

APEC FINANCE MINISTERS MEETING
Honolulu, Hawaii
March 18-19, 1994

JOINT MINISTERIAL STATEMENT

For the first time, APEC Finance Ministers have met to discuss some of the fundamental economic challenges facing the Asia Pacific region: sustaining growth with low inflation, financing investment and infrastructure development, and promoting capital market development. This meeting was convened at the request of the APEC Leaders at their Seattle meeting in November 1993. The discussions were conducted on the basis of cooperation, consensus, and collegiality.

We recognize the growing significance of overall regional economic performance to each member's economic well-being and to the health of the global economy. Ours is a region increasingly bound together by growing trade and investment ties. We agree that the following principles should guide our policy formation as we move toward the next century:

- Sound macroeconomic policies and stability should remain a pillar of sustained, low-inflation growth in the region.
- Increasing cross-border flows of goods, services and investment should be another pillar for strong economic performance in the region.
- The private/business sector should continue to be the primary engine of growth.
- Further development of capital markets is needed for effective mobilization and allocation of private/business capital.
- Improving the capacity to finance infrastructure development is necessary to address current shortages and inefficiencies.

The Financial Challenge

Mobilizing the capital needed to finance high levels of private investment and infrastructure development presents a formidable challenge for the region. Large and growing inflows from external sources have been, and will continue to be, crucial. Capital inflows augment domestic savings, help diversify sources of financing, reduce the cost of capital, and assist in capital market development.

- We will pursue policies which promote ongoing large and diversified inflows of foreign direct investment. Such flows have already made a significant contribution to accelerating growth.
- We agree to work on increasing the contribution that portfolio inflows can make to regional investment, building on recent increases in cross-border equity and bond flows.
- We shall consult on the kinds of strategies which can sustain capital inflows in a manner which fosters both growth and macroeconomic stability.

It will be critical to improve our capacity for mobilizing capital to meet financing needs.

- We will consult on efforts to develop and deepen banking sectors and domestic securities markets, including through effective supervision and regulation.

- We will work together to promote further development of domestic bond markets as a key source of financing, particularly for large, long-term infrastructure projects.
- We welcome the ongoing efforts by the International Monetary Fund, the World Bank, the International Finance Corporation, and the Asian Development Bank to assist development of financial markets. We urge that these programs be adapted and expanded as appropriate to meeting the changing and diverse needs of Asia Pacific economies.
- We also encourage these institutions to examine and disseminate successful public and private strategies for promoting financing of small and medium enterprises.
- We recognize the need for public resources to provide for funding for sustainable development projects where private funding is not available. We therefore look forward to the imminent conclusion of negotiations for a General Capital Increase of the Asian Development Bank which will embody a forward looking vision for the Bank and double its capital resources.

Future Meetings and Consultations

We believe that our discussions today have promoted greater understanding of key economic challenges facing the region. We therefore look forward to meeting again next year to consult on specific issues as well as regional economic developments, economic growth strategies, other macroeconomic objectives, regional capital flows, and financial sector developments and policies. We ask our deputies to undertake preparations for this meeting.

We also ask our deputies and their central bank counterparts to meet jointly in late 1994 or early 1995 to discuss macroeconomic developments and in particular issues relating to the sustainability and management of the capital flows that are important for growth. To support that joint meeting, an ad hoc group of senior financial officials will meet to identify key factors and developments which the deputies and their central bank counterparts should address.

We believe that improvements in information flows, availability, and exchanges can contribute importantly to efforts to mobilize financing and develop capital markets. We therefore call for cooperation in these efforts in undertaking the work and consultations proposed below.

- Study of Regional Portfolio Flows: We ask the IMF, working with existing databases in cooperation with the World Bank, IFC and ADB, to prepare a study of cross-border portfolio flows into and within the region, providing quantitative measurements of the sources and destinations, as well as the contribution of external flows to total capital mobilized in securities markets. The study should be completed by the time of the meeting of APEC finance ministers' deputies and their central bank counterparts.
- ADB Symposium on Financing Infrastructure Development: We call upon the ADB to host a symposium on issues and problems in infrastructure financing, with emphasis on the role of the private sector. Such a symposium should bring together private sector officials involved in finance, construction and other aspects of infrastructure development, with government officials and officials from the international financial institutions. Other development banks with regional responsibilities should be invited.

- Regional Consultations on Banking Sector and Securities Market Supervision and Regulation: We welcome and encourage growing contacts between regulatory authorities in member economies to discuss supervisory and regulatory issues of common interest.

- Asia-Pacific Financiers: We call on private financial sector leaders in the region to convene a meeting to identify issues regarding capital market development, to explore ways to strengthen private sector contacts, and to explore the possibility of establishing a more permanent private sector structure.