

## **The Joint Statement of the 16<sup>th</sup> ASEAN+3 Finance Ministers and Central Bank Governors' Meeting**

**3 May 2013, Delhi, India**

### **I. Introduction**

1. We, the Finance Ministers and Central Bank Governors of ASEAN, China, Japan and Korea (ASEAN+3), convened our 16<sup>th</sup> meeting in Delhi, India, under the co-chairmanship of H.E. Pehin Dato Abd Rahman Ibrahim, Minister of Finance II at the Prime Minister's Office of Brunei Darussalam, and H.E. Zhu Guangyao, Vice Minister of Finance of the People's Republic of China. The President of the Asian Development Bank (ADB), the Director of ASEAN+3 Macroeconomic Research Office (AMRO) and the Deputy Secretary General of ASEAN were also present at our meeting.

2. We exchanged views on the recent global and regional economic developments and policy responses. We reviewed the progress of regional financial cooperation achieved since our last Meeting, including the Chiang Mai Initiative Multilateralisation (CMIM), AMRO, the Asian Bond Markets Initiative (ABMI), the ASEAN+3 Research Group (RG), and Future Priorities. We also discussed measures to further strengthen our regional financial cooperation in the future.

3. We are pleased to announce that we have finalized the amendment of the CMIM Agreement, reached consensus on the draft Agreement to transform AMRO to an international organization, and endorsed the work plan to implement the ABMI New Roadmap+. These achievements will be a significant step forward in our efforts to strengthen the regional financial safety net and contribute to sustainable economic growth and integration in the region.

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

4. We are pleased to note that, despite uncertainties in the global economy and financial markets, the ASEAN+3 region posted steady growth last year and is poised to sustain this momentum in 2013. Resilience of the regional economy has been underpinned by robust domestic demand, effective financial intermediation by the healthy banking system, and appropriate macroeconomic policies.

5. Global economic and financial conditions have been improving, but we recognize the remaining risks. Policy uncertainty, private deleveraging, fiscal drag and impaired credit intermediation continue to weigh on global growth prospects. We are also well aware that continuing global liquidity infusion could potentially induce excessive risk taking and leverage, credit expansion, and asset bubble. We shall remain vigilant on the unintended negative side effects stemming from extended periods of global monetary easing on the

region as well as on the risk-on, risk-off sentiment in global financial markets that could amplify volatility in capital flows and adversely affect regional financial stability. We agree that monetary policy should remain oriented towards domestic purposes, namely domestic price stability, continuing to support economic recovery and securing financial stability according to the respective mandates of central banks.

6. Under these circumstances, we are strongly committed to enhancing our efforts to respond to such risks by making the necessary macroeconomic policy adjustments and where appropriate, adopting macro-prudential policies, and by further strengthening financial cooperation in the region.

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

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

7. We appreciated the work done by our Deputies to amend the CMIM Agreement to reflect the measures to strengthen the CMIM as agreed in May 2012. In this connection, the Finance Ministers welcomed the Central Bank Governors' involvement in the fundamental decision making process of the CMIM. At the same time, we remain committed to ensuring that the CMIM is operationally ready, and we instructed the Deputies to continue work on the necessary revisions of the current CMIM Operational Guidelines by the next ASEAN+3 Finance Ministers and Central Bank Governors' Meeting in 2014.

8. We welcomed the work of our Deputies and AMRO to develop the “*Economic Review and Policy Dialogue (ERPD) Matrix*”. The matrix will consist of economic indicators of all ASEAN+3 members and will facilitate the assessment of members' qualification for the CMIM's crisis prevention facility. We instructed the Deputies and AMRO to continue work on the ERPD Matrix for the smooth implementation of the CMIM should the need arise.

9. We reaffirmed our commitment to further strengthening the CMIM as part of the regional financial safety net. Recognizing that enhancing the use of local currencies for settlement in trade, investment and capital transactions, and reducing the volatility of capital flows in and out of the region would help mitigate the impacts of external risks, we endorsed further studies on “Ways to Improve the Use of Local Currencies under the CMIM” and “Joint Response to the Capital Flows at the ASEAN+3 Level”. We instructed the Deputies to consider ways to seek an effective cooperative relationship with the International Monetary Fund (IMF) and other multilateral financial institutions in the areas of surveillance, liquidity support arrangement and capacity development.

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

10. We were pleased with the solid progress of AMRO as an independent regional surveillance unit since its establishment in 2011, particularly in conducting regional

economic surveillance and contributing to effective decision-making of the CMIM. We encouraged AMRO to continuously find ways to properly, and in a timely manner, identify risks and challenges facing the region. We are committed to enhancing the organizational capacity of AMRO.

11. To further consolidate our endeavor, we agreed to transform AMRO to an international organization. This marks an important milestone in our joint efforts to enhance the effectiveness of our ASEAN+3 financial cooperation. We have reached consensus on the draft of “AMRO Agreement” and will proceed with the necessary domestic processes as early as possible for its prompt signature and entry into force. This would enable AMRO to conduct objective surveillance as a credible, independent international organization, contributing further to the regional financial stability along with the strengthened CMIM.

12. We also encouraged AMRO to further enhance cooperation with relevant multilateral and regional financial institutions including the Asian Development Bank (ADB), the IMF, and the Bank for International Settlements (BIS) particularly in areas which will be able to bolster institutional capacity of AMRO.

13. We welcomed the conclusion of the Host Country Memorandum of Understanding (MOU) between Singapore and AMRO, and expressed our appreciation to Singapore for its firm commitment to provide AMRO with the necessary host country support. We also welcomed the finalization of the text of the Headquarters Agreement (HQA) between Singapore and AMRO concurrently with the AMRO Agreement, which would be concluded once AMRO is reconstituted as an international organization.

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

14. We acknowledged the continuous progress under the ABMI in promoting issuance and facilitating demand of local currency denominated bonds, as well as improving the regulatory framework and related infrastructure for the regional bond markets. Against the backdrop of heightened volatility in the global financial market, our efforts under the ABMI to develop efficient and liquid regional bond markets will help alleviate volatilities and contribute to the economic and financial stability in our region.

15. We welcomed the inauguration of the guarantee transaction of the Credit Guarantee and Investment Facility (CGIF), and expect the CGIF to seek more opportunities to provide guarantee to viable bond issuances in the region. We took note of the ASEAN+3 Bond Market Forum (ABMF) second phase study report and look forward to further discussion on the remaining key issues. We stressed the importance of new public-private round table discussions among market participants, the regulators and policy makers. We welcomed the completion of the business feasibility reassessment for the establishment of the Regional Settlement Intermediary (RSI). We agreed to set up a Cross-border Settlement Infrastructure Forum, which will be based on the voluntary participation of member countries, to discuss

detailed work plans and related process for the improvement of the cross-border settlement in the region including the possibility of establishing the RSI. As part of the effort to strengthen the region's credit rating capacity, we endorsed further study based on the findings of the Research Group. We also welcomed the completion of the current phase of technical assistance programmes for Indonesia, Lao PDR, Myanmar and Vietnam and note the progress of the technical assistance programme for the Philippines under the Technical Assistance Coordination Team (TACT).

16. We endorsed the work plan prepared by the ABMI Taskforces with the guidance of Deputies for the implementation of the ABMI New Roadmap+ with nine priorities adopted in May 2012. We expect the Taskforces to diligently carry out the work plan, with the support from the ADB, to achieve more tangible outcomes.

17. Furthermore, we recognized the great potential of the ABMI in developing debt instruments and fostering bond investment to help channel the substantial savings into infrastructure development in the region. In this regard, we endorsed an initiative on "Fostering Infrastructure Financing Bonds Development", which aims to promote both issuance and demand of infrastructure financing bonds. We expect the ABMI Taskforces to develop the detailed work plans while encouraging private sectors' involvement and taking into account current efforts of the region to improve synergies.

18. We note that the Asian Bond Fund (ABF) under the Executives' Meeting of East Asia Pacific Central Banks (EMEAP) has contributed to increasing the demand for the regional bond market. We advised the Deputies to consider what additional types of investment tools would further accelerate the development of the regional bond market.

#### **[ASEAN+3 Research Group (RG)]**

19. We appreciated the efforts and noted the findings made by the Research Group on the study for 2012/2013 on "The International Discussions on the Credit Rating Agencies and Enhancing Infrastructure to Strengthen the Regional Credit Rating Capacity in the ASEAN+3 Region". We endorsed two new study topics for the 2013/2014 Research Group activities as follows: i) The Policy Recommendations for the Expansion of the Securitization Market in the ASEAN+3 Countries; and ii) SWOT Analysis on the Capital Market Infrastructures in the ASEAN+3 Member Countries and its Implications.

#### **[Future Priorities of ASEAN+3 Financial Cooperation]**

20. We welcomed the progress of the second phase studies on each of the three possible areas for ASEAN+3 financial cooperation: i) infrastructure financing, ii) disaster risk insurance, and iii) using local currencies for the regional trade settlement. We instructed the Deputies to continue in-depth studies, with the continued support from the ADB and the World Bank, and

put forward policy recommendations that will contribute to the sustained and inclusive growth and development of the region.

#### **IV. Conclusion**

21. We expressed our appreciation to the governments of Brunei Darussalam 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 2013. We also thanked the government of India for its warm hospitality.

22. We agreed to meet in Astana, Kazakhstan in 2014. Myanmar and Japan will be the co-chairs of the ASEAN+3 Finance Ministers and Central Bank Governors' Process in 2014.