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ACD High-level Seminar on “Enhancing Financial Cooperation through Asian Bond Market Development”

Today the Ministry of Finance is co-organizing the Asia Cooperation Dialogue (ACD) High-level Seminar on “Enhancing Financial Cooperation through Asian Bond Market Development” in cooperation with the Ministry of Foreign Affairs, Asian Development Bank (ADB), and the ACD Study Center at the Four Seasons Hotel on 24-25 March 2006 in Bangkok, Thailand. The Seminar includes more than 100 participants from 28 ACD member countries¹ with distinguished speakers and panelists from such as PR China, Japan, Republic of Korea, India, Singapore, Malaysia, Hong Kong, Qatar, Pakistan, and Thailand.

Dr. Naris Chaiyasoot, Director-General of the Fiscal Policy Office, Ministry of Finance, summarizes the main discussions during the first day of the Seminar as follows:

1. In the opening session, H.E. Dr. Thanong Bidaya, the Thai Minister of Finance, delivered the keynote address emphasizing the need to develop bond markets in Asia, particularly local currency-denominated bonds issued by Asian governments, quasi-governments and corporations. The ACD forum is the one and only Asia-wide forum that provides appropriate platform to broaden and strengthen the region’s financial architecture, especially through further development of Asian bond markets. Asian bond markets will provide not only a new source of capital for Asian countries and companies, but also an investment venue for the region’s sizable

¹ ACD’s 28 member countries: (1) Bahrain, (2) Bangladesh, (3) Bhutan, (4) Brunei, (5) Cambodia, (6) China, (7) India, (8) Indonesia, (9) Iran, (10) Japan, (11) Kazakhstan, (12) Republic of Korea, (13) Kuwait, (14) Lao PDR, (15) Malaysia, (16) Mongolia, (17) Myanmar, (18) Oman, (19) Pakistan, (20) Philippines, (21) Qatar, (22) Russian Federation, (23) The Kingdom of Saudi Arabia, (24) Singapore, (25) Sri Lanka, (26) Thailand, (27) United Arab Emirates, and (28) Viet Nam.

savings. Given the large international reserves amounting to over 2 trillion USD held by Asian economies, the region has great potential to promote its bond markets that will strengthen the region's financial systems and support sustainable economic development. Also, Mr. Suparut Kawatkul, Permanent Secretary for Finance, underscored in his remarks that the development of Asian Bond Markets will be a key step toward building a stronger regional financial cooperation.

2. During the morning session, Dr. Kanit Sangsuphan, Director of the Fiscal Policy Research Institute, Ministry of Finance of Thailand, and Dr. Masahiro Kawai, Head of Office of Regional Economic Integration, ADB, presented an overview of Asian Bond Market Development in the region. The Asian Bond Markets Initiative has made substantial progress in recent years, contributing an increase in size of the local currency bond markets in East Asia. Today, the growth of local currency bond markets in Asia has outperformed other regions of the world. While global bond markets have an average growth rate of 8.2 percent per annum since 1997, Asian countries have each recorded impressive annual growth rates, such as Indonesia with 45 percent, Thailand 30 percent, along with PR China and Republic of Korea over 20 percent. As a result, Asian bond markets in East Asia (excluding Japan) have grown in size from 16.5 percent of the region's GDP in 1997 (359 billion USD) to 48 percent as of 2005 (1,650 billion USD).

3. Dr. Naris Chaiyasoot noted that new local currency-denominated bonds have been issued, such as the 10 billion yen-denominated Korean collateralized bond obligation (Korean CBO) to support Korean SMEs; Islamic bonds issued by Malaysia based on Shariah principles to support development programs; 4 billion Baht-denominated bond issued by ADB to finance the infrastructure projects in the Greater Mekong Sub-region; and 3 billion Baht-denominated bond issued by JBIC to support Japanese companies based in Thailand. Finally, it is expected that demand for Asian bonds would expand significantly with the creation of Asian Bond Fund I and II worth 3 billion USD by member countries under the Executives Meeting of East Asia-Pacific Central Bank (EMEAP) as well as increasing private sector investment in local bond markets across Asia.

Tomorrow, participants will have the opportunity to discuss issues related to *Structuring Demand to Promote Asian Bonds* to examine ways to enhance investment in Asian bonds, and sharing *Perspectives of Private Sector on Asian Bond Market Development* to discuss economic realities and practical concerns of issuers and investors. . The conclusions derived from the high-level Seminar will serve as important policy inputs for the informal ACD Finance

Ministers' Meeting (ACD FMM) to be held in early June 2006 in Phuket, Thailand in which the ACD Finance Ministers will convene to discuss policy directions for further development of Asian Bond Markets.
