

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 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