

## MESSAGE FROM AMRO DIRECTOR

“ Challenges and uncertainties in global and regional economies presented opportunities for AMRO to fulfill our mandate as the macroeconomic surveillance organisation of the ASEAN+3 region in 2018. ”



In 2018, global and regional economies faced growing uncertainties stemming from tightening financial conditions and escalating trade conflicts. However, the ASEAN+3 region remained the fastest growing region in the world and its economies managed to stand against the external shocks relatively well. The long-term global economic momentum, although still strong, had shown some signs of moderation amid emerging downside risks. Population aging, digital technology and automation, and climate change also posed various structural challenges, which regional economies need to address to keep up the growth momentum.

In the face of these risks, 2018 presented tremendous opportunities and challenges for AMRO to fulfill our mandate as the macroeconomic surveillance organization of the ASEAN+3 region. Our work centered around three core functions, namely conducting macroeconomic surveillance, supporting the regional financial arrangement – the CMIM, and providing technical assistance to our members.

Responding to heightened risks in the region, AMRO stepped up our surveillance of regional developments and stayed in close contact with authorities to provide timely and appropriate policy advice to our members. In particular, we enhanced our Comprehensive Surveillance Framework to better detect and monitor risks in the region. We also analyzed the effects of a sharp interest rate spike by the U.S. Federal Reserve on regional economies, and simulated the impact of a trade war and its spillover on the region. In addition to Annual Consultation Visits, we made frequent short visits to member economies for discussions with policymakers, international financial institutions, academia, think tanks, and the private sector. These comprehensive discussions deepened AMRO's understanding of members' situation and sharpened our analysis and policy recommendations.

During the year, we continued to produce timely policy updates of global and regional economic developments to support ASEAN+3 cooperation. Notably, AMRO's policy note "ASEAN+3 and

*External Risks: Sustaining Growth Through Cooperation*” was recognized as “a helpful overview of recent macroeconomic trends and possible policy responses” in the Chairman’s statement at the 21<sup>st</sup> ASEAN+3 Leaders’ Summit held in Singapore.

In 2018, our Annual Consultation Reports followed the newly adopted Surveillance Operational Manual to incorporate thematic issues pertinent to members’ economic growth and sustainability. Importantly, an enhanced Economic Review and Policy Dialogue (ERPD) Matrix – a set of qualification criteria for the CMIM’s crisis-prevention facility – was developed and will be mainstreamed into our surveillance process. These approaches and toolkits reaffirmed AMRO’s commitment to enhance the quality of our surveillance and strengthen the linkage between our two-pronged mandate: macroeconomic surveillance and CMIM support.

The second edition of our annual flagship report – the ASEAN+3 Regional Economic Outlook (AREO) 2018 – garnered keen interest from policymakers, academia, the media, and market participants, who participated in our discussions during its launch in Manila in May and the subsequent roadshows in China, Indonesia, Singapore, Thailand and Vietnam. The report was translated into Chinese, Lao and Myanmar to cater to the broader public in those countries.

Persisting global uncertainties coupled with the region’s increasing integration with the global economy validate the growing importance of CMIM’s insurance and defense functions. In this context, AMRO further stepped up our efforts in supporting CMIM development on several fronts during the year. Besides supporting members in the conduct of the first CMIM periodic review – a key milestone in fortifying CMIM’s role as the regional financial arrangement, AMRO also supported members in the 9<sup>th</sup> CMIM test run and the development of the CMIM conditionality framework. These initiatives strengthened the operational readiness of the CMIM at a time of heightened volatility in financial markets and capital flows. Taking a forward-looking approach and following

guidance from the ASEAN+3 Deputies, AMRO also conducted studies on the future direction of the CMIM and local currency contribution to the CMIM.

Recognizing the diversity of the ASEAN+3 economies, AMRO provided technical assistance tailored to members’ needs and different stages of developments. We conducted three training programs in Cambodia and Lao PDR to help build and strengthen their capacity in implementing sound economic policies. In May, we organized the first capacity building seminar for officials from CLMV countries (Cambodia, Lao PDR, Myanmar, and Vietnam) to exchange views and experience on country surveillance, regional economic outlook and technical assistance programs. During the year, we hosted 17 secondees, a significant increase from seven in the previous year. We were encouraged to learn from our members’ feedback that the past secondees had applied the knowledge and experience gained from AMRO to their work at the parent organizations.

As AMRO’s operations become more sophisticated, we are mindful that our organizational capacity has to advance in tandem to better support our core functions. This led to the piloting and formal adoption of AMRO’s Performance Evaluation Framework (PEF) in 2018. Thus far, it has proven to be an effective tool in tracking, evaluating, and strengthening our results-based management and performance. Several important policies and strategies, including the Document Exchange Policy, Information/Document Classification Policy, Partnership Strategy, and Communications Strategy, were also developed to ensure that AMRO’s operations would be rule-based and mandate-oriented.

Aspiring to become the “regional anchor” of macroeconomic and financial issues, AMRO continued to play key roles in various international and regional fora and strengthen partnerships with peer organizations in 2018. We co-hosted the 2<sup>nd</sup> Joint Regional Financing Agreement (RFA) Research Seminar in Colombia and the 3<sup>rd</sup> High-level RFA Dialogue in Indonesia with our strategic partners, the European Stability Mechanism (ESM) and

the Fondo Latinoamericano de Reservas (FLAR). Several theme-based events that we co-organized with strategic partners in the region provided interactive platforms for policymakers and prominent experts to discuss important topics. These included the AMRO-Bangko Sentral ng Pilipinas (BSP) Joint Seminar with the theme “*Asia’s Emergence in the New World Order: Growth, Integration, and Resilience*” in Manila, Philippines, AMRO-Asian Development Bank (ADB)-Bank Indonesia (BI) High-Level Policy Dialogue on “*Regional Cooperation to Support Innovation, Inclusion and Stability in Asia*” in Bali, Indonesia, and the High-level Forum on “*40<sup>th</sup> Anniversary of China’s Reform and Opening-up: Progress, Prospects and Impacts on the East Asian Region*” in Beijing, China.

In an effort to improve our transparency, credibility and visibility, we revamped our website in 2018, making it a one-stop-shop for the general public to easily access all surveillance and research reports and information. Throughout the year, we published 19 reports and thematic studies – a record-high number of publications by AMRO. We also organized numerous roundtables, roadshows, and university talks in member economies to bring our knowledge products closer to the target audience as well as gather their feedback.

Going into 2019, economic prospects for the ASEAN+3 region remain clouded by external risks and challenges. Nonetheless, AMRO is committed to support our members to meet these challenges. 2019 also marks the 20<sup>th</sup> anniversary of the ASEAN+3 financial cooperation process and I am convinced that AMRO will continue to play an increasing role in this important initiative.

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