

# **Scope for Regional Financial Co-operation: The Malaysian Perspective and Views of ASEAN Countries**

PECC Finance Forum Conference

**“Issues and Prospects for Regional Co-operation  
for Financial Stability and Development”**

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# Regional Co-operation: Some Initial Issues



Steady progression of financial co-operation since 1960s



Asian financial crisis added impetus to co-operation - to avoid/manage future crises



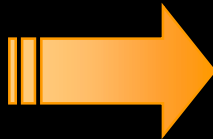
To develop vision for future financial co-operation & implementation timetable

# Coverage

- Evaluation of Regional Financial Co-operation in ASEAN
- Co-operation to Build Regional Strength
- Regional Financial Co-operation: The Way Forward
- Conclusion

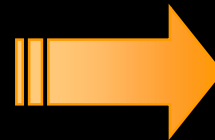
# Evaluation of Regional Financial Co-operation in ASEAN

*Long history in  
financial  
co-operation*



- Active since 1960s
- Setting up of SEACEN in 1972

- ASEAN Swap Arrangement
- Co-operation in insurance



*ASEAN  
financial co-operation*

# Malaysia: Committed to co-operation to build regional strength

## Financial Support and Commitment

- New Arrangements to Borrow (NAB)
- ASEAN Swap Arrangements (ASA)
- Chiang Mai Initiative (CMI)
- Thai and Indonesian package

## Regional Co-operation

- Regional Surveillance
- Capacity Building in Asia

# Co-operation to Build Regional Strength

## Regional Surveillance

- **Finance Process: focus on policy dialogue** (ASEAN, ASEAN+3, APEC, ASEM, MFG)
- **Central Bank Process: focus on policy dialogue and domestic capacity building** (ASEAN, ASEAN+3, EMEAP, SEACEN, ACC)

## Capacity Building

- Training in SEACEN - build skills in bank supervision, formulating macroeconomic policies, restructuring of financial systems.
- Joint studies and research within EMEAP

# Regional Financial Co-operation: The Way Forward

Various views expressed by ASEAN countries on the way forward

Enhancing surveillance

Building on ASEAN+3 Framework

R'ship with multilateral institutions

Common Asian currency

To converge on a common objective



- *Identifying areas of mutual interest*
- *Undertaking of consensus building*
- *Existing regional financial forums as building blocks to greater co-operation*

# Regional Co-operation: The Way Forward

- Realise full benefits by widening scope for regional co-operation

Effected through:

- clear objectives; focused coverage; timeframe for results
- Strong political commitment
- ASEAN as bloc to co-ordinate views of smaller economies

Co-operation through ASEAN+3 is ideal

- membership not too large
- possess micro-foundations for greater financial co-operation
- CMI provides basis for strengthening Group

**Strengthening regional financial co-operation is a gradual process but key foundation to co-operation in Asia**



# *Building on the CMI*

- Realising a Regional Self-Help and Surveillance Mechanism

- Enhance surveillance mechanism
- Surveillance mechanism to strengthen resilience - address moral hazard concern of financial support
- Primary source of liquidity support, complementary to IMF support
- Institutionalising arrangement

# Priority Areas for Strengthening Regional Co-operation

Focus co-operation on ensuring economic resilience and building regional strength

SURVEILLANCE - to reduce vulnerabilities and build resilience

EXCHANGE RATE - co-operation to promote stability

BOND MARKET - for Asia to recycle Asian savings in more productive manner

# Regional Co-operation: Surveillance

Towards an effective & credible surveillance mechanism to complement the CMI: Some options

- GEP to provide independent & objective assessments
- Dedicated ASEAN+3 surveillance technical support

Accountable to the AFDM+3  
and AFMM+3

AFMM+3



AFDM+3



Group of  
Eminent  
Persons



Technical  
group -  
researchers  
from ASEAN+3

# Regional Co-operation on the Exchange Rate Front

## • Reducing volatility

- Common currency
- Possible modes - 3-currency basket peg, parallel currency, EA dollar standard

- Critical to have institutionalised technical support
- ASEAN+3 technical support for surveillance and also to service exchange rate work
- Long-term objective but begin rigorous analysis and research

**Necessary to develop a strategy on the direction for future co-operation**

# ***Regional Co-operation: Development of Asian Bond Market***

- **Potential for an Asian bond market**

- **Work started in ASEAN and EMEAP**

- *Efficiency in mobilisation of savings*
- *Greater diversification of instruments and risks for Asian savers*
- *Deepen Asian financial markets*
- *Better balance in flow of financial resources from Asia to developed financial markets*

# Conclusion

- *Need clearer vision on direction of co-operation*
- *To progress on institutional building*
- *CMI as the basis for regional support*
- *To overcome concerns over third party reviews*
- *Regional surveillance as structural support to co-operation in monetary, exchange rate and development of Asian financial markets*

***Thank You***