



Joint Statement of the 26th ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting

Incheon, Korea, 2 May 2023

I. Introduction

1. The ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting (The Meeting) was convened on 2 May 2023 under the co-chairmanship of H.E. Sri Mulyani Indrawati, Minister of Finance of the Republic of Indonesia, H.E. Perry Warjiyo, Governor of Bank Indonesia, H.E. Shunichi Suzuki, Minister of Finance of Japan, and H.E. Kazuo Ueda, Governor of the Bank of Japan. The 26th meeting was held in-person for the first time since May 2019. The President of the Asian Development Bank (ADB), the Director of the ASEAN+3 Macroeconomic Research Office (AMRO), the Deputy Secretary-General of ASEAN Secretariat, and the Deputy Managing Director of the International Monetary Fund (IMF) were also present at the meeting.

2. The Meeting exchanged views on current developments and the outlook for the global and regional economies, as well as policy responses to risks and challenges. The Meeting recognizes that the ASEAN+3 financial cooperation has played an increasingly essential role in supporting regional economies to address risks and challenges. In this regard, the Meeting agrees to strengthen regional financial cooperation through the initiatives under the Regional Financing Arrangements (RFA) Future Direction, Chiang Mai Initiative Multilateralisation (CMIM), AMRO, Asian Bond Markets Initiative (ABMI), Disaster Risk Financing (DRF), and ASEAN+3 Future Initiatives, which will be reported to our Leader's summit.

II. Recent Economic and Financial Developments in the Region

3. The ASEAN+3 economies grew by 3.2 percent in 2022, despite the impacts of the COVID-19 pandemic and the Russia-Ukraine conflict which escalated into a crisis. Inflation rate rose to a record high but has been broadly contained relative to other regions. Tighter financial conditions, in addition to supply chain disruptions and higher global commodity prices aggravated by the ongoing Russia-Ukraine conflict, pose downside risks to the outlook for the regional economy. While the recent banking sector turmoil in the US and Europe has had limited direct spillovers for the region, the Meeting reiterates the need to remain vigilant. Looking ahead, the region is expected to grow by 4.6 percent in 2023, led by robust domestic demand as the economic recovery gains traction.

4. Given the improved situation related to COVID-19, the Meeting recognizes the need to wind

down COVID-19 related policy measures. Policy measures have to be carefully calibrated to anchor inflationary expectations, preserve monetary and financial stability, harness key emerging sectors such as the green and digital economies, ensure long-term fiscal sustainability, and promote strong, resilient and sustainable growth, while safeguarding against downside risks and negative spillovers.

5. The Meeting also recognizes that the long-term growth outlook for the region is contingent on how the region manages risks related to possible future pandemics, and climate change including more frequent and severe natural disasters. With these risks in mind, the Meeting acknowledges the merits of collaborating towards a strong and inclusive recovery and making continued progress in the 2030 Agenda for Sustainable Development, in order to achieve stronger, greener, more resilient, and better balanced global development.

6. Closer intra-regional cooperation—in the areas of trade and investment, supply chain logistics and resilience, customs systems inter-connectivity, cross-border flows, sustainable and green infrastructure, and digital integration— will further enhance the region’s ability to secure post-pandemic growth, minimize scarring effects, and prepare for future shocks. In this regard, the Meeting reaffirms our strong commitment to the open, free, fair, inclusive, equitable, transparent, and non-discriminatory ruled-based multilateral trading system with the World Trade Organization (WTO) at its core. The Meeting also expresses the members’ support for an enhanced regional economic integration. The Meeting fully supports the implementation of the Regional Comprehensive Economic Partnership (RCEP) Agreement.

III. Strengthening Regional Financial Cooperation

Regional Financing Arrangement (RFA) Future Direction

7. The scarring effects of the COVID-19 pandemic, its economic impact, and the uncertainties surrounding the global and regional economies have highlighted the importance of further strengthening the RFA including the CMIM. In this regard, the Meeting commends the Deputies’ efforts to explore new facilities as well as more robust and reliable financing structures to effectively prevent, mitigate and resolve future crises. With a view to further strengthening the RFA, the Meeting welcomes the discussion on the creation of a rapid financing facility, which will allow the members to access financing to meet urgent balance of payment needs arising from sudden exogenous shocks, such as pandemics and natural disasters. The Meeting agrees to explore possible financing structures, including through the study on the pros and cons of paid-in capital structure, in order to enhance the effectiveness of the regional safety net. The Meeting tasks AMRO to formulate proposals on the specific modalities of the rapid financing facility and develop a roadmap on other possible financing facilities and financing structures for Deputies’ consideration by the end of 2023.

Chiang Mai Initiative Multilateralisation (CMIM) Ongoing Issues

8. The Meeting welcomes the adoption of the updated CMIM Operational Guidelines to enable a member to provide CMIM liquidity support in its own domestic currency and the local currency (LCY) of another member (“third party LCY”) under the voluntary and demand-driven principle. Going forward, the Meeting tasks the Deputies, with AMRO’s support, to continue discussions on the remaining procedural arrangements for the use of LCYs.

9. The Meeting notes the progress made under the review of CMIM margin structure and task the Deputies to continue discussions with the aim of improving CMIM’s accessibility and effectiveness as a financing option for the members in times of need. The Meeting also tasks the Deputies to continue relevant discussions on the future direction of the CMIM in the context of the five-year periodic review, including further study on the de-linked portion (IDL), which is to be completed by 2024.

10. The Meeting also welcomes the successful completion of the 13th Test Run conducted and completed in 2022. The test run assessed the consistency of transition procedures from the IDLP to the IMF linked portion. The Meeting looks forward to the 14th Test Run to be conducted later this year, which will involve actual fund transfer based on the CMIM Stability Facility. The Meeting encourages AMRO to continue strengthening coordination with the IMF and other RFAs, and to support ASEAN+3 members in tapping the global financial safety net to the fullest extent possible, when needed.

ASEAN+3 Macroeconomic Research Office (AMRO)

11. Since its establishment in 2011, AMRO has played an important role in helping to safeguard macroeconomic and financial stability in the ASEAN+3 region through robust macroeconomic surveillance and strong analytical and operational support to the CMIM. The Meeting welcomes AMRO’s Strategic Direction 2030 (SD2030), which provides clear guidance to AMRO to support the members effectively in responding to the fast-changing macroeconomic and financial landscape and emerging challenges. The Meeting also looks forward to AMRO’s enhanced support in safeguarding macroeconomic and financial resilience and stability of the region.

12. Given the growing business needs of AMRO, the Meeting supported AMRO’s implementation of key initiatives including the Regional Knowledge Hub (RKH), the ASEAN+3 Financial Think-Tank Network (AFTN), secretariat support to the ASEAN+3 Financial Cooperation and the holistic review of its staff compensation and benefits package. The Meeting looks forward to further updates on other AMRO strategies and policies including the Performance Evaluation Framework, and Communications and Partnership Strategy. The Meeting encourages AMRO to establish itself as the region’s leading voice on ASEAN+3 macroeconomic and financial resilience and

stability issues on a global stage through enhancing its surveillance capacity and partnerships with international organizations and research institutions.

13. The Meeting appreciates AMRO's commitment in strengthening its surveillance work, and providing continuous support to CMIM's operational readiness and technical assistance (TA) to further enhance the members' capacity building. The Meeting appreciates the continued financial contributions from China, Japan and Korea which have helped strengthen AMRO's TA function, as well as ASEAN members' continued participation and support in AMRO's TA work. The Meeting calls for AMRO to mainstream emerging and structural issues, such as financial digital transformation, climate change, population aging, and supply chain reconfiguration in its surveillance work in line with the SD 2030 and Medium-term Implementation Plan (MTIP), in order to support the members' steady development in these areas. The Meeting encourages AMRO to further enhance its visibility and continue to actively forge synergies with peer institutions.

14. The Meeting commends AMRO's senior management team, led by Director, Dr. Li Kouqing, for their strong leadership in advancing AMRO's development. Strengthening AMRO's senior management governance, including through addressing its growing business needs and improving inclusiveness in its representation, is key. In this regard, the Meeting welcomes the guiding principles for strengthening senior management governance — (i) driven by AMRO's business needs while enhancing inclusiveness, (ii) enhancing AMRO's competency, professionalism, and efficiency in delivering its mandates in line with its SD2030, (iii) improving agility to evolving environment while supporting longer-term resilience and development, and (iv) aligning with the AMRO Agreement and good practices of other International Organizations. The Meeting looks forward to the holistic review of senior management governance, with the support from AMRO, in line with the guiding principles and a roadmap to be developed going forward, which may include the following items in SD2030, such as the introduction of an additional senior management position, the review of the tenure and handover schedule of senior management, and optimization of AMRO's organizational structure. It could also consider other elements discussed by the Deputies. The Meeting tasks the Deputies to develop the terms of reference on the additional position by the end of 2023.

Asian Bond Markets Initiatives (ABMI)

15. The Meeting welcomes our successful implementation of ABMI Medium-Term Road Map 2019-2022 with support from ADB, and commends the Credit Guarantee and Investment Facility (CGIF)'s efforts to expand and innovate the issuance of LCY bonds. The new ABMI Medium-Term Road Map 2023-2026 was endorsed at the Meeting, highlighting future directions and major activities, including (i) promoting sustainable finance regionally; (ii) improving regulatory and market framework and creating a better foundation for cross-border transactions; (iii) promoting digital transformation to integrate the ASEAN+3 financial markets; (iv) promoting LCY liquidity provision

to mitigate risk in cross-border transactions; and (v) continued and more tailored support for LCY bond market development. The Meeting appreciates ADB's work in this regard and looks forward to further enhancing the development of the LCY bond market.

Disaster Risk Financing (DRF)

16. Increased frequency and severity of natural disasters in the region underscores the importance of strengthening our resilience against potential economic and financial losses in future occurrences. The Meeting recognizes that initiatives for DRF, including the Working Group (WG) 3 and the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) with support from the ASEAN Secretariat and the World Bank, have played an important role in this regard, and welcomes the upgrading of DRF as a regular agenda under the ASEAN+3 finance track. The “2023-2025 Action Plan of the ASEAN+3 Disaster Risk Financing Initiative” was endorsed at the Meeting, which sets out the key actions to explore insurance solutions and other financial products, facilitate knowledge exchange, and develop technical solutions including a regional data repository and monitoring tool, building on the existing regional initiatives such as the ASEAN Disaster Risk Financing and Insurance (ADRFI) and SEADRIF.

ASEAN+3 Future Initiatives

17. The Meeting welcomes the substantial progress made in deepening and broadening the ASEAN+3 financial cooperation, including those made by the WGs. The Meeting welcomes the joint ADB-ASEAN+3 Report on “Reinvigorating Financing Approaches for Sustainable and Resilient Infrastructure in ASEAN+3” developed under WG1, which offers an “ASEAN+3 voice” on the important topic of infrastructure financing, and note the successful Ministerial Launch Event of the Report. The Meeting is pleased with the progress made by WG2 in developing the ASEAN+3 Macro-structural Framework and Program Toolkit with the support of AMRO. The Meeting welcomes WG4's work on enhancing regional policy coordination on fintech and introducing the Open Banking System as one of the areas for technical cooperation in the region. The Meeting encourages the WGs to make further progress, with concrete outcomes to deepen the cooperation in these areas while streamlining activities where necessary.

18. The Meeting welcomes AMRO's report on “Opportunities and Challenges of Financial Digitalization: A New Perspective on ASEAN+3 Regional Financial Cooperation”. The report highlights opportunities to be harnessed, including developing fast and efficient payment systems, while underpinning risks such as faster spillover effects and data security/privacy. It presents forward-looking recommendations for RFA, including adjustment/extension of AMRO's surveillance coverage, development of a framework for relevant TA by AMRO, and possible exploration of new financial support instruments. The Meeting also welcomes the high-level general principles on transition finance, based on “Survey Report on ASEAN+3 Transition Finance Initiatives”, endorsed by the Deputies, to drive progress towards achieving sustainable economies in line with global agreements.

19. The Meeting welcomes the study on LCY transactions in cross-border payments in the region. Given the intensifying trade relationship among the members, the Meeting recognizes that there is considerable potential to promote the use of LCY for cross-border transactions. The Meeting encourages AMRO playing a bigger role in supporting the members' efforts to promote LCY transactions, including strengthening and enhancing cooperation on payment connectivity. With AMRO's support, the Meeting tasks the Deputies to conclude the study by the end of 2023. The Meeting also welcomes the studies on corporate debt-at-risk, household debt and sustainable finance in the region. The Meeting acknowledges the importance of identifying and assessing risks to the region's financial stability through strengthening the macro-financial database, identifying fiscal policy gap on sustainable finance and exploring options to fill the policy gap in the member countries.

IV. Conclusion

20. The Meeting expresses the appreciation to the governments of the Republic of Indonesia and Japan for their excellent arrangements as the Co-chairs of the ASEAN+3 Finance Ministers' and Central Bank Governors' Process in 2023. The Meeting agrees to meet in Tbilisi, Georgia in 2024 and looks forward to working with Lao People's Democratic Republic and Republic of Korea as the Co-chairs of the ASEAN+3 Finance Ministers' and Central Bank Governors' Process in 2024.