



## **Seventh ASEM Finance Ministers Meeting Chairman's Statement**

The seventh ASEM Finance Ministers' Meeting (ASEM FMM) was held in Vienna, Austria on 8/9 April, 2006. It was attended by the Finance Ministers from the ASEM Member Countries and the European Commission. High level officials of the Asian Development Bank, the International Monetary Fund, the World Bank and the European Central Bank attended as guests.

Austrian Chancellor Wolfgang Schüssel opened the meeting and emphasised the important role of the ASEM process as a platform for the dialogue and cooperation between Asia and Europe. He recognised the important contribution of Finance Ministers in this regard. He stressed the important role the Finance Ministers' Meeting had for the upcoming Summit in Finland.

### **General economic situation**

Ministers discussed global economic developments and prospects and appropriate policy responses with the objective to secure a more balanced and sustained global economic expansion in their countries.

They noted that global economic growth has been strong in 2005 and throughout the first months of 2006, with Asia and the United States continuing to be the engines of global growth. EU countries and Japan, while growing more slowly, also showed signs of domestic demand picking up and improving sentiment which should feed through to more robust activity. Prudent macroeconomic policies, combined with forward-looking structural policies (e. g. R&D, education, infrastructure) were called for in order to sustain growth in Asia and Europe.

Ministers noted further that high and volatile oil prices, persistently large global imbalances, faster than currently expected tightening of global financial conditions and emerging

protectionist tendencies, as well as increased frequency of low probability – high impact catastrophic events, such as natural disasters and avian flu outbreak, continue to constitute the main downside risks for the global outlook. They stressed the importance of developing appropriate policy approaches to address these challenges.

Acknowledging the persistent threat of an avian flu pandemic, Ministers underscored the need to make further progress in national response planning and regional coordination.

### **Energy, oil prices**

Ministers noted that the recent oil price increases so far had a relatively limited economic impact due to a generally favourable international environment, improved energy efficiency and more economic flexibility and resilience among Member Countries than during previous oil price hikes. Still, effects on ASEM Countries were asymmetric, with some, especially less developed, countries being severely affected. Ministers noted further that it is important to avoid second round effects on wages which would drive up inflation.

Ministers agreed that a sustained stabilisation of oil markets requires encompassing efforts both on the demand and supply side. Ministers reiterated their call for investment in energy efficiency, increased oil production and refining capacity and for improved data on oil production, demand, reserves and stocks. They also called for an enhanced regular dialogue between oil producing and oil consuming countries and the facilitation of transferring energy-saving technologies. Ministers agreed to cooperate in the relevant international fora with a view to meeting these challenges. They welcomed the proposal for a European energy strategy contained in the Commission's Green Paper and noted the importance of the Energy Charter as an element conducive to the attainment of some of the above goals. They noted the importance of the full pass through of oil price increases.

### **Global imbalances**

Ministers noted that global imbalances have widened since the last meeting and 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.

### **Bretton Woods Governance Issues**

Ministers exchanged views on quota misalignments and enhanced representation of emerging and other Member Countries in the Bretton Woods Institutions. They agreed that fair voice and a distribution of quotas reflecting developments in the world economy would improve representation and ownership of these institutions by all Member Countries. They agreed on the need to make progress and to ensure a cooperative solution, including on burden-sharing, by the next IMF and World Bank Annual Meeting in Singapore.

### **Anti Money Laundering (AML)**

Ministers welcomed the progress on AML and combating terrorism financing (CTF) since the last discussion of this issue in Bali 2003. They encouraged all countries to comply with the FATF's recommendations on AML and CTF. A substantive dialogue was held with the Myanmar delegation on their AML and combating terrorism financing efforts, as parts of an adequate rule-of-law regime. European countries stressed their dissatisfaction with the situation in Myanmar and urged Myanmar to implement all international treaties and standards. Ministers acknowledged the legal and implementational efforts Myanmar had made in recent years, which would contribute to bringing Myanmar into the fold of compliant countries.

### **Making Globalisation a Success for All**

Ministers had a detailed discussion on opportunities and challenges posed by the process of globalisation and the emerging international division of labor. Therefore, while protectionism has to be resisted, effective policies need to address the challenges posed by adjustment costs and to seize the opportunities provided by globalisation.

They further agreed that such policies should include a certain number of common features valid across all countries, irrespective of their level of income, notwithstanding important differences in immediate priority areas for action and practical details. Key to seizing the opportunities is a climate conducive to business and infrastructure investment, flexible product and labour markets, abundance of adequately qualified labor, functioning financial markets and a policy focus on education and research and development. Of equal importance to tackle the challenges is an adequate system of social protection, with a focus on empowering disadvantaged and vulnerable groups.

They concurred that adequate protection of vulnerable groups both in developed and less developed countries does not only have social and humanitarian value, but that a well designed system can enhance incentives to work and support productivity growth. A functioning social safety net, which enhances the right balance between security and

flexibility, can also help secure broad and sustained support for an open and liberal system for global trade and investment which is the backbone of a dynamic global economy. In the ASEM context, the exchange of best practices regarding labor market flexibility and social protection systems is most welcome.

They agreed that both countries of origin and destination of migration had to safeguard smooth and orderly migration flows, combat human trafficking and exploitation of migrants and enable remittances to be transferred safely and cheaply. Ministers opined that increasing migration flows require intensive cooperation between countries of origin and countries of destination.

Ministers agreed that additional progress is needed in the following three areas:

- To successfully conclude the Doha Development Agenda, reaching a balanced outcome in all sectors and areas of negotiations while giving less developed countries special and differentiated treatment.
- To make progress with the timely attainment of the Millennium Development Goals through combined intensified efforts by development partners.
- To develop adequate communication strategies both at national and international levels in order to increase understanding and acceptance of policies promoting globalisation.

### **Practical Aspects of the cooperation between Asia and Europe**

Ministers took note of progress reports on ASEM Countries' cooperative initiatives during the past year and of the positive assessment on the efficiency and effectiveness of the ASEM Trust Fund. They agreed that efforts, mainly in the policy dialogue and capacity building fields should be continued through ASEM channels and asked the European Commission to explore further with Asian and European partners on how to establish such a new instrument. Ministers also approved the Terms of Reference of a new ASEM Contingency Dialogue Mechanism for Emergent Economic and Financial events. Ministers welcomed the ASEM workshops held recently on debt management (London) and on accounting issues (Shanghai).

Ministers listened to the ADB's proposal for the installation of an ADB Carbon Market Initiative which could be beneficial both for the Asian and EU countries. They welcomed this initiative and highlighted the need for linkages and coordination with existing and developing schemes.

On the basis of the request formulated in the conclusions of the Tianjin meeting, Customs Commissioners and Directors General (DGs) have made the issue of supply chain security a priority of Customs work. They agreed that further measures which will contribute in the ASEM context to implement the World Customs Organisation (WCO) Framework of Standards will be explored during a joint meeting of the Enforcement and Procedures Working Groups, which will be organised by Poland in September 2006, in order reach conclusions that contribute to the creation of smart and secure trade lanes between Asia and Europe.

### **Future Meetings**

Ministers agreed to gladly accept the offer by Korea to host the next ASEM Finance Ministers' Meeting in 2008, as well as a Deputies' Meeting in 2007. They expressed their wish to have the results of this meeting reported to the ASEM Summit in Finland. Ministers expressed their appreciation to the Austrian authorities for their excellent arrangement of the meeting and the warm hospitality offered by the people of Vienna.