

**The Joint Ministerial Statement
Of the 11th ASEAN+3 Finance Ministers' Meeting
4 May 2008, Madrid, Spain**

Introduction

1. We, the Finance Ministers of ASEAN, China, Japan and Korea (ASEAN+3), convened our eleventh meeting in Madrid, Spain, under the co-chairmanship of H.E. Vu Van Ninh, Minister of Finance of the Socialist Republic of Vietnam and H.E. Fukushiro Nukaga, Minister of Finance of Japan.
2. We exchanged views on regional economic and financial developments and policies and reviewed the progress of regional financial cooperation initiatives, including the Chiang Mai Initiative Multilateralisation, the Asian Bond Markets Initiative (ABMI) and the ASEAN+3 Research Group. We also explored ways to further enhance these initiatives.

Recent Economic and Financial Developments in the Region

3. The global economy faces a challenging period. While we remain positive about the long-term resilience of the global economy, the short-term economic prospects have weakened. Risks to the outlook come from the still unfolding events in financial markets, the potential worsening of housing and credit cycles, and inflationary pressures driven by high energy and food prices.
4. The regional economy has continued its strong growth and is forecasted to remain robust although somewhat weaker. Nonetheless, several risks remain such as further worsening of the growth prospects, vulnerability of financial markets, and continued inflationary pressures from rising oil and non-oil commodity prices. We confirmed the importance of taking appropriate actions to ensure that economic activity continues at a sustained pace by balancing policies to deal with these risks. We are also committed to accelerating and deepening structural reforms to support sustainable economic growth in the region. We highly appreciate the ADB initiatives to contribute to the stabilization of the food prices. In addition, we agreed to work closely with the ADB on regional and national initiatives to provide food security and stability of food prices for the regional economies.

5. Such recent economic developments remind us of the strong interaction between vulnerability of financial markets and the macro-economic situation. The countries in the Asian region have recorded strong growth by deepening intraregional trade of goods and services. The financial markets in Asia have become more interdependent with increasing cross-border financial transactions. In this context, we recognized the importance of continuing to enhance communication among authorities responsible for macroeconomic policies and financial supervision in the region.

Strengthening East Asian Financial Cooperation

-Chiang Mai Initiative-

6. On the **Chiang Mai Initiative (CMI)**, we have been carrying out work on the key elements of the multilateralisation of the CMI since our last Meeting in Kyoto, following the principle agreement that a self-managed reserved pooling arrangement governed by a single contractual agreement is an appropriate form of multilateralisation. We reiterated our commitment to maintain the two core objectives of the CMI: (i) to address short-term liquidity difficulties in the region and (ii) to supplement the existing international financial arrangements. We agreed that CMI Multilateralisation will be underpinned by rigorous principles to govern its key aspects, including economic surveillance, borrowing accessibility, activation mechanism, decision making rules and lending covenants, while keeping to timely disbursement.
7. We agreed that it is indispensable to build a credible system in ASEAN+3 to monitor the economic and financial situation of the member countries. As a start, we agreed to implement measures to strengthen the current Economic Review and Policy Dialogue (ERPD), such as increasing the frequency of the dialogues and developing a standardized format for the provision of necessary information and data. Such strengthened regional surveillance system will contribute to smooth and efficient decision making. We will further explore the International Financial Institutions' (IFIs') role in providing useful information when necessary as reference.
8. We also agreed that the total size of the multilateralised CMI would be at least US\$ 80 billion, and that the proportion of the amount of contribution

between the ASEAN and the Plus Three countries would be “20:80”. We further agreed on key concepts of the borrowing accessibility, the activation mechanism and other elements. Based on the progress made thus far on some of the key elements of the multilateralisation of the CMI, we are committed to further accelerate our work in order to reach consensus on all of the elements which include concrete conditions eligible for borrowing and contents of covenants specified in borrowing agreements.

-Asian Bond Markets Initiative-

9. Along with the effort and progress made under the ABMI since 2003, the Asian bond markets have recorded remarkable growth in terms of size and diversity of issuers. We also took note of other progress and effort under the current ABMI such as studies on new securitized debt instruments, credit guarantee and investment mechanism, the study on Asian Bond Standard and enhancing the credibility of the domestic credit rating agencies.
10. To further develop the Asian bond markets, we endorsed the **New ABMI Roadmap**. This New Roadmap shows our renewed strong commitment to the concrete progress of ABMI, on the occasion of its fifth anniversary.
11. First, the new ABMI Roadmap focuses on the four key areas: (1) promoting issuance of local currency-denominated bonds, (2) facilitating the demand of local currency-denominated bonds, (3) improving regulatory framework, and (4) improving related infrastructure for the bond markets. The Steering Group will be established to monitor and coordinate the activities of the four Task Forces in charge of those areas.
12. Second, we agreed to make further voluntary efforts to contribute to more accessible regional bond market development in a concerted manner. In this regard, each country will make periodic self-assessments of its progress in line with the objectives of ABMI. The reference will be introduced for this purpose.
13. Third, we recognized that the private sector plays an important role in the development of bond markets. In this regard, we welcomed the launch of a group consisting of private sector participants to discuss the cross-border bond transactions and settlement issues.

-Others-

14. On the **ASEAN+3 Research Group**, we appreciated the various studies

made by the Research Group on relevant topics including financial integration and capital market development in the region. We endorsed three study topics for 2008/09 Research Group activities: (i) “Development of Corporate Credit Information Database and Credit Guarantee System” , (ii) “The Trend of Trade, Foreign Direct Investment, and Monetary Flows in East Asia, and its Policy Implication”, and (iii) “New Financial Products and their Impact on the Asian Financial Markets”.

15. We also welcomed the various efforts made by the **Technical Working Group on Economic and Financial Monitoring (ETWG)** and the **Group of Experts (GOE)** to strengthen regional surveillance capacity.

Conclusion

16. We expressed our appreciation to the governments of the Socialist Republic of Vietnam and Japan for their excellent arrangements as co-chairs of the ASEAN+3 Finance Ministers’ Process in 2008. We also thanked the government of Spain for its hospitality and kind cooperation.
17. We agreed to meet in Bali, Indonesia, in 2009. The Kingdom of Thailand and the Republic of Korea will be co-chairs of the ASEAN+3 Finance Ministers’ Process in 2009.