

SPEECH BY MR HON SUI SEN, MINISTER FOR FINANCE,
AT THE OPENING OF THE ASEAN BANKERS' CONFERENCE
ON SUNDAY, 22ND AUGUST 1976 AT 7.30 P.M. AT THE
ISLAND BALLROOM, SHANGHAI-LA HOTEL

The ASEAN Meeting of Heads of State and Government held early this year in Bali marked a new phase in ASEAN economic cooperation. It injected a sense of urgency into economic cooperation within ASEAN. ASEAN Economic Ministers have since met twice to identify projects and areas for joint economic collaboration. Among many important measures, they have reached agreement in principle to establish the first five ASEAN industrial projects. Similarly, they have agreed to extend trade preferences to help realise these and other projects.

A momentum for cooperation has therefore been generated which will be sustained by the continuing commitment of ASEAN Governments to the economic development and progress of their respective countries and of the region as a whole. The region is fortunate in possessing the necessary natural and other resources for development. With economic cooperation in harnessing these resources for mutual benefit, the potential for growth is enhanced. Even without taking into account such cooperation, a UN Study Team projected a real increase in GNP of 6.6% per annum till 1980 for the ASEAN region as a whole. In particular, the manufacturing and construction sectors are expected to grow fastest, averaging 11% a year. And assessments by international agencies such as the IMF and ADB indicated that in both the short and the long term, the economic growth in the region will be better than in other developing areas.

The determination of ASEAN Governments to cooperate with each other to realise the economic potential of the region must be supplemented by private sector initiative and participation. I am therefore particularly pleased with the convening of this Conference. The timely response in parallel with the Governments' efforts in ASEAN cooperation will further increase the momentum and progress made so far in ASEAN. Many of the proposed schemes for ASEAN economic cooperation will require the entrepreneurial skills and financial backing of the private sector. Your presence here at this Conference is an encouraging sign of the support that Governments can count upon from the very important banking sector in ASEAN.

ASEAN Governments are keen to ensure that the financial resources and banking capacity of the region are fully utilised in the interest of the region. ASEAN banking comprises over 300 banks with more than 3,500 banking offices and branches and assets exceeding US\$30 billion. With these resources and capacity, ASEAN bankers can contribute substantially to regional development. ASEAN should demonstrate to outside observers that we not only have the capacity but also the willingness to help ourselves. This will also strengthen our bargaining position in trade and finance negotiations at international forums.

Until about 20 years ago, ASEAN countries had to rely mainly on banking expertise and services from outside the region because of the relatively underdeveloped state of their national banking systems. In recent years, however, economic growth in the region has been accompanied by greater maturity in the banking sector, reflected in the increasing number of banks and the sophistication and

diversification of banking activities. One of the most interesting developments has been the increasing involvement of traditional retail banks in subsidiary financial activities such as merchant banking, insurance and equity investment. Presently, each ASEAN country has a viable and efficient banking system that not only has the to-be-expected full competence in the traditional commercial banking operations, but also has the innovative capacity and skills to venture into new areas of financial activity. ASEAN bankers can therefore play an important and possibly catalytic role in the promotion of regional economic cooperation and development.

If the business of finance is defined as optimising the use of scarce funds for productive purposes, then it would be logical for banks to seek all possible additional sources of such funds so that their use can be correspondingly expanded. It would also be useful for banks to pool their financial strength to enter new areas. Similarly, there is considerable overlap in the marketing of financial services and skills, and it would make sense to pool them. By exchanging the intimate knowledge each country's banks have of their own trading, industrial and other business organisations, their creditworthiness and potential for expansion, ASEAN banks could enlarge their scope of operations beyond national boundaries and be increasingly identified with the region as a whole. Such consolidated efforts not only expand the national into a regional hinterland, but also increase links with the rest of the world. Thus, a pooling together of banking skills, an exchange of expertise, closer ties and greater integration and cooperation of the ASEAN banking communities will increase ASEAN efficacy in harnessing resources and channelling them into areas of need.

More specifically, ASEAN bankers, in the immediate future, can contribute to the expansion of trade and development of industry and agriculture in ASEAN. Frequent meetings at Conferences such as this should see mutual trust slowly building up among ASEAN bankers which will facilitate increased financing of trade transactions in the region. Greater ASEAN economic cooperation must mean also an expansion of intra-ASEAN trade, and ASEAN banks would be required to provide financial support for this development.

ASEAN bankers could involve themselves actively also in the plans for ASEAN industry, for example, in the proposed programme for private sector complementation already initiated by the Chambers of Commerce and Industry in ASEAN countries. Local bankers have become increasingly concerned with regional development, and ASEAN bankers because of their greater local knowledge and consequently more accurate evaluation of credit risks, can often afford to quote more attractive terms, such as better rates and longer maturity periods for loans. Joint efforts should be made to increase the general acceptability and support of bonds and syndicated loans floated to finance ASEAN projects. However, direct financing of private sector projects should also be sustained.

The Asian Dollar Market in Singapore has played a useful role in the past, and should continue to do so in the future in financing development projects in the ASEAN countries. Not only are all the ASEAN countries net users of funds from the Asian Dollar Market but also the proportion of Asian Dollar funds channelled to them has been increasing steadily. As at end-June 1976, more than 25% of the market's funds lent outside Singapore were being used in

the ASEAN region. Apart from inter-bank transactions, much of the Asian Dollar loans by Singapore banks have gone to the manufacturing, commerce, construction and other priority industries in ASEAN countries. The Asian Dollar Market in Singapore in its future enlarged role in regional financing could benefit from increased support by ASEAN bankers in other ASEAN financial centres, from their fresh ideas and experiences and from their greater participation in Singapore-based financing. The initiation of an offshore market in Manila similar to our Asian Dollar Market, should stimulate stronger interaction between the two markets.

All participants at the ASEAN Bankers' Conference have, in one way or another, a stake in ASEAN, and I need not therefore urge you to be more forward looking in your approach. There are great challenges facing ASEAN bankers in ASEAN. But also there are great opportunities, and the promise of a rightful share in the greater prosperity of ASEAN resulting from sustained forward thrusts to promote ASEAN economic development. I am confident that in its discussions, the Conference will arrive at many effective ways to meet these challenges and seize these opportunities. The Conference's plan to establish an ASEAN bankers' council gives hope that your commitment to ASEAN development and to solving any problems inhibiting such development will be a total and an enduring one.

It gives me great pleasure to declare the Conference now open.