

**Tenth APEC Finance Ministers' Meeting  
Joint Ministerial Statement  
4-5 September 2003, Phuket, Thailand**

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## **I. Introduction**

1. We, the Finance Ministers of the APEC economies, convened our tenth annual meeting in Phuket, Thailand, on 4-5 September 2003, under the chairmanship of H.E. Suchart Jaovisidha, Minister of Finance, Thailand. The meeting was also attended by the President of the Asian Development Bank, the Managing Director of the International Monetary Fund, the Managing Director of the World Bank, the Executive Director of the APEC Secretariat as well as by distinguished representatives from the private sector.
2. We met under the policy theme of **“Local/Regional Link, Global Reach: A New APEC Financial Cooperation”** with the aim of fostering financial linkages and closer economic ties in the Asia-Pacific region. This main policy theme is supported by three sub-themes on Grass-Roots and Small and Medium Enterprises (SMEs) Development, Regional Bond Market Development, and Fiscal and Financial Aspects of Regional Trade Arrangements.
3. In achieving our strategic goals of promoting sustainable, broad-based, and equitable growth in the APEC region, we stressed the importance of (a) high-quality governance within the private and public sectors, (b) stable and efficient financial markets, (c) greater economic integration and openness among the APEC economies and (d) heightened vigilance against money-laundering and terrorist financing. We continue to support the international development goals of the Millennium Declaration and the roles of international financial institutions in reducing poverty and promoting stability in the global economy.

## **II. Regional Economic Developments**

4. We are pleased to note the region's stronger growth of 3.8 percent in 2002 compared to 2.4 percent in 2001. Despite a weak international environment due in part to the SARS outbreak and the war in Iraq, which affected the first half of the year, we expect the region to continue its recovery with a stronger growth rate in the second half of 2003, supported by continued accommodative macroeconomic policies, the pick-up in the global economy, and successful restructuring programs undertaken by the APEC economies. We recognized that the increasing level of intra-regional trade has been one of the driving forces of the recovery. We emphasized the importance of accelerating structural reform, adopting macroeconomic policies that promote sustainable growth, supported by appropriate exchange rate policies that facilitate orderly and balanced external adjustment. While recognizing that there is no single exchange rate regime that suits all economies at all time, we noted a view expressed at the meeting that more flexible exchange rate management, in some cases, would promote this objective.
5. We emphasized the importance of promoting more open and freer trade and investment through the multilateral system and through regional and bilateral trade arrangements, combined with stronger international trade rules and disciplines, to reinforce global and regional economic growth and development. We affirmed the need for continued progress towards the Bogor Goals of free and open trade and investment in the Asia-Pacific region. We urge faster progress in liberalizing trade in all sectors of our economies that significantly contribute to broad-based growth in our region. We reaffirmed the urgency of advancing the Doha Development Agenda during the Cancun WTO Ministerial Conference.

## **III. Tenth APEC Finance Ministers Process's Policy Sub-Themes**

### **(i) Grass-Roots and SME Development**

6. We acknowledged the role of micro-enterprises and SMEs in supporting sustainable and equitable economic growth. We agreed to work closely with the SME Ministers in providing the

support necessary for the development of micro-enterprises and SMEs in the APEC economies, especially in the areas of financing, corporate governance, and entrepreneurship.

7. We welcomed the signing of *the Memorandum of Understanding on Cooperation Among the APEC Financial Institutions Dealing with SMEs* by financial institutions from the participating economies on 5 September 2003, which covers financial and technical cooperation among the signatory institutions.

#### **(ii) Regional Bond Market Development**

8. We recognized the importance of regional efforts to promote sound and efficient financial systems. We agreed to work together to achieve well-developed bond markets that are effective sources of long-term funds, both domestically and within the region. We acknowledged that further cooperation is necessary to attain domestic and regional conditions which are essential to facilitate cross-border bond market activities. We welcomed the APEC initiative to promote the development of securitization and credit guarantee markets in enhancing the efficiency of bond markets. We also supported issuances of new products, including long-term, local currency-denominated debt instruments, derivatives, and asset-backed securities.

#### **(iii) Fiscal and Financial Aspects of Regional Trade Arrangements**

9. We welcomed the progress being made in promoting more open and freer trade and investment both through Regional Trade Arrangements (RTAs) among the APEC economies and through the multilateral trade system in recent years. We encourage greater coordination of RTAs in order to achieve the Bogor Goals and to reduce the potential costs arising from multiple trade agreements. We will work with our Ministerial colleagues to promote convergence of tariff regimes, rules of origin, and customs procedures to enhance efficiency and reduce distortionary effects. We emphasized that RTAs should be pursued as a complement to the multilateral process. We also support financial services liberalization, and noted that this should take place concurrently with the strengthening of financial regulation and supervision. APEC economies should approach liberalization with due regard to their stages of development and capacities of the domestic institutions.

#### **IV. Other Matters and Venue of the Next Meeting**

10. We welcomed dialogues with the APEC Financiers' Group (AFG), APEC Business Advisory Council (ABAC), and Pacific Economic Cooperation Council (PECC) Finance Forum on ways to strengthen the financial systems and promote regional cooperation. The dialogues provided valuable insights from the private sector, as well as support for the work under the three sub-themes of the 10<sup>th</sup> APEC Finance Ministers' Meeting.
11. We thanked the Royal Thai Government through the Ministry of Finance for the excellent arrangement for the 10<sup>th</sup> APEC Finance Ministers' Meeting and the Thai people for their warm hospitality.
12. We agreed to meet again for the 11<sup>th</sup> APEC Finance Ministers' Meeting in Santiago, Chile, on 2-3 September 2004.

## Progress Report on Policy Initiatives

### **a) Voluntary Action Plan for Supporting Freer and More Stable Capital Flows (New Zealand and Chile)**

Two policy dialogues will be held in early 2004, one on financial transparency in the financial sector (co-chaired by Chile and New Zealand) and another on deposit insurance (chaired by Canada). Both policy dialogues will be held in Kuala Lumpur, Malaysia.

### **b) Financial Regulators Training Initiative (the ADB and the United States)**

In the 5 years of its existence, this initiative has made good progress in achieving its objectives of strengthening the content and management of economy-level training programs and developing regional programs for junior and mid-level financial regulators. The initiative has trained about 1,200 participants from the APEC economies, in 20 regional and 11 economy-level courses. We support the continuation of this initiative for another year to facilitate the transfer of training programs and products developed under the initiative to regional and economy-level training institutions, and to provide additional training courses at the regional level to further help build a critical mass of potential trainers. We also support an enhancement of the initiative's advisory group structure by introducing rotating chairs from member countries. In a related effort, Chinese Taipei will host a Basel II-related seminar in fall 2003.

### **c) Managing Regulatory Change in Life Insurance and Pensions (Australia)**

The Managing Regulatory Change in Life Insurance and Pensions (MRC) model of public/private partnership and sponsorship aims to strengthen regulatory standards in the life insurance and private pensions sector which has proved to be highly effective. The MRC program is in its third year with one training program remaining to be delivered, scheduled for 8–20 September 2003. The last training program was held in Melbourne, Australia, on 10–21 March 2003. Twenty-six middle and senior life insurance and pension regulators from 9 APEC economies attended the program.

### **d) Pathfinder Initiative on Corporate Governance (Australia)**

The Pathfinder is a peer review process that will encourage greater participation in the Reports on the Observance of Standards and Codes and better reporting on members' achievements and plans for corporate governance reforms. The peer review process will not rank economies, but will note the completion of the work reported in the questionnaires, sorting out some of the key issues that arise. Australia is planning to hold a core group meeting for the members in early 2004 to discuss the draft report. It is anticipated that the final report will be ready for the Finance Ministers' Meeting in 2004.

### **e) Insolvency Law (Thailand)**

This initiative intends to review the effectiveness of insolvency law pertaining to asset resolutions and corporate restructuring. The 2<sup>nd</sup> Forum for Asian Insolvency Reform was held in Bangkok on 16–17 December 2002 to discuss the topic of asset resolutions and the role of the Resolution Trust Corporations and the implementation of corporate restructuring. The seminar also looked at techniques, development, benefits, and costs of informal workouts. Our 3<sup>rd</sup> Forum, on Asian Insolvency Reform, will be hosted by the OECD on 10–11 November 2003, in Seoul, Korea. Furthermore, the Asian Development Bank will host the meeting on Promoting Regional Cooperation in the Development of Insolvency Reform in September–October 2003 in Manila, the Philippines, on 3 areas, namely, cross-border insolvency, informal workouts, and secured transactions in insolvency law regimes.

### **f) APEC Privatization Forum (Thailand)**

The APEC Privatization Forum (PF) is a venue to exchange views on privatization's best practices in order to unleash new potentials among the APEC economies. The APEC PF met on 16 June 2003 in Bangkok, Thailand, to discuss the establishment of a "regulators' network" for the region. The

meeting noted the inaugural regional roundtable held in Hanoi, Vietnam, in 2002. The roundtable introduced the concept of Private Participation in Infrastructure (PPI) to a range of Southeast Asian economies. The 5<sup>th</sup> APEC PF and 2<sup>nd</sup> regional roundtable will be co-hosted by Chile and Peru in early 2004.

**g) APEC Initiative on Alternative Remittance Systems (the United States, Japan, Singapore, and Thailand)**

Alternative remittance systems (ARS), which allow for informal transfers of funds outside the formal financial system, have a development impact and can be vulnerable to abuses. This APEC initiative examines the economic and institutional factors influencing the use of alternative remittance systems. At the Working Group's request after the Experts Group meeting in Singapore in March 2003, the World Bank, with input from the Asian Development Bank and the IMF, drafted a report that creates a framework for estimating the magnitude of remittances flows, discusses incentives for using informal systems, and examines the role of the private financial institutions in the provision of remittance services that are compliant with international anti-money laundering/combating of terrorist financing standards. The report concluded with policy recommendations on how formal financial systems can be strengthened to provide more attractive and accessible remittance services. The WG proposed holding a policy dialogue next year to further engage senior APEC policymakers, the private sector, and the international financial institutions on strengthening remittances services in the formal sector to be more accessible to its users. The WG also urged the international financial institutions to continue their valuable work on remittances.

**h) APEC Finance and Development Program (China and the World Bank)**

The APEC Finance and Development Program (AFDP) aims to strengthen capacity building for APEC members in the areas related to finance and development through the conduct of workshops, research projects and annual fora. Activities in 2003 will include holding the annual forum and two workshops as well as undertaking the ongoing research project. The annual forum will be held in Shanghai, China, in October. Two workshops will be held on SME financing, co-sponsored by the World Bank, Korea, and Thailand in Seoul, Korea, in November and on government bond market development co-sponsored by the World Bank and Indonesia, to be held in Bali, Indonesia, in December.

**i) APEC Future Economic Leaders' Think Tank (Australia)**

The Think Tank aims to facilitate the building of relationships and networks among the future financial and economic leaders in APEC. Australia hosted the 3<sup>rd</sup> Future Economic Leaders' Think Tank in Sydney, 11-14 June 2003. Twenty-six participants from 14 APEC economies attended. The topic for this year was "Cross-Border Financial Transactions: Cooperation for Effective Surveillance Systems and Good Governance." This was not a formal advisory group, but it will produce a report for Finance Ministers. Australia encouraged other economies to host the Think Tank.

**j) Development of Securitization and Credit Guarantee Markets (Hong Kong, China; Korea; and Thailand)**

The objective of this action-oriented initiative is to look mainly into securitization and credit guarantee markets within the APEC economies in order to identify impediments and propose appropriate solutions to remove them. It involves (i) holding high-level policy dialogues to discuss and exchange views on the use of securitization and credit guarantees at the domestic and regional levels and (ii) providing experience-sharing programs in which expert panels provide detailed action plan in identifying and removing impediments to the development of securitization and credit guarantee markets.

The first policy dialogue was held in April 2003 in Seoul, Korea. Regarding the experience-sharing programs, so far, ten APEC member economies have participated, either by sponsoring experts or seeking expert advice on how to remove their market impediments. Panel visits to Thailand and China were launched in June and July 2003, respectively. Action plans have been submitted by expert panels to both Thailand and China for consideration.

