



# **The Joint Statement of the 20th ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting**

(Yokohama, Japan, May 5<sup>th</sup> 2017)

## **I. Introduction**

1. We, the Finance Ministers and Central Bank Governors of ASEAN, China, Japan and Korea (ASEAN+3), convened our 20th meeting in Yokohama, Japan, under the co-chairmanship of H.E. Carlos G. Dominguez III, Finance Secretary of the Philippines, and H.E. Taro Aso, Deputy Prime Minister and Minister of Finance of Japan. The President of the Asian Development Bank (ADB), the Director of 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 our meeting.
2. We exchanged views on recent global and regional economic developments and policy responses. We reviewed the progress of regional financial cooperation achieved since our last meeting in Frankfurt, Germany, including the Chiang Mai Initiative Multilateralisation (CMIM), AMRO and Asian Bond Markets Initiative (ABMI). We also discussed measures to further strengthen our regional financial cooperation in the future and agreed on the “Yokohama Vision”, our guiding principles for a more resilient and integrated ASEAN+3 (attached as “Annex” to this statement).

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

3. We are pleased that the ASEAN+3 region is expected to maintain a relatively robust growth and will continue to play a leading role in sustaining global growth, supported by regional members' continuing structural reforms and effective implementation of macroeconomic policies. We recognize that global growth is expected to rise with buoyant financial market and a long-awaited cyclical recovery in manufacturing and trade underway. However, risks for the global economy remain skewed to the downside, especially over the medium term, with pervasive uncertainties surrounding policies. The sources of uncertainties include an inward shift in policies, including toward protectionism, and sharper-than-expected financial tightening.
4. Under these circumstances, we reaffirmed our commitment to regional financial cooperation, and support our open and rules-based multilateral trade and investment systems, which will continue to strengthen our economies. We also reiterated the importance of utilizing all necessary policy tools – monetary, fiscal and structural – individually and collectively to promote sustainable, balanced and inclusive growth and to enhance economic and financial

resilience, taking into account regional members' specific circumstances. Monetary policy will continue to support economic activity and ensure price stability, consistent with Central Banks' mandate, but monetary policy alone cannot lead to balanced growth. Fiscal policy should be used flexibly and be growth-friendly, prioritize high-quality investment, and support reforms that would provide opportunities and promote inclusiveness, while ensuring debt as a share of GDP is on a sustainable path. We reaffirmed our commitment to structural reforms that will lift potential growth of the region and enhance member countries' resilience. These reforms should be appropriately tailored, prioritized and sequenced, depending on country-specific circumstances. We will continue to adopt the appropriate policy mix to achieve balanced growth and financial stability. We will carefully calibrate and clearly communicate our macroeconomic and structural policy actions, including the use of macro-prudential measures, to reduce policy uncertainty, minimize negative spillovers and promote transparency.

5. We recognized the importance and benefits of open capital markets and of improving the system underpinning international capital flows while continuing to enhance the monitoring of capital flows and to strengthen the management of risks stemming from excessive capital flow volatility. An open and resilient financial system is crucial to supporting sustainable growth and development. In this light, we will continue to closely monitor, and if necessary, address emerging risks, particularly those that are systemic, as well as the vulnerabilities in the financial system.

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

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

6. We affirmed our commitment to further strengthen the CMIM as an essential part of the regional financial safety net. In this regard, we welcomed the revision of the CMIM Operational Guidelines to clarify the activation process of the IMF De-linked Portion of the CMIM, as well as the progress in the preparation of the CMIM Conditionality Framework. We also welcomed the Deputies' endorsement of the assessment methodology on the increase in the IMF De-linked Portion. We appreciated all these efforts and the significant progress that has been made in working towards the potential increase of the IMF De-linked Portion. We look forward to further progress on this issue. It is encouraging to note that the CMIM, with its current size of USD 240 billion, is at the center of our regional financial safety net, complemented by the network of bilateral swap arrangements in the region amounting to more than USD 160 billion.
7. We welcomed the development of the qualification indicators for the CMIM-Precautionary Line, based on the Economic Review and Policy Dialogue (ERPD) Matrix, that consists of key economic and financial indicators of all ASEAN+3 member economies. We look forward to the successful completion of the pilot project for the ERPD Matrix peacetime procedure and progress on ERPD Matrix indicators and benchmarks, in cooperation with AMRO.

8. We noted that the CMIM also contributes to a stronger global financial safety net with the IMF at its center. In this regard, we welcomed the successful completion of the 7th Test Run which examined the activation of the CMIM arrangement with the IMF program. It has highlighted the importance of improving CMIM's readiness and effectiveness by (i) addressing issues that are fundamental to the CMIM, (ii) improving CMIM-IMF coordination (including burden sharing, financing conditions and information sharing), and (iii) enhancing AMRO's capacity. These important works have been included in our plan on the Periodic Review of the CMIM Agreement, and we look forward to strong progress towards this direction by our next meeting, including the reports from the two Working Groups (WGs), one on CMIM fundamental issues and the other on the coordination with IMF. We will deepen our engagement with the IMF with the aim of resolving operational issues that may arise in order to further strengthen the supplementary role of the CMIM in the global financial safety net.

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

9. We are pleased with the finalization of AMRO's Strategic Direction and Medium-term Implementation Plan (SD&MTIP) as approved by the Deputies. We encouraged AMRO to execute the SD&MTIP and contribute to the region's macroeconomic and financial stability, by delivering high quality and original surveillance to member economies, and providing strong support for the CMIM. We noted AMRO's significant efforts in enhancing its surveillance capacity which resulted in the publication of the very first edition of its flagship report, the "ASEAN+3 Regional Economic Outlook". We look forward to more focused and comprehensive surveillance activities and welcomed AMRO's "Guidance Note for AMRO Country Surveillance Consultation" to serve as guidelines for its country consultations and regional assessments. We commended the Deputies' endorsement of AMRO's Publication Policy which will promote its accountability and visibility beyond the regional platform and solidify its presence as an international organization. We continue to support AMRO in enhancing its surveillance and organizational capacity to fulfill its mandate as an independent, credible and professional regional organization acting as a trusted policy advisor to members in the ASEAN+3 region.
10. We appreciate AMRO's efforts to support the CMIM activities of ASEAN+3. We expect to enhance AMRO's role to support members in the implementation of the CMIM. With AMRO's enhanced surveillance capacity, we look forward to its further contribution to ensuring the macroeconomic and financial stability of the region. We expect AMRO's active participation in the CMIM Periodic Review in coordination with the WGs to enhance the operational readiness of the CMIM.
11. Recognizing that building multi-layered macroeconomic and financial stability mechanism worldwide is key to stability, we encouraged AMRO to explore closer cooperation with global and other regional financial institutions, which would also help enhance AMRO's organizational capacity through information sharing, joint activities and staff exchanges. We

welcomed the conclusion of a Memorandum of Understanding between AMRO and the ADB to further their cooperation, and look forward to the early conclusion of a Memorandum of Understanding between AMRO and the IMF.

12. We welcomed the establishment of the trust funds in AMRO, with contributions from China, Japan and Korea, boosting the implementation of AMRO's technical assistance program. We reiterated the importance of enhancing surveillance capacity of member economies and encouraged AMRO to continue upgrading and expanding its technical assistance activities according to the needs of members.
13. We commended Director Chang Junhong for her excellent management of AMRO as a full-fledged international organization, and look forward to her continued leadership in guiding AMRO as an independent, credible and reliable surveillance unit.

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

14. We welcomed the significant contribution of the ABMI to developing local currency bond markets across the region, channeling the region's large savings to finance its own investment, and mitigating currency and maturity mismatches since its establishment. Beyond the bond markets, we recognized the necessity of expanding ABMI's role on building up our financial markets as a whole, and further promoting use of local currencies, given increased funding needs in local currencies within the region, as a way of managing heightened volatility in global financial markets.
15. We noted the proposal to increase the capital of the Credit Guarantee and Investment Facility (CGIF), recognized the importance of expanding its guarantee capacity, and look forward to an early decision on this issue. We encouraged continued support and financial contribution from the ADB. In view of massive infrastructure needs in the region, we encouraged CGIF to contribute to fulfilling funding needs through its guarantee to project bonds for infrastructure. We welcomed the effort and steady progress since our last meeting toward implementing the Central Securities Depository (CSD)-Real Time Gross Settlement (RTGS) linkage between BOJ and HKMA in accordance with the roadmap for establishing a regional settlement intermediary in ASEAN+3. We look forward to further cross-border bond issuances under the ASEAN+3 Multi-currency Bond Issuance Framework (AMBIF).
16. We noted the progress of the new study to promote local currency denominated green bond for infrastructure, the expansion of data coverage and analysis of Asian Bonds Online (ABO), in line with the ABMI Medium-Term Road Map. We also welcomed the launch of a new study for ASEAN+3 bonds to be recognized as prime collateral globally. We will strategically implement the technical assistance under the Technical Assistance Coordination Team (TACT), especially to better prepare the recipient countries, which are still dependent on external concessionary loans to cover their fiscal deficit, for the development of their government bond markets.
17. We welcomed the publication of "Good Practices in Developing Bond Market", which puts

together the significant achievement in the ASEAN government bond market, and hope that this document will facilitate knowledge sharing among ASEAN+3 members as well as dissemination of our experiences to other regions.

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

18. In view of the high exposure of ASEAN countries to natural disaster risks, we commended the progress of the ASEAN Disaster Risk Financing and Insurance Program with the three main components of risk assessment and modelling, public policy and knowledge management and training. We hope this program will lead to strengthening the region's capacity in disaster risk financing and insurance. Furthermore, building on the past study on disaster risk insurance under Future Priorities of ASEAN+3 Financial Cooperation in 2015, the initiative by Cambodia, Lao PDR and Myanmar to create the Southeast Asia Disaster Risk Insurance Facility (SEADRIF), with initial financial support from Japan, is key to establishing a regional catastrophic risk pool. We also welcomed the agreement of Cambodia, Lao PDR, Myanmar, and Japan to jointly conduct the feasibility study and the preparation for the establishment of the SEADRIF, with technical support from the World Bank. We invite other ASEAN+3 countries to join, and donor partners to support, this initiative.

#### **IV. Conclusion**

19. We expressed our appreciation to the governments of the Philippines and Japan for their excellent arrangements as the co-chairs of the ASEAN+3 Finance Ministers and Central Bank Governors' Process in 2017. We also thanked Japan for its warm hospitality here in Yokohama.
20. We agreed to meet in Manila, Philippines in 2018. Singapore and Korea will be the co-chairs of the ASEAN+3 Finance Ministers and Central Bank Governors' Process in 2018.

## **Yokohama Vision**

*-For a more resilient and integrated ASEAN+3 in the future-*

(Yokohama, Japan, May 5<sup>th</sup> 2017)

This year marks the 20<sup>th</sup> anniversary of the Asian Financial Crisis, which caused serious damages to the ASEAN+3 region. After the crisis, individual countries have undertaken significant reforms, and implemented sound macroeconomic policies which have made us more resilient. On the multilateral front, the CMIM was established as a regional financial safety net, with the AMRO functioning as its surveillance unit. The ABMI also facilitated the development of the local currency bond markets, significantly reducing the currency and maturity mismatches in the region. With these improvements, the ASEAN+3 region weathered the Global Financial Crisis in 2008 and the taper tantrum in 2013 with limited adverse impacts in contrast to the rest of the world. However, if we look ahead in the future, we need to be vigilant against various kinds of economic and non-economic risks and shocks. In this light, we recognize the importance of further enhancing economic resilience in the region through our collective efforts, in view of our shared responsibility to contribute to sustainable global growth as one of its major drivers. Furthermore, we also recognize that increased use of local currencies in cross border transactions will contribute to enhancing regional financial stability over the medium term. Against this backdrop, we reaffirm our commitment to strengthening regional financial cooperation along the following pillars, while remaining open to new potential pillars in the future, to achieve a more resilient and integrated ASEAN+3 region.

### Pillar 1: Enhancement of regional resilience against economic and non-economic shocks

- Ensure the CMIM is an important part of the global financial safety net, in effective coordination with the IMF, through further enhancing collaboration between the CMIM and the IMF;
- Strengthen CMIM's function as a front runner of regional financial arrangements, building on clarification of the activation process of IMF De-linked Portion of the CMIM;
- Appreciate all the efforts and the significant progress that have been made in working towards the potential increase of the IMF De-linked Portion, and look forward to further progress on this issue;
- Enhance AMRO's capacity and governance to ensure it can support the smooth operation of the CMIM;
- Promote the expansion of bilateral swap arrangement networks, including those in local currencies, which complement the CMIM as the regional financial safety net; and
- Mitigate the region's vulnerability to natural disasters, including through the establishment of the South East Asia Disaster Risk Insurance Facility.

## Pillar 2: Promotion of local currency use to support ASEAN financial integration

- Diversify the local currency funding options available across the region by building up financial markets, in view of expected increase in local currency funding needs with the progress of the ASEAN financial integration. In this light, we welcome the progress of CSD-RTGS linkages as the regional settlement intermediary that promotes cross-border securities transactions in the region;
- Support the deepening of local currency bond markets in the region, including through effective use of CGIF with expanded guarantee capacity;
- Utilize the “Good Practices in Developing Bond Market” to share our successful experiences under the ABMI within the region as well as with other regions; and
- Continue to strategically implement our technical assistance and support for human resource development through mutual cooperation, with its focus on the bond market area.

We also recognize new challenges are emerging with the changing landscape of the economic and financial situation in this region. Building on the achievements on existing priority areas, we will evaluate those challenges as well as the opportunities from time to time, and explore potential directions and priorities to further broaden and deepen the regional financial cooperation in the future, so as to better serve the purpose of maintaining regional financial resilience and promoting economic integration.