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ASEAN+3 AGREES ON SHORING UP CHIANG MAI INITIATIVE MULTILATERALISATION

Deputy Prime Minister Choi Sang-mok co-chaired the 27th ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting with Laos held in Tbilisi, Georgia on May 3.

During the first session dedicated to exchanging views on current developments and the outlook for the global and regional economies, international organizations such as the Asian Development Bank (ADB) presented recent global and regional economic trends and risk factors. Member states then provided remarks and engaged in discussions regarding their own economic trends and policy responses.

The members forecasted that the ASEAN+3 economy would achieve robust growth rates thanks to robust consumer spending on goods in major economies and export recovery driven by global semiconductor upcycle, and that inflation will continue to ease. However, they expressed concern about potential risks such as a spike in global commodity prices, escalating geopolitical tensions, and heightened foreign exchange market volatility.

Recognizing that the current positive outlook provides an opportunity for the region to rebuild policy space for the future, they agreed on the importance of securing fiscal sustainability, maintaining tight monetary policies, and unlocking growth potential. In addition, they reaffirmed their commitment to the open, free, and fair rules-based multilateral trading system.

At the start of the meeting, DPM Choi shared his view that the efforts of member nations to normalize post-pandemic economic policies were encouraging, alongside the rapid recovery momentum of the regional economy. However, given the relatively high degree of external dependence in the region, he emphasized the need to remain vigilant against risk factors such as rising geopolitical tensions and recent increases in financial market volatility, including exchange rate fluctuations. He further highlighted the importance of members collectively monitoring these risk factors and sharing knowledge and experiences related to economic and financial policies; by doing so, they could enhance resilience to crises while preventing risks in advance.

During the second session dedicated to discussing the bloc's financial cooperation agenda, the main focus was on measures to strengthen the Chiang Mai Initiative Multilateralization (CMIM), a regional financial safety net.

In light of the ongoing uncertainties surrounding the global and regional economies, member countries shared their understanding that reinforcing regional financial safety nets is essential. They ultimately approved a new lending program to step up the effectiveness of the CMIM and agreed on

the benefits of transitioning the CMIM to include a new paid-in capital structure.

The attendees have approved the establishment of a “Rapid Financing Facility (RFF)” that aims to provide financial support in the event of sudden external shocks such as pandemics or natural disasters, while agreeing to incorporating eligible “freely usable currencies(FUC)¹” as RFF’s currencies of choice. They have also committed to finalizing the amendments to the CMIM agreement by the end of 2024, and officially launching the RFF at next year’s ministers’ meeting.

Furthermore, in order to materialize the transition of its financing mechanism to a paid-in capital structure, they have decided to further analyze the advantages and disadvantages of various financing structure options and settle on a proper one by 2025.

DPM Choi mentioned that the CMIM marks the beginning of ASEAN+3 cooperation in responding to regional financial crises as well as the most significant outcome of this collaboration, and that many crucial decisions were made during this ministers’ meeting in terms of shoring up the CMIM. He expressed his hope that the subsequent procedures would be swiftly concluded, expecting the CMIM to serve as an useful tool not only for crisis response but also for facilitating rapid economic recovery after crises.

Last but not least, the attendees called on the ASEAN+3 Macroeconomic Research Office (AMRO) to not only assess macroeconomic situations in the bloc but also to timely analyze emerging risks and challenges. They also expressed support for the development of the regional bond market and endeavors to explore new financial cooperation agenda items, anticipating continued progress going forward.

The 29th ASEAN+3 Finance Ministers’ and Central Bank Governors’ Meeting next year will be held in Milan, Italy, under the chairmanship of China and Malaysia.

¹ Under the current CMIM framework, only the US dollar is freely usable. However, the eligible currencies will be expanded to include Japanese yen (JPY) and the Chinese renminbi (RMB).