

## **The Eleventh ASEM Finance Ministers' Meeting**

**Milan, Italy, 12 September 2014**

### **Communiqué**

1. The Eleventh ASEM Finance Ministers' Meeting (ASEM FinMM11) was held in Milan, Italy, on September 12, 2014. It was attended by the Finance Ministers and representatives from 49 ASEM Member Countries and by the European Commission (EC). It was also attended by the Finance Minister of Croatia, and by representatives of the International Monetary Fund (IMF), the World Bank (WB), the World Trade Organization (WTO), the European Central Bank (ECB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the European Stability Mechanism (ESM), the Organization for Economic Co-operation and Development (OECD), the Asian Development Bank (ADB) and ASEAN+3 Macroeconomic Research Office as invited guests.
2. Mr. Pier Carlo Padoan, Finance Minister of Italy, welcomed the participants to the ASEM Finance Ministers' Meeting. In his opening remarks, he emphasized the economic importance of the many synergies between ASEM Member Countries and urged them to work together to restore growth so as to raise employment to levels compatible with the expectations of their citizens, as well as to reduce the likelihood of future crises by buttressing their individual and collective macroeconomic and financial resilience. He wished for a strengthening of financial and trade linkages between Europe and Asia to maximize the regions' gains associated to increased globalization.
3. Ministers had a comprehensive and fruitful discussion on a range of issues of common interest based on the theme *"A New Strategic Alliance to Create Sustainable and Profitable Growth"*, underlining the need for Europe and Asia to foster growth and productivity through an enhanced partnership that facilitates trade and investment flows, with the ultimate goal of securing stronger, more sustainable and balanced global growth and returning employment rapidly and durably to its structural level.

## **Economic and financial developments and prospects for Europe and Asia**

4. Ministers exchanged views on the recent economic and financial developments in Europe and Asia. With global growth remaining fragile and fraught with downside risks, Ministers noted that the recovery in Europe is likely to remain weak in the second half of the year. Steady progress in the implementation of sound economic policies remains crucial to create the conditions for stronger growth over the medium term. Against this background, Ministers welcomed the growth-enhancing policies and structural reforms undertaken by European countries to support growth, as well as the efforts of European Member States to implement growth-friendly fiscal consolidation while using the possibilities offered by the EU's fiscal framework to balance fiscal discipline with the need to support growth.

5. Ministers welcomed the new stream of actions taken by Europe since the past ASEM Finance Ministers' meeting to safeguard the integrity and stability of the region, address internal imbalances, and improve the functioning and resilience of financial markets, including through the recent launch of the Banking Union and, with it, of the Single Supervisory Mechanism and of the Single Resolution Mechanism.

6. Ministers welcomed the steady recovery and overall good performance of Asian economies, some of which have slowed following a welcome rebalancing of internal demand. Ministers praised, in particular, Asia's resilience in the face of the prospect of normalization of monetary policy in a number of advanced economies, and noted that the region has the potential to remain a robust growth driver for the global economy. Ministers also supported initiatives underway for further improving macroeconomic frameworks and strengthening structural reforms in Asian economies to underpin the ongoing growth momentum. Ministers also stressed that, for most countries in Asia, a gradual fiscal consolidation remains appropriate so as to rebuild fiscal space and support confidence.

7. Acknowledging the mutual interdependence of their economies, Ministers stressed the need to be prepared against the risks created by the possibility of heightened volatility of financial markets that could impact both Asia and Europe. Given investors' strong appetite for higher yields, they agreed on the need to remain vigilant of increases in financial leveraging, including in the shadow banking system, and of debt vulnerabilities associated with a normalization of official interest rates in certain countries and foreign-currency borrowing.

8. Noting that economic cooperation between Europe and Asia continues to be a major driver for global and regional growth, Ministers noted the importance of strengthening trade and investment relations between their regions, including by enhancing the role of the private sector. They underlined that – for sustained growth and job creation – tapping the potential of trade and foreign investment is crucial, for which an open, transparent, and a rules-based trading system is needed. They also noted the rising level of geopolitical risks.

9. Ministers supported the comprehensive agenda of financial reforms and supervisory actions that has been agreed at the global level in response to the 2008-9 global financial crisis. Ministers acknowledged that resilient financial intermediaries and increased market transparency and integrity are necessary conditions for efficient financial markets and long-term sustainable growth. Ministers are committed to timely and consistent implementation of internationally-agreed standards for regulation and supervision in the financial sector, in order to prevent regulatory arbitrage and avoid distortions and fragmentation. Ministers also underline the importance of mutual recognition in terms of financial regulation, inviting jurisdictions to defer to each other when their respective laws and regulations produce comparable outcomes so as to promote a stable and integrated financial system.

#### **Role of regional financial arrangements in Asia and Europe in ensuring financial stability**

10. Ministers discussed progress on key regional financing arrangements (RFAs) in Europe and Asia, namely the European Stability Mechanism (ESM) and its precursor, the European Financial Stability Facility (EFSF), and the Chiang Mai Initiative Multilateralisation (CMIM). Although RFAs in Europe and Asia have different features, Ministers were of the common view that permanent arrangements like these offer a useful instrument to deal effectively and speedily with potential bouts of financial instability. Ministers encouraged the dialogue among RFAs and the strengthening of the cooperation between the IMF and RFAs, while safeguarding the independence of the respective institutions. Ministers also noted the establishment in Fortaleza in July 2014 of the BRICS' Contingent Reserve Arrangement that may contribute to the strengthening of global safety nets and complement existing international monetary and financial arrangements.

11. Ministers welcomed the entry into force of the amended Chiang Mai Initiative Multilateralisation (CMIM) agreement on July 17, 2014, which strengthened the CMIM. In addition, Ministers also welcomed

the renewed commitment to accelerate the transformation of ASEAN+3 Macroeconomic Research Office (AMRO) into an international organization, as agreed in 2013, to enhance its operational abilities.

12. Ministers acknowledged the need of further strengthening regulatory financial cooperation between Europe and Asia. Financial sector supervision, exchange of data and information between supervisors, exchange of experiences on regional financial arrangements, and the ability of regulators to defer to each other when warranted by their respective regulations and enforcement regimes, in a non-discriminatory way, were deemed as key remedies towards facilitating such cooperation. Ministers called for relevant international organizations to further explore the lessons learnt from economic integration in both regions.

13. Ministers expressed their disappointment with the continued delay in progressing the IMF quota and governance reforms agreed to in 2010 and the 15th General Review of Quotas (GRQ), and reaffirmed the importance of the IMF as a quota-based institution. Ministers stressed that the implementation of the 2010 reforms remain their highest priority, urged ratification of these reforms by all IMF members at the earliest opportunity and committed to maintaining a strong and adequately-resourced IMF. Ministers stated that, should the 2010 reforms be not ratified by year-end, they would be ready to discuss within the IMFC options for next steps developed by the IMF.

14. Ministers supported the resolve of the G20 to develop ambitious and comprehensive growth strategies for the Brisbane summit to achieve strong, sustainable and balanced growth in the context of fiscal sustainability and foster employment, while addressing remaining gaps in financial market regulation. Ministers welcomed the G20 focus on increasing investment, including in infrastructures, in countries where it is insufficient; lifting employment; ensuring a stronger participation of women in the economy; enhancing trade; and promoting competition. Ministers emphasized the need of G20 members to implement their fiscal strategies, so as to support growth and jobs, while putting debt as a share of GDP on a sustainable path, as agreed in St. Petersburg. We also urge all G20 members to ensure consistent implementation of the agreed G20 financial regulatory reforms across all jurisdictions. 15. Ministers reaffirmed that further progress is needed to fight tax evasion and tax avoidance, and to improve the transparency of beneficial ownership of companies and other legal arrangements, including trusts. To this end, Ministers supported the implementation of the commitments taken by the participants in relevant fora, such as the G20 and the Global Forum, on base erosion and profit shifting, as well as on the new single

global standard for automatic exchange of information for tax purposes, and on the prevention of the misuse of companies and legal arrangements, such as trusts, for illicit purposes.

### **Europe and Asia partnership for enhancing inter-regional investment and trade**

16. Ministers reiterated their commitment to increase inter-regional investment and trade flows through the market economy, open multilateral trading systems, non-discriminatory liberalization and open regionalism. Ministers also committed to resisting protectionism in all forms, including new export restrictions and World Trade Organization (WTO)-inconsistent measures. Ministers called for further efforts to put all the Bali decisions back on track,, so as to ensure a successful conclusion of the World Trade Organization (WTO) Doha Round.

17. Recognizing the untapped potentials in investment and trade between the two regions, Ministers encouraged the European and Asian businesses and private sector, including the small and medium-sized enterprises, to continue contributing to economic growth while consolidating existing partnerships and addressing a new path of economic cooperation. This path includes, prominently, initiatives on trade and investments to foster integration between Europe and Asia; collaboration on the efficient use of natural resources, notably food, water, energy, and technical cooperation and assistance; as well as pressing on the agenda of EU-Asia cooperation in infrastructures, and connectivity networks.

18. In line with the G20, Ministers recognized that infrastructure investment can be a long-run engine of growth and job creation, reduce poverty and narrow development gaps, increase global trade and growth prospects. To this end, Ministers reiterated strong and continued support to the implementation of Public-Private-Partnerships (PPP) in infrastructure projects and noted that an improved environment for PPP financing could help boost the pace of development in both regions, and that strengthening project preparation would ensure that more viable projects are identified, developed, and reach more the financing stage. Ministers also emphasized the need for Small and Medium Enterprises (SMEs) to flourish in an economic environment conducive to business investment, sharing views on the importance of improving the framework conditions for SMEs and the relevance of promoting mutual understanding and cooperation on SMEs' policies.

### **Other matters and future meetings**

19. The Twelfth ASEM Finance Ministers' Meeting will be held under the Chairmanship of Mongolia in 2016. Ministers asked their Deputies to work out the agenda of the next meeting. The conclusions of this meeting will constitute the Finance Ministers' input to the Tenth ASEM Summit, which will be held during October 16-17, 2014 in Milan, Italy.