

The Third EMEAP Governors' Meeting

Tokyo, Japan

July 14, 1998

Press Release

1. The Third EMEAP¹ Governors' Meeting was held on July 14 in Tokyo chaired by Mr. Masaru Hayami, Governor of the Bank of Japan.

(International investments and financial stability)

2. Governors reviewed the economic and monetary developments in Asia Pacific region since the last meeting, held in Shanghai, in the light of financial crises. In view of recent sharp depreciation of the yen, they noted the various interdependencies between economies in the region, particularly the importance of Japanese financial developments for other economies. In this context, they emphasized the importance of decisive measures by the Japanese authorities to deal with their current economic and financial difficulties.
3. Governors exchanged views on the topic "The relationship between international investments and financial stability." They discussed the topic from various perspectives including financing structure and economic growth, prerequisites for capital account liberalization, appropriate sequencing of liberalization, effectiveness of capital account regulations, and implications for monetary policy.
4. Governors noted the benefits of international investments, which the EMEAP region has enjoyed for many years as evidenced by remarkable economic growth. Given their recent experience of financial crises, however, they agreed on the importance of conducting capital account liberalization in an orderly and well-sequenced manner. In particular, they noted the relevance of the exchange rate regime in liberalizing capital accounts.
5. Governors agreed that, in order to benefit from and minimize the risks of capital account liberalization, it is important to develop and strengthen domestic financial institutions and market infrastructure, such as efficient and secure payment systems and deep and liquid financial markets, as well as banking supervision. Based on the recognition that these issues cover areas where central banks could utilize their expertise and comparative advantages, Governors endorsed the ongoing work by the EMEAP working/study groups and urged them to move from a study phase to an implementation phase as soon as possible.

(EMEAP Activities)

6. Governors agreed that the financial crises in Asia affirmed the importance of EMEAP activities, which have nurtured the regional network of information exchange and mutual trust. Governors noted that, despite the proliferation of international forums, EMEAP can and will maintain its uniqueness as a meeting for central banks in the region. Governors agreed that the expertise and comparative advantage of central banks lie in policy analysis and advice as well as operational and institutional issues. The Deputies and the EMEAP working/study groups have undertaken useful exchange of information and experience which form an important source of information for members to draw upon.
7. Governors were given a report on the recent activities of three working/study groups and welcomed the progress made by them. Taking into account the findings of these groups, Governors endorsed their Deputies' proposal to re-organize these groups into the following:
8. The Working Group on Financial Market Development, which has covered the payment system and market development, will be re-organized to a new Working Group on Payment and Settlement Systems focusing on payment system issues. The work of the Working Group on Central Banking Operations, which has conducted comparative studies of central bank services against the backdrop of increasing market innovation and interdependence, will be succeeded by a new Working Group on Financial Markets. This working group will also assume the work regarding market developments that has been covered by the Working Group on Financial Market Development.
9. The name of the Study Group on Banking Supervision will be changed to the Working Group on Banking Supervision, and the new Group will be given a more permanent status than the previous Study Group. The change reflects the fact that Asian financial crises reaffirmed the importance of improving bank supervision in the region.

(Yen liquidity facility)

10. Governors welcomed a new facility for yen liquidity offered by the Bank of Japan. Under the facility, the Bank of Japan purchases the Japanese Government Bonds and Bills from central banks and monetary authorities at their request either outright or under repurchase agreements. Governors noted that this new facility would enhance the use of the yen in the region, and thereby contribute to the regional financial stability.

(Development of the EMEAP Internet)

11. Governors welcomed the development of the EMEAP Internet and the establishment of the EMEAP web-site. As agreed at the last Governors' Meeting, such development of the

EMEAP Internet is expected to help establish a Virtual Secretariat for EMEAP, through which member institutions could provide and acquire information among each other.

(Other matters)

12. Governors agreed to hold the next Governors' Meeting in Hong Kong on July 9, 1999.

1 EMEAP, the Executives' Meeting of East Asia-Pacific Central Banks, is a cooperative organization of central banks and monetary authorities in the East Asia and Pacific region. It comprises the central banks and monetary authorities of eleven economies: Reserve Bank of Australia; People's Bank of China; Hong Kong Monetary Authority; Bank Indonesia; Bank of Japan; The Bank of Korea; Bank Negara Malaysia; Reserve Bank of New Zealand; Bangko Sentral ng Pilipinas; Monetary Authority of Singapore; Bank of Thailand.