

## Fifth Asia-Europe Finance Ministers' Meeting

### Ministerial Statement

5-6 July 2003, Bali, Indonesia

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#### Introduction

1. The Fifth Asia-Europe Finance Ministers' Meeting was held in Bali on 5-6 July 2003. It was attended by the Finance Ministers of ten Asian countries, fifteen member states of the European Union and the European Commission. The meeting was also attended by the President of the Asian Development Bank, the Vice President for East Asia and the Pacific of the World Bank, the Member of the Executive Board/Governing Council of the European Central Bank, a senior representative of the International Monetary Fund, and the Co-chairman of the ASEM Task Force on Closer Economic Partnership as guests.

#### Global Economic Developments

2. Ministers exchanged views on the latest global and regional economic outlook. Though growth among the developed countries remains subdued and the world economy continues to face short-term uncertainties and challenges, ministers expressed confidence that growth would accelerate in the near future, in part as a result of the dissipation of some of the geopolitical uncertainties. They agreed on the need to support the global recovery in order to achieve higher sustainable growth and employment creation through sound macroeconomic policies and structural reforms. In particular, ministers emphasized the importance of strengthening cooperation among ASEM partners in order to maintain the momentum of the world economic growth, to foster orderly development in international financial markets as well as to promote an orderly and fairly-shared adjustment of international imbalances.
3. Ministers appreciated the strong public health measures taken by governments in Asia and also the role and support of the WHO to control SARS, and noted that transparency in the flow of information is a key feature in maintaining public confidence. Ministers also welcomed the effective measures taken by governments to minimize the negative economic effects of SARS.

#### Millennium Development Goals and the International Development Agenda

4. Ministers reaffirmed their commitment to the global effort to accelerate development, reduce poverty and achieve the Millennium Development Goals, in line with the commitments adopted in Monterrey, Doha and Johannesburg. Ministers stressed the need for developed countries to pay special attention to policies that promote adequate economic growth, increase the volume, predictability and effectiveness of ODA flows and improve market access for developing countries as part of the Doha Development Agenda. In this context, Ministers welcomed the discussion of new financing instruments such as the proposal for a new International Finance Facility. Developing countries in turn must strengthen conditions for investment and private sector activities, undertake appropriately sequenced structural reforms, improve public and private governance and invest in human resources. Furthermore, it is crucial that conditions are created for the resulting improved growth to also benefit the weakest groups in society. Ministers asked deputies to work with the World Bank and report back on progress towards the achievement of the MDGs among ASEM partners at the next ASEM Finance Ministers' meeting.
5. Ministers of creditor countries reaffirmed their commitment to participate fully in the Heavily Indebted Poor Countries (HIPC) initiative, recognizing the role that debt relief can play in tackling poverty, and agreed to encourage other countries and regional institutions to do likewise.

#### Partnership for Growth and Development between Asia and Europe

6. Ministers welcomed the objectives of the initiative proposed by Indonesia to strengthen the partnership for growth and development between Asia and Europe - The Bali Initiative. Ministers acknowledged the contributions of well-trained public officials as a critical element, among

others, of a sound fiscal and financial system. In this regard, Ministers agreed to examine ways of enhancing human resource development through cooperation among the fiscal and financial authorities in both regions, for example in the form of internships, staff exchanges, provision of scholarships, and training.

7. Ministers asked their Deputies, in view of this Bali Initiative, to recommend practical steps to enhance capacity building. They should take into account the experience gained with the ASEM Trust Fund 2 and the European Financial Expertise Network - EFEX, and avoid duplication of these efforts, and report to the next Finance Ministers' meeting on steps to be taken, including on financing needs.
8. Ministers welcomed the establishment of the ASEM Task Force on Closer Economic Partnership. They appreciated the interim report of the taskforce to the meeting and asked it to examine further concrete steps to expand ASEM financial cooperation, including the role of the Euro, the development of Asian bond markets, and increasing the role of regional financial institutions in promoting inter-regional financial cooperation.

#### Development of inter-regional financial cooperation

9. Ministers welcomed the reports by the European Commission on progress towards an integrated single financial market in Europe by 2005 and by the European Central Bank on cooperation among financial sector supervisors in Europe. Ministers noted the role of a considerable convergence in European financial systems in contributing to successful financial integration. Ministers acknowledged that sharing of experience and technical assistance from European partners are helpful in strengthening fiscal and financial cooperation both within Asia and between the two regions.
10. Ministers welcomed progress in regional financial cooperation under the ASEAN+3 (China, Japan and the Republic of Korea) Finance Ministers' Process, including the Asian Bond Markets Initiative, development of the Chiang Mai Initiative, enhanced policy dialogue in the region, monitoring of capital flows and a model for an early warning system. Ministers emphasized the importance of fostering bond markets denominated in local currencies that will enhance mobilization of savings for long term investments in Asia. They noted the launch of the Asian Bond Fund (ABF) by 11 Asian economies, and agreed that it would play a catalytic role in increasing Asian capital market activity.

#### Anti money laundering and combating the financing of terrorism

11. Ministers reaffirmed their strong commitment to anti money laundering and combating the financing of terrorism (AML/CFT). They welcomed the revised 40 Recommendations and 8 Special Recommendations recently issued by the Financial Action Task Force--FATF and encouraged prompt compliance with them. Ministers also noted the progress on the 12-month programme of AML/CFT assessments, and asked the IMF and World Bank to continue to coordinate with international, regional and bilateral efforts to provide critically needed technical assistance. While reiterating the responsibility of national authorities for AML/CFT, Ministers stressed that success will also depend on vigilance and action at the global and regional levels. In this regard Ministers underlined the importance for FATF to examine the issue of regional representation within its current framework.
12. Ministers applauded actions undertaken under the ASEM Cooperation Programme on Fighting Terrorism adopted in Copenhagen in September 2002. They noted the increased reliance of terrorists and money launderers on informal channels and opaque patterns of financing outside the supervised financial system. The relevant UNSC resolutions and FATF 8 Special Recommendations provide an appropriate framework for dealing with financing of terrorism. Ministers welcomed the German and Malaysian initiative to co-host a symposium in 2003 on combating underground banking and supervising alternate remittance systems in European and Asian countries.

#### Follow-up on Strengthening the Framework for Crisis Prevention, the ASEM Trust Fund, and the Public Debt Management Forum

13. Ministers welcomed progress reports on Strengthening the Framework for Crisis Prevention, including on Early Warning Systems by Korea, on the implementation of standards and codes by the IMF, and on the Chiang Mai Initiative and other regional cooperation by the Philippines and the ADB. Ministers encouraged the publication of IMF Article IV reports, ROSCs and FSAP reports on a voluntary basis. They welcomed recent initiatives to formulate a voluntary code of conduct for crisis prevention and resolution, including by issuers, the private and official sectors. They

also noted the successful recent introduction of collective action clauses in international bond contracts by some countries, including emerging market economies.

14. Ministers welcomed the implementation of ASEM Trust Fund 2, drawing on lessons from the results of Trust Fund 1 to optimize the functioning of the new Fund. Ministers agreed to further study the role of the Trust Fund in enhancing ASEM technical assistance cooperation.
15. Ministers welcomed the results of the ASEM Public Debt Management Forum in Copenhagen in September 2002 and expressed the need for discussion of topics of mutual interest in this field from time to time. They welcomed the upcoming ASEM Public Debt Management Forum to be held in Bali, Indonesia, in October 2003.

#### Other Matters and Future Meetings

16. Ministers welcomed the current WTO accession negotiations of Vietnam based on mutually acceptable market access commitments and adherence to WTO rules, taking into account specific conditions and needs of Vietnam.
17. Ministers agreed that a Sixth Meeting of the ASEM Finance Ministers will be held under the chairmanship of the Netherlands in 2004. The statements from the fifth and sixth ASEM Finance Ministers' meetings will constitute the Finance Ministers' input to the fifth ASEM Summit in Hanoi, Vietnam.
18. Ministers expressed their appreciation to the Indonesian authorities for their excellent administration of the meeting and the warm hospitality offered by the people of Bali.