

The Joint Statement of the 19th ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting

(May 3, 2016 Frankfurt, Germany)

I. Introduction

1. We, the Finance Ministers and Central Bank Governors of ASEAN, China, Japan and Korea (ASEAN+3), convened our 19th meeting in Frankfurt, Germany, under the co-chairmanship of H.E. Somdy Douangdy, Deputy Prime Minister and Minister of Finance of Lao PDR, and H.E. Lou Jiwei, Minister of Finance of China. 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, including the Chiang Mai Initiative Multilateralization (CMIM), AMRO, and the Asian Bond Markets Initiatives (ABMI). We also discussed measures to further strengthen regional financial cooperation including the conduct of a test run jointly organized by the CMIM task force with the support of AMRO and in collaboration with the IMF. We appreciated the establishment of AMRO as an international organization and welcomed the successful conclusion of the senior management selection. We were happy to see the finalization of the Medium-Term Road Map for ABMI.

II. Recent Economic and Financial Developments in the Region

3. The ASEAN+3 region is expected to maintain a relatively high growth rate and continue to serve as a major engine of global growth, in view of the continued structural reforms and effective implementation of macroeconomic policies in the region. However, global growth remains modest and uneven, and downside risks and uncertainties to the global outlook persist against the backdrop of continued financial volatility, challenges faced by commodity exporters and low inflation.
4. Under these circumstances, we stressed the importance of utilizing all necessary policy tools – monetary, fiscal and structural - to promote sustainable and inclusive economic growth and foster confidence, taking into account the different circumstances of regional members. We welcomed the fiscal strategies aiming to support the economy and will flexibly deploy fiscal policies to strengthen growth, create jobs and foster innovation, while enhancing resilience and ensuring debt sustainability. Monetary policy will continue to support economic activity, while

ensuring price stability. Nevertheless, members should 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 to reduce policy uncertainty, minimize negative spillovers and promote transparency.

5. We will closely monitor capital flows and risks stemming from capital flow volatility and respond appropriately to the changing economic environment and financial market volatility in support of the regional economic and financial stability. In this regard, macro-prudential policy and capital flow management measures can increase the resilience of the financial sector and mitigate systemic risks associated with a sudden pull-back of capital flows.
6. We affirmed our commitment to structural reforms to enhance total factor productivity and potential growth of the region. Structural reforms should be appropriately prioritized and sequenced in each country. We encouraged the sharing of information and experiences in infrastructure development, investment environment, innovation, and labor market, fiscal, financial and industrial reforms in order for ASEAN+3 economies to better meet their respective development priorities and challenges.

III. Strengthening Regional Financial Cooperation

Chiang Mai Initiative Multilateralization (CMIM)

7. 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 progress made on enhancing the CMIM Operational Guidelines (OG), conducting regular CMIM Test Runs under various scenarios, and undertaking the CMIM peace-time preparation activities to ensure the operational readiness of the CMIM, including the activation process of IMF delinked portion, with AMRO's support. We look forward to the recommendation of the taskforce in November 2016 on the potential increase in the IMF delinked portion.
8. Against the backdrop of the reform of the international financial architecture now being pushed forward by the G20, including further strengthening the global financial safety net with the IMF at its center, we tasked the Deputies to carefully study how the CMIM can be better integrated into the global financial safety net. To this end, we welcomed a Test Run to be conducted this year on the crisis resolution facility linked to the IMF program.
9. We welcomed the continued work of our Deputies and AMRO to further develop the qualification indicators for the CMIM Precautionary Line (CMIM-PL), based on the Economic Review and Policy Dialogue (ERPD) Matrix, which consists of key

economic and financial indicators of all ASEAN+3 members. We tasked the Deputies, in cooperation with AMRO, to continue to develop the ERP Matrix and to explore ways to further utilize this tool in a more forward-looking manner.

10. We supported the timely conclusion of the periodic review of the CMIM Agreement. In view of this, we recognized that some aspects in the CMIM fundamental issues should be further clarified in the CMIM Agreement based on the lessons learnt from the previous peace-time preparation and Test Runs. We welcomed the Deputies' endorsement of the priority order and work schedule for the CMIM fundamental issues, and tasked the Deputies to work out solutions on the relevant issues following the agreed timetable.
11. We noted the completion of the CMIM Studies on "Troika's Financial Assistance Programs in the Euro Area for CMIM's Future Reference" and "Comparative Analysis of CMIM Arrangement and Market Practices".

ASEAN+3 Macroeconomic Research Office (AMRO)

12. We are pleased with the significant effort of AMRO in enhancing its surveillance capacity. We acknowledged the work of AMRO to vigilantly monitor and assess the regional macroeconomic and financial developments. We expressed our sustained support for AMRO to strengthen its conduct of regional economic surveillance and support of the implementation of CMIM as a credible and effective regional financing facility. We instructed AMRO to collaborate with relevant international organizations through, among others, staff exchanges, information sharing and joint activities.
13. We welcomed the establishment of AMRO as an international organization, effective 9 February 2016. With this milestone, AMRO can function more effectively as the region's independent surveillance unit and contribute towards ensuring the macroeconomic and financial stability of the ASEAN+3 region.
14. We encouraged AMRO to finalize its medium-term strategic vision in a timely manner. We share the vision to build AMRO into an independent, strong, credible, reliable and professional international organization.
15. We welcomed the Deputies' approval of the AMRO Technical Assistance (TA) programme and the pledges from some member countries for the financial contributions. In order to enhance the capacity on surveillance activities for member economies we encouraged AMRO to further enhance and expand its TA activities.
16. We commended Dr. Yoichi Nemoto, the incumbent AMRO Director, for his tireless efforts and leadership in enhancing AMRO's operational functions and

institutional capacity during his tenure since May of 2012, which will expire at the end of this month.

17. We welcomed the successful conclusion of the recruitment process of AMRO's senior management. We expect Dr. Chang Junhong, as the incoming AMRO Director, to lead the new management team to carry forward the efforts towards making AMRO a highly professional international organization.

Asian Bond Markets Initiative (ABMI)

18. We recognized that ABMI has contributed to the development of local currency bond markets and has mobilized savings to finance long-term investment across the region. Against the backdrop of heightened volatility in the global financial market, we endorsed a new Medium-Term Road Map, outlining activities to be supported under ABMI over the next three years, to continue fostering the development of local currency bond markets to promote financial stability and meet the long-term investment needs of the region. Under the new Road Map, we will promote green bonds, covered bonds, prime collateral for repo markets, and municipal finance in selected member economies to help meet the demand for infrastructure development with the local currency-denominated bonds. Activities under the Road Map to be built on achievements made to date are expected to also advance the regional market integration.
19. We are pleased to see the increased guarantee operations of the Credit Guarantee and Investment Facility (CGIF). We took note of the discussion on exploring various options to expand its guarantee capacity and broaden its operations. CGIF is expected to utilize its resources efficiently, to meet the essential financial needs in the region in accordance with its priorities to avoid currency and maturity mismatches in corporates' funding. We also expect to see additional cross-border bond issuance under the ASEAN+3 Multi-currency Bond Issuance Framework (AMBIF) and the progress made under the Cross-Border Settlement Infrastructure Forum (CSIF) as the central banks and central securities depositories in ASEAN+3 continue to work toward implementing CSD-RTGS linkages over the medium-term. Lastly, we noted the progress made current technical assistance programs for recipient countries under the Technical Assistance Coordination Team (TACT).

IV. Conclusion

20. We expressed our appreciation to the governments of Lao PDR and China for their excellent arrangements as the co-chairs of the ASEAN+3 Finance Ministers

and Central Bank Governors' Process in 2016. We also thanked the Federal Republic of Germany for its warm hospitality.

21. We agreed to meet in Yokohama, Japan in 2017. Philippines and Japan will be the co-chairs of the ASEAN+3 Finance Ministers and Central Bank Governors' Process in 2017.