

The Joint Ministerial Statement of the 9th ASEAN+3 Finance Ministers' Meeting

4 May 2006, Hyderabad, India

Introduction

1. We, the Finance Ministers of the ASEAN, China, Japan, and Korea (ASEAN+3), convened our ninth meeting in Hyderabad, India, under the chairmanship of Senior Minister Keat Chhon, Minister of Economy and Finance of the Kingdom of Cambodia.
2. We exchanged views on regional economic and financial developments and policies. We also reviewed the progress of regional financial cooperation processes, including the Chiang Mai Initiative, the Asian Bond Markets Initiative, and the ASEAN+3 Research Group, and explored ways to further enhance regional cooperation.

Recent Economic and Financial Developments in the Region

3. We were pleased to note that East Asia had maintained a strong growth momentum and that the overall economic outlook remained bright in 2006, as assessed by our own peer review mechanism, "Economic Review and Policy Dialogue (ERPD)," as well as International Financial Institutions (IFIs). Nevertheless, we shared a view that there were a number of potential downside risks such as persistently high oil prices, widening global imbalances, upward global interest rates trend, and potentially adverse effect of avian flu pandemics.
4. We acknowledged the deepening economic interdependence and increasing financial market openness in the region. In order to achieve sustainable economic growth in East Asia, we underscored the importance of implementing appropriate macroeconomic policy mix and accelerating economic structural reforms. We also agreed to further strengthen the cooperation in policy development to cope with such potential risks. In particular, given the recent spike of oil prices, we strongly urged for swift actions both on the demand and supply side to stabilize the oil market and underscored the need for enhancing dialogue between oil producing and consuming countries to improve market information and transparency.

Strengthening East Asian Financial Cooperation

5. On the **Chiang Mai Initiative (CMI)**, substantial progress has continued to be made. In particular, the strengthening of the regional liquidity support network (also known as "the Second Phase of the CMI Review"), which was initiated at the Jeju ASEAN+3 Finance Ministers' Meeting 2004, had been successfully completed, as explained below. Here, we reaffirmed 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.
 - (i) **Collective decision-making procedure for the swap activation was adopted.** All Swap Providing Countries can simultaneously and promptly provide liquidity support to any parties involved in bilateral swap arrangements (BSA) at times of emergency;
 - (ii) **To explore the ways for further strengthening surveillance capacity in East Asia, the Group of Experts (GOE) and the Technical Working Group on Economic and Financial Monitoring (ETWG) would be launched.** The GOE, composed of several regional professional experts, would serve as an independent economic assessment vehicle for this region. The ETWG would play an important role in developing and spreading the Early Warning System to facilitate early detection of irregularities.
 - (iii) **The total swap size has now reached US\$75.0 billion, almost doubled from a year ago.** Nine BSAs have been revised since last year to enhance the effectiveness of CMI reflecting the Istanbul Agreement.

6. Looking ahead, we tasked the Deputies to set up a “new task force” to further study various possible options towards an advanced framework of the regional liquidity support arrangement (CMI multilateralization or Post-CMI), based upon their exploration during the past year. Moreover, we instructed the Deputies to enhance the regional surveillance capacities.

7. On the **Asian Bond Markets Initiative (ABMI)**, we noted that concrete progress had been made as indicated by the fact the size of the local currency bond market in the region has more than quadrupled since 1997. Following the issuance of Pan-Asia Bond in 2004, the achievements included (i) local currency-denominated bonds issued by various international and foreign institutions such as Baht-denominated bonds, Peso-denominated bonds, Renminbi-denominated bonds (Panda Bond), and Ringgit-denominated bonds; and (ii) local currency-denominated bonds issued through securitization. We believed that the study on the issuance of the asset-backed Asian currency-basket bonds and cross-border local currency bonds would contribute to further development.

8. We recognized a noticeable progress made in discussions on the market infrastructure, including regional credit guarantee and investment mechanism, settlement system, credit ratings, and the Asian Bond Standards. We agreed that the on-going discussions should be further expedited to promote development of an international bond market in the region. We concurred that technical assistance should be continued to overcome weaknesses identified in the regular self-assessment and information sharing exercises.

9. On the **ASEAN+3 Research Group**, we acknowledged the usefulness of the input from researchers and research institutes in the region. The research reports for 2005-2006 will be disseminated through the websites of the ASEAN Secretariat, the ADB, and member countries where available. We endorsed two research topics for 2006-07: “Toward greater financial stability in the Asian region: Exploring steps to create regional monetary units” (led by a Japanese research institute) and “Financial conglomeration in the East Asian region: Recent trends and implications for regional financial market development” (led by a Korean research institute).

ASEAN+3 and the International Financial Institutions (IFIs)

10. In order to ensure the credibility and legitimacy of the Bretton Woods Institutions in the rapidly changing global economy, we emphasized the importance of an ad hoc quota increase for significantly under-represented countries in the IMF. We called upon its Managing Director to work with the IMFC and Executive Board to come forward with concrete proposals for agreement at the upcoming IMF and World Bank Annual Meetings in Singapore. We agreed that we would play active roles in the IMF policy-making and support its activities.

11. We appreciated the IFIs such as the ADB and IMF for their continued efforts to support ASEAN+3 initiatives related to the regional surveillance activities. We heard the presentation by the ADB President, Mr. Haruhiko Kuroda, on the economic outlook for the region. We also welcomed the ADB’s ongoing works on the regional bond market development.

Others

12. We expressed our appreciation to governments of the Kingdom of Cambodia and the Republic of Korea for the excellent arrangements as the co-chairs of the ASEAN+3 Finance Ministers’ Process. We also thanked government of the Republic of India for its hospitality and kind cooperation.

13. We agreed to meet in Kyoto, Japan, in 2007. The Kingdom of Thailand and the People’s Republic of China would co-chair the ASEAN+3 Finance Ministers’ Process in 2007.