

**SIXTH APEC FINANCE MINISTERS MEETING  
LANGKAWI, MALAYSIA  
15-16 May 1999**

**JOINT MINISTERIAL STATEMENT**

1. We, the Finance Ministers of the Asia Pacific Economic Cooperation<sup>1</sup> met for the sixth time in Langkawi, Malaysia. We welcomed the inaugural participation of the Finance Ministers from Peru, Russia and Vietnam. We had productive discussions with the Managing Director of the International Monetary Fund (IMF), the President of the World Bank and the President of the Asian Development Bank (ADB). As with past meetings, our deliberations were conducted in the spirit of cooperation and consensus.

2. Since we last met in Kananaskis, Canada, the financial crisis in the region has abated and there are signs of a return in investor confidence. As a result, the economic outlook in the region has improved. There are, however, significant risks to the outlook. Moreover, serious challenges remain, particularly in restructuring the financial and corporate sectors, and in dealing with the effects of the crisis on the poor and the vulnerable. Our meeting in Langkawi accorded us the opportunity to review the economic and financial situation in the region, explore ways to strengthen economic fundamentals to accelerate the recovery process, and to look towards meeting longer-term challenges. Given the increasingly integrated global environment, we underscore the individual and collective roles of economies in contributing to regional and global stability. In this context, we are resolved to work together to further sustain the recovery now underway in the region. We reiterate our commitment to persevere with macroeconomic and structural reforms in meeting the challenges ahead. We also underscored our commitment to cooperate within APEC and to contribute in other fora to strengthen the international financial architecture.

**MACROECONOMIC DEVELOPMENTS**

***Economic and Financial Situation***

3. We are encouraged by improvements in the economic and financial situation in the crisis-affected Asian economies of Indonesia, Korea, Malaysia, the Philippines and Thailand, although some downside risks remain. We applaud economies that have made courageous efforts to respond to the financial crisis by undertaking the necessary policy adjustments to address the vulnerabilities that caused the crisis. We recognise the improvements in economic conditions and prospects in Asia and underscore the importance of continuing with policy adjustment and structural reforms, particularly in the financial and corporate sectors. Growth is expected to pick up this year in all these crisis-affected economies. The return of stability to financial markets has allowed the easing of monetary policy, which in combination with stimulative fiscal policy has supported domestic demand and production. But while fiscal and monetary policy should remain focused on supporting recovery, subject to financial stability, it is important that these economies remain committed to structural reforms that will strengthen their longer-term growth prospects. In Russia, economic activity has been recovering from the low point in September. Nevertheless, vigorous action is needed to tackle the fiscal and structural causes of the crisis.

4. In the United States, economic growth has remained buoyant. Policies should be directed at sustainable non-inflationary growth. In Japan, fiscal policy is providing sizeable stimulus, short-term interest rates have been pushed close to zero, and bank recapitalisation has eased financial sector strains. Policies need to be supportive until deflationary pressures ease and a revival of private demand is firmly underway. Continued structural reforms will be key to sustaining growth over the medium and long terms. In China, growth has been well maintained, assisted by a stimulative policy stance. We welcome the commitment and effort China is making to reform the financial sector and state-owned enterprise for sustainable development.

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<sup>1</sup> Australia; Brunei Darussalam; Canada; Chile; China; Hong Kong, China; Indonesia; Japan; Korea (Republic of); Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russia; Singapore; Chinese Taipei; Thailand; United States; and Vietnam.

5. We also note with satisfaction, that while not unaffected by the Asian and global financial crisis, most of the other APEC economies have managed to sustain growth or adjust reasonably well and avoid major disruption. Given the Brazilian crisis, this is now particularly noteworthy in the three Latin American members. Economies must continue with policies that support the recovery now underway in the region.

6. Along with efforts by APEC, we believe that Europe should play its part in sustaining global growth, including through supporting domestic activity and structural reforms. It is also important that open markets are maintained around the world.

## **PURSUING THE COOPERATIVE GROWTH STRATEGY**

7. We recall that APEC Leaders, at their Meeting on 18 November 1998 in Kuala Lumpur, endorsed a cooperative growth strategy to meet the challenges of ensuring macroeconomic stability and restoring growth in the region. The strategy has yielded significant progress in promoting recovery and growth. We will not become complacent in meeting the challenges ahead to sustain and deepen this progress. We also urge member economies to keep markets open consistent with the commitment made by Leaders at the same meeting and to continue efforts towards free and open trade and investment. We note the supportive environment provided by the major economies to the cooperative growth strategy endorsed by Leaders. The recent crisis has demonstrated the importance of addressing the issues related to exchange rate regimes. We note that the choice of exchange rate arrangements may vary across economies, but any regime adopted must be supported by consistent policies and robust financial systems. Taking into account the recent experiences, we encourage the IMF to consider further the issue of appropriate exchange rate arrangements.

8. We recognise the value of peer surveillance among APEC member economies and agree that our exchange of views complements surveillance by the IMF. At the same time, we see the benefits to be derived from greater cooperative efforts at the micro level, particularly in financial and capital markets.

## ***Mitigating the Impact of the Crisis on the Poor***

9. We remain concerned about unemployment and hardship among the poor and the vulnerable as a result of the crisis. In some economies, social strains have posed a risk to recovery. In the crisis-affected economies, authorities have responded through a variety of mechanisms to minimise the adverse impact of the crisis on these groups. As noted in the background paper prepared by Malaysia and the World Bank, the experience in East Asia and that of crisis-affected Latin American economies has provided important lessons. They include the need for greater coordination among the relevant national agencies, as well as between these agencies and international financial institutions in the design of programmes; the importance of having the best possible safety nets in place even before a crisis; and the institutional capacity to rapidly adjust programmes and introduce measures in times of crises, as well as the need to improve the monitoring of programmes.

10. In this connection, we are of the view that APEC can contribute to further collaborative work in areas under our competence. By investing in health, education, sanitation and jobs for the poor, economies make an investment in the healthy, productive workforce that is necessary for sustainable growth and social well-being. We, therefore, welcome the country-specific assistance, both technical and financial, being provided by the World Bank and the Asian Development Bank to promote the sound design and adequate internal financing of national social safety nets, taking into account the cultural, economic, institutional and social situation of the individual economies.

11. In addition, we agree that this collaborative work could build on the findings of the Regional Meeting on Social Issues Arising from the East Asian Crisis (Bangkok, 21-22 January 1999) and the Ministerial Meeting of Development Cooperation (Sydney, 5 March 1999). We therefore welcome the establishment of the Asia Recovery Information Centre to facilitate the collaborative exchange of information and analyses.

## ***Restructuring Financial and Corporate Sectors***

12. We note the progress of financial and corporate restructuring in the crisis-affected economies and that important challenges remain, as noted in the document prepared by the World Bank. We commend the efforts taken by Indonesia, Korea, Malaysia and Thailand to establish frameworks for recapitalising viable financial institutions and resolving non-viable ones, and the continuing efforts by these countries and the Philippines in further improving prudential regulation and supervision. We recognise that on the corporate side, voluntary restructuring frameworks have been adopted and many legal impediments to corporate restructuring have been removed. We reaffirm that these efforts, in combination with sound macroeconomic management, measures to strengthen the financial system and efforts to enhance corporate governance and create an environment conducive to foreign direct investment would contribute to a return of capital flows to the region.

13. The international community can play an important role in expediting the restructuring process through technical and financial support, including through multilateral development banks and the IMF. In this connection, we welcome the financial support extended by Japan to a number of crisis-affected economies under the New Miyazawa Initiative. We also welcome the multilateral initiative to revitalise private sector growth announced in Kuala Lumpur, Malaysia on 17 November 1998 by Japan and the US in conjunction with the ADB and World Bank, which can be a potentially effective tool to accelerate the pace of restructuring. We note the current discussions with Thailand on how this assistance can support the reform programme and hope that other crisis-affected economies will also benefit from this initiative.

## **STRENGTHENING THE FOUNDATIONS FOR SUSTAINABLE GROWTH**

14. The crisis has reinforced our commitment to our longer-term objective of strengthening the foundations for sustainable growth, particularly in our efforts to promote the further development of financial and capital markets to finance private investment and infrastructure development.

### ***Developing Financial and Capital Markets***

15. Drawing from our experiences of the past 22 months, sound financial systems, corporate governance and improved accounting, transparency and disclosure standards are central to restoring the confidence of domestic and international investors and the return of capital flows. We note the progress in developing a voluntary action plan to support freer and more stable capital flows in the APEC region and we look forward to receiving a report setting out specific proposals at our next meeting. We also take note of the recent IMF report on the experiences of various economies in the use of controls on capital movements and macro-prudential measures and in managing the process of capital account liberalisation.

16. On corporate governance, we give high priority to domestic reform measures and endorse the recommendations contained in the report "Strengthening Corporate Governance in the APEC region" tabled at this meeting. We encourage economies to undertake early and comprehensive implementation of the recommendations taking into account their specific circumstances. We also take note of the work by the OECD task force on the principles of corporate governance. In addition, we agree that economies, on a voluntary basis, report on progress of measures taken to strengthen corporate governance at our next meeting. We also endorse the importance of education and training to strengthen the body of skilled professionals working as accountants, auditors, company directors, regulators, and in the judicial system as highlighted in the Report. In this connection, we welcome Australia's provision of a compendium on its corporate governance training facilities that will be opening its doors to participants from the APEC region.

17. We urge member economies to strengthen, where relevant, the quality of existing auditing and accounting standards, and move towards the adoption of practices that meet or exceed international standards. In this regard, we welcome the work of the International Accounting Standards Committee to develop a full range of accounting standards, which could facilitate informed decisions by the investing public by promoting full, fair, and complete financial reporting.

18. We also agree that given the financial crisis, insolvency law reforms are particularly important to the speedy restructuring of business and financial sectors and better future management of credit flows to private borrowers. We welcome a joint APEC-OECD workshop on insolvency law to be

hosted by Australia later this year and encourage full participation of member economies at this workshop.

19. With regard to the development of deep and liquid domestic bond markets in the region, we recognise the need for further work in this area, including developing reliable benchmark yield curves, improving securities clearing and settlement systems and addressing the issues of lack of liquidity and inadequate risk assessment. We welcome the compendium of sound practices and the establishment of a web site to facilitate information sharing among member economies. We acknowledge the recommendations of the private sector in support of our work on bond markets and direct our Deputies to study these recommendations in collaboration with the private sector.

### ***Pension Funds***

20. We note that a second regional forum on pension fund reform was organised by Chile and Mexico in April 1999 in Vina del Mar. Issues discussed in the forum related to pension systems such as individual policies, costs of the transition from public to private system and its possible financing, the role of specialised institutions in pension fund administration and the performance of the public sector as a safety net provider. We acknowledge the importance of these issues when instituting reforms to pension fund systems in our economies.

### ***Revitalising Infrastructure***

21. We recognise that infrastructure financing poses an important challenge for the region especially under the prevailing financial environment. We recall our agreement in 1997 in Cebu to a set of voluntary principles for facilitating private sector participation in infrastructure. We discussed the ADB's report entitled "Private Sector Participation and Infrastructure Investment in Asia: The Impact of the Crisis" which took into account the changed circumstances for financing of infrastructure projects in the region. We note that while the financial crisis did affect the region's investment requirements for infrastructure projects, these are still in an order of magnitude that makes a substantial private sector involvement imperative. We also note that the crisis underscored the urgency of a wide application of the voluntary principles adopted two years ago, and highlighted some additional aspects. We note the recommendations contained in the report including (i) the need for governments to concentrate on planning, policy and regulation, and to involve the private sector in the development and operation of infrastructure facilities; (ii) the advantages of unbundling infrastructure services and introducing competition; (iii) the urgency of accelerating the development of domestic capital markets, in particular bond markets, to avoid currency and maturity mismatches in the future; and (iv) the need to introduce independent, transparent and consistent legal and regulatory regimes.

22. We also welcome the APEC privatisation forum initiative as part of efforts to promote privatisation across the region. We agree that the inaugural meeting of the forum be held in Bangkok in November 1999.

### ***Y2K***

23. We note the work of APEC member economies to prepare for the computer date change on 1 January 2000. We agree that APEC economies need to continue to upgrade and test their computers in preparation for the year 2000 to enhance public confidence and reduce the risk of economic and financial disruptions. We further agree that efforts in the months remaining to the year 2000 should be increasingly directed toward planning for possible contingencies that may arise at the time of the century date change. We welcome the initiative by Japan in organising the APEC Y2K Week and a training programme for member economies. We take note of the intention to review this subject at the APEC Leaders Meeting in Auckland and attach particular importance to this work.

## **BEYOND THE FINANCIAL CRISIS: MEETING THE CHALLENGES AND OPPORTUNITIES**

### ***International Dialogue on the Financial Architecture***

24. The international community has an important role to strengthen the international financial architecture to complement efforts at the national and regional levels to ensure a stable environment for growth and recovery. We note the growing consensus on key aspects of a strengthened

international financial architecture, and acknowledge the recommendations made on some of the key elements necessary to strengthen the international financial system, including those proposed by ASEAN. We urge that these recommendations be implemented on an urgent basis in order, inter alia, to reduce the risks associated with volatile capital flows. In this regard, we welcome the actions by the Group of Seven (G-7) and the IMF in a number of important areas.

25. We welcome, in particular, efforts to involve the industrialised, developing and emerging market economies, and the international financial institutions and regulatory bodies in the architecture process, in fora that include the G-22 meetings as well as its working groups and G-33 seminars, and in continuing fora such as APEC. This dialogue has contributed importantly to the process of strengthening the international financial architecture, and we call for the establishment of an ongoing mechanism for inclusive dialogue between industrial, developing, and emerging market economies to build consensus on major economic and financial policy issues in the future. We also welcome the recent establishment of the Financial Stability Forum, and look forward to its expansion to include key emerging markets and to the early completion of its work on highly leveraged institutions (HLIs), offshore centres, and short-term capital flows

26. We would also like to stress that minimising the human costs as well as helping economies strengthen their social policy responses and institutions to deal with crisis should be an important element in discussions about international financial architecture. Due priority should be given to measures to protect the poor and most vulnerable segments of society. In this regard, we welcome the World Bank's work on principles and good practices in social policy. To support this effort, we urge strengthened collaboration between the IMF and the World Bank on public expenditure work that analyses the impact of fiscal choices.

27. While we recognise that efforts to reform the international financial architecture will take time, we see the need for the momentum to be maintained notwithstanding the recent return of stability to financial markets. We task our Deputies to prepare a report summarising developments in the areas identified by the Leaders in their November 1998 meeting, including the work of the recently-established Financial Stability Forum on HLIs, offshore centres and short-term capital flows, and involving the private sector in crisis prevention and resolution. We ask that this report be tabled at the Leaders' meeting in Auckland this September.

### ***Strengthening Financial Systems***

28. Since our first meeting in 1994, efforts have been focussed on strengthening domestic financial systems. More recently, we conducted a survey to assess the adequacy of our supervisory regimes, and are encouraged by the progress achieved by member economies in complying with the Basle Core Principles for Effective Banking Supervision. We agree that a regular exchange of views and greater interaction among APEC bank supervisors is important, with the aim of reducing gaps in the implementation of measures. We welcome the first such meeting in Kuala Lumpur in December 1998, which was held in conjunction with the annual meeting of the Directors of Supervision of the SEACEN Centre. We agree that such collaborative meetings by bank supervisors from APEC and SEACEN economies are important in facilitating information sharing and should be continued.

29. Proposals to strengthen APEC supervisory regimes, however, should not duplicate on-going efforts by other fora including the Basle Committee, EMEAP and other APEC working groups on corporate governance and disclosure. We recognise that while efforts to strengthen financial supervision are important, they cannot be seen as a panacea for crisis prevention as these efforts would need to be supported by measures to strengthen macroeconomic policies, increase corporate governance and improve disclosure. We look forward to an updated report at our next meeting on the progress of APEC member economies towards strengthening supervisory systems.

30. We also agree that the capacities of our supervisory and regulatory authorities must be continually upgraded and in this connection record our thanks to the ADB and the SEACEN Centre for their support in implementing the Action Plans for the Training of Bank Supervisors and Capital Market Regulators. We reaffirm our commitment to human resource development in the regulatory supervisory area in support of work towards strengthening financial systems at the national and global level. In moving forward, the Ministers agreed that based on the findings of the survey, the APEC training initiative should include market risk and consolidated supervision issues. To assist economies

in meeting fully the Basle Core Principles, the APEC training initiative should also consider setting up a programme where member economies relatively advanced in meeting the Core Principles can share their experience and practical knowledge with other interested member economies through organised seminars and courses. In this regard, we welcome the APEC Financiers Group's (AFG) initiative to organise training and educational programmes for financiers and financial supervisors from the region. On the securities side, there is further scope to develop and coordinate portable or multi-jurisdictional programmes on international standards to help meet training needs that cannot be satisfied through domestic programmes.

31. We note that since the inception of our process, a number of voluntary principles and voluntary action plans have been approved and in this connection agree that it would be useful to develop an approach to track the progress in implementing these plans and principles. We task our Deputies to develop such an approach, which as a first step should be a compendium of measures undertaken by member economies in adopting international standards/codes/best practices to strengthen their financial systems. To facilitate the Deputies' work, we request the IMF and World Bank, in consultation and cooperation with the relevant international organisations, to compile an initial matrix of such key standards.

32. The recent experience of a number of economies has underscored the importance of strengthening financial systems to meet the challenges of capital account liberalisation. We agree that a major emphasis should be placed on sound debt management practices and on avoiding policy biases that encourage short-term over long-term capital. We see the need for the IMF to work further in this area, including developing guiding principles for economies that are liberalising and opening their capital accounts, in line with the economies' specific circumstances. Such guidelines should aim at managing the risks associated with sudden shifts in capital flows. Economies' efforts in this regard would be strengthened by parallel progress on supervision, regulation and disclosure standards for private sector financial market participants.

### ***Enhancing Transparency and Disclosure Standards***

33. We recognise that a more effective functioning of markets require that the application of standards of transparency and disclosure be applied by both the public and private sectors. In this regard, our own efforts in developing deep and liquid bond markets, strengthening corporate governance and encouraging greater accountability of credit rating agencies (CRAs) have underscored the importance of enhancing transparency and disclosure standards within our economies. With respect to our collaborative initiative on CRAs, we agree to further work and task our Deputies to survey the codes of conduct and practices currently in use by various CRAs. We have also identified actions to strengthen information and disclosure standards in our respective economies. These should include efforts to foster a credit culture, promote alternative sources of information about credit risks and actively participate in international initiatives to harmonise accounting and disclosure standards.

34. We welcome the IMF's adoption of a comprehensive format for fuller disclosure of information on foreign reserves as part of the Special Data Dissemination Standards (SDDS) and its progress on elaborating codes of good practices. We urge APEC members that are subscribers to the SDDS to adopt the new format, and we encourage all members to adhere to the codes as soon as possible. We acknowledge the steps taken by the IMF to become more open and transparent. Similarly, we welcome the progress being made by the World Bank and ADB toward higher standards of openness and transparency, including making public a wider range of operational documents.

35. We also recognise the need for appropriate transparency by market participants, including HLIs. We look forward to reviewing the results of the Financial Stability Forum's work, the International Organisation of Securities Commissions' (IOSCO) report and reports of other private and public-sector bodies on issues relating to transparency and disclosure.

### ***Enhancing the Roles of the International Financial Institutions***

36. We note the central roles of the IFIs in resolving crises. We also note the establishment of the Financial Sector Liaison Committee by the IMF and the World Bank to facilitate effective collaboration in the provision of advice on financial sector issues. In addition, we urge further improvements in the

coordination and collaboration among the IFIs in crisis resolution to strengthen the effectiveness of their response to crises. In this regard, we look forward to the IMF's work on exploring ways to further improve its surveillance and programmes, and its modus operandi to better reflect the changes in the world economy, in particular the heightened role of international investors and the increased significance of large scale cross-border capital movements in contributing to external financial crisis. In this connection, we welcome the decision of the IMF to establish the new Contingent Credit Line (CCL) which should be readily available to all its members with good policies threatened by contagion, and thereby provide incentives to strengthen policies in a preventive manner. We are pleased that the ADB and the World Bank now have in place policies that allow them to provide credit enhancement facilities, which could be used to help catalyse needed private international capital flows.

### ***Involvement of the Private Sector in Crisis Containment and Management***

37. The actions of the private sector creditors will always be critical in resolving a financial crisis. We reaffirm our commitment to promote cooperation between economies, the private sector and the international financial institutions aimed at enhanced crisis prevention and resolution. We encourage all emerging market economies to maintain appropriate communication with their private creditors. We support wider use of market-based contingent financing mechanisms and collective action clauses in bond contracts and encourage industrial economies to take a lead role in this effort. We note that some constructive proposals have been discussed in a number of international fora. We also look to the IMF to continue work in this area, to explore ways to introduce collective action clauses in sovereign bond issues and to further consider ways to assure more orderly debt workouts. We remain of the view that there is a need for further practical work for systematically engaging the private sector in crisis prevention and resolution.

### **OTHER MATTERS**

38. We welcome the opportunity to exchange views with the private sector and acknowledge the contribution of the AFG in achieving our common objectives. We welcome the participation of key representatives of the APEC Business Advisory Council (ABAC) and the Pacific Economic Cooperation Council (PECC). We note their recommendations, in regard to the education and training of regulators and participants of the financial sector and capital markets, the development of Asian bond markets, and the revitalisation of the financial system through institution building. We task our Deputies to work with the AFG, ABAC and the PECC to continue consideration of these recommendations with a view to incorporating them in our on-going work. In particular, we request the AFG to examine and report to us, by our next meeting, and drawing on the experience of recent crises, on the private sector's role in crises, and on the various proposals that have been put forward for ensuring appropriate private sector involvement in the prevention and resolution of future crises. We look to members of these groups to impress upon their colleagues in the private sector the reciprocal responsibilities and benefits of ensuring stable markets.

39. We welcome the progress made by the Sub-Committee on Customs Procedures (SCCP) in its twelve-point Collective Action Plan and multi-year technical cooperation programme to facilitate trade in the region. We look forward to smooth integration of the three new members into the action plan as well as the SCCP's new initiatives including the customs aspects of E-Commerce. Reaffirming that trade facilitation and enforcement must be well coordinated, we encourage customs authorities to actively continue strengthening such initiatives and cooperation. We appreciate the SCCP's contribution to the World Customs Organisation (WCO) in making efforts to modernise and harmonise customs procedures on a global basis.

40. We discussed the report presented by the Philippines on the outcome of the Second Joint APEC-OECD Symposium on International Business Taxation held in Cebu in November 1998 where issues of electronic commerce and new technologies, harmful tax competition, the taxation of multinationals, and the tax policy and administration implications of financial instability were discussed. We call on our tax authorities, in coordination with the appropriate international and regional multilateral organisations such as the OECD and the ADB, to continue working on these issues.

41. We express appreciation for the contribution of the IMF, the ADB and the World Bank to our work, and our Deputies who also met several times to prepare for this meeting. In addition, the APEC

Financiers Group have also met at the fringes of our meeting and we encourage them to continue with their efforts.

42. We express our thanks to the Government and people of Malaysia for the hosting of this meeting and the warm hospitality extended to us.

43. We agree to report on this Sixth APEC Finance Ministers Meeting to the APEC Leaders Meeting in September 1999 in Auckland, New Zealand.

#### **NEXT MEETING**

44. In keeping with the desire expressed by Finance Ministers in Kananaskis to align future Finance Ministers Meetings with the APEC Leaders' Summit, New Zealand and Brunei Darussalam have agreed to co-Chair the 7<sup>th</sup> APEC Finance Ministers cycle. We agree to meet in Brunei Darussalam in September 2000. We ask our Deputies to undertake the necessary preparations on for these meetings, focusing in particular on efforts to build robust, open economies in the APEC region in pursuit of APEC's founding vision of free trade and investment.



## Collaborative Initiatives

**Voluntary Action Plan for Supporting Freer and Stable Capital Flows:** APEC Finance Ministers welcomed the progress made on the development of the Voluntary Action Plan for Supporting Freer and Stable Capital Flows (VAP). Two important studies have been commissioned which will, consistent with the APEC Economic Leaders' direction, assist in developing a pragmatic VAP which incorporates the useful lessons of the past 22 months as well as formulate appropriate good practice guidelines for monitoring capital flows, including short-term flows.

Following the conclusion of this information-gathering phase, APEC Finance Ministers look forward to a report on the shape and content of a VAP when they hold their 7<sup>th</sup> meeting in 2000.

**Regional Forum on Pension Funds:** The Second Regional Forum on Pension Fund Reform was held in 26-27 April 1999 in Vina del Mar, Chile. This collaborative initiative has been the first activity stemming from the Finance Ministers process to receive technical support from APEC. The Forum organised by Chile and Mexico was attended by APEC economy representatives, experts in the field and representatives of International Financial Institutions such as the International Monetary Fund, the World Bank and the Asian Development Bank. The participants addressed important and interesting topics and have shed new light on several crucial questions and challenges facing the reform of retirement systems throughout the region.

Some of the issues discussed in Vina del Mar were: a) the cost and political aspects of the transition from public to private systems and its possible financing; b) withdrawal policies, the payment of benefits and the role of the insurance sector; c) the roles that both public and private sectors play in pension fund administration, including the performance of the public sector as a safety net provider; d) the possibilities of individual election regarding investments of pensions funds; e) the role of specialised financial institutions in pension fund administration; f) the fiscal effects of guaranteed minimum pensions; and g) the composition of investment portfolio of pension funds and the role of regulation and the market in product differentiation.

**APEC Seminar on Pension Fund Reform:** APEC Finance Ministers welcome Thailand's proposal to host an APEC Seminar on Pension Fund Reform to be held in Bangkok in March 2000 to exchange views on pension fund reform and other relevant issues from APEC member economies, focusing on the integration of social security, pension and provident funds together with supervisory and regulatory considerations. Government and private sectors as well as experts are expected to share their related knowledge, ideas, and experiences in the seminar. The seminar would be beneficial, particularly to Thailand and other APEC economies that are developing or may be considering developing pension fund reform programmes.

**Supporting the Development of Credit Rating Agencies:** We launched this initiative in Cebu prior to the eruption of the financial crisis in Asia in recognition of the important role credit rating agencies (CRAs) play in developing capital markets in the region. In Kananaskis, we discussed the performance of CRAs in the light of the Asian financial crisis. In Kuala Lumpur, our Economic Leaders called for the review of the practices of international rating agencies to promote their effectiveness and to contribute to sustainable capital flows.

We note the Philippines' report on the outcome of the APEC Consultative Workshop held in Manila in February 1999, which was also attended by multilateral financial institutions, international regulatory bodies and CRAs operating in the region. We agree that further work on this initiative is necessary and should contribute to the broader context of international architecture discussions, particularly in the area of strengthening transparency and disclosure standards by all market participants.

As a first step, we task our Deputies to survey the codes of conduct and practices currently in use by various CRAs. Such a survey should cover various issues, including (a) transparency and accountability of the ratings process; (b) conflicts of interest; (c) credibility and reliability of ratings; and (d) unsolicited ratings. We have also identified actions to strengthen information and disclosure standards in our respective economies. These should include efforts to foster a credit culture, promote

alternative sources of information about credit risks and actively participate in international initiatives to harmonise accounting and disclosure standards.

**Collaborative Initiative on the Development of Domestic Bond Markets:** We launched this initiative to promote the development of domestic debt markets to promote more efficient financial intermediation within APEC economies and the global financial system. A key priority is to develop deeper, long-term, more stable and transparent debt markets in Asia to recycle the very significant Asian savings, which stand at more than 30% of GDP. Hong Kong, China hosted a workshop in December 1998, attended by 14 APEC members and international financial institutions. Members agreed to pursue two projects as part of further work. One was the drafting of a compendium of sound practices and the other was to develop a web-site to serve as a resource centre and facilitate information sharing. Another workshop will be held in Hong Kong around late May 1999 to follow up on the implementation of the two projects.

**Collaborative Initiative on Strengthening Corporate Governance:** Ministers' recognition of the need to strengthen corporate governance in member economies led to the establishment of the APEC Core Group on Corporate Governance, led by Malaysia in collaboration with Australia, United States, the World Bank Group and the Asian Development Bank. The Core Group tabled a report "Strengthening Corporate Governance in the APEC region" at this meeting setting out measures that can be adopted by economies wishing to strengthen their corporate governance systems, with particular emphasis on developing member economies. The report also includes an annex on the outcomes of the Corporate Governance Symposium hosted by Australia in November 1998. The Symposium brought together senior business people from member economies to identify priorities for reform in this area.

**Survey of Adequacy of Banking Supervisory Regimes in APEC Economies:** Recognising that sound banking supervision is important in ensuring financial stability, the initiative to assess the adequacy of banking sector supervisory regimes was agreed upon at the APEC Finance Ministers Meeting' in Kananaskis, Canada, in May 1998. The objective of the survey was to identify gaps or shortcomings in the supervisory framework of APEC members, which could form the basis for designing future training programmes conducted under the APEC umbrella to ensure a core of well qualified bank supervisors, which is essential to the maintenance of a strong and well-supervised banking system. Findings from the survey indicated a high degree of compliance with the requirements of the Basle Core Principles for Effective Banking Supervision. In the traditional scope of supervision such as licensing, ownership, approval of management, regulations on credit and internal controls and statistical requirements, most respondents already have well established systems in place. Weaknesses were found mainly in the area of supervising market risk and consolidated supervision. It was noted that bilateral discussions and MOUs appear to be the most common form of cooperation and consultation among supervisors, and there is further room for improvement in fostering such cooperation.

**APEC privatisation forum:** Thailand proposed an initiative to the APEC Finance and Central Bank Deputies Meeting in Kuala Lumpur Malaysia in November 1998 to support the privatisation process through institutional strengthening, and promote investment opportunities. It is believed that such an initiative would provide an opportunity to cooperate on issues related to privatisation and to develop a common and consistent understanding of principles of market liberalisation and the role of market competition. Further cooperation would enable best practices to be developed and shared, enhancing the transaction process and strengthening the institutional capabilities of member economies to manage the process.

The Core Group meeting was held on 22 March 1999 in Kuala Lumpur and attended by Chinese Taipei, Malaysia, New Zealand, Thailand, Vietnam, the ADB and the World Bank. The Core Group has proposed that cooperation on privatisation occur through APEC Privatisation Forum (APEC-PF) reporting to the APEC Finance Ministers. Thailand reported the result of Core Group meeting later on 24 March 1999 to the APEC Technical Working Group. The initiative is highly welcomed by the Technical Working Group.

As a starting point, two issues under privatisation policy, being "market reform, liberalisation and competition" and "regulatory frameworks and reform" will be discussed at the inaugural APEC-PF meeting.

