

**The Joint Statement of the 18th ASEAN+3 Finance Ministers and Central Bank  
Governors' Meeting (3 May 2015 /Baku, Azerbaijan)**

**I. Introduction**

1. We, the Finance Ministers and Central Bank Governors of ASEAN, China, Japan and Korea (ASEAN+3), convened our 18th meeting in Baku, Azerbaijan, under the co-chairmanship of H.E. Dato' Seri Ahmad Husni Hanadzlah, Minister of Finance II of Malaysia, and H.E. Kyunghwan Choi, Deputy Prime Minister and Minister of Strategy and Finance of Korea. The President of the Asian Development Bank (ADB), the Director of 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 recent global and regional economic developments and policy responses. We reviewed the progress of regional financial cooperation achieved since our last Meeting, including the Chiang Mai Initiative Multilateralisation (CMIM), AMRO, the Asian Bond Markets Initiatives (ABMI), Future Priorities, the ASEAN+3 Research Group (RG), and ASEAN+3 New Initiatives. We also discussed measures to further strengthen regional financial cooperation.

**II. Recent Economic and Financial Developments in the Region**

3. We are pleased to note that the ASEAN+3 region posted relatively high growth last year and is poised to sustain this momentum in 2015. This is attributable not only to external factors such as strong demand from the U.S. and low oil prices, but also in large part to robust domestic demand brought about by constant structural adjustment efforts and to the timely implementation of macroeconomic policy.
4. We recognize that the changes in monetary policy in some of the advanced economies should be clearly communicated in the current environment of diverging monetary policy settings and rising financial market volatility and carried out with keen awareness of their global impact and hence help us to take mitigating measures.
5. We note the need to respond preemptively to new challenges posed by changes in the economic environment and at the same time, consistently manage existing risks and vulnerabilities. With ample global liquidity and the high levels of public and private debt, greater attention needs to be paid to the potential market volatility and asset price declines triggered by capital outflows. Meanwhile, though the unexpectedly low oil prices have benefited most economies, the possibility of a sharp run-up in oil prices cannot be ruled

out.

6. We are committed to carrying out the necessary structural adjustments to improve the resilience and growth potential of our economies. Further, while dealing with macroeconomic and financial stability risks arising from large and volatile capital flows, the necessary macroeconomic policy adjustments could be supported by macro-prudential measures and capital flow management measures, where appropriate. We will work towards strengthening the region's responses to external shocks through continuing regional financial cooperation.

### **III. Strengthening Regional Financial Cooperation**

#### **[Chiang Mai Initiative Multilateralisation (CMIM)]**

7. We remain committed to ensuring that the CMIM is operationally ready, as well as to further strengthening the mechanism as an essential part of the regional financial safety net. In this regard, we welcomed the amended CMIM Agreement, which entered into force on 17 July 2014. We also welcomed the Deputies' achievements in enhancing the CMIM Operational Guidelines (OG), conducting CMIM Test Runs under various scenarios, and undertaking the CMIM peace-time preparation exercise. We reaffirmed our commitment to ensuring the operational readiness of the CMIM, and thus tasked the Deputies, in cooperation with AMRO, to continue working on these exercises, and to reflect the lessons learnt in the OG.
8. With the introduction of the CMIM crisis prevention facility ("CMIM Precautionary Line" or "CMIM-PL") in July 2014, it is crucial to develop and operationalize the qualification assessment framework for member economies to access the CMIM-PL. In this regard, we welcomed the continuing work of our Deputies and AMRO to further develop the qualification indicators for the CMIM-PL, based on the Economic Review and Policy Dialogue (ERPD) Matrix, which consists of key economic and financial indicators of all ASEAN+3 members. We assigned the Deputies, in cooperation with AMRO, to continue to develop the ERPD Matrix and to explore ways to further utilize this tool in a more forward-looking manner.
9. We took note of the progress in the work on the potential increase in the IMF De-linked portion and tasked the Deputies to further advance the work on strengthening the CMIM as a part of the regional financial safety net.
10. We welcomed the commencement of the CMIM Studies on "Troika's Financial Assistance Programs in the Euro Area for CMIM's Future Reference" and "Comparative

analysis of CMIM arrangement and market practices under International Swaps and Derivatives Association (ISDA)” while taking into account the conditions within each region.

**[ASEAN+3 Macroeconomic Research Office (AMRO)]**

11. We acknowledged the steady development of AMRO as an independent surveillance organization of the region, and welcomed its continuous efforts to improve the quality of its surveillance activities. We encouraged AMRO to continue its efforts to improve its analysis on the regional macroeconomic and financial situation, including through incorporating forward-looking elements to effectively highlight emerging risks in the region. We also welcomed AMRO’s contribution towards enhancing the effectiveness of the CMIM and continuing with its effort.
12. Establishing AMRO as an international organization remains crucially important. We welcome the signing of the Agreement Establishing ASEAN+3 Macroeconomic Research Office (AMRO Agreement) in October last year. We reaffirmed our commitment to expedite our respective domestic procedure for the entry into force of the AMRO Agreement this year.
13. We welcomed the Deputies' decision to strengthen AMRO’s capacity by formulating a strong strategic vision and having two Deputy Directors and one Chief Economist. We are confident that these three new senior management positions will be beneficial in building AMRO’s capacity and the fulfilling of its mandate as an independent surveillance unit. We encouraged the further development of a medium-term strategic vision for AMRO.
14. We appreciated the progress made by AMRO in cooperation with relevant International Financial Institutions (IFIs), such as frequent exchanges with the IMF and ADB on macroeconomic developments in the region, hosting joint seminars, and conducting joint studies. We encouraged AMRO to further strengthen such cooperation in order to enhance its institutional capacity and to establish strategic partnerships with other IFIs to this end.

**[Asian Bond Markets Initiative (ABMI)]**

15. We recognized that the ABMI has contributed to developing local currency bond markets across the region, in order to allow the region’s large savings to be channeled to finance its own investment needs. Against the backdrop of heightened volatility in the global financial market, our efforts under the ABMI to develop efficient and liquid regional

bond markets will also help to alleviate the effects of such volatilities and contribute to the economic and financial stability in our region.

16. We took note of the increase of project guarantees by the Credit Guarantee and Investment Facility (CGIF), and we expect CGIF to seek more opportunities to provide guarantees to viable bond issuances, including project bonds, in the region. We welcomed the progress of discussion on facilitating demand for local currency-denominated bonds. We also noted the outcome of a study by the ADB on examining hedging markets in the region. We recognized the progress of the ASEAN+3 Multi-currency Bond Issuance Framework (AMBIF), and expect the first AMBIF pilot issuance in the first half of this year. We noted the progress of the Cross-Border Settlement Infrastructure Forum (CSIF) in exploring the viability of starting with bilateral linkages and ultimately developing and making transition into an integrated solution to advance regional settlement infrastructure that promotes cross-border securities transactions in the region. As an important step for the said goal, we welcomed the efforts by the CSIF for conducting the desktop study of bilateral CSD-RTGS linkage between HKMA and BOJ. We appreciated the on-going technical assistance programs for Cambodia, Lao PDR, Myanmar, the Philippines and Vietnam under the Technical Assistance Coordination Team (TACT).

#### **[Future Priorities of ASEAN+3 Financial Cooperation]**

17. We took note of the completion of the study on Infrastructure Financing. We welcomed work on disaster risk insurance based on the past study and expect further progress.

#### **[ASEAN+3 Research Group (RG)]**

18. We acknowledged that the RG has produced valuable researches throughout its 10 years of activities. We agreed to integrate the RG's research works into AMRO's thematic study so that the resources could be better oriented to meet members' needs and be utilized more efficiently.

#### **[ASEAN+3 New Initiatives]**

19. We endorsed non-binding high-level guiding principles for macro-prudential policies (MPPs) and capital flow measures (CFMs) as reference in dealing with risks to financial stability. We are also pleased to share our own experiences and future agenda in structural reforms to assist us in removing structural bottlenecks to sustainable growth. In addition, we welcomed the progress made in the study 'Using currency swap-financed

trade settlement facility' which may facilitate the local currency usage in trade settlements.

#### **IV. Conclusion**

20. We expressed our appreciation to the governments of Malaysia and Korea for their excellent arrangements as the co-chairs of the ASEAN+3 Finance Ministers and Central Bank Governors' Process in 2015. We also thanked the Republic of Azerbaijan for its warm hospitality.

21. We agreed to meet in Frankfurt, the Federal Republic of Germany in 2016. Lao PDR and China will be the co-chairs of the ASEAN+3 Finance Ministers and Central Bank Governors' Process in 2016.

## **Annex**

### **ASEAN+3 Finance Ministers and Central Bank Governors' Meeting 3 May 2015 / Baku, Azerbaijan**

- ASEAN+3 Non-binding High-level Principles for Macro-Prudential Policies (MPPs) and Capital Flow Measures (CFMs)
- A Collection of Members' Structural Reforms Experiences and Future Agenda