



Meeting of Asian and European (ASEM) Finance Deputies

London, 5 February 1998

Chairman's Statement

1. Asia-Europe (ASEM) Finance Deputies met in London on 5 February 1998. Representatives from 10 Asian nations - Brunei Darussalam, China, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Thailand, Vietnam, the 15 Member States of the European Union and the European Commission, were present.
2. This was a follow-up to the ASEM Finance Ministers meeting in Bangkok on 19 September 1997, at which Ministers had agreed on the importance of enhancing policy consultation and had encouraged their Deputies to meet regularly. The Chancellor of the Exchequer, Gordon Brown, welcomed Deputies to London and emphasised the importance of the continuing dialogue between Asia and Europe in the resolution of current financial difficulties in some Asian countries. Deputies also looked forward to the meeting of Heads of Government at the ASEM 2 Summit in London in April.
3. The meeting discussed recent financial developments in Asia. European Deputies noted the huge economic, financial, investment and political interests which Europe has in Asia, and emphasised their deep interest and participation in the global efforts to resolve current problems.
4. Deputies discussed the need to restore confidence and the importance of making progress on the programmes of adjustment agreed with the IMF, World Bank and Asian Development Bank. It was noted that in recent days some stability had returned to financial markets in the region, in response to firm commitments to reform and the implementation of IMF programmes. Deputies expressed their confidence that with full implementation of the necessary policy reforms, financial stability would be restored, and Asia's impressive growth performance would continue over the medium term.
5. The meeting re-affirmed the consensus in favour of open markets for trade in goods and services and investment flows, and noted the importance of a common global approach in resisting any forces of protectionism.
6. Deputies discussed the impact of Asia's current difficulties on the world economy. The overall judgement was that the impact should be material but manageable given continued implementation of sound economic and financial policies. Growth was expected to slow substantially in a number of Asian economies, but Deputies noted early signs of improvements in external accounts in some countries. The implementation of comprehensive structural reform programmes offered the

opportunity to build a strong platform for sustainable future growth. In so far as possible, it would be important to protect social expenditure. The direct effect of Asia's financial difficulties on Europe's economies was judged for the moment to be relatively modest, and was also expected to be relatively similar for most of the European economies and therefore not likely to generate any significant problems in the run-up to EMU. The meeting agreed that an important contribution the European countries could make to the stability of the global economy was to keep their own economies in good order - particularly given Asia's substantial economic interests in Europe.

7. Deputies expressed their support for :

- reinforcing the role of the IMF at the centre of the global response to what is a global concern;
- strengthened IMF global surveillance, complemented in Asia by the establishment of a new regional surveillance mechanism;
- the full implementation of reforms agreed with IMF, World Bank, and Asian Development Bank - especially in financial sectors - which would be vital in restoring confidence in Asian economies and financial markets;
- strengthening financial systems through improved prudential supervision and through further opening of local financial markets;
- continued provision of technical and other assistance as appropriate, particularly in the areas of strengthening financial systems and financial regulation;
- access to exceptionally large levels of IMF resources in support of strong programmes of adjustment, including through the new IMF Supplemental Reserve Facility; with support where appropriate from supplementary bilateral financing arrangements;
- an increase in resources made available to the IMF through the quota increase and early ratification of the NAB;
- the importance of private sector involvement in providing financial assistance in situations where considerable private sector debt is involved, in a cooperative and mutually supportive approach with the official sector; and the importance of support for this process from governments in Europe and Asia;

8. The meeting considered crisis prevention and discussed how the international monetary system could be strengthened. Areas for consideration included increased transparency and openness in the conduct of economic policy; more transparency in the surveillance activities of the IMF; greater focus on the vulnerability of domestic financial systems to potential shocks; and encouraging private investors to make full assessment of risks in their lending decisions.

9. Deputies considered other initiatives agreed by ASEM Finance Ministers in Bangkok. They discussed proposals for future action to improve cooperation between Asia and Europe in the fight against money laundering; welcomed the planned study of a computerised communication network among ASEM Finance Ministries and the questionnaire on more effective implementation of supervisory principles and regulations; and encouraged further work on customs cooperation.

10. The Presidency of the European Union had organised a conference the previous day to inform Asian countries of latest developments and thinking on EMU. Deputies noted the importance of EMU and the development of the euro for the

world economy and the international monetary system, and agreed to continue and intensify their discussions on this issue.

11. The meeting concluded with firm agreement from all participants on the importance of continuing and deepening the dialogue between Asia and Europe on financial and economic issues. Deputies would keep in close contact in the run up to the ASEM 2 Summit in April, and would work together in preparing for the next meeting of ASEM Finance Ministers in Germany in March 1999.

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