

**FOR
INFORMATION**

FO/DIS/15/58

April 23, 2015

To: Members of the Executive Board

From: The Secretary

Subject: **The First Deputy Managing Director's Report to the Executive Board on His Travel to Malaysia for the ASEAN Meetings—March 19–21, 2015**

Board Action: Executive Directors' **information**

**THE FIRST DEPUTY MANAGING DIRECTOR'S REPORT TO THE EXECUTIVE BOARD ON HIS
TRAVEL TO MALAYSIA FOR THE ASEAN MEETINGS
March 19–21, 2015**

An IMF delegation including myself, APD Director Changyong Rhee, and other staff travelled to Kuala Lumpur, Malaysia, March 19-21, to participate in meetings of ministers of finance and central bank governors of the Association of South East Asian Nations (ASEAN). I made a presentation on “Risks and Resilience in ASEAN” at a joint meeting of ASEAN ministers of finance and central bank governors. At the invitation of Bank Negara Malaysia Governor Zeti, I also gave a keynote address on “Convergence and Integration in ASEAN” at a dinner gathering of ASEAN officials, and conducted an open dialogue at the University of Malaya. In addition I held bilateral meetings with ASEAN country authorities.

ASEAN countries have generally experienced solid non-inflationary growth since 2008–9 and are well positioned to gradually close the gap in per capita income with advanced economies. Policymakers in the region responded to the global financial crisis well, applying fiscal and monetary stimulus and rebalancing growth to domestic demand. But risks in ASEAN have been rising, related to external and home-grown factors. While necessary to restore growth, quantitative easing in advanced economies has led to large capital inflows into ASEAN. And the rebalancing of growth has led to rising bank credit and household and corporate debt. ASEAN policymakers have responded to these challenges by applying macroprudential measures and reigning in fiscal deficits where needed. More recently, they took advantage of falling oil prices to reduce fuel subsidies. In all, ASEAN countries remain resilient to shocks and vulnerabilities in ASEAN are smaller than in other regions.

Going forward, sustained reforms in ASEAN countries will be needed to accelerate convergence and growth. Countries must maintain sound policy frameworks, with flexible exchange rates, adequate reserve cushions and healthy public finances providing defenses against capital flow volatility. ASEAN must address gaps in infrastructure and human capital and boost home-grown innovation. It should also deepen regional integration to develop its internal market and boost intra-ASEAN trade and foreign direct investment.