

The eighth ASEM Finance Ministers' Meeting

Chairman's Statement

Jeju Island, Korea, 14-17 June 2008

Introduction.

1. The eighth ASEM Finance Ministers' Meeting (ASEM FNMM) was held in Jeju Island, Korea on 14-17 June, 2008. It was attended by the Finance Ministers of sixteen ASEM Asian member countries, twenty-seven member states of the European Union, and the European Commissioner for Economic and Monetary Affairs. The meeting was also attended by the President of the Asian Development Bank, the Vice President of the European Central Bank and the Deputy Managing Director of International Monetary Fund as invited guests. Ministers warmly welcomed newly joined ASEM member countries: Bulgaria, India, Mongolia, Pakistan and Romania, and the ASEAN Secretariat.
2. President Lee Myung-bak of Korea, welcomed the Finance Ministers and urged their proactive role in dealing with macroeconomic challenges facing the global community. He emphasized the achievements ASEM has made in associating Asia with Europe in political, economic, and social pillars. He further called upon the Finance Ministers to continue to reinforce cooperation and enhance mutual understanding for co-prosperity of both regions.

Global/Regional economic developments and policy responses

3. Ministers had a comprehensive discussion on global and regional economic and financial developments and on the Asian and European policy responses. Ministers noted the global economy had been facing a challenging period. While remaining positive about the long-term outlook of the global economy, they recognized that the short-term economic prospects have weakened. Ministers consented to the analysis that downside risks have emerged from the slowdown of the U.S.

economy, tightened credit conditions in global financial markets, and mounting inflationary pressures mainly driven by high energy and food prices.

4. Ministers underscored that both Asia and Europe are currently less vulnerable and significantly more resilient to sharp external shocks than a decade ago. This is in particular due to the implementation of structural reforms and appropriate macroeconomic policies. However, Ministers also pointed out that both regions cannot be fully immune to global economic risks.
5. Ministers welcomed timely measures taken by Asian and European countries to deal with the financial turmoil. In this context, Ministers also welcomed the recommendations by the financial stability forum aimed at addressing the consequences of the financial turmoil. Ministers recognized that rapid implementation of the recommendations by the relevant parties will not only enhance the resilience of the global financial system in the longer term, but would also help support confidence and improve the functioning of the markets. Ministers acknowledged that sound and balanced monetary and fiscal policies are needed to maintain the economic activity at a sustained pace, and they reaffirmed their commitment to take strong and coherent actions both at domestic and regional level, taking due account of cross-border spillovers to other countries.
6. Ministers expressed their concerns for the surge in commodity prices, especially of oil and food, which pose a serious challenge to stable economic growth worldwide and have serious implications for the most vulnerable. Ministers agreed on the need for internationally coordinated policy responses, in particular to cushion the impact on the poorest, including enhanced investment in agricultural and energy sectors and maintenance of market openness. Ministers highlighted the need for further analysis on the real and financial factors behind the recent surge in commodity prices, their volatility and the effects on the global economy.
7. Acknowledging that upholding open trade and investment regimes is critical to realizing global prosperity and fighting protectionism, Ministers highlighted the need for a successful conclusion to the Doha Development Agenda. Ministers also agreed that it is urgent to reach a final agreement. This would contribute to global growth and poverty reduction.

Lessons learned from economic integration in Europe and consequent implications for Asia

8. Ministers acknowledged that some aspects of the European experience are relevant to the current efforts of Asia to enhance regional financial cooperation. In 2008, the EU has recently celebrated the 10th anniversary of the key decisions that led to the adoption of the euro as the national currency of now 15 European countries and the establishment of the ECB. The launch of the euro was the crowning achievement of an outstanding legal, technical, and political process which started more than 50 years ago. The integration path conducted in Europe has been evaluated as a pragmatic and sequential approach, which evolved from a customs union to a single market, and finally to the economic and monetary union.
9. In Asia, the current financial cooperation arrangements, such as the Chiang Mai Initiative (CMI), represent an Asia-specific approach while also drawing on European experiences. The arrangements constitute a pragmatic way of signaling the commitment to build confidence and trust between economic and monetary policymakers and to create conditions for closer dialogue and an effective regional surveillance system. Ministers noted that the Asian approach was gradual as in Europe and welcomed the Asian efforts to move toward the multilateralisation of the CMI which will provide new momentum for the integration process in the Asian region. Ministers also considered that the CMI multilateralisation has the potential to provide an effective framework for macroeconomic surveillance within the region, and to be an effective mechanism to resist currency turmoil.
10. Ministers agreed on the importance of Asia's successful efforts to strengthen monetary and financial cooperation. Greater regional financial stability would strengthen the resilience of the Asian economies, enhance the functioning of the international monetary system and could facilitate efficient global economic and financial adjustments and an orderly unwinding of global imbalances. Ministers discussed the lessons of monetary integration in Europe and the prospect of financial integration in Asia. Ministers acknowledged that financial integration could bring more stability to the region and, in turn, would reduce uncertainty and foster economic growth in the region.

Infrastructure finance and Microfinance

11. Ministers noted that infrastructure development could play a crucial role in economic growth and social development. They acknowledged an improved environment for Public-Private-Partnership (PPP) financing could enhance infrastructure development, while ensuring adequate value-for-money as well as proper recording and disclosure of costs and risks to the public. Ministers confirmed that closer cooperation among ASEM member countries would facilitate sharing of PPP experience and promote PPP infrastructure financing in the region. In this regard, they welcomed the launch of the European PPP Expertise Center and encouraged it to play a pivotal role in promoting PPP in Europe. In this regard, Ministers welcomed the forthcoming first ASEM Meeting of transport Ministers to be held in Lithuania in 2009 as it would provide useful insights into the needs of transport infrastructure and especially with respect to PPP financing.
12. Ministers agreed on the importance of sharing the related information and knowledge as well as capacity building in order to promote PPP in infrastructure. In this context, Ministers welcomed the Jeju Initiative to enhance the mutual cooperation on PPP among ASEM member countries. The mutual cooperation under the Jeju Initiative will possibly include developing partnership programs such as promoting information sharing on PPP among member countries, operating education/training programs, providing technical assistance, and exchanging experts in both regions. Ministers agreed to launch a task force to examine the details of the partnership including information sharing on PPP among member countries and to hold an ASEM international conference on PPP before the following Ministers' Meeting. Ministers welcomed the Korean government's strong commitment to support the establishment and operation of the task force as well as to hold the International Conference.
13. Ministers exchanged their views on recent trends in microfinance market and came to the agreement that microfinance would be an effective and powerful vehicle to stimulate economic development and enhance social cohesion for both developing and developed countries. Ministers emphasized the need for the public sector to encourage private initiatives and market mechanisms to ensure long-term sustainability and efficiency of the microfinance industry. Ministers also agreed

that the public sector will make efforts to establish legal and regulatory frameworks considering the special characteristics and needs of the microfinance industry.

Market-oriented approaches to cope with climate change

14. Ministers noted the progress in negotiations on a follow-up to the Kyoto Protocol under the United Nations Framework Convention on Climate Change, and welcomed the adoption of the Bali Roadmap. Ministers reaffirmed the principle of common but differentiated responsibilities. Ministers were determined to further strengthen our cooperation to promote the full, effective and sustained implementation of the Convention.
15. Ministers agreed to further explore the role of market-oriented responses in mitigating greenhouse gas emissions cost effectively and with minimal impact to growth prospects. Ministers took note of market-oriented policies as a means of working with the market to appropriately price greenhouse gas emissions changing the incentives for lower-carbon activities, whilst also acknowledging potential for other policy levers. Ministers agreed to further explore these issues including carbon market instruments which could alleviate the need to raise revenue from other sources. Ministers noted that adaptation to the inevitable impacts of climate change would be largely based on responses by individual actors, but they placed an emphasis on the key role of the government to adapt effectively and incorporate climate change vulnerabilities in such as infrastructure. Ministers also noted that the capital market instruments, such as the weather derivatives and catastrophe bonds, would be considered to spread risks and mitigate the losses caused by natural disasters. Ministers welcome discussions on the initiative to launch in collaboration with the MDBs, the new Climate Investment Funds (CIFs), which will complement existing bilateral and multilateral efforts until a Post-2012 framework under the UNFCCC is implemented.
16. Ministers recognized the importance of designing policy that provides opportunity for developing countries to ensure their economic growth and sustainable development. Reflecting the discussion amongst Finance Ministers in Bali in 2007, Ministers of ASEM member countries also recognized the possible economic

benefits from taking timely actions on climate change and the positive impacts on long term economic growth and development from adopting cost-effective policies.

17. Ministers would continue to support the global negotiation in pursuit of a post-2012 arrangement on the follow-up on the Kyoto Protocol, including developing cost-efficient and equitable policies and markets.

Cooperative partnership between Asia and Europe

18. Ministers recognized the growing interdependence of the economies and the increasing importance of dialogue and cooperation between Europe and Asia. In this regard, Ministers welcomed the continued efforts to deepen the cooperative relation between Asia and Europe such as the establishment of the ASEM Dialogue Facility and the ASEM Conference which was held back-to-back with Finance Ministers' Meeting. Ministers also acknowledged the continuous progress that the Bali Initiative has exhibited.
19. Ministers welcomed continuous efforts to facilitate and secure trade by ASEM Customs Working Group and the result of the seventh ASEM Customs Directors General-Commissioners Meeting held in Yokohama in November 2007. Ministers noted the importance of further cooperation in fields such as intellectual property rights (IPR) protection and enforcement, environmental protection, as well as the customs cooperation between Asia and Europe.
20. Ministers confirmed with satisfaction that the newly introduced ASEM FNMM process which consists of a biennial ministerial meeting and annual deputies' meetings enabled a more efficient and effective approach to the agenda through predetermined timetable. Recognizing that this year's meeting enabled an in-depth discussion on a wide range of issues, Ministers also agreed to continue with this format in the future to ensure constructive and concrete results.

Other matters and future meetings

21. Ministers agreed that the ninth ASEM Finance Ministers' Meeting will be held under the chairmanship of Spain in 2010. Ministers also noted with gratitude that

Spain will also hold the next Deputies' Meetings in 2009 and 2010 respectively. The statement from the eighth ASEM Finance Ministers' meetings will constitute the Finance Ministers' input to the seventh ASEM Summit in Beijing, China.

22. Ministers showed their gratitude to the Government of Korea through the Ministry of Strategy and Finance for the excellent arrangement for the eighth ASEM FNMM and the Jeju people for their warm hospitality.