

The Joint Ministerial Statement of

the ASEAN + 3 Finance Ministers Meeting

15 May 2004, Jeju, Korea

Introduction

1. We, the Finance Ministers of ASEAN, China, Japan and the Republic of Korea (ASEAN + 3) convened our 7th meeting in Jeju under the chairmanship of H.E. Mr Lim Hng Kiang, Minister, Prime Ministers Office and 2nd Minister for Finance, Singapore.

2. We exchanged views on recent economic and financial developments and policies and took note of the report of Asian Development Bank (ADB) President Tadao Chino on the economic outlook of the region. We also discussed the progress of regional financial cooperation, including, the Chiang Mai Initiative (CMI), the Asian Bond Markets Initiative (ABMI), the ASEAN+3 Research Group, and Monitoring of Capital Flows.

Recent Economic and Financial Developments in the Region

3. We are pleased to note the continued resilience of our economies which grew by 6.3% in 2003 from 5% a year before. Growth was supported by accommodative monetary and fiscal policies in many countries, which contributed to further strengthening in domestic demand. Continued efforts to

accelerate corporate and financial restructuring, fiscal consolidation and improved investment climate have also led to a more conducive economic environment. In this regard, the ASEAN+3 countries have contributed positively as an additional source of growth to global economic recovery. We are reassured by the resilience and proactive management of the Chinese economy and the firm recovery of the Japanese and Korean economies. This will provide a strong foundation for the continuing economic growth of the ASEAN+3 region.

4. To further enhance the economic growth in the region, we reaffirmed the importance of continuing fiscal consolidation and improvement in investment climate. Continued global recovery would further enhance growth prospects in our region this year. We noted the potential impact of higher energy prices and interest rate movements on the global economy.

Strengthening East Asia Financial Cooperation

5. On the Chiang Mai Initiative (CMI), we are pleased to note the continued expansion of its network of bilateral swap arrangements. Since we last met in Makati City in the Philippines, in August 2003, four more Bilateral Swap Agreements (BSAs) have been concluded. That brings the total number of (BSAs) to sixteen, and the size of the network to USD 36.5 billion.

6. We agreed to undertake further review of the CMI to explore ways of enhancing its effectiveness. A working group will be tasked to conduct the

review and report the outcome, by the end of 2004, to our Deputies who will report to us at the next AFMM+3.

7. We are pleased with the substantial progress made by the six working groups under the Asian Bond Markets Initiative (ABMI). We believe that such efforts, in consultation with the private sector, will contribute significantly to the development of deeper and more liquid regional bond markets that will assist in channeling the large pool of savings in Asia to fund productive investment in the region. We also noted the establishment of the ABMI Focal Group, which was set up to coordinate the activities of six working groups.

8. We appreciated the assistance by the ADB in conducting studies on credit guarantee mechanisms and regional clearing and settlement mechanisms as well as the joint effort by Japan and Malaysia to conduct a study on the impediments on cross-border bond investments and issuance. We supported Korea and China co-chairing the working group to explore ways to further enhance the regional credit guarantee and investment mechanism. We also welcomed our members efforts in modifying existing regulations to facilitate the issuance of and investment in local currency denominated bonds under the ABMI.

9. We recognized the importance of disseminating information about bond issuers and bond market infrastructure as the dissemination of such information will promote market transparency and facilitate the decision-making process by

both issuers and investors. In this respect, we welcomed the launch of the Asian Bond Online Website (ABW) today. The ABW will play an important role in providing the public with information about the bond markets in the region as well as updates on the progress made by each working group under the ABMI. We also noted the importance of active involvement of the private sector in fostering the regional bond market and promoting regional economic integration, and welcomed the initiatives to be taken under ABMI.

10. We also recognized the importance of capacity building efforts for the further development of regional bond markets and welcomed the technical assistance provided by the Japan-ASEAN Financial Technical Assistance Fund (JAFTA) to assist participating members. We appreciated Korea's and Malaysia's offer to provide additional technical support in this area. To enhance the effectiveness of the economic review and policy dialogue process, JAFITA has also provided assistance to strengthen participating members' monitoring system and capacity in generating and compiling more accurate and timely data. We also welcomed China's offer to continue with training courses and seminars on the regional economy and financial cooperation.

11. We noted the vigorous discussion on further regional financial cooperation at the first Research Group meeting in March 2004 in Manila and agreed that further discussion by the Research Group should continue next year. This will further enhance mutual understanding among Member Countries and foster the build-up of intellectual capital across the region. In that connection,

we agreed to undertake four more studies. We welcomed Japan's and China's offers to provide financial assistance for those studies.

12. We conducted a useful dialogue with the ADB and expressed our appreciation for the technical assistance provided by the ADB to members.

13. We are pleased with the overall progress achieved under the ASEAN+3 framework and reiterated our commitment towards forging closer financial and monetary cooperation in this region, including expediting the implementation of the above initiatives to ensure continued regional financial stability.

14. On the New Basel Capital Accord, Ministers generally agree with its objective of promoting sound supervisory standards worldwide, and reaffirmed that a certain level of flexibility for non-G10 countries regarding the implementation schedule of the New Accord would support the smooth transition to the new supervisory framework.

15. We agreed to meet in Istanbul, Turkey in 2005.

16. We expressed our thanks to Korea for hosting the 7th ASEAN +3 Finance Ministers Meeting.

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