

**The Joint Ministerial Statement of the 8th ASEAN+3 Finance Ministers' Meeting
4 May 2005, Istanbul, Turkey**

Introduction

1. We, the Finance Ministers of ASEAN, China, Japan and the Republic of Korea (ASEAN+3), convened our eighth meeting in Istanbul, Turkey under the chairmanship of H.E. Chansy Phosikham, Minister of Finance of Lao PDR.

2. We exchanged views on recent economic and financial developments and policies, and reviewed the progress of regional financial cooperation, including the Chiang Mai Initiative, the Asian Bond Markets Initiative, and the ASEAN+3 Research Group.

Recent Economic and Financial Developments in the Region

3. We were pleased to note the region's strong economic growth last year. Despite the softening of external demand, it was expected that the region would post still solid, though somewhat moderated, growth this year.

4. To sustain the economic growth of the region particularly against the potential risks of persistently high oil prices and global imbalances, we reiterated our commitment to implement structural reforms as well as to take appropriate macroeconomic policy measures including policies to promote domestic demand-driven growth.

Strengthening East Asian Financial Cooperation

5. On the **Chiang Mai Initiative (CMI)**, we reaffirmed our resolution to strengthen our self-help and support mechanism in East Asia by making the CMI a more effective and disciplined framework. As a basic principle for the review, we agreed to firmly maintain the CMI's two core objectives, namely, (1) to address short-term liquidity difficulties in the region and (2) to supplement the existing international financial arrangements.

6. Taking into account (i) the improvement in our economic and financial situations and (ii) the advancement in our various initiatives for regional financial cooperation, such as regional surveillance and the Asian Bond Markets Initiative, as well as reflecting the existing vulnerabilities in the global financial markets, we agreed upon the following measures to enhance the effectiveness of the CMI as a self-help and support mechanism:

- (I) **Integration and enhancement of ASEAN+3 economic surveillance** into the CMI framework to enable early detection of irregularities and swift remedial policy actions, with a view to developing effective regional surveillance capabilities that complements the current undertaking by the International Financial Institutions (IFIs);
- (II) **Clear-defining of the swap activation process and the adoption of a collective decision-making mechanism** of the current network of bilateral swap arrangements (BSA) as a first step of multilateralization so that the relevant BSAs would be activated collectively and promptly in case of emergency; and
- (III) **Significant increase in the size of swaps.** The size of the BSAs should be increased by (i) increasing the amount of existing bilateral commitment, (ii) concluding new BSAs, for example, among ASEAN countries, and (iii) transforming one-way BSAs to two-way BSAs. Member countries favored an enhancement of up to 100% increase of the existing individual arrangements while noting that the size could be flexibly decided by bilateral negotiations. In this context, the ASEAN Swap Arrangement has been doubled from US\$ 1 Billion to US\$ 2 billion.
- (IV) **Improving the drawdown mechanism.** The size of swaps that could be withdrawn without the IMF-supported program would be increased from the current 10% to 20% in order to better cope with sudden market irregularities while the current framework to complement the international financial arrangements and other disciplined conditions would be firmly maintained.

7. To further enhance the CMI's effectiveness, we tasked the Deputies to study the various possible routes towards multilateralizing the CMI.
8. On the **Asian Bond Markets Initiative (ABMI)**, we were pleased with the concrete progress made to date, in particular the positive measures implemented in line with the aspiration of this Initiative. The notable achievements since our last meeting are summarized in the ABMI progress report (to be uploaded to the Asian Bonds Online Website (ABW)¹). The East Asian local currency bond markets have grown rapidly, and some structural improvements have been observed such as stretching of the government bond yield curves and diversification of instruments and issuer base.
9. To further contribute to the development of deeper and more liquid regional bond markets that would assist in the efficient allocation of the large pool of savings in Asia to finance productive investment in the region, we will continue and expedite our efforts in undertaking a wide variety of studies and implementing various effective measures under the ABMI working groups.
10. Embracing the initial success, we will introduce a roadmap that proposes gathering and sharing information in an integrated manner on bond market development and on our related efforts with the regular self-assessment conducted by member countries. The possible issuance of Asian currency-basket bonds could be explored under the auspices of the roadmap. We also agreed to embark the study of Asian Bond Standards to explore the development of international bond markets in Asia through tailoring necessary infrastructure and setting the procedure entrusted by global issuers and investors. We acknowledged the merits of embracing the voluntary "practical alternatives" for withholding tax treatment on bond holdings in promoting liquidity and cross-border trading in the region.
11. On the **ASEAN+3 Research Group**, we acknowledged the usefulness of the findings and recommendations of the studies on economic surveillance, economic and financial integration in the region, regional financial architecture, and private sector development, which contributed to our better understanding of closer financial cooperation in the region.² We also endorsed three research areas for 2005-06 that will collectively look at capital flow liberalization and institutional arrangements; capital market development including fostering asset management industry; and policy coordination forward in the region.

Asia's Representation in the IMF

12. We called for an urgent review of the quota of the Asian countries in the IMF to properly reflect the current realities and their relative positions in the world economy. This would strengthen the mutual understanding between Asia and the IFIs.

Others

13. We thanked the ADB for its continued support for ASEAN+3 initiatives and welcomed the Bank's new focus on regional economic integration. We also expressed our appreciation to the governments of Lao PDR and Turkey for the excellent arrangements.
14. We agreed to meet in Hyderabad, India in 2006.

¹ <http://asianbondsonline.adb.org>

² To be disseminated through the websites of the ASEAN Secretariat, the ADB, and member countries where available.