

## The First Asia-Europe Finance Ministers Meeting

### Chairman's Statement

19 September 1997, Bangkok, Thailand

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#### I) Introduction

1. The first Asia-Europe Finance Ministers' Meeting (ASEM FNMM 1) was held in Bangkok on 19 September 1997 and attended by Finance Ministers from 10 Asian nations and 15 Member States of the European Union, and the European Commission. Thailand chaired the Meeting and Luxembourg also acted as the Presidency of the European Union. The Managing Director of the International Monetary Fund also attended as a guest of the Meeting.

2. The Prime Minister of Thailand, His excellency General Chavalit Yongchaiyudh opened the Meeting and emphasised the important role of the Finance Ministers in fulfilling the ASEM Leaders' vision of a "new comprehensive Asia-Europe Partnership for Greater Growth" aimed at strengthening links between Asia and Europe. The Ministers reiterated the commitment to this Partnership.

#### II) Exchange of Views on Macroeconomic Outlook and Development In Foreign Exchange Markets and the EMU

3. The Ministers exchanged views on macroeconomic situation and outlook and development in the foreign exchange markets and the EMU. The Ministers noted that despite the recent moderation in economic activity in some Asian economies, the short and medium term outlooks remain favourable. In Europe, the European Union Member States have made substantial progress toward fiscal and monetary convergence. Inflation has come down considerably. Government deficits are approaching low levels and economic growth is expected to strengthen. The Ministers recognised the importance of macroeconomic stability supported by sound fiscal and monetary policies as well as complementary structural adjustments in sustaining economic growth. In view of increasing economic interdependence, it is important that Asia and Europe enhance consultation on macroeconomic policies, where appropriate.

4. The Ministers discussed developments in the exchange markets, in particular, the recent currency turbulence in some Asian economies. The Ministers emphasised that in a world with hugely increasing capital flows the most important foundation for exchange market stability was the consistent application of sound macroeconomic policies, together with a well adapted exchange rate regime.

5. The Ministers discussed the progress made toward the introduction of the euro and the creation of the Economic and Monetary Union on 1 January 1999. The Ministers also noted the determination of the EU to insure a smooth and orderly transition to the euro. As the EMU will be one of the world's largest economic areas, the euro will assume a key role as a global currency for trade, investment and finance. Together with other concrete measures to advance global economic integration, the advent of a single European currency, which reduces transaction costs and eliminates foreign exchange risk should pave the way for an expansion of trade between Asia and Europe. The Ministers also noted the plan for reform of the entire financial system in Japan which should contribute to further diversification of currency denomination in Asian economies.

6. The Ministers recognised the crucial roles of well developed domestic financial and capital markets in mobilising and making available long term capital for infrastructure investments. The Ministers welcomed the current efforts in this respect by the Asia-Europe Business Forum Working Group on Infrastructure.

#### III) Developments and Cooperation In the Financial Sector

7. Globalisation of financial markets while creating opportunities for a better functioning of the global economy, poses challenges for financial supervisors. Supervisory authorities need to keep up with new developments and international cooperation should be strengthened so as to reduce risk and enhance stability.

8. The Ministers welcomed the current efforts at the international level toward the integration of Asian emerging market economies, including the expansion of the membership of the Bank for International Settlements and the establishment of the New Arrangement to Borrow. The Ministers also welcomed the report of the Basle Committee of the BIS on the Core Principles for Effective Banking Supervision and the report of the G-10 Working Party on Financial Stability in Emerging Market Economies, which developed a concerted strategy to improve the robustness of financial systems in emerging markets. The Ministers commended the efforts being made to amend the International Monetary Fund (IMF) Articles of Agreement to make capital account liberalisation a specific purpose of the IMF, and to reach agreement on an appropriate quota increase and distribution and on SDR allocation.

9. The Ministers recognised that there existed considerable scope for greater cooperation between financial supervisors of Asia and Europe. Improved arrangements for exchange of information and sharing of best practices in such areas as financial supervision and regulation, operation of financial markets, and management of payment systems, can lead to enhanced financial stability in the region. The Ministers further agreed that their financial supervisors should hold regular consultations on financial issues being discussed at the international level.

10. The Ministers agreed that, following the rapid rise in the number of financial centres in the world, money laundering is a serious issue which concerns both the EU and Asia. The development of effective protective policies against money laundering had been facilitated by the FATF's Forty Recommendations, now an internationally accepted standard. In this framework, the Ministers agreed on the need for closer cooperation on fighting money laundering,

11. The Meeting noted the importance of bringing the ongoing WTO negotiations on financial services to a successful conclusion by December this year, with significantly improved market access commitments and broad participation. Many member countries have taken important steps in liberalising their financial markets, thereby contributing to a freer flow of capital and a more efficient global financial system. The Ministers welcomed the support made by WTO members to the efforts in the WTO toward further liberalisation in the financial sector, bearing in mind the multilaterally agreed principle of progressive liberalisation. The Meeting noted that such measures, if undertaken in the context of a sound macroeconomic environment, could encourage increased investment and promote financial stability.

## **IV) Customs Cooperation**

12. The Ministers welcomed the substantial achievements of the ASEM Customs Directors General and Commissioners Meeting. The Meeting endorsed their activities in the fields of customs procedures and enforcement, and agreed to support their future work program on exchange of information, sharing of experiences, training programs, development of modern enforcement techniques and development of customs related matters for the facilitation of trade between Asia and Europe.

## **V) Initiatives Agreed in Bangkok**

13. To promote further cooperation in finance between Asia and Europe, thereby contributing to the Leaders' Vision of a Partnership for Greater Growth, the Ministers agreed to the initiatives outlined below.

14. ASEM Discussion on the Euro and Its Implication on Global and Asian Financial Market.

The Meeting agreed that every opportunity will be offered within the framework of the International Financial Institutions, bilateral contacts, and interregional discussions to keep Asian participants fully informed about the implications for the financial markets of the forthcoming introduction of the euro.

15. Strengthening ASEM Cooperation In Fighting Money Laundering

The Meeting agreed to take concrete steps to strengthen the cooperation between the EU and Asia in the fight against money laundering.

16. Computerised Communication Network among ASEM Finance Ministries

The Meeting agreed to study the development of a framework for establishing a computerised communication network among the ASEM Finance Ministers to facilitate the improved information sharing about macroeconomic and financial developments and policies.

17. Strengthening Cooperation in Financial Supervision and Regulation

In view of the increasing financial integration between Asia and Europe, the issues of financial stability and market supervision deserve to remain on the agenda of ASEM.

The Meeting requested the European Commission to develop a programme for more effective implementation of existing supervisory principles and regulations.

#### 18. Enhancing Macroeconomic Policy Consultation

The Meeting agreed that it would be useful to schedule meetings of ASEM Finance Deputies to discuss international financial issues raised in other international monetary and financial fora. The meetings could be held on the margins of the World Bank and IMF annual and interim committee meetings.

#### 19. Strengthening ASEM Customs Cooperation

The Meeting agreed to support the future work program of ASEM Customs Directors General and Commissioners to develop closer cooperation between customs authorities in Asia and Europe in the areas of customs procedures and enforcement.

## **VI) Future Meetings and Other Matters**

20. The Ministers will report to the Second Asia-Europe Leaders Meeting (ASEM II), which will be held in London in April 1998. They also agreed that the Second Meeting of ASEM Finance Ministers would be held in the European Union in 1999.