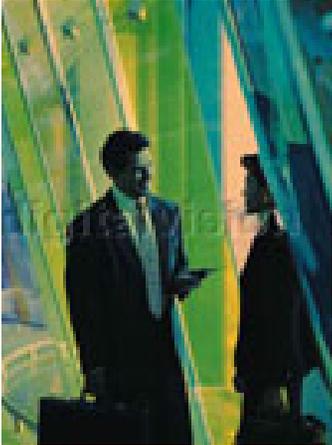


COMMENT ON REGIONAL FINANCIAL COOPERATION



Jesus P. Estanislao
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Few lessons

from the
East Asian Financial Crisis
(1997-1998)

1st,
finance and financial
liberalization reforms
cannot be de-coupled
for long,
from trade and trade
liberalization
reforms.



2nd,
the **inter-connection**
between economies
in the region,

including finance, may
have been ***stronger*** than
previously assumed.



Third,
micro-economic
foundations are
essentially *connected*
with

macro-economic
fundamentals.



But the debate continues.



ASEAN Plus Three process initiatives:

or better referred to as the

East Asian Community Building process
in the Finance area.



An East Asian Community Building process: FINANCE

1st heading:

macro economic aspects of
regional financial
cooperation



macro economic aspects of regional financial cooperation

- *Chiang Mai agreements under the Manila Framework,*
- *Regional macro-economic monitoring and dialogue process,*
- *Asian bond initiative,*
- *Weighted basket of international currencies in which reserves are kept,*
- *Asian common currency, and*
- *Asian Monetary Fund proposals.*

An East Asian Community Building process: FINANCE

2nd heading:

strengthening of the banking
sector



strengthening of the banking sector

- *increased liberalization of bank ownership,*
- *cleaning up of the books of banks including the disposal of bank NPLs, and*
- *adherence to capital adequacy ratios agreed under Basle 1.*

An East Asian Community Building process: FINANCE

3rd heading:

corporate governance reforms, *at least in banks, publicly listed corporations, and other major corporations and institutions.*



corporate governance reforms

- *adoption of corporate governance codes,*
- *requiring training for corporate directors, and*
- *informal and increasingly more formal assessment of corporate governance practices.*



The roadmap ahead.....

..is being drawn up based on current initiatives.

Some of the proposals while long-term oriented, are not designed to mutually reinforce each other.

How do we prioritize and systematize?

A first suggestion

To ensure that the micro-economic base is strengthened even as the work on macro-economic fundamentals is pursued.



A must and first milestone

*Putting the
horse (micro-economic)
in front of the
cart (macro-economic).*



A second suggestion

is to exploit the inter-connection between corporate governance reforms and strengthening of the banking sector.



A second: Strengthening banks and CG reforms

In East Asia, banks are at the very core and center of their respective economies.

Their corporate governance practices have very significant weight on the risks they carry and spread throughout the system.



A second: Strengthening banks and CG reforms

Moreover, they are mandated to comply with Basle 1.

Many more reform areas for banks, but improved CG practices are critical.



A third suggestion

is to help secure and develop the domestic base for any future, more open and gradually phased regional financial architecture for East Asia.



A third suggestion

a) Clean up CG regimes in
∩ the local stock exchanges,
∩ locally listed corporations.

b) Pursue advocacy reform
program by the local stock
exchange.





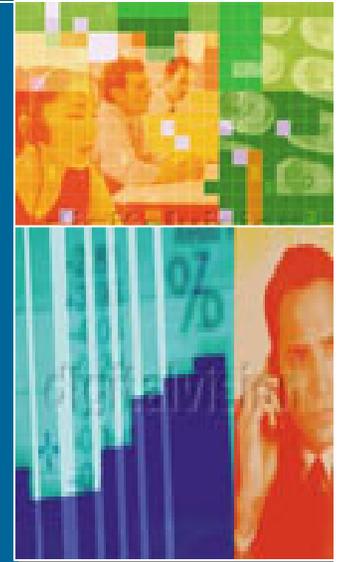
The three suggestions can provide the needed
MOMENTUM for greater
regional cooperation in the
financial and monetary area.

The **MOMENTUM**
can be illustrated by
what is going on in
promoting CG
reforms in the
region.



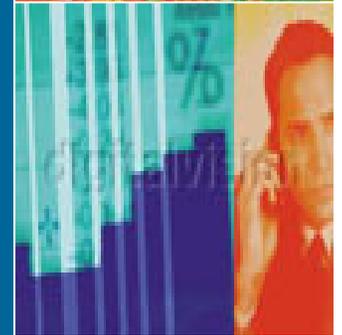
A loose network has been set up, the Institutes of Directors in East Asia Network (IDEA.net).

- *Providing Orientation Seminars, and*
- *in the foreseeable future a common Certification Program for corporate directors.*



A CG scorecard is being jointly developed at two levels:

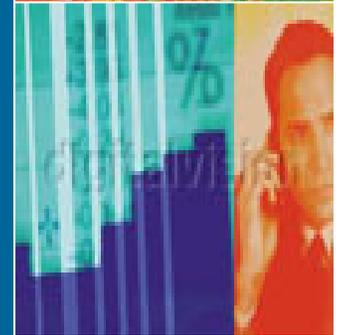
- *enterprise level, (one focused on banks the other for non-bank publicly listed corporations),*
- *higher level of economies in the region, reflecting the changes introduced since 1997-1998.*



Experiences in relating CG reforms with

- *bringing professional standards into global convergence;*
- *emphasizing ethics and corporate social responsibility*

are now being written up.



A coalition of the willing in promoting and spreading experiences has been formed.

Hopes are being raised again.



These cooperative efforts at the micro-economic level could give an impetus to the broader more macro-economic proposals for regional financial cooperation in East.



Inevitably, they would ask for more

∞ common framework & benchmarks for proper practices,

∞ joint mechanisms for tracking progress,

∞ use of scorecards,

∞ dialogue on the comparative results of scorecards.



And finally, the need for more

realistic proposals for

*MUTUAL SUPPORT,
COORDINATION, and
TIME-BOUND ACTION
PROGRAMS*

will be a natural consequence.



The East Asian Pragmatism: putting the horse before the cart



Giving a high priority to regional cooperation in strengthening the micro-economic base of each of our economies, and through interdependence also the micro-economic base of the region.

The East Asian Pragmatism: putting the horse before the cart



Giving a high priority to regional cooperation in
promoting corporate governance and strengthening
the banking sector

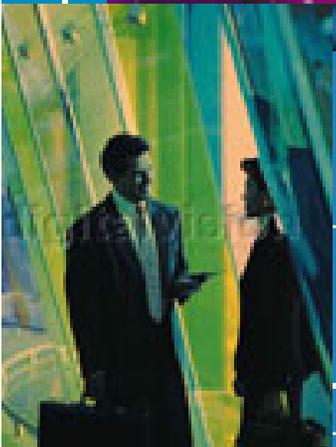
The East Asian Pragmatism: putting the horse before the cart



Giving a high priority to regional cooperation in
focusing on developing the domestic bond and
equity market.



COMMENT ON REGIONAL FINANCIAL COOPERATION



End of Presentation

Thank you.

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