

## **JOINT PRESS RELEASE**

**No. 25/111/DKOM**

**No. SP-39/KLI/2023**

### **The ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting Agreed to Strengthen Regional Financial Cooperation**

**Incheon, South Korea, 2 May 2023** - The ASEAN+3 Finance Ministers' and Central Bank Governors reiterated their joint commitment to strengthen policy dialogue on current developments and the outlook for the global and regional economies, as well as policy responses to risks and challenges going forward. Further, the meeting agreed to strengthen regional financial cooperation through the initiatives under the Regional Financing Arrangements (RFA) Future Direction, Chiang Mai Initiative Multilateralisation (CMIM), AMRO, Asian Bond Markets Initiative (ABMI), Disaster Risk Financing (DRF), and ASEAN+3 Future Initiatives comprising of infrastructure financing, study on non-lending facility, disaster risk financing (DRF), harnessing digital advancement (FinTech), as well as several strategic thematic studies on Financial Digitalization, sustainable finance, corporate debt, household debt, and Local Currency Transaction (LCT). That is the key takeaway of the ASEAN+3 Finance Ministers' and Central Bank Governors Meeting (AFMGM+3), convened on 2 May 2023 in Incheon, South Korea.

The meeting held under the co-chairmanship of H.E. Sri Mulyani Indrawati, Minister of Finance of the Republic of Indonesia, H.E. Perry Warjiyo, Governor of Bank Indonesia, H.E. Shunichi Suzuki, Minister of Finance of Japan, and H.E. Kazuo Ueda, Governor of the Bank of Japan. The President of the Asian Development Bank (ADB), the Director of the ASEAN+3 Macroeconomic Research Office (AMRO), the Deputy Secretary-General of ASEAN Secretariat, and the Deputy Managing Director of the International Monetary Fund (IMF) were also present at the meeting.

At the meeting, Indonesia's Finance Minister, Sri Mulyani Indrawati, conveyed the robust growth of ASEAN+3 economies of 3.2 percent in 2022, despite the lingering effects of the COVID-19 pandemic and the Russia-Ukraine conflict which escalated into a crisis. Meanwhile, the recent banking sector turmoil in the US and Europe has had limited direct spillover effect on the ASEAN+3 region. Nonetheless, we need to remain vigilant. Looking ahead, the region is expected to grow by 4.6 percent in 2023, led by robust domestic demand as the economic recovery continues to gain traction.

Governor of Bank Indonesia, Perry Warjiyo, highlighted that current challenges and heavy reliance on certain dominant currency for international trade and investment settlement could raise vulnerability and increase the risk of financial stability in ASEAN+3. Therefore, ASEAN+3 needs to be innovative to be able to preserve stability, amidst remained high inflation, tighter liquidity conditions narrower policy room, and strong dollar environment. Under this circumstances, Governor Perry emphasized the importance of strengthening and enhancing the cooperation among ASEAN+3 countries on payment connectivity by promoting more extensive use of local currency for transactions. In this regard, AFMGM+3 welcomes and acknowledged the development of a study on Cross-Border Payment Systems in ASEAN+3, particularly on Strengthening Local Currency Transactions (LCT) under ASEAN+3 Thematic Issues.

Given the much-improved COVID-19 pandemic situation, the region is well aware of the need to wind down COVID-19 related policy supports. Policy measures must be carefully calibrated to anchor inflationary expectations, preserve monetary and financial stability, harness key emerging sectors such as the green and digital economies, ensure long-term fiscal sustainability, and promote strong, resilient, and sustainable growth. The region also recognizes that the long-term growth prospect for the region is contingent on how the region manages risks related to possible future pandemics and climate change, including more frequent and severe

natural disasters. With these risks in mind, AFMGM+3 acknowledged the merits of collaboration towards a strong and inclusive recovery and making continued progress in the 2030 agenda for sustainable development, to achieve stronger, greener, more resilient, and balanced-global development.

The scarring effects of the COVID-19 pandemic and the elevating risks and uncertainties over the regional and global economic prospect have highlighted the importance of further strengthening RFA including the CMIM. On this regard, ASEAN+3 member countries will continue to explore new facilities. The meeting welcomes the discussion on the new initiative of a rapid financing facility, which will allow the members to access financing sources to address the balance of payment problems arising from sudden exogenous shocks, such as pandemics and natural disasters. Furthermore, Ministers and Governors also agreed to explore possible financing structures, including through the study on the pros and cons of paid-in capital structure, in order to enhance the effectiveness of the regional safety net. The meeting tasked the Deputies to develop a Roadmap on Financing Facilities and Financing Structures by end of 2023 and continue to evaluate the existing CMIM modalities to enable member countries to have at their disposal facilities that are better, faster, and cheaper. As a progress, The meeting welcomed the adoption of the updated CMIM Operational Guidelines which enable a member to provide CMIM liquidity support in its own domestic currency and the local currency (LCY) of another member (“third party LCY”).

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 enhance the region’s ability to secure post-pandemic growth, minimize scarring effects, and prepare for future shocks. In this regard, the regions reaffirm strong commitment to the open, free, fair, inclusive, equitable, transparent, and non-discriminatory ruled-based multilateral trading system with the World Trade Organization (WTO) at its core and express for support of enhanced regional economic integration and implementation of the Regional Comprehensive Economic Partnership (RCEP) Agreement.

The outcomes of the AFMGM+3 discussion will be continued in next AFMGM+3 in Tbilisi, Georgia in 2024 and look forward to working with Lao People's Democratic Republic and Republic of Korea as the Co-chairs of the ASEAN+3 Finance Ministers’ and Central Bank Governors’ Process in 2024.

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