



# **Joint Statement of the 21<sup>st</sup>ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting**

(Manila, Philippines, 4 May 2018)

## **I. Introduction**

1. We, the Finance Ministers and Central Bank Governors of ASEAN, China, Japan and Korea (ASEAN+3), convened our 21<sup>st</sup> meeting in Manila, Philippines under the co-chairmanship of H.E. Heng Swee Keat, Minister for Finance of the Republic of Singapore, and H.E. Dong Yeon Kim, Deputy Prime Minister and Minister of Strategy and Finance of the Republic of Korea. The President of the Asian Development Bank (ADB), the Director of ASEAN+3 Macroeconomic Research Office (AMRO), the 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, and agreed to work together to strengthen the resilience and robustness of the regional economy to contribute to strong, sustainable, balanced and inclusive global growth. We also reviewed the progress of regional financial cooperation since our last meeting in Yokohama, Japan including the Chiang Mai Initiative Multilateralisation (CMIM), AMRO and the Asian Bond Markets Initiative (ABMI).

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

3. The ASEAN+3 region has contributed to improving the global economic condition toward a more synchronized global growth in trade and investment, while also benefiting from the broad-based recovery in advanced economies and strong global demand. Boosted by favorable global conditions, economic growth in the region is underpinned by resilient domestic demand, robust export growth, and stable inflation. We have taken advantage of these benign conditions to continue implementing important structural reforms, including the exploration of new sources of growth such as digital innovation, supported by the full set of policy tools, including appropriate macroeconomic policies.

4. Nevertheless, we remain vigilant against downside risks that may threaten the recovery in the global economy. We discussed the risks posed by rising trade protectionism and faster-than-expected tightening in global financial conditions, and uncertainty of geopolitical tension.

These risks, individually or collectively, threaten the recovery in the global economy, and could induce large capital outflow and financial volatility in our region. We also welcome the Panmunjeom Declaration agreed between the leaders of South and North Korea on April 27, 2018 and look forward to further progress in easing geopolitical tensions in the region.

5. In this regard, we reaffirm our commitment to an open and rules-based framework for multilateral trade and investment to support global economic growth and development. We also recognize the importance of resisting all forms of protectionism, enhancing integration through deepening intra-regional trade, investment linkages, and improving connectivity, while at the same time maintaining our strong trade and investment linkages with the rest of the world. We commit to implementing macroeconomic policies, including an appropriate mix of fiscal, monetary and structural policies, tailored to national circumstances, to promote strong, sustainable, balanced and inclusive growth.

6. Fiscal policy will continue to promote growth and address inequality, and be targeted to support structural reforms and foster inclusiveness, while ensuring that debt as a share of GDP is on a sustainable path. Monetary policy will continue to ensure price stability in line with central banks' mandates. Macroprudential policies will help mitigate systemic financial risks. We also affirm the importance of maintaining a sound financial sector as a core pillar in our economies' growth and development. We will implement structural reforms to enhance our growth potential and facilitate the private sector involvement in our economy. In calibrating our policies, we will continue to clearly communicate these policies to the markets and the public. In addition, we also acknowledge the importance of accelerating infrastructure development to increase the region's competitiveness and connectivity.

7. We pledge to strengthen cooperation in order to secure regional economic and financial stability. While recognizing the importance and benefits of capital flows, we will strengthen regional surveillance and remain vigilant against the risks of contagion and spillovers from excessive capital flow volatility. To build resilience against external shocks, we will continue to maintain adequate buffers, underpinned by the continued enhancement of our regional financial safety net.

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

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

8. We reaffirm our commitment to strengthen the CMIM and have reached a general agreement on the main contents of the first CMIM Periodic Review. This Review will be a key milestone in further strengthening the CMIM, which stands at the center of the regional financial safety net of the ASEAN+3. In this regard, we have agreed to reinforce the financial support including the flexibility to extend periods under the IMF-linked portion of the CMIM Agreement in order to ensure that the CMIM remains up-to-date, and reflective of the member countries' circumstances, as well as global economic and financial conditions. We have also

agreed to add an overarching legal basis for conditionality in order for the CMIM to support members in addressing their risks and vulnerabilities through policy recommendations as well as financial support (please see Annex below). We urge the Deputies to prepare the final text of the amended CMIM Agreement within this year for signing so that it can be executed at the earliest opportunity.

9. We acknowledge that in an increasingly integrated global financial system, stronger cooperation among the different layers of the GFSN (Global Financial Safety Net) is crucial to prevent and contain future crises and safeguard global financial stability. We welcome the successful completion of the 8<sup>th</sup> test run carried out with the participation of the IMF, subsequent to the previous year, in which information-sharing process relating to the activation of the CMIM arrangement with the IMF program was examined. It highlighted the importance of better cooperation with the IMF, while respecting the independence and governance of the CMIM and the IMF. Based on the outcome of the test run, we encourage close engagement at an early stage between the CMIM and the IMF, with the support of AMRO, to enhance effectiveness of the regional financial safety net. We appreciate the support of the IMF in the recent test run. We believe that strengthening communication with all relevant parties, including the media, will enhance public confidence if and when the CMIM Arrangement is activated. In addition, we request the Deputies to continue to discuss and review the future direction of the CMIM in the medium-to long-term perspective and report the progress at the next meeting.

10. We further welcome the continued work of our Deputies to further enhance the operational readiness of the CMIM including updating the CMIM Operational Guidelines (OG) and conducting further test runs jointly with the IMF. We acknowledge the progress made in improving the qualification criteria for the CMIM Precautionary Line, by enhancing the Economic Review and Policy Dialogue (ERPD) Matrix framework, which will be integrated into AMRO's surveillance work. We encourage the Deputies, in cooperation with AMRO, to conduct a new round of pilot projects and look forward to the 9<sup>th</sup> CMIM test run in 2018 jointly with the IMF. We welcome the advancements made in developing the CMIM Conditionality Framework, and look forward to further progress in the development of the Guiding Principles and the Operational Guidelines for the CMIM Conditionality Framework. We look forward to further enhancements on the assessment methodology on the potential increase of the IMF De-linked Portion.

### **ASEAN+3 Macroeconomic Research Office (AMRO)**

11. We recognize the significant role that AMRO plays in macroeconomic surveillance for the ASEAN+3 region, supporting the implementation of the regional financing arrangement, and providing technical assistance to members. We reaffirm our continued support for AMRO to further enhance its surveillance and organizational capacity to fulfill its mandate as an independent, credible and professional international organization, acting as a trusted advisor to ASEAN+3 members.

12. We welcome the substantive progress made by AMRO in improving and strengthening its core functions since we met in May 2017. AMRO has undertaken several major initiatives to enhance its surveillance framework and analytical toolkits. We look forward to the results of these efforts.

13. We welcome AMRO's publication and communications policies, which will improve its public communications and raise its visibility. We encourage AMRO to continue publishing its surveillance assessments and reports to enhance the outreach and quality of its surveillance.

14. We support AMRO's efforts to deepen its partnerships with global financial institutions. In this vein, we welcome the conclusion of the Memorandums of Understanding (MOUs) between AMRO and the IMF, and AMRO and the European Stability Mechanism (ESM). We further commend AMRO for becoming a United Nations Permanent Observer. We look forward to the completion of AMRO's partnership strategy by the next meeting.

15. We welcome AMRO's efforts to strengthen its capacity to support CMIM implementation, and commend the support provided by AMRO towards the enhancement of CMIM operational readiness, and the discussion on the CMIM Periodic Review. We look forward to more analytical support from AMRO on CMIM issues.

16. We commend AMRO for providing technical assistance (TA) to members through its secondment, consultancy and training programs, financed by China, Japan and Korea trust funds. We encourage AMRO to continue exploring innovative ways to meet the capacity building needs of members. We also encourage members to continue supporting AMRO's TA programs.

17. We acknowledge AMRO's contribution to the regional outlook discussion at the ASEAN+3 Leaders' Meeting, ASEAN Finance Ministers' and Central Bank Governors' Meeting and Lancang-Mekong Cooperation respectively, and encourage AMRO to continue its support for broader regional agenda and initiatives.

18. We commend AMRO's senior management team, led by Director Junhong Chang, for their sustained efforts and strong leadership in advancing AMRO's development, and look forward to more concrete outcomes as AMRO executes its Strategic Direction and Medium-term Implementation Plan.

### **Asian Bond Markets Initiative (ABMI)**

19. We welcome the ABMI's significant contributions in developing local currency bond markets and facilitating regional financial integration. The ABMI's initiatives have helped to mobilize the region's substantial savings for long-term investment financing, and developed the local currency bond markets as an alternative source of financing. We recognize the important role the ABMI plays in enhancing the resilience of the region's financial system, including promoting the use of local currency financing as a means to manage the heightened

volatility in global markets. On that note, we welcome the completion of the ADB's study on promoting local currency-denominated green bonds for infrastructure development and the publication of the report. We encourage efforts to promote the local currency-denominated green bonds to meet the region's infrastructure needs. We also welcome the revamp of Asian Bonds Online (ABO), a globally recognized flagship information source of the region's bond markets, to improve its usability and database as planned in the ABMI Medium-Term Road Map.

20. We welcome the approval of the Credit Guarantee and Investment Facility's (CGIF) Medium-term Business Strategy and the Capital Increase Proposal (CIP), which allows for the CGIF's authorized capital to increase from US\$700 million to US\$1.2 billion. We further welcome the early contributions by Japan, the Philippines and Singapore, and encourage other contributors to complete their contributions according to schedule.

21. We recognize that sharing ASEAN+3's experiences and good practices in developing local currency bond markets with other regions will contribute to a global discussion to improve the resilience of the economy and financial systems, which was highlighted by G20. In this regard, we welcome the General Principles for participation of non-ASEAN+3 countries as observers in the ASEAN+3 Bond Market Forum (ABMF) as approved by the Deputies. We are also pleased with Mongolia's participation in ABMF as an observer in line with the appropriate procedure under the General Principles. We also welcome the efforts in updating "Good Practices in Developing Bond Market", which includes corporate bond market, in addition to ASEAN government bond market.

22. We are pleased with the publication by the Cross-Border Settlement Infrastructure Forum (CSIF) of the common understanding on cross-border Business Continuity Plan (BCP) and cyber security, which are essential for creating safe linkages among Central Securities Depository-Real Time Gross Settlement (CSD-RTGS) systems. We welcome the decision to develop this CSD-RTGS linkage between the Bank of Japan (BOJ) and the Hong Kong Monetary Authority (HKMA) towards implementation around the spring of 2021, which will contribute to the reduction of the settlement risk for cross-border and cross-currency repo transactions. We look forward to further cross-border bond issuances under the ASEAN+3 Multi-currency Bond Issuance Framework (AMBIF) and the continuous capacity-building under the Technical Assistance Coordination Team (TACT) in better preparing the development of the bond markets in recipient countries.

### **ASEAN+3 Financial Cooperation in Disaster Risk Financing and Insurance**

23. We reaffirm our commitment to increase the financial resilience of ASEAN+3 members to climate and disaster risks. We welcome the agreement to establish a regional catastrophe risk insurance pool for Lao PDR and Myanmar as the first product of the Southeast Asia Disaster Risk Insurance Facility (SEADRIF), with support from Japan, Singapore and the World Bank. We also recognize that Cambodia may join the regional catastrophe risk insurance pool, subject to the result of the feasibility studies. We acknowledge that SEADRIF, which will be domiciled

in Singapore, aims to provide climate and disaster risk management and insurance solutions to ASEAN member states, and helps to narrow the natural catastrophe protection gap within the region. We welcome the ASEAN Disaster Risk Financing and Insurance Program (ADRFI) to work and collaborate with SEADRIF on some issues, including data assessment and modeling, and capacity building. We invite other ASEAN+3 members to join the SEADRIF, and encourage donor partners beyond ASEAN+3 to support this initiative.

#### **IV. Conclusion**

24. We expressed our appreciation to the governments of Singapore and Korea for their excellent arrangements as the co-chairs of the ASEAN+3 Finance Ministers' and Central Bank Governors' Process in 2018. We also thank the Philippines for its warm hospitality in Manila.

25. We agreed to meet in Nadi, Fiji in 2019. Thailand and China will be the co-chairs of the ASEAN+3 Finance Ministers' and Central Bank Governors' Process in 2019.

## **Key Points for the First CMIM Periodic Review in 2018**

### **1. Flexibility on the Supporting Periods of CMIM IMF-Linked Portion**

The CMIM Parties have agreed to improve the CMIM financing terms in order to strengthen their support for members. Specifically, the length of the CMIM supporting periods has been made flexible by increasing the maximum number of renewals from two times to multiple times if and when necessary in the case of the IMF Linked Portion. As a result of this amendment, CMIM Arrangements can be provided for more than three years in the case of the IMF Linked Portion. This may also provide a modality for financing assurances for co-financing operations.

### **2. Strengthened Coordination Mechanism with the IMF**

It is acknowledged that close cooperation and coordination with the IMF is critical to prevent and/or resolve future crises in the region. In this regard, in order to ensure consistency with the IMF, a coordination process in the form of Operational Guidelines (OG) will be duly established to have a shared view on economic and financial situations, financing needs, and policy recommendations for co-financing. The modalities of early information-sharing will be aligned with this coordination process. Engagement at an early stage may facilitate smooth collaboration, help address differences and allow the formation of a common view on key parameters and policies, while the CMIM and the IMF will continue to form an independent view on their respective financing decisions.

### **3. Enhanced Conditionality Framework**

The CMIM Parties have agreed to add an overarching legal basis for conditionality, in addition to the existing one for crisis prevention, as an applicable provision for the CMIM Arrangement for crisis resolution. It is expected that the CMIM may further support members by helping in the design and implementation of appropriate economic and financial policies, which in turn can make members overcome a crisis more quickly and settle on a sustainable path of economic growth. In joint financing programs with the IMF, it is now explicit that conditionality of the approved CMIM Arrangement shall be consistent with the IMF-supported Program, through early information-sharing and engagement and collaboration based on one coherent program.

### **4. Reinforced Review and Ex-post Monitoring**

The program review process is reinforced by identifying the issues to be reviewed and monitored after a CMIM Arrangement is approved. For co-financing, program reviews and disbursements based on such a review by the CMIM and the IMF can be better coordinated with the IMF-supported Program.

## **5. Upgrading Financing Terms and Conditions**

A series of financing conditions have been upgraded consistent with the relevant IMF-supported Program. For example, it has been agreed in the case of the IMF Linked Portion, flexibility will be applied to the schedule of disbursement, subject to the decision made by the ELDMB (Executive Level Decision Making Body).

## **6. Fine-tuning the Duty to Confidentiality Clause**

If necessary and available, some CMIM-related information can be disclosed for media coverage to bolster market confidence when the CMIM is activated and also be shared with third parties, including the IMF, subject to the decision made by the ELDMB and the consent of the Arrangement Requesting Party.

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