

Closer cooperation and coordination among EMEAP members

The Second EMEAP Governors' Meeting was held on 25 July, 1997 in Shanghai, after the Tokyo meeting last July. The Meeting was chaired by Mr. Dai Xianlong, Governor of the People's Bank of China. EMEAP is the Executives' Meeting of East Asia and Pacific Central Banks, comprising central banks and monetary authorities from Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore and Thailand.

Governors reviewed the current economic and monetary conditions in Asia Pacific region, focusing on asset price and their implications for monetary policy. They noted that asset price bubbles could have a significant impact on economic activity, the health of the financial system and inflation. Accordingly, developments in asset prices deserve careful attention. In order to contain asset price inflation, stable monetary conditions and effective banking supervision should be maintained. During the one-day meeting, two EMEAP Working Groups and one Study Group, which were formally created by Governors last July, reported their activities and achievements respectively over the previous year.

EMEAP Governors also reviewed recent developments in the currency markets in the Region. They noted that the economic fundamentals of EMEAP economies remained sound. However, excessive volatility in the currency markets could affect the maintenance of monetary and financial stability amongst EMEAP economies. Governors recognized the importance of stability of foreign exchange markets, which should reflect fundamentals and in this regard the Governors commended the significant adjustment made by the Region's economies.

To strengthen cooperation amongst EMEAP members and to assist in making the economic adjustments, they directed their Deputies, in consultation with the relevant domestic authorities and in cooperation with the International Monetary Fund, to study arrangements for facilities to assist EMEAP members, where necessary, to implement adjustment programmes.

In this context, they welcomed the initiatives to strengthen the financial position of the Fund through the New Arrangement to Borrow (NAB) and urged that the NAB become operational as soon as possible.

Governors also exchanged views on issues relating to EMEAP developments and further cooperation among its members. They reached consensus on the operation of a Virtual Secretariat whereby all members are connected with an electronic network through which they could provide and acquire information among EMEAP members. They were unanimous that a closer cooperation and coordination among EMEAP members is necessary and important to enhance financial stability and market development in Asia Pacific region.

The Governors agreed to hold the next Governors' Meeting in Tokyo on 14 July, 1998, on the occasion of the BIS Governors' Monthly Meeting. Governors thanked the People's Bank of China for their warm and excellent hospitality.