

Joint Media Statement

Action Plan to Restore Economic and Financial Stability of the Asian Region

(Report from the Finance Ministers of the ASEAN+3 to Heads of States/Governments)

We, the Finance Ministers of the ASEAN, China, Japan and Korea (ASEAN+3) met in Phuket, Thailand on 22 February 2009 on this special occasion in response to the current global economic turmoil. The Meeting was co-chaired by H.E. Korn Chatikavanij, Minister of Finance of Thailand and H.E. Jeung-hyun Yoon, Minister of Strategy and Finance of Republic of Korea. We were also joined by the Secretary-General of ASEAN and the President of the Asian Development Bank.

While we note that the Asian economies are in a better position to face challenges due to the structural reforms undertaken since the Asian financial crisis, we recognize that the regional economy is now facing great challenges. The current severe economic downturn of the global economy coupled with heightened risk aversion in financial markets has adversely affected the region. The regional financial markets have observed large and sometimes disruptive fluctuations. Capital flows into the region have decreased due to global de-leveraging and a large reversal of capital flow, which have affected the financial markets and could undermine growth prospects. This can be a significant downside risk to regional growth, which has already been dragged by the global economic downturn.

We welcome the Declaration of the Summit on Financial Markets and the World Economy and support the common principles that will guide its Action Plan. We urge that a meaningful progress be made at the London Summit 2009 in April to enhance macroeconomic policy coordination and reform of international financial institutions and markets. The current global situation requires a coordinated global response to restore economic growth and financial stability, including financial sector capacity building work.

We believe that proactive and decisive policy actions are required in order to restore confidence, financial stability and promote a sustainable economic growth in the region. In the short-term, the actions should be able to mitigate risk-averse sentiments and bolster market confidence in the region. In the medium and long term, the actions should be able to help provide necessary capital to achieve stable and robust regional growth.

In this regard, we welcome policy measures taken by each member country and reiterate our strong commitment to implementing necessary macroeconomic policies and financial stabilization measures as appropriate. We also reaffirm our determination to dedicate

ourselves to increasing free flow of trade and investment, to standing firmly against protectionist measures which would worsen the economic downturn, and to refraining from raising new barriers.

The ASEAN+3 countries have thus embarked on various initiatives to further strengthen regional collaboration in developing a more robust and integrated surveillance mechanism, crisis management and liquidity support system.

In order to ensure regional market stability and to foster confidence in the markets, we stress the importance of operationalising the Multilateralisation of the Chiang Mai Initiative (CMI), and agree on the following key elements:

- The total size of Multilateralised Chiang Mai Initiative (CMIM) will be increased from the initially agreed level of US\$ 80 billion to US\$ 120 billion, the proportion of the amount of contribution between ASEAN and the Plus Three countries will be maintained at 20:80 respectively.
- The regional surveillance mechanism should be further strengthened into a robust and credible system which will facilitate prompt activation of the CMIM. An independent regional surveillance unit will be established to promote objective economic monitoring.
- After the above surveillance mechanism becomes fully effective in its function, the IMF de-linked portion may be increased above the current limit of 20 percent.

Building on the basis of the progress made thus far, with a view to making our financial cooperation more responsive and effective, we strive to reach agreement on the main components of CMIM by our next meeting in 2009, in Bali, Indonesia.

As an interim measure, the existing bilateral swap arrangement network should play its full role and be strengthened in terms of size and participants as necessary.

We reiterate the importance of the Asian Bond Markets Initiative (ABMI) and express our determination to strengthen our cooperation in line with the new ABMI Roadmap. The new roadmap focuses on the promotion of the issuance of local currency-denominated bonds, facilitation of demand of local currency-denominated bonds, improvement of legal framework and strengthening of infrastructure for bond markets in the region. The implementation of the new roadmap is expected to contribute to the broad-based development of local currency denominated bond markets and greater accessibility to the regional bond markets. We also recognize the important role of the private sector in the development of bond markets,

particularly in cross-border bond transactions and settlement issues.

We will explore ideas for new arrangements which would provide development assistance to the region while addressing unexpected liquidity constraints.

We recognize the important roles that Multilateral Development Banks (MDBs) play in addressing development agenda and supporting in the areas of infrastructure and trade finance. We attach importance to ensure that MDBs have sufficient resources to continue playing their roles in overcoming crisis. In particular, we share the significant role of the Asian Development Bank (ADB) in mitigating the impacts of the global financial turmoil and providing necessary capital to regional growth. To fulfill its role in Asia, ADB should have an immediate and substantial capital increase. In view thereof, we call for an early agreement on the Fifth General Capital Increase of ADB by its next Annual Meeting in May 2009.