



Joint Ministerial Statement of the 9th ASEAN Finance Ministers' Meeting, Vientiane, Lao PDR, 6 April 2005

Home) Joint Ministerial Statement of the 9th ASEAN Finance Ministers' Meeting, Vientiane, Lao PDR, 6 April 2005

Home) Statements) Joint Ministerial Statement of the 9th ASEA...

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Introduction

1. We, the ASEAN Finance Ministers, convened our 9th Annual Meeting in Vientiane on 6 April 2005 under the chairmanship of H.E. Mr. Chansy Phosikham, Minister of Finance, Lao PDR.

2. We discussed recent global and regional economic developments, and outlook for the year 2005. We also assessed the progress of finance cooperation including the Roadmap for Financial and Monetary Integration of ASEAN and other regional initiatives such as customs, insurance, counter terrorism financing and money laundering, reforms of international financial system and regional self-help and support mechanisms. In particular, we welcome the adoption of the Vientiane Action Program (VAP), the conclusion of the third round of negotiations on financial services liberalization and the expansion of the ASEAN Swap Arrangement (ASA).

3. In the aftermath of the recent natural disaster, we resolve to intensify working together to accelerate the process of recovery and reconstruction.

Recent Economic Developments

4. We are pleased to note the stronger performance of our regional economies last year. Robust private consumption and investment led to an even higher average annual growth of 6.0 percent compared to 5.4 percent in 2003. Growth was also supported by stronger exports. Most capital markets were active, with regional stock markets performing very strongly. We note that policies to promote domestic demand-driven growth and competitiveness have strengthened the underlying economic fundamentals and enhanced regional resilience.

5. While monetary conditions remained generally accommodative, some countries have started to raise their policy rates towards the end of last year in response to greater risk of inflation. We have also noted progress in achieving fiscal consolidation as Member Countries implemented measures to enhance revenue collection and tighten spending. Financial and corporate sector restructuring advanced at a steady pace. Successful resolution of the non-performing assets also contributed to the strengthening of the corporate and banking sectors.

6. On prospects for 2005, we expect our economies to expand at a slower pace in line with the anticipated slowdown in global

demand. Private consumption should remain strong while growth in exports is expected to slow down and investment remains steady. In some countries, investment could accelerate due to large infrastructure projects.

7. While we are encouraged by the resilience of the regional economies, we also recognize the need to manage any downside risks. Appropriate and timely policy adjustments would be considered in view of, among others, potential build-up in inflationary pressures, higher global oil prices, market volatilities as well as growing imbalances.

Roadmap for Integration of ASEAN in Finance

8. We will continue to implement the Vientiane Action Program or VAP as adopted by our Leaders late last year. The VAP is a six-year action plan towards establishing an ASEAN Community based on the three pillars, namely, ASEAN security community, ASEAN economic community and ASEAN socio-cultural community. Included in the VAP are the same milestones on finance cooperation as those of our Roadmap for Financial and Monetary Integration of ASEAN.

9. To enhance capacity in further developing the regional capital markets, a training program is due to be implemented this year. This will contribute to the development of market infrastructure, practices and standards, including risk management and liquidity enhancement. Three training vendors have been identified to jointly carry out the program.

10. To promote greater integration of our capital markets, we commit to develop an interlinked ASEAN securities market by 2010. Through harmonizing market standards and practices, and facilitating cross-border market access, we aim to create a large integrated market similar to that of trade in goods that would promote much greater liquidity and wider variety of financial instruments. In addition, efforts have been taken to develop an ASEAN asset class. Towards this end, we endorse the work of the ASEAN 100 Task Force. The ASEAN 100 will be launched later this year. We will also work closely with the ASEAN Capital Market Forum, comprising representatives from ASEAN's securities regulators, to achieve this objective.

11. We will also facilitate greater dissemination of information relating to our capital account liberalization. The ASEAN Secretariat is developing a website to display comprehensive and up-to-date information on the capital account regimes in ASEAN. The website will also contain links to each ASEAN central bank or monetary authority and other useful investment news and articles.

12. We have successfully concluded the third round of negotiations on liberalization of financial services and signed the protocol to implement the third package of commitments this afternoon. During this round, Member Countries had made substantial commitments to further liberalize their financial services sectors. Today also marks the beginning of the fourth round of negotiations under a new positive list modality which aims to be concluded in 2007.

Strategic Plan of Customs Development (SPCD) 2005-2010

13. We are pleased to endorse our Directors General of Customs' new Strategic Plan of Customs Development for 2005-2010 which aims to integrate ASEAN customs structures to facilitate international trade and investment, and reduce costs of doing business in the region. The Plan also includes modernizing customs administrations to provide World Class Service to the public as stated in the ASEAN Customs Vision 2020.

Strengthening Regional Cooperation and Integration

14. On regional self-help and support, we recognize the importance of ASEAN Swap Arrangement which has been the cornerstone of ASEAN financial cooperation since 1977. To further strengthen this cause, we welcome the initiative to substantially expand the ASA from US\$1 billion to US\$2 billion. Our central banks and monetary authorities are in the process of finalizing the expanded arrangement.

15. We also note significant progress in the development of domestic and regional bond markets under the Asian Bond Markets Initiative (ABMI) in collaboration with our Plus Three partners. We are encouraged to note the comprehensive range of training programs to help develop bond markets in some member countries, as well as the successful launches of local currency bond issues in 2004. These include the RM 1.6 billion residential mortgage-backed securities and RM 400 million ADB bonds issued in Malaysia, S\$ 200 million ADB bonds issued in Singapore, and Thai baht Asian bonds consisting of sovereign and quasi-sovereign bonds with withholding tax exemption for foreign investors.

16. Following the success of our first investors seminar in New York last year, we agree to organize the 2nd ASEAN Finance Ministers' Investors Seminar in London, United Kingdom, on 22 September 2005. This Seminar aims to profile and market ASEAN to European investors on investment opportunities that exist in the region.

17. Looking forward, we also recognize that the 2006 IMF-WB Annual Meetings in Singapore represents a unique opportunity to showcase and profile ASEAN – not just its financial sector, but also its arts, culture and tourism.

18. We are pleased with the overall achievement made to date and reiterate our commitment towards greater regional integration through timely implementation of new initiatives such as the SPCD, the current Roadmap, CMI and ABMI programs.

19. We resolve to work towards positioning the ASEAN region at the earliest opportunity as a self-sustaining growth area through advancing our cooperative efforts towards harmonization and integration of our economies and financial markets.

20. We express our sincere thanks to the Government and people of Lao PDR for their excellent arrangements and warm hospitality accorded to all delegates. The 10th AFMM will be held in Siemreap-Angkor, Cambodia tentatively on 5-6 April 2006.

Expansion of the ASEAN Swap Arrangement

During the 9th ASEAN Finance Ministers' Meeting in Vientiane, Lao PDR, on 6 April 2005, the Ministers welcomed the initiative to further enhance the ASEAN Swap Arrangement (ASA) by increasing the size from US\$1 billion to US\$2 billion. The significant expansion reflects the greater ability of the ASEAN countries to address the increased risks and challenges in the global economy. The initiative further strengthens the commitment among the ASEAN member countries towards regional financial cooperation. The ASEAN central banks and monetary authorities are finalizing the modalities of the expanded facility.

The primary objective of the ASA is to make available short-term foreign exchange liquidity for member countries experiencing

balance of payments difficulties. The ASA allows ASEAN member countries to swap their local currencies with major international currencies for a period of up to six months, and for an amount up to twice their committed amount under the facility.

The ASA was first established in August 1977 by the five founding members of the ASEAN, namely: Indonesia, Malaysia, Philippines, Thailand and Singapore. In May 2000, the ASEAN Finance Ministers, under the Chiang Mai Initiative, agreed to expand the participation to the ASA to include all ten of the ASEAN member countries. The total amount of the facility was increased from US\$200 million to US\$1 billion.

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