

**Joint Media Statement of the  
16<sup>th</sup> ASEAN Finance Ministers' Meeting (AFMM)  
Phnom Penh, Cambodia, 30 March 2012**

**Theme: ASEAN - One Community, One Destiny**

**Introduction**

1. We, the ASEAN Finance Ministers, convened our 16<sup>th</sup> Annual Meeting under the chairmanship of H.E. Keat Chhon, Deputy Prime Minister, Minister of Economy and Finance of the Kingdom of Cambodia.
2. Samdech Akka Moha Sena Padei Techo **Hun Sen**, Prime Minister of the Kingdom of Cambodia delivered the Keynote Address at the opening ceremony of the 16<sup>th</sup> ASEAN Finance Ministers' Meeting. He emphasized that "The 16<sup>th</sup> AFMM today will provide an excellent opportunity for the ASEAN Finance Ministers to discuss how best to enhance stability of the financial system and mobilize financial resources for supporting investment, which will maintain a favorable climate for growth in the region".
3. Together with the troika of ASEAN Central Bank Governors of Indonesia, Cambodia and Brunei Darussalam, we reaffirmed our commitment to maintain growth and development momentum and financial stability of the region in the face of difficult global challenges. We agreed to take all necessary actions to sustain growth and preserve the stability of financial markets. We exchanged views with the Asian Development Bank, World Bank, and International Monetary Fund on policies to maintain stability in the current environment, and we called on them to continue to pursue innovative projects and assistance to better serve the needs of our economies.
4. We have progressed in delivering the commitments we made in previous years to deepen the integration of our markets under the Roadmap for Monetary and Financial Integration of ASEAN. We are committed to take more concrete steps to achieve the goals of the ASEAN Economic Community (AEC). We look forward to the operationalization of the USD485.2 million ASEAN Infrastructure Fund (AIF) this year, as well as the launching of initial projects for the Credit Guarantee and Investment Facility (CGIF). We also welcome the studies by the ASEAN+3 on Infrastructure Financing and the flexibility regarding access by less developed member countries. We also look forward to the enhancement of the Chiang Mai Initiative Multilateralisation (CMIM) by the next ASEAN+3 Finance Ministers' Meeting in May 2012.

## **Regional Economic Update and Policy Challenges**

5. We are pleased that our economies grew by 4.5 percent last year despite the heightened uncertainties in the global economy. The positive but moderate economic growth was underpinned by resilient domestic demand, strong macroeconomic fundamentals, sound balance sheets of banks and the corporate sector, and on-going structural reforms since 1997. We are confident that our economic expansion would remain healthy this year, with projected GDP growth of between 5.6 percent and 6.3 percent. Nonetheless, we agreed to remain vigilant against downside risks such as further contraction of external demand, tighter global financing conditions, higher oil prices, and volatile global capital flows.
6. We will continue to implement appropriate monetary and fiscal policies to sustain the economic growth and maintain stability of financial markets. Cognizant of our varying levels of development, our macroeconomic policies may be adjusted, if needed, according to specific conditions facing our respective economies. Enhancing resilience to manage volatile capital flows is also important and we will continue to adopt appropriate measures among others, to ensure that price and financial stability remain supportive of growth. To strengthen the medium-term foundations for growth, we are committed to move toward more domestic-led growth. This action shall be reinforced by our continued commitments to pursue structural reforms, rebalance growth in favour of private investment, and to promote inclusive development. We affirm our commitment to work towards increased cooperation and integration, to enhance resilience against external shocks by developing dynamic and efficient internal markets.

## **Roadmap for Monetary and Financial Integration of ASEAN (RIA-Fin)**

7. Today we agreed to continue intensifying our efforts to build stronger integrated financial markets to achieve the AEC goals.
8. We also noted the updates by the troika of ASEAN Central Bank Governors of Indonesia, Cambodia and Brunei Darussalam on the development of an ASEAN Financial Integration Framework and the work program of the newly established Senior Level Committee on Financial Integration, under which the Task Force on ASEAN Banking Integration Framework was also established. We also noted the ongoing work on payments and settlements system.
9. We are also encouraged by the establishment of the Steering Committee on Capacity Building by the ASEAN Central Banks in collaboration with the Asian Development Bank and the SEACEN Research and Training Center. The

enhancement of capacity building initiatives in the financial sector will help narrow development gaps among ASEAN economies and allow members to fully participate in ongoing integration efforts.

### Capital Market Development

10. We acknowledge the importance of having resilient capital markets to mitigate capital flow volatility. We will therefore continue to deepen regional capital markets, to more effectively absorb and redeploy foreign capital and broaden the range of investment instruments available, so as to ensure that the flow of capital is better channelled to productive investments in our economies. We are encouraged to see that regional cooperation through the ASEAN Working Committee for Capital Market Development (WC-CMD) and ASEAN Capital Markets Forum (ACMF) have led to steady development in regional capital markets.
11. The WC-CMD's Bond Market Development Scorecard has been a useful benchmark for ASEAN finance and central bank officials to measure the state of ASEAN's bond market development, openness and liquidity. To achieve further ASEAN capital market integration, we tasked the WC-CMD to facilitate the implementation of targeted and focused capacity building programmes to help members address market gaps identified in the scorecard.
12. We are encouraged by the significant progress made by the ACMF in the integration of capital markets, particularly the recent signing of the MoU on Expedited Review Framework for Secondary Listings, launching of the ASEAN Corporate Governance Scorecard for assessing corporate governance practices of ASEAN listed companies, and the development of the ASEAN Disclosure Standards that will facilitate more efficient cross-border securities offerings within the region. We are further encouraged that the ASEAN Exchanges are working towards developing a model for the integration of post-trade services. All these efforts have contributed significantly to the integration of our capital markets and we continue to support the work of the ACMF and ASEAN Exchanges in this regard.
13. Furthermore, we tasked the ACMF together with the WC-CMD and ASEAN Secretariat to develop an independent study to streamline and improve cooperation efforts across various regional capital markets initiatives to better meet the gaps, constraints and challenges that were identified. We look forward to the development of new initiatives to further support regional capital market integration efforts, which includes facilitating the development of a diverse range of regionally-focused market offerings of products and services in the region.

### Financial Services Liberalization

14. We are encouraged with the on-going Sixth Round of negotiations of financial services liberalization under the ASEAN Framework Agreement on Services. We urge our officials to closely work together to ensure the progressive liberalization and integration of our financial markets as financial services commitments under the Sixth Package in 2014 will come close to the AEC's crucial timeline of 2015. We are encouraged by the initiative of the Working Committee on Financial Services Liberalisation (WC-FSL) for the integration of the insurance sector in an effort to deepen regional non-banking sector financial integration. We continue to support the work of the WC-FSL in their role of driving financial services liberalisation under the ASEAN Framework Agreement on Services.

### Capital Account Liberalization

15. We resolve to continue liberalizing our capital account regimes to promote greater capital mobility in support of closer economic and financial integration within our economies in line with the goals of the AEC. The freer capital mobility is envisioned to create a more facilitative environment for investment, trade and business activities which will certainly benefit the economies of member countries, and strengthen integration of our markets with the global economies. In this regard, we have successfully completed our mutual assessment process by identifying rules to progressively liberalize current account transactions, direct and portfolio investments, and initiated the same for other flows. Notwithstanding, the liberalisation process will be sequenced based on the readiness of the economy of member countries and supported by safeguards to ensure that the benefits of the liberalisations outweigh the costs. In view of this, greater focus will be given on capacity building initiatives in support of capital liberalisation so as to increase the readiness and willingness of members in their liberalisation endeavours.

## **Strengthening ASEAN Finance Cooperation and Economic Integration**

### Enhancing Regional Surveillance

16. We reiterated the need to strengthen surveillance in support of regional economic integration. We are encouraged by the work of the ASEAN Integration Monitoring Office (AIMO) to support the AEC, particularly the development of analytical reports, monitoring tools, and capacity building programs for

integration. We stand ready to strengthen the capacity and resources of AIMO and call on Member States and development partners to assist AIMO in delivering its mandate.

17. We reaffirm the importance of, and our support for the role of ASEAN+3 Macroeconomic Research Office (AMRO) in macroeconomic and financial surveillance of the region, particularly with respect to the CMIM. We agreed to invite AMRO to future ASEAN Finance Ministers' Meetings to brief us on the macroeconomic and financial situation in the region.

#### Infrastructure Financing

18. We welcome the signing of the Shareholders Agreement Relating to the AIF by all Parties and we look forward to the full establishment of AIF at its forthcoming meeting on 3 May 2012 in Manila and the commencement of AIF lending operations in the near future. This will strongly demonstrate the strength, solidarity and consensus of ASEAN towards sustaining growth, facilitating the physical connectivity, and narrowing the infrastructure development gap in ASEAN. We appreciate the continued support from the ASEAN-World Bank Infrastructure Finance Network (IFN) and endorse the programs for 2012.

#### Cooperation on Customs Matters

19. We are pleased with the progress of activities under customs cooperation, particularly the pilot project to implement the two-month ASEAN Single Window pilot testing among seven participating countries as well as the implementation of the ASEAN Harmonized Tariff Nomenclature (AHTN) 2012 that will provide a single harmonized tariff nomenclature for firms doing business in ASEAN. We signed today the new ASEAN Agreement on Customs that will enhance the delivery of customs services in the region. We urged our customs officials to fully implement the other initiatives, including the finalisation of agreements and protocols, to support the establishment of a single market and production base under the AEC.

#### ASEAN Cooperation on Taxation

20. Addressing the tax-related impediments to integration remains our priority. As such, we encourage the ASEAN Forum on Taxation (AFT) to further enhance regional dialogue on taxation and strengthen cooperation in tax matters. We welcome the initial work plan by members of the AFT that will examine options to address the withholding tax and double taxation issues in the region.

### ASEAN Cooperation in Insurance

21. We welcome the initiatives and measures being undertaken to improve insurance penetration in the region, including the development of regulatory frameworks to promote insurance products, tax incentives for purchase of insurance products, and consumer education to increase awareness. We agreed to strengthen information sharing amongst regulators and ministries as a strategy to improve insurance penetration in the region. We also agreed on capacity building initiatives to assist member regulators in aligning their regulations with international best practices.

### Engaging and Building a Stronger ASEAN

22. We reaffirm our shared commitment in a stable and integrated ASEAN, and our support for strong, sustainable, and balanced growth in the region. We are more determined than ever to deepen our economic and financial integration. Building on the commitment made by our Leaders to promote sustainable development, we will ensure that reducing barriers to trade, investment and financial flows will help reduce the development gap and increase the welfare of our people. We are committed to promote social and financial inclusion.
23. We stand ready to bolster the prospects for effective economic policy cooperation and coordination. We will continue to coordinate policies in the future, taking into account economic conditions and developments. To this end, we welcome the proposal by the Philippines to host the 2012 ASEAN Finance Ministers' Investor Seminar to promote ASEAN as an asset class.

### Foreign Account Tax Compliance Act

24. We recognize the impact of Foreign Account Tax Compliance Act on the operation of the ASEAN financial institutions. We agreed for ASEAN to work closely to adopt a common approach to address the matter.

### Acknowledgement

25. We thank the Kingdom of Cambodia for hosting the 16<sup>th</sup> AFMM this year and welcome Brunei Darussalam as chair in 2013.

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