



IFAIR

Young Initiative on Foreign Affairs and International Relations e.V.

2nd EU-ASEAN Perspectives Dialogue

BOG Finance - Results

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Regional monetary and financial architecture - ASEAN

- Experiences during the Asian Financial Crisis led to resentment towards the IMF
- Thailand and Indonesia had to accept harsh financing programs as part of their bailout
- The Chiang Mai Initiative can be seen as a reaction against the Bretton Woods Institutions
- AMRO established



Regional monetary and financial architecture - EU

- During the financial crisis of -08 financial integration stopped
- Response handicapped due to lack of experience at regional level
- European Stability Mechanism established
- Fiscal Compact introduced (deficits must be controlled)
- Banking Union, ECB supervising banks



Regional monetary and financial architecture - Comparison

- IMF "stigma" in Asia resulted in a push for financial integration
- In EU - IMF minority lender
- Also adopted "parsimonious conditionality", the toughest conditions were set by EU institutions



Regional monetary and financial architecture - Comparison

- Much has been done in EU to set up adequate supervisory mechanism
- Platform for dialogue – exchange experiences regarding crisis prevention
- Reform of the Bretton Woods Institutions, common push for US ratification
- Increasing the voice of Asian countries in the institutions



Financial inclusion and literacy - introduction

- Financial inclusion: basic access to financial services
- Access to for example bank account, credit, insurance
- Financial literacy: understanding of basic money management, financial planning and investing
- Increases stability, micro and macro level



Financial inclusion and literacy - ASEAN

- Singapore leads in inclusion, while Cambodia and Indonesia struggle
- Different levels of development but also geography
- Also different levels of financial literacy, but the gap is not as big
- Similar pattern with Singapore in top and Indonesia worst off



Financial inclusion and literacy - EU

- Mixed outlook on financial inclusion, account penetration very high in some countries and lower in others
- Affordability of financial services might be relevant
- Financial literacy, measured by formal savings, varies
- Overindebttness?



Financial inclusion and literacy - recommendations

- These topics are relatively unknown, commission joint study to evaluate cost and benefits
- Involve private sector; banks, development banks, financial institutions at large
- Exchange programs on ideas and best practices when implementing policies



Financing SMEs - introduction

- SMEs important for economic growth, employment
- Mainly financed thorough bank-lending in both EU and ASEAN
- Capital Markets not widely used
- There are efforts to move away from bank lending
- SMEs face high barriers to financing and thus to further expansion

Financing SMEs - recommendations

- To address the barriers to funding on a regional level,
 - Banks can increase the % of their portfolios intended for SMEs
 - Securitization of loans
 - “Needs by stage” programs
 - Proper financing schemes for microenterprises

Financing SMEs - recommendations

- On a global level;
 - Capital market-based mechanism
 - Develop supporting infrastructure
 - Innovate financial instruments for SMEs (crowdfunding etc.)
 - Establish and co-operate on regulatory frameworks
 - Improve SME financial literacy