Joint Media Statement of the 15th ASEAN Finance Ministers' Meeting (AFMM) Bali, Indonesia, 8 April 2011

Theme: ASEAN Community in A Global Community of Nations

Introduction

1. We, the ASEAN Finance Ministers, convened our 15th Annual Meeting under the chairmanship of H.E. Agus Martowardojo, Minister of Finance of the Republic of Indonesia.

2. Together with the troika of ASEAN Central Bank Governors of Viet Nam Indonesia and Cambodia, we discussed the macroeconomic and financial challenges in the region and reaffirmed our commitment to ensure the on-going recovery, sustainable growth, and stability of the financial markets. We exchanged views with the Asian Development Bank (ADB), World Bank (WB), and International Monetary Fund (IMF) on the necessary responses to restore global recovery to a strong footing. To support our efforts toward meeting this commitment, we called on said international institutions to enhance coordinated policy actions in safeguarding the region's economic and financial stability.

3. Building on our achievements to date, we assessed the progress of our regional initiatives under the Roadmap for Monetary and Financial Integration of ASEAN. While several concrete steps have been taken to integrate our financial markets, we recognized that deep financial integration is an important objective and significant policy challenges remain to be addressed. To this end, we agreed to work further on implementing the financial integration measures and to monitor the commitments already made. On regional bond markets, we look forward to fully implementing the US$700 million Credit Guarantee and Investment Facility in May 2011, and we welcomed the progress made toward the establishment of the ASEAN Infrastructure Fund (AIF) to support infrastructure financing in the region.

Regional Economic Update and Policy Challenges

4. We are pleased that economic activity in the region has remained buoyant despite the maturing of recovery. Most ASEAN countries have recently returned to, or even surpassed, their pre-crisis growth rates. Strong rebound in growth rates is still expected from a few countries. This reflects sustained strength in domestic demand buoyed by sound macroeconomic management and favorable external conditions. The private sector emerges as a key engine to our growth as private investment rebounded strongly. Although recovery is now

consolidating, we are confident that our economic growth will settle at more sustainable but high levels this year, between 5.7 percent and 6.4 percent, from 7.6 percent last year.

5. Our economies proved to be resilient. However, risks remain. We discussed concerns about the current surge in capital flows, the emerging inflationary pressures combined with strong commodity price volatility. Keeping in mind the adverse impact of these vulnerabilities, we reaffirmed our commitment to respond rapidly and decisively to ensure systemic stability, avoid disruptive fluctuations in capital flows, and sustain growth. We recognised that implementation of appropriate macroeconomic policy actions, complemented by strengthened macro-prudential measures, is crucial to lessen the risks. To this end, we resolved to be vigilant.

6. Given the high interdependence among our economies, coordinated responses are crucial. We reiterated our call to enhance economic integration as a strategy for sustained recovery. Integration will not only increase the efficiency of production and consumption, but will also expand the economies of scale and accelerate investments in physical capital, technology and people – the key elements for achieving a stronger and more sustainable growth in the region.

Roadmap for Monetary and Financial Integration of ASEAN

7. Since 2003, our cooperative efforts to integrate our financial markets in the areas of financial services liberalisation, capital market development, capital account liberalisation, and payment and settlement systems have delivered strong results. Today we pledged to intensify our efforts to build stronger integrated financial markets that are mutually beneficial under the ASEAN Economic Community (AEC) by 2015.

8. We note the updates provided by the ASEAN Secretary-General and the troika of ASEAN Central Bank Governors of Viet Nam, Indonesia and Cambodia on the status of the Combined Studies on Assessing the Financial Landscape and Formulating the Milestones for Monetary and Financial Integration of ASEAN. We are pleased with the progress of work in assessing the changing financial landscape in the region and their implications on future financial integration initiatives. We look forward to the actual progress of the implementation of the key milestones in financial integration in accordance to their respective timelines.

Capital Market Development

9. To achieve ASEAN bond market integration, we endorsed a two-pronged approach that will allow us to focus on specific priorities of both developed and developing bond markets in the region, including the setting up of an Action Group to identify specific impediments toward an integrated bond market and developing an implementation plan to address these gaps. We agreed to use our bond market development scorecard as a live document for our officials to measure the state of ASEAN's bond market development, openness and liquidity on an ongoing basis.

10. We are encouraged by the significant progress made in the integration of our capital markets. To enable our regulators to monitor and assess the commitments we have made under the Implementation Plan to Promote the Development of an Integrated ASEAN Capital Market which we endorsed in 2009, we agreed with the development of a scorecard to measure the extent by which our capital markets comply with ASEAN standards and common framework in facilitating cross-border offerings and investment. Today, we have launched the marketing and branding initiatives to promote ASEAN as an asset class by the ASEAN Exchanges. We continue to render our support to the efforts toward creating an integrated capital markets to promote greater ASEAN investment opportunities and enhance the competitiveness and attractiveness of ASEAN in the eyes of the global investing community.

Financial Services Liberalisation

11. We are committed to undertake comprehensive and meaningful financial services liberalisation in the region. We have concluded the Fifth Package of Financial Services Negotiations and we will be working toward the signing of the Protocol to Implement the Fifth Package of Financial Services by May 2011. We are going to start the Sixth Round of Negotiations thereafter. We urged our officials to closely work together to ensure progressive liberalisation and integration of our financial markets.

Capital Account Liberalisation

12. We resolved to further liberalise our capital accounts consistent with Member States' national agenda and readiness of our economies. We shall continue to align our legal, operating and regulatory framework to support FDI, portfolio and other types of investment while remaining mindful of the need to have adequate safeguard against potential macroeconomic instability and systemic risks. While we recognised the benefits of capital inflows into the region, we should continue

to increase our capacity to deal with volatile capital flows and with the objective to enhance our resilience to external shocks.

Strengthening ASEAN Finance Cooperation and Economic Integration

Enhancing Regional Integration

13. As our economies become increasingly interconnected, we decided to strengthen the monitoring capability that is needed to achieve our desired economic integration. We asked the ASEAN Secretariat, through the newly established ASEAN Integration Monitoring Office (AIMO)[1], to enhance its surveillance work in support of economic integration to facilitate the timely achievement of the ASEAN Economic Community by 2015. We encourage our Member States and development partners to assist the ASEAN Secretariat in this undertaking.

Infrastructure Financing

14. We are pleased with the significant progress achieved by the High-Level Task Force on AIF toward establishing the Fund. We agreed in principle to the AIF's technical design and contributions amounting to US$485.2 million from both the ASEAN Member States and the ADB. We agreed to the domicile of AIF in Malaysia. We look forward to finalizing the AIF Agreement. This will strongly demonstrate the strength and commitment of ASEAN solidarity and consensus toward sustaining growth, facilitating the physical connectivity, and narrowing the infrastructure development gap in ASEAN.

15. We appreciated the continued support from the WB Infrastructure Finance Network (IFN). We also endorsed the proposed programs offered by the WB under the IFN for 2011.

Cooperation on Customs Matters

16. We are pleased with the progress of customs cooperation, particularly on the review of the Strategic Plan for Customs Development and on the implementation of the ASEAN Single Window, the ASEAN Customs Transit System and ASEAN Self- Certification pilot project. We urged our customs administration to fully implement all initiatives, including finalisation of agreements and protocols, in order to enhance the integration of customs and to

[1] Previously known as Macroeconomic and Finance Surveillance Office (MFSO).

support the establishment of a single market and production base under the AEC.

ASEAN Cooperation on Taxation

17. Recognising the importance of addressing tax-related impediments to integration, we endorsed the establishment of the ASEAN Forum on Taxation (AFT). The AFT will provide a platform to support regional dialogue on taxation issues for regional integration, particularly related to withholding tax and double taxation. This will also serve as a mechanism to strengthen cooperation in tax matters. We tasked the relevant officials to organise this group and commence their meeting this year. We look forward to the outcome of the group's discussion at our next meeting.

ASEAN Cooperation in Insurance

18. We discussed the challenges and vulnerability of the region to disasters caused by natural hazards, including the economic cost of disaster losses. Keeping in mind the economic and fiscal burden in the aftermath of a disaster, we reiterated the need for disaster risk financing in the insurance markets in the region. To this end, we tasked our insurance officials to explore risk financing options and mechanisms that can be developed as part of the regional framework for disaster management and disaster risk reduction.

Engaging and Building a Stronger ASEAN in Post-global crisis

19. In fulfilling the mandates given by our Leaders to sustain and accelerate growth, we remain committed to act together toward achieving this responsibility. Our main priority action is to implement appropriate macroeconomic policies, complemented by structural reforms particularly those that enhance the stability of our financial markets. We will ensure that our actions will contribute to the global recovery and strong, sustainable, and balanced growth in the Asian region. We stand ready to bolster the prospects for effective economic policy cooperation and coordination. To this end, we welcome the proposal by Indonesia to host the 2011 ASEAN Finance Ministers' Investor Seminar to promote ASEAN as an asset class.

20. We thanked the Republic of Indonesia for hosting the 15th AFMM this year and welcomed Cambodia as the next host of the AFMM in early April 2012.

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