



Joint Statement of the 25th ASEAN+3

Finance Ministers' and Central Bank Governors' Meeting

Virtual, 12 May 2022

I. Introduction

1. The 25th ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting (AFMGM+3) was convened on 12 May 2022 under the co-chairmanship of H.E. Dr. Aun Pornmoniroth, Deputy Prime Minister and Minister of Economy and Finance of the Kingdom of Cambodia, H.E. Sum Sannisith, Deputy Governor of the National Bank of Cambodia and H.E. Liu Kun, Minister of Finance of the People's Republic of China, H.E. Chen Yulu, Deputy Governor of the People's Bank of China. The meeting was held in virtual format under the extraordinary circumstances due to the COVID-19 pandemic. The Vice President of the Asian Development Bank (ADB), the Director of the 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 the meeting.

2. We exchanged views on current developments and the outlook for the global and regional economies, as well as policy responses to risks and challenges. In view of the challenges ahead, we recognize that ASEAN+3 financial cooperation has a more essential role to play in supporting regional economies to navigate these obstacles. In this regard, we agree to further deepen our collaboration to enhance regional financial cooperation, including through the Chiang Mai Initiative Multilateralisation (CMIM), AMRO, Asian Bond Markets Initiative (ABMI), and ASEAN+3 Future Initiatives.

II. Recent Economic and Financial Developments in the Region

3. The ASEAN+3 economies have remained steadfast in weathering the challenges posed by

the COVID-19 pandemic. Since early 2021, we have focused on ramping up the vaccination rates to protect our populations and have adopted more targeted containment measures to minimize the impact on our economies and to support recovery. As a result, the region saw robust growth of around 6 percent in 2021. Looking ahead, given the strong protection afforded by high vaccination rates in the region, the region can look forward to further opening-up and stronger economic recovery this year. However, the sharper-than-expected monetary policy normalization in some major advanced economies, continuing supply chain disruptions, and rising food and energy prices aggravated by the current Russia-Ukraine conflict may pose downside risks to the outlook for the region's trade and investment, growth, and inflation.

4. We recognize that continuing supportive policies are crucial in alleviating the impact of the pandemic and strengthening a sustained economic recovery. At the same time, we acknowledge the importance of avoiding misallocation of resources and ensuring support for new and growing sectors. We will calibrate policy measures introduced in response to the pandemic as the economic recovery gains traction, preserve monetary and financial stability and long-term fiscal sustainability, and safeguard against downside risks and negative spillovers.

5. The pandemic has caused scarring effects in various extent to the ASEAN+3 economies. However, it has also provided a strong boost for digitally supplied services such as e-commerce, digital financial services, and telehealth. 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 expand the region's opportunities to secure post-pandemic growth, minimize scarring, and prepare for future shocks. In this regard, we remain firmly committed to an open and rules-based multilateral trade and investment system and resolve to further strengthen intra-regional ties. We welcome and fully support the coming into force of the Regional Comprehensive Economic Partnership. We also recognize that the long-term growth outlook for the region is contingent on how the region manages climate-related risks. With these in mind, we acknowledge the merits of collaborating towards strong and inclusive recovery and making continued progress in the 2030 Agenda for Sustainable Development to achieve stronger, greener and more balanced global development.

III. Strengthening Regional Financial Cooperation

Chiang Mai Initiative Multilateralisation (CMIM)

6. The COVID-19 pandemic, its economic impact, and the uncertainties surrounding the global economy have highlighted the importance of further strengthening the CMIM. In this regard, we welcome the adoption of a new reference rate for CMIM liquidity support arrangements, which will align CMIM reference rate with global financial market conventions. We also welcome the updated CMIM Operational Guidelines (OG) on the use of each member's own local currency for CMIM arrangements, which took effect in January 2022. We appreciate members' efforts in strengthening accessibility of CMIM arrangements, by allowing requesting members to prepare medium term economic targets and policy plans with more flexibility.

7. We are pleased with the progress made in further developing the CMIM OG to enable a member to provide a local currency of another member (third-party local currency), in addition to its own domestic currency, for CMIM liquidity support. Going forward, we task the Deputies to continue discussing local currency procedural arrangements, with a view towards finalizing the OG by the end of 2022.

8. We note the efforts undertaken to review the CMIM margin structure and task the Deputies to continue the discussions with the aim of concluding the review by the end of this year. This is an important step in improving CMIM's accessibility and reliability while ensuring that CMIM will be an effective financing option for members in times of need. We commend members for adopting an indicative work plan to discuss the CMIM medium- to long-term future direction and other related issues in the context of the second periodic review, which is to be completed by 2024. Hence, we task the Deputies, with AMRO's support, to continue relevant discussions on CMIM future direction.

9. We also welcome the successful completion of the 12th Test Run, which was conducted in 2021. The test run assessed the eligibility of a requesting member to access the facility, by using the Economic Review and Policy Dialogue (ERPD) matrix framework, and demonstrated the operational readiness of the CMIM-Precautionary Line IMF de-linked portion. We are confident that the 13th Test Run, to be conducted jointly with the IMF later this year, will further enhance the operational readiness of the CMIM and better support its members by ensuring the procedures for smooth and timely transition from the CMIM IMF de-linked portion to the IMF-linked portion. We encourage AMRO to continue strengthening coordination with the IMF and other regional financing arrangements, to support ASEAN+3 members to tap the full strength and scale of the global financial safety net when needed.

ASEAN+3 Macroeconomic Research Office (AMRO)

10. 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 surveillance and strong technical support to the CMIM. We congratulated AMRO on its ten-year anniversary celebration in December 2021 for its achievements in the past decade.

11. Given the fast-changing external environment and increasing demands from ASEAN+3 members, we support the initiative to review AMRO's Strategic Direction (SD) and identify new areas where AMRO may provide support to members in addressing the challenges ahead. We also support the proposal to develop a detailed implementation plan, including the build-up of a regional think-tank network to strengthen AMRO's role as a Regional Knowledge Hub (RKH). We look forward to the finalization and approval of AMRO's updated SD, which will include the implementation plan of the RKH, by the end of this year. We look forward to consequent updates to other AMRO strategies and policies including the Performance Evaluation Framework and building a competent staff team based on merit and geographical balance, especially from developing member countries, for better alignment with AMRO's updated SD.

12. We encourage AMRO to play a larger role in supporting the ASEAN+3 Finance Process by providing thought-leadership, and serving as a knowledge sharing platform for key issues that will impact the region. In this regard, we welcome AMRO's inaugural participation as an Observer at the ASEAN+3 Leaders' Summit in 2021 and affirm our full support for AMRO's continued participation at future Leaders' Summits.

13. We welcome the consistent progress in AMRO's surveillance capacity and AMRO's continued efforts in this regard. We encourage AMRO to establish itself as the authoritative regional voice on ASEAN+3 macro-economic and financial stability issues on the global stage, including through enhancing partnerships with international organizations and research institutions. We welcome AMRO's publication of its policy position paper on capital flow management and macroprudential policy measures in the ASEAN+3 region. We also appreciate AMRO's efforts in developing more analytical tools and making them available to the members. We encourage AMRO to mainstream emerging and structural issues, such as financial digital transformation, climate

change, population aging, and supply chain reconfiguration in its surveillance work, and to strengthen its role as a trusted advisor by providing members with targeted and pragmatic policy advice aimed at maintaining macroeconomic and financial stability, advancing economic transformation, and pursuing sustainable development. We encourage AMRO to conduct more in-depth surveillance and give policy advice independently, and to tailor its work perspectives based on the characteristics of the ASEAN+3 region and member economies to ensure that its recommendations are applicable.

14. We appreciate AMRO's support to the CMIM's operational readiness and welcome the expansion of its Technical Assistance (TA) team and enhancement of its TA activities. We commend China's, Japan's and Korea's continued financial contributions to AMRO to strengthen its TA function, as well as continued participation and support from ASEAN members in AMRO's TA work. We welcome the Medium-term Implementation Plan 2022-2026 as endorsed by the Deputies and encourage AMRO to continue to strengthen its accountability through the Integrated Evaluation Cycle.

15. We welcome AMRO's support in launching the ASEAN+3 Finance Process Online Repository in August 2021. The repository has proven to be a valuable resource for knowledge management within the ASEAN+3 finance track. As ASEAN+3 continues to expand and deepen the regional financial collaboration, we encourage the Deputies to explore ways to further strengthen the effectiveness and efficiency of the ASEAN+3 finance process going forward, with greater support from AMRO.

16. We express our deep appreciation to the outgoing AMRO Director, Mr. Doi Toshinori, for his excellent stewardship of AMRO over the past three years. Despite the uncertainty and disruptions caused by the COVID-19 pandemic, Mr. Doi competently steered AMRO through these challenges to continue providing timely, robust and relevant analyses to help the region navigate these challenging times. We welcome the incoming Director, Dr. Li Kouqing, and look forward to working with him fruitfully in the next three years. We expect continued efforts in improving AMRO's inclusiveness and diversity with support from all ASEAN+3 members.

Asian Bond Markets Initiative (ABMI)

17. We acknowledge the ABMI's continued progress toward implementing the ABMI Medium-Term Road Map 2019-2022, which aims to strengthen support for infrastructure finance, create an ecosystem for sustainable bond market development, promote regulatory standardization and harmonization, improve bond market infrastructure to facilitate cross-border transactions, and foster collaboration among regional initiatives. We appreciate the ADB's work in this regard and look forward to more tangible achievements in further deepening the development of the local currency bond market.

18. We commend the Credit Guarantee and Investment Facility (CGIF)'s on-going efforts to expand and innovate the issuance of local currency bonds despite the difficulties under the pandemic. We support regional efforts to develop green, social, and sustainability bonds, and look forward to the report on sustainable finance in ASEAN+3 being published. We welcome the continued enhancements to AsianBondsOnline (ABO) and the progress of ongoing research to assess the status of the "double mismatch problem" under the ASEAN+3 Bond Market Forum (ABMF), which will provide recommendations and suggestions for the next round of the ABMI Medium-Term Road Map. We take note of the study under the Cross-Border Settlement Infrastructure Forum (CSIF) which assesses the recent technological advances in the ASEAN+3 region and the Asia Prime Collateral Forum (APCF)'s efforts to advance collateral utilization in the ASEAN+3 region. We look forward to more capacity building through the Technical Assistance Coordination Team (TACT).

ASEAN+3 Future Initiatives

19. We welcome the substantial progress made in deepening and broadening ASEAN+3 financial cooperation, including those made by the four Working Groups (WGs). We acknowledge the recommendations of WG1 to explore the pilot usage of standardized core project finance loan documents and partner with the ADB to draft a report on regional post-COVID infrastructure priorities. We are pleased with the progress made by WG2 in developing the ASEAN+3 Macro-structural Framework with the support of AMRO. We acknowledge the concept paper prepared by WG3 to conduct a detailed study among ASEAN+3 members with the aim to launch a new ASEAN+3 initiative on Disaster Risk Financing building on the existing regional initiatives such as the ASEAN Disaster Risk Financing and Insurance (ADRFI) and the Southeast Asia Disaster Risk Insurance Facility (SEADRIF). We welcome WG4's work on improving regional policy coordination on fintech and introducing Open Banking System as one of the areas for technical

cooperation in the region. We encourage the four WGs to make further progress, with concrete outcomes to deepen the cooperation in these areas.

20. We welcome the proposal and discussion on the two new initiatives of Financial Digitalization and Transition Finance, which are well-aligned with the development trend within the region. We acknowledge the importance of opportunities and challenges of financial digitalization from the perspective of regional financial cooperation, and look forward to the assessment of its potential implications on Regional Financing Arrangements (RFAs) for forward-looking recommendations on potential adjustments of RFAs. We welcome AMRO's initial research on this new agenda and look forward to its further support. We recognize the role of transition finance in facilitating low carbon transition of carbon-intensive sectors in ASEAN+3 economies, and welcome the work plan on transition finance as a good starting point to better understand members' needs, concerns, and potential recommendations. This will contribute towards more sustainable development in the region and complement relevant global work. We encourage the Deputies to continue the work on the two new initiatives and come up with concrete proposals to contribute to the future ASEAN+3 finance process.

ASEAN+3 Financial Cooperation in Disaster Risk Financing and Insurance

21. We continue to support the efforts of the SEADRIF in strengthening the financial resilience of ASEAN member countries against disaster risks, with support from the ASEAN Secretariat and the World Bank. We welcome the membership expansion of SEADRIF and the progress of the Public Asset Financial Protection Program. We also welcome the remaining ASEAN+3 member countries to join SEADRIF, and for donor partners beyond the ASEAN+3 region to support this initiative.

IV. Conclusion

22. We express our appreciation to the governments of the Kingdom of Cambodia and the People's Republic of China for their excellent arrangements as the Co-chairs of the ASEAN+3 Finance Ministers' and Central Bank Governors' Process in 2022. We agreed to meet in Incheon, Korea in 2023, and look forward to working with Indonesia and Japan as the Co-chairs of the ASEAN+3 Finance Ministers' and Central Bank Governors' Process in 2023.