all Asian borrowers. As a result, they found that quite a number of countries had similar weaknesses to Thailand, such as weak financial sectors with poor prudential supervision, large external deficits, appreciating real exchange rates, declining quality of investment, slowing-down of exports and over-expansion in certain key industries.

The fourth channel is the competitive dynamic of devaluation. When one country in a region devalues its currency, other neighboring countries would experience deteriorations in their competitiveness, hence their currencies become more prone to speculative attacks.

In conclusion, economic openness itself is not the cause a crisis but it certainly creates an environment which makes a country more prone to a crisis. One lesson that can be drawn from the 1997 Asian crisis is that a crisis can spread rapidly from one country to another that shares a high degree of interdependence with the former. In 1997, a crisis which began with the collapse of the Thai Baht spread rapidly to Malaysia, the Philippines, Indonesia and Korea.

The foregoing discussion suggests that a crisis may develop slowly, as with the case of the crisis that is a result of macroeconomic imbalance, but it can also occur in a very rapid fashion such as through contagion.⁸ With regard to the ASEAN Surveillance Process, the structural and macroeconomic fundamental indicators that are closely monitored are indeed useful in predicting the occurrence of a currency crisis of the former type (macroeconomic imbalance-induced crisis). In this case, the data template used by FMSU for ASP (see Appendix 2) can be used to begin constructing early warning indicators. Unfortunately, as noted earlier, some member countries are not

following year which incidentally also originated in Thailand, this particular episode did not cause any contagion effect.

⁸ It may be argued, however, that a crisis contagion will not spread to countries that exhibit sound economic and financial conditions. In other words, only countries with some symptoms of macroeconomic and financial problems which are at risk of suffering from crisis contagion.

able to provide all the required data. As such, it is difficult to have a thorough analysis of the economic and financial conditions of the whole ASEAN members, let alone to have an early warning system. In addition, an early warning system that will be able to predict an occurrence of a contagion-type crisis has not been installed yet⁹. Such a system deals with high frequency (financial) data.

The capacity of the existing system

Intensive communication with the ASEAN Secretariat regarding this issue reveals that the FMSU has insufficient human resources to carry out this ambitious project. The analysis generated is not as comprehensive as it would like to be, due to inadequate capacity, both at the ASEAN Secretariat and at some of the member countries. In early 2005, the FMSU employed two economists and three research assistants to cover ten ASEAN member countries. Moreover, some of the country surveillance contacts involved in the ASP can only commit limited time for the surveillance task, due to other task/project commitments, a phenomenon that is more pronounced among the new ASEAN members.

Willingness of member countries to share their information

There has been ongoing debate centered on the willingness of the ASEAN members to share all the necessary information, sensitive information included, so as to make the surveillance process credible. It needs to be mentioned that most if not all of the ASEAN members consider some information as sensitive. Moreover, as noted earlier, some countries do not publish their data. In this case the FMSU relies solely on data provided by the surveillance contacts in those countries, but it has no way to verify the reliability of the data. In addition, the lack of a clearly defined template or format of a country report has resulted in a great variation in the quality and format of the reports submitted by the member countries to FMSU. Consequently, it is difficult for the FMSU to conduct a cross-country analysis and comparison.

Finally, as discussed earlier, there is a question concerning the effectiveness of peer review mechanism. There at least two reasons as to why this may be the case. First, the principle of non-interference in the domestic issues of each member country remains thick among the member countries. Meanwhile, for the peer review, which is currently held twice a year, to be effective, it is imperative the review process will be able to put pressure on and compel any member that is exhibiting early symptoms of a crisis to undertake necessary steps to prevent such symptoms from becoming a full

⁹ Our resourceful source mentioned that the early warning system is currently being developed by ADB.

blown crisis. In short, it seems that the so-called 'the ASEAN way' may have prevented the ASP from utilizing the peer review process as a meaningful surveillance tool.

Second, during the peer review, officials from member countries usually focus their attention on the sections of the FMSU report that discuss their respective countries and try to weed out information that they consider sensitive. This attitude prevents a genuine peer review process as well as policy dialogue to develop. As a result, at the end of the process the FMSU will become somewhat blunt.

Interview Results

A number of interviews with officials in Jakarta with first-hand knowledge of the ASP as well as the national surveillance process were conducted. The main purpose of the interviews was to solicit views as well as information concerning those processes. Indonesia undertakes four different surveillance processes: national surveillance process, regional surveillance process under the ASP, regional surveillance process under SEACAN and multilateral surveillance process under IMF.

The current national surveillance process comprises of two separate processes: macroeconomic surveillance and banking and exchange rate surveillance. Despite some obstacles encountered in conducting the national surveillance process, there have been some positive developments in this aspect. The monetary authority (the Central Bank) focuses its attention on monitoring capital flows that comprise mostly of short-term, volatile funds. Activities in futures and forward markets as well as the swap market are not closely monitored by the Central Bank, transactions in those markets are relatively small. Meanwhile, most of the hedging activities of the swap market are carried out overseas. As for the reserves risk management, the Central Bank closely watches the expenditure side of the balance sheet, to ensure that the country has enough internationally liquid reserve. Meanwhile, risk management in the banking sector is carried out in accordance with the Basel Accord I (Indonesia has yet to ratify Basel Accord II). Finally, payment settlements are now conducted on real time basis using a system called Real Gross Time Settlement (RGTS).

Some problems in the national surveillance still persist, among others monitoring of the foreign exchange transactions. Particularly, the Central Bank faces difficulties in monitoring transactions that are done using third party accounts. According to one interviewee, foreign banks operating in Indonesia are responsible for most of the speculations in the foreign exchange market. In the event of such a case, the central bank typically exerts moral suasion to warn the bank or banks in question. However, if

the problem continues, the Indonesian authority will report them to the concerned officials in the bank's country of origin. Overall, there have been positive developments, but the national surveillance process still suffers from a gap between what the process produces or recommends and the policy action that follows as a response to the surveillance recommendations.

As for the regional surveillance under the ASP, two institutions have been appointed to serve as Surveillance Contacts: the Central Bank, who analyzes monetary and the banking sector developments and the Ministry of finance, who provides analysis of fiscal and real sector developments. The analyses are then combined to form the country report, which will be submitted to the FMSU at the ASEAN Secretariat. The FMSU also composes its own report based on the publicly available data as well as on the templates submitted by the surveillance contacts. Currently, only two ASP staff work on Indonesia, but assistance can be asked from other task forces when necessary.

Strengths and Weakness of the Existing ASP

The field survey confirms the earlier assertions regarding the potential strengths as well as weaknesses of the ASP that includes the peer review and policy dialogue, and access to regional experts.

Peer pressure: Officials that we interviewed believed that peer pressure under the ASP framework could become an effective way to force a country that is facing a crisis to improve its prudential measures, hence preventing the crisis from spreading to other countries. However, the ASEAN principle of non-interference and the eagerness of countries' officials participate in the peer review process to weed out any negative report on their respective countries limit the effectiveness of the pressure.

Regional experts: During the interviews, officials pointed out about the comparative advantage that the ASP has relative to other processes in providing a comprehensive analysis of economic development in the region primarily because it has access to local experts who have first hand knowledge about the region.

However, as discuss below the survey also reveals some identifiable weaknesses of the existing process, including inadequate data, country report that is not up to the standard, inadequate tools and lack of capacity.

Data: As previously noted, there is the recurrent problem in obtaining a uniform set of database, a necessary element to producing credible cross-country analysis. In addition, there is also a potential overlap in the data / information dissemination; the same data that are disseminated by the ASP may also be disseminated by other surveillance processes as well.

Sketchy report template: The standard for the country reports need to be improved; at the moment it is too broad and simple, lacking the detailed data necessary to detect the symptoms of a potential crisis in the region. Furthermore, officials also confirmed that the country report prepared by the FMSU team might still be revised during a peer review process to omit issues that are regarded as 'sensitive' by the country in question.

No Early Warning System (EWS): The survey confirmed that the ASP does not have an early warning system in place, nor a benchmark to be used to assess as to whether a member country is on the verge of a crisis or not. However, the good news is that the ADB is currently providing technical assistance to develop such a mechanism.

Human resource problem: the Finance and Macroeconomic Unit (FMSU) is short of the proper amount of staff to conduct proper regional surveillance. Although, the quality of the staff assigned to the FMSU is undisputed, the quantity is considered inadequate to undertake a high quality surveillance.

IV. ASP and ASEAN + 3 Surveillance Process: the way forward

After reviewing the main features of the existing ASP including its strengths and weaknesses, the subsequent question is whether the ASP is adequate as a regional surveillance mechanism or, its weaknesses aside, whether it should be further improved to include new features such as an early warning system. With regard to the plan to establish a surveillance mechanism within the ASEAN + 3 framework, these countries should decide as to whether ASP is to left as it is to serve only the ASEAN countries and establish a new mechanism for the ASEAN + 3. Or, should the existing ASP be expanded into an ASEAN + 3 framework, adding Japan, South Korea and China into the process? The discussion on the possibility to transform ASP into an ASEAN + 3 framework arises as a logical response to the proposed closer integration of the ASEAN economies with Japan, South Korea and China. Should such a transformation occur, one needs to insure that the process is a smooth one. In

particular the existing ASP should continue to improve its strengths while at the same time remedy its weaknesses.

To improve the ASP, it is best to learn from the IMF surveillance and then fill in the gaps while avoiding duplication. As noted, there are three type of crisis; (1) macroeconomics inconsistency, (2) financial market instability, and (3) contagion crisis. The ASP's early warning system has to be able to detect the possibility of the occurrence of each one of the three. As of today, the existing mechanism is unable to analyze high frequency data. Furthermore, if the ASP is to be expanded to ASEAN + 3, it can only be done on gradual manner so as to create a strong and independent regional surveillance mechanism.

Despite its weaknesses, the existing ASEAN surveillance process will continue to be relevant and important, as countries in the region remain prone to speculative attacks. Table 1 indicates that most of the ASEAN member countries continue to adopt exchange rate regimes in categories somewhere between fixed and managed float. The existing regional surveillance mechanism allows the ASEAN countries to develop more informed policies.

Does ASEAN plus Three (APT) require another surveillance mechanism? Many believe that the APT framework is the appropriate grouping for regional financial cooperation because this group has begun to develop a common vision for East Asia. If ASEAN were to support the development of financial cooperation in East Asia, an integrated surveillance mechanism at the APT level needs to be formed. One possibility is through a gradual expansion of the current ASP framework. The reason is simple: there is no need to have two regional surveillance mechanisms at the same time. Transforming the ASP into APT Surveillance Process would be beneficial, as it will lead to a regional grouping with very large foreign reserves (See Table 2: Macroeconomic Indicators). It should be noted, however, that sometimes it is easier to establish a new institution altogether than trying to improve upon an exiting one.¹⁰ Moreover, ASEAN needs to take into account the following consequences.

1. ASEAN will be exposed to a more complex situation, because it will need to incorporate problems of the two massive economies of the region : (a) China's fixed exchange rate regime and (b) the still unfinished financial reform in Japan.

¹⁰ Alternatively, the ASEAN plus 3 establish an entirely new surveillance mechanism. Once in place the ASP will be dissolved and hence there will be only one regional surveillance mechanism in the region.

2. With the expansion comes the need for a more sober management of the surveillance system. The new system should have a greater capacity than the current ASP has. Another issue that needs to be considered is whether or not the future surveillance mechanism will also become a sort of 'lender of last resort' for the region.

An APT Early Warning System is being developed with the assistance of the ADB (Soesastro, 2003, p. 6). Developing a credible surveillance system may take a while. In the meantime ASEAN needs to continue improving its surveillance mechanism especially with regard to the improvement of statistical data of its new member states. If necessary the countries should ask for technical assistance from institutions such as the ADB to develop their statistical bureaus.

Table 1.
East Asia Exchange Rate Arrangements According to the IMF Classification

Country	Classification
1 Indonesia	Managed floating (monetary aggregate target)
2 Malaysia	Other conventional fixed peg arrangement
3 Brunei	
4 Philippines	Independently floating (monetary aggregate target)
5 Thailand	Managed floating (inflation targeting framework)
6 Singapore	Managed floating
7 Vietnam	Floating
8 Cambodia	Fixed Exchange Rate
9 Myanmar	Fixed Exchange Rate
10 Laos	Fixed Exchange Rate
11 China	Other conventional fixed peg arrangement
12 Korea	Independently floating (inflation targeting framework)
13 Japan	Independently floating

Source: IMF, IFS September 2002 and *Fischer (2001:8) adopted from Mc Kinnon and Schnabl (2003, pp3)

Table 2. ASEAN+3: Some Macroeconomic Indicators

Countries	GDP/capita (2003 fig.)	GDP growth (2003 fig.)*	Official Reserves (ave. 2000-latest)	Interest Rate (2004 fig.)	Inflation rate (2004 fig)**	M2/GDP (2003 figures)***
1 Indonesia	972	4.5	32412.53	7.43	6.03	0.46
2 Malaysia	4,164	5.3	41389.94	2.83	1.44	1.08
3 Brunei	13,244	na	na	na	Na	na
4 Philippines	986	4.7	15946.86	7.85	5.88	0.40
5 Thailand	2,311	6.9	39144.04	2.50	2.75	0.46
6 Singapore	21,495	1.1	89513.98	2.56	1.67	1.22
7 Vietnam	480	7.3	na	5.00	7.81	0.62
8 Cambodia	314	5.5	na		1.17	0.18
9 Myanmar	195	6.2	na	10.00	36.59	0.26
10 Laos	361	5.8	na	20.00	15.42	0.21
11 China	1,094	9.3	335465.80	3.33	2.67	1.89
12 Korea	12,634	3.1	134970.10	2.25	3.59	1.24
13 Japan	34,010	0.2	550279.40	0.10	0.00	1.40

Source: CEIC Database, International Financial Statistics (IFS), Bank Indonesia, and the ASEAN Secretariat

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Appendix 1

Excerpt of Interview 1

There are three types of surveillance conducted by Indonesia, (1) Surveillance at national level, (2) surveillance at the regional level, namely the ASEAN Surveillance Process (ASP) and the SEACEN surveillance process and (3) surveillance in the multilateral level, the IMF Article IV consultation.

For example, at the central bank itself, there are several sections in the bank involved in the surveillance process. One section focuses on the monetary aspects. In the monetary sector, Indonesia uses their own primary data to conduct the surveillance; mainly they monitor developments of the price level and policies related to interest rate. Interest rate is monitored weekly because it is one of the leading indicators. Another section is responsible for macroeconomic surveillance. Other than monetary data, Bank Indonesia collects data from other government institutions. In addition to data gathering, projection and surveys are also carried out.

One important part of the Indonesian surveillance process is the close link between fiscal policy and monetary policy, particularly on issues regarding debt management. For Indonesia, it is crucial to monitor both government's and private sector's demand for foreign currency (i.e. USD) to service their debts, as this has a large effect on the movement of the exchange rate.

On the external sector, the relevant authority closely monitors foreign reserve stock and capital flows. Capital flows into Indonesia are mainly short-term, highly volatile capital, thus daily monitoring becomes mandatory. As foreign currency trading is already computerised and online, tracking an unusually large movement of funds becomes almost impossible. From time to time the relevant institution would call on the party who has involved in such a transaction to explain and provide details of his/her act. Apart from periodic monitoring, each month officials in the relevant institution would hold a meeting to discuss the current condition and relevant issues, and assess the outlook of banking and monetary sector. Another important part is the monitoring of the stock market. The relevant institution could closely monitor the stock market if the payment mechanism at the Jakarta Stock Exchange (JSX) is conducted through banks. Meanwhile to monitor foreign direct investment (FDI) flow the authority uses the approved FDI figure as a proxy. That is how the FDI data found in the Indonesia's

Balance of Payment are generated. Indonesia also monitors the high frequency movement in the short-term investment (portfolio); the source of the movement usually comes from non-residents.

The early warning system model is currently under development, but not yet incorporated into the system. The current framework focuses mainly on macroeconomic variables, while other variables, such as macroeconomic prudential have not yet been incorporated. There appears to be a divide between macroeconomic surveillance and banking surveillance. Ideally, the two surveillances should be merged together. Currently in Indonesia, macroeconomic surveillance is done by External Vulnerabilities section, while for the banking sector is done by the Financial Stability Bureau. Although both of them are under Bank Indonesia, each has their own model of surveillance. As a result, there are two separate indicators for banking crisis and capital flow crisis, computed from two separate models.

The ASEAN Secretariat requires each member country to have its own surveillance unit. In Indonesia there are two institutions collaborating to conduct the surveillance. One institution handles the monetary and external sector while the other handles the fiscal sector. Then, one institution put together the country report which is then submitted to the ASEAN Secretariat.

There is the truth-telling issue in the data sharing, and also there is a gap between institutions involved in the surveillance. At the ASEAN level, the surveillance process is not yet effective. Each member's presentation is more like a dialogue and does not touch policy issues. There are issues of concern pronounced in the report, but they are too subtle. The ASEAN Surveillance Process itself is a brilliant idea but the lack of political will undermines its effectiveness.

SEACEN (South East Asia Central Banks), while its main activities deal more with capacity building, such as training and research, in fact also conducts surveillance. The surveillance unit is called SEACEN Expert Group on Capital Flows which monitor capital flows. The SEACEN surveillance system is also not equipped with early warning system.

Under the ASEAN+3, a country report is not required to be detailed. Improvements on how the report should be, is made during the ASEAN + 3 Policy Dialogue, initiated by Japan. As under the ASP framework, policy dialogue under the ASEAN+3 also faces similar problem regarding data availability and credibility.

On the capital account, Indonesia is currently developing a cash-flow-based balance of payment, instead of the transaction-based, in order to simplify the analysis on the flow of capitals.

Concerning the subject of building an independent surveillance unit (expert group), the official supports a credible unit which allows member countries to clarify any report on their particular country.

On the national level exchange rate surveillance, Indonesia has managed to curb some of the shocks. However, often times they failed to do so, mostly due to the fact that foreign exchange transactions are done using a third party account. The central bank usually uses moral suasion in dealing with banks facilitating foreign exchange speculation. The central bank sometimes has to be at the opposite side of the Ministry of Finance as its exchange rate management measures sometimes contradict other government objectives, particularly those of the Ministry of Finance.

Futures trading and forward market have not yet been monitored, mainly because transactions in those markets are relatively small. In fact, most of the hedging activities are done outside Indonesia.

On the IMF Article IV consultations, IMF sends a special mission to Indonesia and they cover all the sectors in detail. Indonesia provides all the data on the monetary, external, and financial sector. There is also staff report as part of the Article IV consultations. Whenever, there is discrepancy or mismatch on the facts reported, Indonesia has the opportunity to clarify the subject in a report to the South East Asia group in the IMF, to be followed by an official statement. The report of the Article IV consultations is distributed to each executive office in each region, and then the peer review can be held.

In the past, changes in the outstanding debts and payments estimates were used to monitor private debts. Now, the Central Bank required banks to report private debts in their possessions and, as a result, it is estimated that 80 percent of total outstanding debt is officially reported.

Currently, Indonesia assigns only two staff at its ASEAN Surveillance Unit, who have to monitor every economic aspect of the ASEAN region. However, on technical matters, they can ask for the assistance from other task forces.

With regard to the reserve risk management, Indonesia only monitors the expenditure side so as to ensure that there is enough reserve that is internationally liquid. The risk management for the banking sector has several aspects, including operational risk and credit risk. In short, the risk management for the banking sector is conducted in accordance with the Basel Accord I; Indonesia is now preparing to ratify Basel Accord II. As for risk management in the payment system, there is a system called Real Gross Time Settlement, whereby settlements and transfers can now be done in real time. There is need for a business continuity plan to back-up the system.

Currently, there are several surveillance activities done by such institutions as OECD, IMF, the Manila Framework, and G20. In Indonesia, there is a disparity between the surveillance process and the policy action, unlike Malaysia and Singapore, where there is concordance between the two. Furthermore, coordination in the surveillance process remains weak in Indonesia. The non-banking financial sector, for instance, is hardly being monitored. Coordination would be easier if the government establish a special financial authority body separated from the Central Bank and the Ministry of Finance to conduct surveillance activities.

Indonesia's response to some regional initiatives, such as the Chiang Mai Initiative, is rather lukewarm. As for the ASP, if it is to be more effective then there is a need to refine the reporting requirement for the surveillance purposes. In other words, it needs to improve the standard of its reporting procedure. The goal for the surveillance has to be set, reporting standard needs to be improved and the coverage needs to be widened and deepened. The peer review itself has to be optimally used. Up to now, the actual benefits of the ASP remain to be seen.

Excerpt of Interview 2

Our interviewee sees some similarities between the ASP and the IMF surveillance. He also sees signs that the ASP is moving towards the formation of the AMF (Asian Monetary Fund). The Asian Bond Fund exhibits the commitment of countries in the region to crisis prevention. There has also been a plan to form a reserves pooling fund, so that the surveillance process need to be strengthened. However, he believes that there is a need for a more formal and binding entity.

In his views the strength of the ASP lies in the network it has to do assessment of the current economic condition in the region. However, the governments of the region lack the political will to empower the ASP with a greater authority. There is the so-called "the

ASEAN way of doing things” which hinders the ASP to become an effective surveillance mechanism. On the ASP reporting, the report needs to be improved to achieve the stature of the IMF surveillance report.

However, he also adds that strong public resentment towards the IMF within ASEAN has turned people’s attention to the possibility to get assistance from other countries. Any assistance to prevent the crisis that comes from Japan, China, or South Korea would invite a more subtle reaction since their approach tends to be a two-way dialogue and, hence, less imposing. In his view, APEC is also ineffective, particularly because the U. S. tends to dominate the agenda setting during the APEC meetings. For instance, anti-terrorism issue has been given a greater priority than such issue as to how to improve international trade which regarded by many countries as a more important issue than the former.

There is a bilateral meeting between central banks in the Asian region which includes participants from such countries or region as Hong Kong, Malaysia, Singapore, Thailand, as well as Indonesia. In these meetings, sensitive subjects are more often than not discussed outside the meeting rooms rather than during the meetings. These meetings tend to take the full advantage of its ‘Banker’s Club’. The same is true with the SEACEN (South East Asia Central Banks) surveillance. Surveillance in the SEACEN is basically in the form of exchanging views and information, including on a banking supervision, especially foreign banks. Sensitive issues are discussed bilaterally. A formal forum seems to be ineffective to cater multilateral talks over sensitive issues.

The Asian Bond Fund, which has two forms: the Regional Bond Index, excluding Japan, Australia, and New Zealand; a local currency quoted mutual fund issued by government or quasi-government which required an investment grade. For Indonesia, the chosen bond is government bond. The ASEAN Bond Fund participants consist of the ASEAN 5, Japan, South Korea, China, New Zealand and Hong Kong.

As for the ASEAN + 3 Surveillance, the only active countries are Japan, China, South Korea, Malaysia and Thailand. Other member countries do not seem to understand the benefit of such a surveillance.

On the Bilateral Swap Agreement, the donor countries would necessarily require economic surveillance. The Bilateral Swap Agreement itself has never been used, it is only an agreement. The effectiveness of the swap arrangement depends on the surveillance.

As for the establishment of the Asian Monetary Fund (AMF), it would not be much of any good if the surveillance process itself is not binding. Although the idea of establishing an AMF has received a strong resistance from the US, the EU and the IMF, there is still a possibility that such an institution will eventually be established, perhaps with a different name. The decision as to whether or not an AMF will be established is more of a geopolitical, rather than an economic issue.

With regard to the ability of Indonesia to perform surveillance activities, our source sees a problem of coordination between the institutions involved has hindered that ability. All initiatives come from the top elites, but at the staff level these initiatives may be interpreted differently and, hence, may proceed in different directions.

Excerpt of Interview 3

Indonesia disseminates three types of data set. The first is the data for IMF Article IV consultation surveillance, based on SDDS (Special Data Dissemination Standard), which is updated monthly. A designated institution consolidates all the data and then distributes them to related institutions. There are 20 variables in the surveillance template. In providing these data, Indonesia has to follow strict requirements on the availability of the data, especially on the timeliness. The second is banking data submitted to BIS, they are strictly confidential. The third one is data for the ASEAN Surveillance Process.

The Article IV Consultations is still being conducted once a year. In addition, ever since Indonesia decided to quit from the IMF program, it undergoes a Post Program Monitoring (PPM), which is done by the IMF twice a year. The SDDS data set is transparent, with information on 20 items, ranging from GDP to International Foreign Currency Reserves Liquidity. What makes the SDDS credible and known as being of high-quality data, is the strict rules that each country must comply with in preparing the data. The strictest rule is on the timeliness of the data. The IMF produces an observance report describing how the data was gathered. To produce such a report, they examine the quality, procedures, dissemination, and consistency of the data. Although the SDDS has strict requirements, Indonesia has been given flexibility on the timeliness of the data on labor and government operation, which is difficult to assemble after decentralization. The main benefit from joining SDDS comes in the form of a recognition that the country in question has been transparent in data dissemination and, hence, enable anyone to make his own analysis on the economic situation that

particular country. Indonesia is the first country in the ASEAN region to join SDDS then followed by the other ASEAN 5 countries.

ADB provides the RTA (Regional Technical Assistance) on the surveillance process, particularly on constructing the MPI (Macro Prudential Indicators) on a quarterly basis. Currently, the ADB and the World Bank established a joint effort to make a data standard code.

On the ASEAN+3 surveillance process, the official interviewed argues that the ADB, ASEAN + 3 and ASEAN Secretariat are having a coordination problem. For example, there is no coordination among them on how to monitor short-term capital flow and reserves, while the aim is to have a reserve pooling. Consistency is another problem, because different countries may have different definition about some of the data.¹¹

With regard to the current surveillance, he argues that the ASP overlaps with other surveillance process in the data dissemination process. It is relatively inefficient, as the government assigns several institutions to be involved in surveillance process. For examples, some data are published by two different institutions, and so that the coordinating institution needs to check both data sets.

The Early Warning System model is currently being developed by the ADB. However, the model itself has not been tested yet and it is still a long way to go before the model is completely finished. Currently, there is no precise model to predict a crisis, as the existing models cannot predict any shock to the micro sector of the economy, e.g., the financial sector. This is partly because those models do not accommodate high frequency data properly. He further suggests that to improve the ASP, it is best to learn from the IMF surveillance process and to fill in the gap to avoid inefficiency.

Excerpt from Interview 4

The ASEAN Surveillance Process needs to be more outward looking. The mechanism of the ASP is based on a template which serves as a guideline for the study.

The ASEAN + 3 Policy Dialogue is meant to be the improvement of the ASP as it to include an early warning system. He elaborates that the deputy ministers meeting under the ASP is on the disclosure of information and involved technical discussions. Meanwhile, the ministerial meeting lacks of the technical discussion. The form of the

¹¹ For Indonesia, the central bank acts as the coordinator on data dissemination for the ASP.

policy dialogue depends on the current concern, such as raising world oil prices. He mentions FMSU reports are not disclosed to the public due to the sensitivity of the issues contain in those reports.

On the ASP, there are two institutions involve in the process, preparing two separate reports on fiscal and real sector , and on financial and monetary sector. The reports are not disclosed to the public rather it is given to superiors as policy recommendation.

He argues that the Early Warning System needs to be standardized and computerized. A special computer software needs to be developed to construct the Early Warning System. Currently, a prototype of such a system is available.

To expand the ASP to ASEAN+3 Surveillance Process, will require substantial improvements. But he does not specify what kind of improvements. The benefit of the ASEAN + 3 is clear; the region is more stable because of the existence of the bilateral swap arrangements.

The Chiang Mai Initiative (CMI) consists of two forms: the bilateral swap arrangement and the Asian Bond Market. Currently there are six working groups on the CMI.

The data on capital flows are available only in the form of net capital flows; the information on capital inflow and outflow is not available because ASEAN still lacks openness. In his views, any idea toward Asian Monetary Fund (AMF) is not good, because it will create regional competition; it is better to concentrate more on practical means, such as the bilateral swap arrangement.

The Asian Bond Market (ABM) is continually being developed, including the ratings. There is a possibility of a double rating system. The regional rating is handed down to the private sector to develop. Finally, the ASEAN + 3 is still an informal forum because it is on a voluntary basis.

Appendix 2

ASEAN Surveillance Template (1)

	1. Gross Domestic Product (in millions)		5. Fiscal Management (in millions)
1a10	GDP (current prices)	5a10	Revenues and grants
1b10	GDP (constant prices)	5a20	Tax
		5a30	Non-tax
	GDP by Sector (constant prices), Total	5a40	Grants
1f20	Agriculture	5b10	Expenditures and net lending
1f30	Industry	5b20	Operating
1f31	Mining and Quarrying	5b25	o/wh interest cost
1f32	Manufacturing	5b30	Capital/development
1f33	Electricity, Gas and water supply	5b40	of which: Net lending
1f34	Construction		
1f40	Services	5c10	National Government Deficit/Surplus
1f50	Balancing item for GDP at Purchaser's value	5d10	Fed. Gov't Domestic Debt (RM Mill.)
1g10	GDP by Expenditure (constant prices), Total	5e10	Sources of Finance (in millions)
1g20	Domestic Demand	5e20	Net external borrowing
1g30	Consumption	5e30	Net domestic borrowing
1g31	Private	5e31	Bank
1g35	Public	5e35	Non bank
1g40	Investment	5e40	Proceeds from privatization
1g41	Gross fixed investment	5e50	Changes in cash balances
1g42	Private		
1g43	Public		6. Corporate Sector (in millions)
1g45	Changes in stock		<i>New foreign direct investments</i>
1g50	Net Exports	6a10	Manufacturing foreign approx. (USD mill.)
1g51	Exports of Goods & non-factor services	6a20	Manufacturing local approvals (RM mill)
1g52	Imports of Goods & non-factor services	6b10	Sales of new cars
1g60	Statistical Discrepancy		
			Property Prices (in thousands/sq.m)
1h10	Note: Index of Indust. production, manufact.	6f10	Office
		6f20	Commercial
		6f30	Residential
2a10	Population (in millions)	6g10	Office vacancy rate in CBD (%)
2a20	Total labor force (in thous.) [starting 1998]		
2a30	Unemployment Rate [starting 1998]		Business Expectations Index
2b10	Nominal monthly wage (in US \$)	6j10	Central Bank
2b20	Manufacturing (in US\$) [annual ave. wage]	6j20	Statistical Office
2b30	Non-manufacturing	6j30	Other (MIER - Business confidence index)
2c10	No. of strikes reported		
2c20	Number of redundancies		Consumer Expectations Index
		6k10	Central Bank
		6k20	Statistical Office
		6k30	Other (MIER - Consumer sentiment)

Note: the data is on quarterly basis

ASEAN Surveillance Template (2)

	3. Money and Financial Markets		4. External Sector
	Monetary Survey (end -of-period)		Balance of Payments (in USD millions)
3a10	Net Foreign Assets	4a10	Current Account Balance (in USD mill.)
3a20	Domestic Credits	4a20	Trade Balance (FOB)
3a30	Net claims on government	4a21	Exports of goods
3a40	Claims on public enterprises	4a25	Imports of goods
3a50	Claims on business & household sector	4a30	Services Balance
3a60	Claims on other financial institutions	4a31	Exports of services
3a70	Other items (net)	4a35	Imports of services
3a80	<i>O/wh capital account</i>	4a40	Investment Income (net)
	Check sum	4a41	Receipts
3b10	Broad Money (eg. M3)	4a45	Payments
3b20	Narrow money (eg. M1)	4a50	Transfers (net)
3b30	Foreign curr. dep. of residents (M RM)	4a51	Private
		4a55	Official
3c10	Reserve money		
3c20	Net foreign assets	4b10	Capital and financial account
3c30	Net claims on government	4b20	Capital account (net)
3c40	Claims on public enterprises	4b30	Financial account
3c50	Claims on private sector	4b40	Private
3c60	Claims on Bank & other financial inst.	4b50	Direct and portfolio
3c70	Other items	4b51	Direct (net)
		4b55	Portfolio (net)
	Non-Performing Loans, (Banking system)	4b60	Other investment
3g10	NPL amount (3-month category, RM Mil)	4b61	Bank (net)
3g20	Note: aggregate bank lending (RM Mil)	4b65	Non bank (net)
3g30	NPL Ratio (3 -m. category, %, gross basis)	4b70	Public (net)
		4b71	From IMF
3h10	Comm. Banks' Capital Adequacy Ratio Target	4b75	Other public
3h20	Actual	4c10	Errors and omissions
		4c20	Overall balance
	Interest Rates(% , end of period)	4c30	Net accumulation of reserves
3j10	3-month time deposits 1/		
3j20	Minimum lending rate 2/	4c40	Note: Net inflow of short-term loans
3j30	Interbank overnight rates, period average		
		4d10	Level of official reserves assets
	<u>CPI 2000=100</u>	4d20	Other reserve assets
3m10	Average index for period	4d30	Short-term liabilities of monetary authority
3m20	Index for last month in quarter	4d40	Contingent liabilities of monetary authority

3p10	Stock price index, end of period		External Debt (in millions USD)
3p20	Market capitalization (in Billions RM)	4f10	Total
		4f20	Public
	Dollar Exch. Rates (local curr. per USD)	4f21	General government
3q10	End of period (nominal)	4f25	Public enterprises
3q20	Avg for period (nominal)	4f30	Private
3q30	RER (period average, 1995=100)	4f31	Bank
		4f35	Non Bank
	Yen Exch. Rates (local currency per 100¥)		
3q60	End of period (nominal)		Note : Short-term debt
3q70	Ave. for the period (nominal)		
			Service pay't on MLT ext. debt (USD Mill)
		4g10	Total
		4g11	Repayments of principal
		4g15	Interest
		4g20	Public
		4g21	Repayments of principal
		4g25	Interest
		4g30	Private
		4g31	Repayments of principal
		4g35	Interest
		4k10	Imports by end use (US \$ Million).
		4k20	Capital goods
		4k30	Raw materials & intermediate goods
		4k40	Consumer goods

Note: the data is on quarterly basis