



# Joint Statement of the 23<sup>rd</sup> ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting

Virtual, 18 September 2020

## I. Introduction

1. We, the Finance Ministers and Central Bank Governors of ASEAN, China, Japan and Korea (ASEAN+3), convened our 23<sup>rd</sup> meeting under the co-chairmanship of H.E. Dinh Tien Dung, Minister of Finance of the Socialist Republic of Viet Nam, H.E. Le Minh Hung, Governor of the State Bank of Viet Nam, H.E. Aso Taro, Deputy Prime Minister and Minister of Finance of Japan and H.E. Kuroda Haruhiko, Governor of the Bank of Japan. The meeting was held in virtual format given the extraordinary circumstances due to the COVID-19 pandemic. The President of the Asian Development Bank (ADB), the Director of the ASEAN+3 Macroeconomic Research Office (AMRO), the Secretary-General of ASEAN, and the Director of the Regional Office for Asia and the Pacific of the International Monetary Fund (IMF) were also present at our meeting.
2. We exchanged views on the current developments and outlook for the global and regional economies, as well as policy responses to risks and challenges under the COVID-19 pandemic. We also reviewed the progress of regional financial cooperation achieved since our last meeting in Nadi, Fiji in May 2019. We acknowledged that the progress achieved under the ASEAN+3 Finance Process over the past years has significantly contributed to building the economic and financial resilience of the region against negative shocks. The importance of regional financial cooperation is further underscored while our region is facing new challenges due to the COVID-19 pandemic. Against this backdrop, we agreed to continue working together to further enhance regional economic and financial stability, including through the Chiang Mai Initiative Multilateralisation (CMIM), AMRO, and Asian Bond Markets Initiative (ABMI), as well as Strategic Directions of ASEAN+3 Finance Process.

## II. Recent Economic and Financial Development in the Region

3. The COVID-19 pandemic has taken a heavy toll on human lives globally and affected our economies. We implemented necessary containment measures to control the transmission of the virus while this unavoidably impacted economic activity. With the global economy increasingly

interconnected, the disruptions to global supply chains and the challenges faced by many industries as a result of the pandemic have demonstrated the importance of ensuring the resilience of our economies to shocks. We moved swiftly to mitigate the impact of the pandemic by deploying extraordinary measures in the forms of targeted fiscal, monetary and credit support to households and corporates, and accorded regulatory forbearance, as well as liquidity support, to the financial system.

4. Our efforts to contain the pandemic have enabled us to gradually lift restrictions on economic activities, depending on the pandemic situation of respective economies. Economic growth is projected to fall sharply for many economies this year, but we expect our economies to rebound going forward. While the outlook remains uncertain this year, we welcome the green shoots of recovery in our economies. Meanwhile, we will remain vigilant to the continued downside risks on the horizon given the uncertain trajectory of the COVID-19 pandemic.
5. We are taking steps to reduce vulnerabilities to these risks and are determined to continue to use all available policy tools to support the sustained recovery of our economies. We will carefully measure the appropriate timing of the exit from these pandemic measures in accordance with the economic and pandemic situation of each member, to avoid a cliff effect and safeguard growth and financial stability in the ASEAN+3 region. We will remain resolute in our commitment to uphold an open and rules-based multilateral trade and investment system, and strengthen regional integration and cooperation.

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

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

6. As this year marks the 10<sup>th</sup> anniversary of the original CMIM agreement, which came into effect in 2010, we appreciate the members' tireless efforts in upgrading the CMIM as a reliable self-help mechanism in the ASEAN+3 region, and establishing it as an important component in the global financial safety net. In this regard, we are pleased with the historical achievements reached at today's meeting, which will help further enhance the relevance as well as operational readiness of the CMIM.
7. We commend the Deputies' efforts to conclude the Package Agreement in Xiamen, China in December 2019. This is a milestone achievement that has enhanced the value of CMIM to its members and improved the CMIM's operational readiness. Under the Package Agreement, members agreed to (i) increase the IMF De-Linked Portion from 30% to 40% (ii) institutionalize voluntary and demand driven, for both requesting and providing parties, local currency contributions in the CMIM, both of which were included in the ad hoc review of the CMIM

Agreement this year, and (iii) clarify the CMIM Conditionality Framework for the IMF De-linked Portion to enable the smooth implementation of the CMIM Arrangement.

8. We welcome the amended CMIM Agreement and CMIM Operational Guidelines (OGs), which entered into force on 23 June 2020 building upon the first Periodic Review. We also welcome the timely conclusion of the ad hoc review of the CMIM Agreement and approve the Agreement to Amend the CMIM Agreement (the “Agreement”). We aim to complete the signing and entry into force of the Agreement, by the end of 2021 at the latest, when the LIBOR reform is expected to be completed, and task the Deputies to update the OGs to reflect the revised Agreement.
9. We welcome the completion of the CMIM Conditionality Framework, following the Deputies’ endorsement of the Technical Guidance (TG). This TG will guide CMIM members, supported by AMRO, in formulating conditionality for the IMF De-Linked Portion. The TG for the IMF Linked Portion ensures an independent CMIM’s decision making process with AMRO’s support, while clarifying the operational mechanism for smooth and swift cooperation and coordination between AMRO and IMF during times of crises, to avoid excessive burden on the requesting country.
10. We welcome the successful completion of the 10<sup>th</sup> Test Run last year, involving an actual fund transfer. We believe that the proposed 11<sup>th</sup> Test Run this year will help enhance our understanding of the various operational risks and deepen common understanding among members. Going forward, we task the Deputies to continue to enhance the operational readiness of the CMIM and request AMRO to provide valuable insights and inputs to members’ discussions.

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

11. In the face of the COVID-19 pandemic, we recognize the ongoing need for a stronger and more capable AMRO as a “trusted family doctor” to support ASEAN+3 members. We commend AMRO’s timely analyses and updates on the impact of the pandemic on our region, which have served as valuable references for our own policymaking. We look forward to AMRO’s continued support to members in safeguarding macroeconomic and financial stability of the region.
12. In this regard, we welcome the new Medium-term Implementation Plan (MTIP): 2020-2024 as endorsed by the Deputies. We encourage AMRO to leverage its regional focus and comparative advantages, and support AMRO in implementing the new MTIP. We expect AMRO to continue to recalibrate its work plan, and to strengthen its surveillance capabilities, taking into account the impact of COVID-19 in order to strengthen its support to members. We appreciate AMRO’s efforts to introduce an Integrated Evaluation Cycle to establish itself as a results-based organization and look forward to its implementation.

13. We welcome the significant progress AMRO has made in the past few years in enhancing its macroeconomic surveillance capacity, in particular, the enhancement of the Economic Review and Policy Dialogue (ERPD) Matrix framework and its use in AMRO's regular surveillance work. We also welcome the use of the ERPD Matrix Scorecard as a qualification reference to access the CMIM-Precautionary Line. In this regard, we look forward to the introduction of policy and review function on pilot basis to enhance the governance of the surveillance process and support for CMIM program. We expect AMRO to leverage its regional presence and expertise to develop its institutional views on key policy issues including capital flows management measures (CFMs) and macroprudential policy measures (MPMs), and to represent the region in expressing these perspectives in various fora.
14. We appreciate AMRO's contributions to the enhanced operational readiness of the CMIM. We commend AMRO for providing technical assistance (TA) to support members' capacity building and welcome AMRO's efforts to further expand the scope of the TA. We call for AMRO to strengthen its institutional governance, and ensure fiscal prudence and sustainability in its operations. We recognize AMRO's progress in raising its profile, and encourage AMRO to further enhance its visibility and continue to actively forge synergies with peer institutions.
15. We commend AMRO's senior management team, led by Director, Mr. Doi Toshinori, for its strong leadership in advancing AMRO's development. The new senior management team has moved quickly, and effectively adjusted its activities to better support ASEAN+3 members in these turbulent times. We encourage AMRO to continue to do so and express our confidence in AMRO's ability to fulfill its mandate.

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

16. We acknowledge the continuous progress under the ABMI in line with the ABMI Medium-Term Road Map 2019-2022. The ABMI continues to foster the development of local currency bond markets to mitigate currency and maturity mismatches and to mobilize the region's savings to finance long-term investment across the region.
17. We commend the sustained efforts by the Credit Guarantee and Investment Facility (CGIF) to support infrastructure financing, including the Infrastructure Investors Partnership (IIP) study. We encourage the CGIF to utilize the findings from the study to explore innovative ways to further promote regional infrastructure financing and local currency bond market development. We welcome the commencement of a new TA project to promote local currency green bonds to meet the region's infrastructure needs as well as the commencement of a new TA project aimed at

improving the usefulness of AsianBondsOnline (ABO). We acknowledge the steady progress being made in pursuit of market integration under the ASEAN+3 Bond Market Forum (ABMF). We note the publication of “Next Steps for ASEAN+3 Central Securities Depository and Real-Time Gross Settlement Linkages” by the Cross-Border Settlement Infrastructure Forum (CSIF) and commend collaborative efforts by the CSIF and the Asia Prime Collateral Forum (APCF) to promote cross-border collateral usage in the region. We look forward to the continuous capacity-building support to recipient countries by the Technical Assistance Coordination Team (TACT).

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

18. We continue to support the efforts of the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) in strengthening the financial resilience of ASEAN member countries against climate and disaster risks, with support from the ASEAN Secretariat and the World Bank. We welcome the progress towards the operationalization of the catastrophe risk insurance pool for Lao PDR and Myanmar and the establishment of the technical working group on Public Asset Financial Protection Program to expand coverage to other ASEAN member countries. We welcome remaining ASEAN+3 member countries to join SEADRIF, and encourage donor partners beyond ASEAN+3 region to support this initiative.

#### **IV. Strategic Directions of the ASEAN+3 Finance Process**

19. We welcome the continuing progress under “Strategic Directions of ASEAN+3 Finance Process” and “Recommendation on Enhancing Effectiveness and Efficiency of ASEAN+3 Finance Process”, which would lay a foundation for us to further deepen and broaden ASEAN+3 financial cooperation towards a more resilient, inclusive and integrated region.

20. In this regard, we welcome the establishment of five Study Groups (SGs) to explore potential areas for new initiatives and note the progress indicated in the reports submitted for this meeting, respectively on “Local Currency Usage Promotion in ASEAN+3” (SG1), “Infrastructure Financing” (SG2), “Instruments for Macro-critical Structural Issues” (SG3), “Strengthening Financial Resilience against Climate and Natural Disasters” (SG4) and “Enhancing Policy Coordination to Harness Benefit of Technological Advancements While Minimizing Risks” (SG5). We look forward to further discussions building upon the reports, in order to explore new initiatives to promote the financial cooperation.

21. We are pleased with the introduction of thematic discussions in the ERPD session to encourage lively and timely exchange of views among the members. We look forward to making further

efforts to enhance the effectiveness and efficiency of the ASEAN+3 Finance Process. To this end, we encourage AMRO to further strengthen its support to the ASEAN+3 Finance Process, including supporting members to develop and manage the ASEAN+3 Online Repository.

## **V. Conclusion**

22. We express our appreciation to the governments of Viet Nam and Japan for their excellent arrangements as the Co-chairs of the ASEAN+3 Finance Ministers' and Central Bank Governors' Process in 2020, particularly amid a challenging environment. We look forward to our next meeting in Tbilisi, Georgia in 2021. Brunei Darussalam and Republic of Korea will be the Co-chairs of the ASEAN+3 Finance Ministers' and Central Bank Governors' Process in 2021.