

Chairman's Statement The Sixth ASEM Finance Ministers' Meeting

26 June 2005, Tianjin, China

I. Introduction

1. The Sixth ASEM Finance Ministers' Meeting (ASEM FMM) was held in Tianjin, China, on 26 June 2005. It was attended by Finance Ministers of the ASEM member countries and the European Commission. The President of the Asian Development Bank, the Deputy Managing Director of the International Monetary Fund, the Managing Director of the World Bank and the Vice President of the European Central Bank attended as guests. Ministers welcomed the participation of Finance Ministers of the thirteen new members.
2. His Excellency Wen Jiabao, Premier of the People's Republic of China, opened the meeting and emphasized the increasingly important role of the Finance Ministers in fulfilling the ASEM Leaders' Declaration on Closer ASEM Economic Partnership adopted by the ASEM Leaders at their Fifth Summit Meeting in Hanoi in October 2004.
3. Ministers convened under the policy theme of *Closer ASEM Economic and Financial Cooperation*. Ministers took stock of the current global and regional macroeconomic developments and discussed the policy challenges and responses to promote broad-based and sustainable growth in Asia and Europe. Ministers also exchanged views on the global development agenda. They reaffirmed their commitment to deepening the economic and financial cooperation between the two regions through constructive policy dialogues and action-oriented programs.

II. Global and Regional Economic Development

4. Ministers noted that the world economy performed very well in 2004, with the highest global growth in three decades. They expected global growth to remain robust in 2005, benefiting from still accommodative macroeconomic policies, improved corporate balance sheets and supportive financial conditions. On the regional prospects, Ministers noted that East Asia will continue to experience rapid growth and to serve as a major driver for the global economy. The euro area will see more modest growth, whereas emerging Europe will achieve well sustained growth in 2005.
5. Ministers also noted several downside risks to global and regional growth.

Continued high and volatile oil prices pose a risk to global growth, including to oil-dependent emerging and developing economies. Another risk is that inflation, while currently subdued, could increase in some countries as the current global expansion continues. It remains important to continue to avoid any second round effects of the oil price increase. Ministers called for increased production by the oil producing countries, improved provision of data on oil production, demand and stocks, and a climate conducive to oil investment throughout the supply chain. Ministers also stressed the importance of investing in new capacity, conserving energy, developing alternative fuels, and increasing energy efficiency. To this end, Ministers agreed on the need to improve the on-going coordination between the oil producing and consuming countries through strengthened dialogue, and to enhance transparency in the oil market.

6. Ministers expressed their serious concerns about the global imbalances. Ministers stressed the importance of reducing these imbalances to ensure stable and sustainable conditions for promoting global economic growth in the medium term. To this end, they recognized the need for a multi-pronged approach involving all countries concerned to implement appropriate policies to contribute to an orderly global readjustment.

III. International Development Agenda

7. Recognizing that achieving the Millennium Development Goals (MDGs) is vital for sustainable economic growth and poverty reduction, Ministers reviewed the progress reports prepared by the World Bank and welcomed the achievements made in the Asian region but noted that the progress toward the MDGs so far had been uneven globally. Ministers reaffirmed their commitments to the MDGs and noted that urgent action is needed to meet them by 2015. Ministers called on the international community to fulfill the commitments they made in Monterrey in 2002.
8. Ministers recognized that constraints on financing for development are a major obstacle toward meeting the MDGs as scheduled and called on the donor community to make concrete efforts towards the target of 0.7 percent of GNI as ODA. In this connection, Ministers welcomed the recent EU agreement to reach 0.7% ODA/GNI by 2015, with an interim collective target of 0.56% ODA/GNI by 2010, and welcomed the efforts in developing innovative financing mechanisms. Ministers also stressed the importance of improving the effectiveness and efficiency of aid.
9. Ministers welcomed the recent announcement of a proposal by the G8 Finance Ministers to provide additional funding to the international financial institutions to finance debt cancellation for the Heavily Indebted Poor Countries (HIPC) in London on 11 June, 2005, and urged the international community to further step

up efforts, including at the IMF/World Bank Annual Meetings in September 2005, to support the Enhanced HIPC Initiative.

10. Recognizing that trade is one of the key factors to sustaining global growth and reducing world poverty, Ministers stressed the need to strive for an ambitious and balanced outcome of the Doha Development Agenda, which would deliver real benefits to developing countries. Ministers strongly called for a package to be agreed at the WTO Ministerial Conference in Hong Kong, China, December 2005, to pave the way for a successful conclusion of the Doha Development Agenda by 2006. Ministers welcomed Cambodia, one of the thirteen new ASEM members, recently becoming a WTO member. Ministers also welcomed the efforts of non-WTO ASEM members in their process to WTO accession and expressed their strong support for early accession of Lao PDR and Vietnam to the WTO.
11. Ministers noted that adequate voice and participation, including all ASEM members of the IMF, should be assured, and the distribution of the quotas should reflect developments in the world economy. Ministers also noted that the Thirteenth General Review of Quotas provides an opportunity to make progress toward a consensus on the issues of quotas, voice, and participation.

IV. Closer ASEM Economic and Financial Cooperation

12. Ministers reviewed the progress of the ASEM economic and financial cooperation under the ASEM FMM and agreed to issue the TIANJIN INITIATIVE on Closer ASEM Economic and Financial Cooperation (see Annex), to strengthen the ASEM economic and financial cooperation through enhanced policy dialogue, technical assistance, and examining new approaches in further enhancing the Asia-Europe ties with a long term vision.
13. Ministers reaffirmed the important role that the ASEM Trust Fund (ATF) has played and agreed to examine the possibility of a successor facility, taking into account reviews of the previous performance of the ATF. Ministers emphasized the importance of capacity building in contributing to the shared prosperity of the two regions and welcomed the concrete activities carried out to this end, such as the implementation of the ASEM Bali Initiative. Ministers reviewed the ASEM Taskforce Report on Closer Economic Partnership, and welcomed its general recommendations, and noted the need for further studies on its concrete recommendations in the financial field, including the development of Asian bond markets. Ministers agreed on the establishment of an ASEM Contingency Dialogue Mechanism for Emergent Economic and Financial Events to strengthen the institutional capacity of ASEM to respond to emergencies.

V. Other Matters

14. Ministers endorsed the Finance Deputies' Recommendations on Enhancing the Efficiency and Effectiveness of the ASEM FMM. Ministers stressed the importance of bringing the role and the function of the ASEM FMM into full play and of strengthening the link with the ASEM Summit.
15. Ministers underscored the importance of supply chain security in facilitating trade and providing improved global security. They requested the related ASEM Customs fora to include the issue of supply chain security in their discussions, including the implementation of the new framework currently being decided in the World Customs Organization, to identify the possible problems and solutions, including the need for technical assistance in the ASEM member countries.

VI. Future Meetings

16. Ministers agreed that the Seventh ASEM Finance Ministers' Meeting will be held under the Chairmanship of Austria in 2006. Ministers agreed, at the next meeting, to take stock of the policy actions and progress achieved against their recommendations, and asked their Deputies to work out the agenda of the next meeting. This Chairman's Statement will constitute the Finance Ministers' inputs to the Sixth ASEM Summit.
17. Ministers expressed their appreciation to the Chinese authorities for their excellent arrangement of the meeting and the warm hospitality offered by the people of Tianjin.

VII. Annex

TIANJIN INITIATIVE on Closer ASEM Economic and Financial Cooperation

ANNEX:

TIANJIN INITIATIVE on Closer ASEM Economic and Financial Cooperation

26 June 2005, Tianjin, China

INTRODUCTION

1. The Sixth ASEM Finance Ministers' Meeting (ASEM FMM) was held in Tianjin China, on 26 June 2005. In line with the spirit of the Hanoi Declaration on Closer ASEM Economic Partnership adopted by ASEM Leaders in October 2004 and the theme of the Sixth ASEM FMM, *Closer ASEM Economic and Financial Cooperation*, Ministers discussed broad issues and agreed to issue the **TIANJIN INITIATIVE on Closer ASEM Economic and Financial Cooperation**, to strengthen the ASEM economic and financial cooperation through enhanced policy dialogue, technical assistance, and exploration of new approaches in further enhancing the ASEM ties with a long term vision.

PROPOSALS

2. Ministers reviewed the progress of the activities and initiatives under the ASEM FMM process and called on joint ASEM efforts in further strengthening the economic and financial cooperation in the following areas:

I The ASEM Trust Fund (ATF)

3. Established in 1998, the ASEM Trust Fund (ATF) was aimed at providing technical assistance to the Asian countries affected by the financial crisis, helping them to make economic recoveries. With the joint contributions from Asia and Europe (with the EC and some EU members countries as the major contributors) and managed by the World Bank, the ATF has run two phases with contributions totaled 82 million dollars (around 44 million for ATF I and 38 million for ATF II). ATF II is to be closed at the end of 2006. It is the shared ASEM view that the ATF has provided timely support to the Asian countries concerned in responding to the crisis and contributed to the social development and poverty reduction. ATF has also served as an effective platform for enhancing mutual understanding and complementing respective comparative advantages between Asia and Europe.
4. Ministers reaffirmed the important role of ATF in enhancing financial cooperation between Asia and Europe. A similar funding modality could play an important

role in facilitating the two regions to respond to the new challenges brought about by globalization. This possible funding modality should be an effective platform in order to benefit both regions in the long term. The active participation by both Asia and Europe in a new partnership should be considered based on new emerging needs.

5. Ministers approved the Deputies' proposal to undertake a thorough review of the ATF by taking stock of the experiences of the two phases and to explore the options for a future funding modality. This will take into account the reviews of the current ATF.

II Strengthening Capacity Building Between Asia and Europe

6. Capacity building has been one of the priority areas in the ASEM FMM process. It helps the developing members with institutional building and human resources development in better responding to the challenges brought about by globalization. It promotes the complementarity of the comparative advantages of Asia and Europe, and narrows down the development gap between the developing and developed members, towards the long-term goal of achieving the common prosperity of both continents. The initiatives under the ASEM FMM, such as the ATF proposed by the UK in 1998, the EFEX (the European Financial Expertise Network) proposed by the EU in 1998, the "Kobe Research Project" proposed by Japan in 2001, the public debt management forum proposed by Thailand in 2001, and the Bali Initiative proposed by Indonesia in 2003, have all contributed to the capacity building of the developing members.
7. Ministers welcomed the progress achieved in ASEM capacity building in the recent years. Recognizing the new global situations and the dynamic feature of the growing economic and financial interdependencies between the two regions, Ministers called on deepening ASEM cooperation on capacity building through broad-based and in-depth exchanges of experiences and carrying out training activities, seminars and workshops. To ensure the efficiency and effectiveness, Ministers asked members to identify the most suitable issues for the activities, which should be demand-driven, better reflect the common challenges confronting both regions and matching the responsibilities of the Finance Ministers.
8. Ministers encouraged all members to make contributions to capacity building in the regions through concrete activities. In this regard, Ministers welcomed the proposal by the UK on co-hosting a seminar with China on public debt management, in London in December 2005. Ministers also welcomed the workshop co-sponsored by China, the European Commission and Austria on the International Accounting Standards in China in the first half of 2006.

III Review of the ASEM Taskforce Report on Closer Economic Partnership

9. To implement the recommendations on working "towards a closer ASEM economic partnership" adopted by Leaders at the ASEM Summit Four in Copenhagen, 2002, the ASEM Taskforce on Closer Economic Partnership was established and submitted its final report to the ASEM Summit Five in Vietnam in 2004. Two of the action-oriented recommendations for ASEM financial cooperation were creating an ASEM "YES" Bond Market and an ASEM Bond Fund. The aims were to accelerate the development of the Asian bond market in facilitating the Asia-Europe economic integration in the future. ASEM Leaders called on Finance Ministers to further explore the recommendations and other ways to strengthen the partnership within their responsibilities.
10. Ministers reviewed the Taskforce's Report and welcomed its general recommendations for ASEM financial cooperation, and noted the need for further studies on its concrete recommendations, including consultation with market participants in respect of identification of specific needs.

IV Establishing an ASEM Contingency Dialogue Mechanism for Emergent Economic and Financial Events

11. In the context of globalization, crises or disasters spread beyond the territorial boundaries and affect economics and individual lives. The tsunami happened in the Indian Ocean region at the end of 2004 not only caused tragic loss of lives to the affected countries, but also devastated their economies. This has alerted the international community including ASEM of improving crises or disasters management and prevention. Should similar events occur again in the future, an ASEM contingency dialogue mechanism would serve as an effective channel for ASEM member countries to conduct dialogues on economic and financial policy response and coordination of rehabilitation and relief actions. Such a mechanism should further enhance the regional cooperation to contain and minimize the negative impact of emergent events on the regional and global economy, and speed up the joint relief and reconstruction efforts.
12. Recognizing the importance of strengthening the ASEM capability of responding to emergencies through institutional building and raising the common awareness of joint responsibilities on crises or disasters prevention and management, Ministers agreed that the ASEM Contingency Dialogue Mechanism for Emergent Economic and Financial Events be established to conduct timely consultation and coordination on emergent events. The meeting could be summoned by the host country of the FMM, with member participation at Deputies or Senior Officials' levels, whichever is viewed suitable.

NEXT STEPS

13. Ministers agreed that a taskforce under the ASEM FMM be established to further explore the Tianjin Initiative and make proposals for future steps. The taskforce will be jointly chaired by China, Japan, the Laos, the European Commission and Austria. All ASEM members are welcomed to participate.