

ASEM finance ministers wary of risks from rising interest rates

Finance ministers of the Asia-Europe Meeting, or ASEM, member countries on Sunday cautioned against "downside risks" for the global economy from interest rate hikes in major economies and high-flying crude oil prices.

The chairman's statement, adopted the same day to wrap up their two-day meeting, cited interest rate hikes stemming from credit tightening in Japan, the United States and Europe, high and volatile oil prices, large global imbalances and avian flu outbreak as factors continuing to constitute "the main downside risks for the global outlook."

It stressed "the importance of developing appropriate policy approaches to address these challenges."

The finance ministers pointed to "faster than currently expected tightening of global financial conditions," calling for vigilance against an impact of rising market interest rates on global capital flows.

The statement said that soaring oil prices so far had "a relatively limited economic impact" due to such factors as more economic flexibility among member countries than during previous oil price hikes. But it also noted that some, especially less developed, countries were severely affected.

To stabilize the oil market, the ministers called for "investment in energy efficiency, increased oil production," and "an enhanced regular dialogue" between oil producing and consuming countries.

In order to redress the global imbalances, the finance ministers discussed a need to enhance the flexibility of some currencies, apparently with the Chinese yuan in mind, sources said.

At the meeting, Japanese Finance Minister Sadakazu Tanigaki proposed increasing International Monetary Fund financial quotas allotted to Asian countries as a step toward strengthening their voice in the international lending institution to match their economic power.

Participants agreed on a need to map out a reform plan by the IMF's next general meeting in September. Tanigaki said that the European side is coming to understand the need for redistributing the quotas.

The next ASEM finance ministers' meeting will be held in South Korea in 2008. (Jiji Press)

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