

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.
1. 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 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.
2. 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

3. In the context of globalization, crises or disasters spread beyond the territorial boundaries and affect economies 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.
4. 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

10. 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.