



Policy Dialogue and Surveillance : a Necessary Condition for Financial Cooperation?

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Rationale for surveillance and monitoring

- Contagion: To counter the negative spillovers or externalities
- Data problem : Bedrock on which coherent policy formation under the regional financial arrangements rest
- Moral hazard: control the effectiveness to achieve



Spectrum of regional cooperation

- Regional monitoring and surveillance will vary to the stage of integration.
- Coordination lies between independent policy and integration.
- Policy dialogue decides the grade according to the given objectives



Enforcing Mechanisms

- Informal consultation
- Peer pressure
- Rule-based penalties



Present State : Policy Dialogue

- Decided in ASEAN+3 Finance Ministers meeting (May 2001)
- Activate ministers' / vice ministers' meeting
- Making topics substantial
- Establishing financial cooperation fund



Present State : Monitoring short term capital

(1) Outline

- Korea proposed(May, 2001)
- Exchange data on foreign capital in- and outflows/ net inflow / short term debt

(2) Present State

- 7countries agreed to exchange data
- Japan supports 7ASEAN countries using JAFTA development and application of monitoring system



Present State : Early Warning System

- Proposed by Korea (April, 2000)
- ADB has developed basic model
- Each country shall develop its own model using ADB



Conclusion

- Monitoring and surveillance system is the basement for cooperation
- Requirement: Developing good and effective system