

1997 JOINT STATEMENT OF THE HEADS OF STATE/GOVERNMENT OF THE MEMBER STATES OF ASEAN ON THE FINANCIAL SITUATION

Adopted in Kuala Lumpur, Malaysia on 15 December 1997

The ASEAN Heads of State/Government reviewed the prevailing regional currency situation and their implications for the region's economies. They noted that despite the economic fundamentals of the regional economies being corrected and improved through the support and advice of the IMF, the depreciation of the currencies has continued unabated. This has resulted in serious regression in the economic well-being of the countries, their businesses and their peoples. Recognising the global dimension of the problem, they called for greater national, regional and international efforts, including by the major economies such as the European Union, Japan and the United States, and international financial institutions, to overcome this situation as soon as possible and address the systemic issues underlying it.

The ASEAN Heads of State/Government stressed that ASEAN countries must remain united and show resolve in responding to the challenge posed by the currency situation. In particular, they exchanged views on the appropriate policy responses and agreed on the following :

- They strongly endorsed the ASEAN Finance Ministers' agreement on the early implementation of the Manila Framework to enhance regional surveillance, strengthen economic and technical cooperation, support measures to strengthen the IMF's capacity to respond to financial crises, and support the proposed Cooperative financing arrangements that would supplement the IMF's resources;
- They strongly endorsed the ASEAN Finance Ministers' commitment to ensure sound economic fundamentals and strengthen the financial sector. Taking note of the recent establishment of the ASEAN Central Bank Forum, they supported the ASEAN Finance Ministers' decision to form a Select Committee with a permanent Secretariat, assisted by the Asian Development Bank, to develop in close cooperation with international financial agencies a regional surveillance mechanism that would emphasise preventive efforts to avoid the emergence of risks that would precipitate a crisis;
- They emphasised the importance of the ASEAN Finance Ministers' call upon the IMF to undertake in-depth analysis of the structure of global financial markets and short-term capital flows, including the ongoing study of the operations of hedge funds and their impact on financial market activities as well as the implications of technology on capital flows. They urged the IMF to expedite this study and propose solutions to immediately stabilise the currencies.
- Towards this end, while they agreed that it is important to have sound economic and financial policies and reforms to strengthen ASEAN's ability to cope effectively with the challenges associated with liberalisation, they stressed the importance of greater transparency of capital flows to ensure greater efficiency in the functioning of economies and financial markets, They noted that since the ASEAN Finance Ministers met two weeks ago, regional currencies have fallen, causing further deterioration of the regional economies. It is therefore urgent that global efforts be undertaken, including the central role of the IMF, to arrest the currency slide and restore stability to the currency markets;

- They reaffirmed their commitment to maintain an open trade and investment environment in ASEAN, including through accelerated implementation of the ASEAN Free Trade Area (AFTA), the ASEAN Investment Area (AIA) and the ASEAN Industrial Cooperation (AICO) scheme. They agreed that in view of the present situation, every effort should be made to remove barriers to trade and to promote greater intra-ASEAN trade and investment;
- They called on ASEAN capital market authorities to expeditiously draw up measures to encourage the financing of infrastructure projects in ASEAN through the ASEAN capital markets, and joint efforts to promote the attractiveness of the region's capital markets to international investors; and
- They reaffirmed the importance of enhanced cooperation on economic and financial issues between the ASEAN Finance Ministers.