



Joint Statement of the 22nd ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting

Nadi, Fiji, 2 May 2019

I. Introduction

1. We, the Finance Ministers and Central Bank Governors of ASEAN, China, Japan and Korea (ASEAN+3), convened our 22nd meeting in Nadi, Fiji under the co-chairmanship of H.E. Apisak Tantivorawong, Minister of Finance of Thailand, and H.E. Liu Kun, Minister of Finance of China. The President of the Asian Development Bank (ADB), the Director of the ASEAN+3 Macroeconomic Research Office (AMRO), the Deputy Secretary-General of ASEAN, and the Deputy Managing Director of the International Monetary Fund (IMF) were also present at our meeting.

2. We exchanged views on current developments and the outlook for the global and regional economies, as well as policy responses to risks and challenges. We agreed to work together to strengthen the resilience and robustness of the regional economy to contribute to strong, sustainable, balanced and inclusive global growth.

3. As this year marks the 20th anniversary of the ASEAN+3 Finance Process, we discussed our vision for the future building on previous efforts and achievements, as well as ways to reform the process to ensure its relevance and effectiveness in addressing future challenges. We also reviewed the progress of regional financial cooperation achieved since our last meeting in Manila, the Philippines, including the Chiang Mai Initiative Multilateralisation (CMIM), AMRO, and Asian Bond Markets Initiative (ABMI).

II. Recent Economic and Financial Developments in the Region

4. Notwithstanding a more challenging global environment, the ASEAN+3 region continues to be a key driver of global economic growth. We expect the economic growth of the ASEAN+3 region to remain steadfast, despite headwinds from trade frictions, softer external demand and tighter global financial conditions. While the region is not immune to threats of trade protectionism, the impact would be partly mitigated by robust regional consumption and growing intra-regional trade. The recent shift in monetary policy stance by major central banks has contributed to improving financial market sentiment.

5. We continue to remain vigilant against the downside risks that may heighten the region's vulnerability to shocks. Most regional economies are well-placed to recalibrate their monetary,

fiscal and macroprudential policy mix to support growth against the anticipated headwinds while paying attention to financial stability. We will continue to conduct sound macroeconomic policies that are sustainable and balanced, as well as promote inclusiveness. We will endeavor to support structural reforms, and explore digital innovation to enhance growth potential as well as to cope with population aging, rising inequality, and digital disruption.

6. We reaffirm our commitment to uphold the rules-based multilateral trading system and open regionalism, while resisting all forms of protectionism. We are committed to further enhancing regional efforts, including accelerating intra-regional trade and investment activities, as well as further deepening our domestic capital markets in order to build resilience. Over the longer run, we endeavor to prioritize policies that would facilitate the region's transition to the next phase of economic development.

III. Strengthening Regional Financial Cooperation

Strategic Directions of the ASEAN+3 Finance Process

7. We commend the significant progress of the ASEAN+3 Finance Process in enhancing regional economic and financial stability during the past two decades, alongside efforts towards regional economic integration. Faced with emerging challenges as well as growing opportunities in the evolving global and regional economic and financial landscape, we reaffirm our commitment to further deepening and broadening ASEAN+3 financial cooperation towards a more resilient, inclusive and integrated ASEAN+3 region.

8. In this regard, we adopted a vision document, “Strategic Directions of ASEAN+3 Finance Process”, which aims to explore new potential areas of common interest and complementarity towards the strategic directions of fostering regional economic growth and promoting integration, while continuing the work on current initiatives to maintain regional economic and financial stability from a longer-term perspective.

9. We will also take concrete measures to further improve both procedures and institutional arrangements for the purpose of enhancing the effectiveness and efficiency of the ASEAN+3 Finance Process. In particular, we encourage AMRO to leverage on its Partnership Strategy to actively forge synergies among regional financial organizations and institutions. These arrangements, in collaboration with other regional economic cooperation mechanisms, would lay a good foundation for a robust regional economic governance structure to foster regional economic stability, sustainable development and integration.

Chiang Mai Initiative Multilateralisation (CMIM)

10. Recognizing the recent economic and financial developments in the region, we reaffirm our commitment to further strengthen the CMIM, the Regional Financing Arrangement (RFA), as an effective and timely self-help mechanism, and a strong and reliable layer in the Global Financial Safety Net. In this regard, we welcome the successful conclusion of the first Periodic Review of the CMIM Agreement and approve the amended CMIM Agreement with the expectation for its early entry into force. We commend the progress in updating the CMIM Operational Guidelines (OGs) to align with the amendments in the Agreement, including strengthened collaboration between the IMF and CMIM, and look forward to its completion by

the end of 2019.

11. We welcome the adoption of the Guiding Principles of the CMIM conditionality framework, and encourage the Deputies to finalize the Technical Guidance for the CMIM conditionality framework at the earliest. We also welcome the further progress made in improving the qualification criteria of the CMIM Precautionary Line by adopting the Economic Review and Policy Dialogue (ERPD) Matrix Scorecard as a qualification reference, which has been integrated into AMRO's surveillance work. We welcome the successful completion of the 9th joint Test Run with strengthened coordination mechanism between the CMIM and the IMF and the quick implementation of its findings into the OG. We will conduct the 10th Test Run this year, with the view to enhancing the operational readiness of CMIM, and AMRO's role as the supporting agency.

12. We acknowledge the vital importance of continuously enhancing the CMIM with a medium- to long-term perspective to secure regional financial stability. In this regard, we welcome the progress of the Deputies' review of the future direction of the CMIM and endorse the "General Guidance on Local Currency Contribution to the CMIM" (see Annex). We take note of the comparative study of RFAs, and request the Deputies to further discuss and prioritize the proposed issues in relation to the future direction of the CMIM and report the progress at the next meeting.

ASEAN+3 Macroeconomic Research Office (AMRO)

13. We recognize AMRO's active contribution towards strengthening regional macroeconomic and financial stability, through conducting regional macroeconomic surveillance, supporting the implementation of the CMIM, and providing technical assistance to members. We welcome AMRO's Partnership Strategy and Communications Strategy, and commend its efforts to enhance accountability to members. We reaffirm our continued support for AMRO to fulfill its mandate as an independent, credible and professional international organization and as a trusted advisor to ASEAN+3 members.

14. We commend the progress made by AMRO in enhancing its surveillance capacity, particularly the increase in thematic studies on topical and cross-cutting issues, the improvements in the Comprehensive Surveillance Framework and database, and the development of the enhanced ERPD Matrix and other analytical tools. We acknowledge AMRO's efforts to bolster its capacity in supporting the implementation of the CMIM and look forward to more analytical support from AMRO. We encourage AMRO to step up efforts to support capacity building of members through its technical assistance program. We also welcome the contribution of its policy note to the 21st ASEAN Plus Three Leaders' Summit.

15. We extend our appreciation to AMRO Director, Dr. Junhong Chang for her capable leadership and dedication over the past three years to building up AMRO's standing as a leading international organization in the region with widespread recognition and greater visibility. We are confident that Mr. Toshinori Doi, as the incoming Director, will continue to build upon this strong foundation and lead AMRO towards greater heights in the coming years.

Asian Bond Markets Initiative (ABMI)

16. We acknowledge the continuing progress under the ABMI in fostering the development of local currency bond markets to mitigate currency and maturity mismatches and to mobilize the region's savings to finance long-term investment across the region. We endorse a new ABMI Mid-Term Road Map 2019-2022, highlighting future directions and major activities. Under the new Mid-Term Road Map, we will deepen support for infrastructure finance; promote green bonds and ASEAN+3 Multi-currency Bond Issuance Framework (AMBIF) bonds; foster standardization and harmonization of bond-market-related regulations; improve bond market infrastructure to facilitate cross-border transactions; and enhance collaboration among regional initiatives. We expect that our efforts under the ABMI will help contribute to regional economic and financial stability, and advance regional financial integration.

17. We welcome contributions by the members to meet the Capital Increase Proposal (CIP) of the Credit Guarantee and Investment Facility (CGIF) and encourage timely completion of CIP according to schedule. We commend the CGIF's efforts in exploring the innovative proposal of Infrastructure Investors Partnership (IIP) to further promote local currency debt finance for infrastructure. We also encourage efforts to promote local currency-denominated green bonds to meet the region's infrastructure needs in a sustainable manner.

18. We welcome the continued improvements of AsianBondsOnline (ABO) and the steady progress for market integration under the ASEAN+3 Bond Market Forum (ABMF), and expect further expansion of the AMBIF in collaboration with the ABMF and CGIF. We note the publication of the Common Understanding on International Standards and Gateways for Central Securities Depository and Real-Time Gross Settlement (CSD-RTGS) Linkages by the Cross-Border Settlement Infrastructure Forum (CSIF). We look forward to continuing capacity-building support under the Technical Assistance Coordination Team (TACT) to better prepare the development of the bond markets in recipient countries. To share significant progress of the ABMI with other regions, we welcome the comprehensive revision of "Good Practices for Developing a Local Currency Bond Market – Lessons from Asian Bond Markets Initiative."

ASEAN+3 Financial Cooperation in Disaster Risk Financing and Insurance

19. We support the efforts of the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) to strengthen the financial resilience of ASEAN member countries to climate and disaster risks, with support from the ASEAN Secretariat and the World Bank. We welcome the participation of Cambodia, Indonesia, Japan, Lao PDR, Myanmar and Singapore in SEADRIF. We also welcome the progress towards operationalizing the catastrophe risk insurance pool for Lao PDR and Myanmar this year and the initiation of preparatory work to expand coverage to other ASEAN member countries. We invite all other ASEAN+3 member countries to join SEADRIF, and encourage donor partners beyond ASEAN+3 to support this initiative.

IV. Conclusion

20. We express our appreciation to the governments of Thailand and China for their excellent arrangements as the Co-chairs of the ASEAN+3 Finance Ministers' and Central Bank Governors' Process in 2019. We are also grateful to the government of Fiji for their warm hospitality. We agree to meet in Incheon, Korea in 2020. Vietnam and Japan will be the Co-chairs of the ASEAN+3 Finance Ministers' and Central Bank Governors' Process in 2020.

[Annex] General Guidance on Local Currency Contribution to the CMIM

The ASEAN+3 Finance Ministers and Central Bank Governors, at their meeting (AFMGM+3) in May 2018, requested the Deputies to further discuss and review the future direction of the CMIM from a medium- to long-term perspective, including the issue of local currency contribution to the CMIM. Based on members' discussion. With the support of AMRO's collaborative research, the following general guidance for local currency contribution to the CMIM has been agreed upon:

1. In the context of growing uncertainty and a challenging external environment, particularly the growing demand for local currency usage in cross-border transactions in the region, increased mutual agreements on initiatives relating to the promotion of local currency usage and a greater role for local currencies as reserve currency, local currency contributions to the CMIM may be one enhancement option. It would be in addition to existing modalities and provide more funding options for members to enhance financial stability, while taking into consideration possible unintended effects.
2. The eligibility of currencies for contribution to the CMIM, as well as the possible size of local currency contributions to the CMIM, should be addressed using criteria or scenarios that will be agreed upon by CMIM members in the future.
3. Considering that the extent of cross-border local currency usage and the need for local currency CMIM liquidity support among members differ, local currency contributions to the CMIM should be demand-driven, and be designed and implemented on a voluntary basis for both Arrangement Requesting Parties (ARPs) and Arrangement Providing Parties (APPs).
4. Local currency contributions to the CMIM should follow a gradual approach and its modality will be further explored through further studies on the matter.
5. When a local currency contribution to the CMIM is made, an appropriate interest rate in the money market or bond market of the APPs should be applied to the benchmark of funding costs. The exchange rate will be agreed upon bilaterally based on the direct quotation between the two currencies or cross rate in relevant markets.
6. When a local currency contribution to the CMIM is made, both APPs and ARPs should ensure smooth and safe fund transfers, in accordance with domestic rules and regulations, and that the scheme is operationally feasible.