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**Working Paper**

## Why is there no Asian monetary fund?

ADB Working Paper Series, No. 1061

**Provided in Cooperation with:**

Asian Development Bank Institute (ADBI), Tokyo

*Suggested Citation:* Suk, Hyun; Paradise, James F. (2019) : Why is there no Asian monetary fund?, ADB Working Paper Series, No. 1061, Asian Development Bank Institute (ADBI), Tokyo

This Version is available at:

<https://hdl.handle.net/10419/222828>

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**ADB Working Paper Series**

**WHY IS THERE NO ASIAN  
MONETARY FUND?**

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No. 1061  
December 2019

**Asian Development Bank Institute**

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Suggested citation:

Hyun, S. and J. F. Paradise. 2019. Why Is There No Asian Monetary Fund?. ADBI Working Paper 1061. Tokyo: Asian Development Bank Institute. Available: <https://www.adb.org/publications/why-there-no-asian-monetary-fund>

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**Abstract**

This study describes the development of regional financial arrangements in Asia and Europe, assesses their effects on financial stability, and draws lessons for Asia from European experience. One of its main conclusions is that Asia needs to develop a more institutionalized multilateral structure as part of a regional financial safety net that also includes foreign exchange reserves and bilateral swap arrangements. Such a structure would have a permanent secretariat and a system of paid-in capital that goes beyond the current CMIM arrangement and might one day evolve into an Asian monetary fund. Obstacles to achieving this include great power rivalries between Japan and the People's Republic of China and lingering concerns about United States opposition to increased Asian autonomy. Lessons from Europe include the need for strong economic surveillance and organizational arrangements that facilitate macroeconomic adjustment and recapitalization of stressed institutions and a reduction in overdependence on the dollar for trade and finance. Absorbing these lessons and designing more effective financial crisis prevention and response mechanisms will be the main task for Asian policy makers ahead as concerns mount about the sustainability of the global economic upswing.

**Keywords:** Asian financial crisis, global financial crisis, financial safety net, Asian Monetary Fund

**JEL Classification:** F33, F55, F66

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## 1. INTRODUCTION

Strengthening the financial safety net in Asia is an important task for Asian policy makers. With the global economy having been in a long recovery mode since the global financial crisis of 2007–2009, the possibility of a cyclical downturn producing a financial crunch is real. Triggers for such a downturn could include a slowdown in economic growth in the People's Republic of China (PRC) or the United States, induced in part by trade tensions between them, a decline in equity or real estate prices in high-income countries, problems connected with the repayment of household debt in some Asian countries, a resurgence of conflict with the Democratic People's Republic of Korea, instability in Europe, which is dealing with Brexit, and inbound migrant flows that are featuring more prominently. Signs of trouble might spark a capital outflow from Asia and put pressure on the region's banks, as occurred during the Asian financial crisis of 1997–1998. Increased economic interdependence between countries in the region since then could compound problems, which might also stem from volatile commodity prices and adverse foreign exchange rate movements (World Bank 2019; IMF 2019).

Over the past couple of decades, Asian countries, acting either unilaterally, bilaterally or multilaterally, have taken steps to protect themselves against financial crises. Many of the actions have been propelled by the ASEAN+3 cooperation process, which has resulted in the Chiang Mai Initiative (CMI) a network of bilateral swap agreements among group members that went beyond an ASEAN Swap Arrangement of 1977, the Economic and Review Policy Dialogue (ERPD), a crisis prevention mechanism that was integrated into the CMI framework in May 2005, the Asian Bond Markets Initiative (ABMI), which aims to promote local currency bond markets in Asia and is supported by the Credit Guarantee and Investment Facility, and the Chiang Mai Initiative Multilateralization (CMIM), which differs from the CMI from which it has evolved in that it is governed by a single contractual arrangement for currency swaps. Countries have also stockpiled foreign exchange reserves and created more flexible exchange rate systems (Yoshino, Morgan, and Rana 2018). Even with all these measures, however, there is still a sense that more needs to be done, and that Asian countries remain vulnerable to economic and financial shocks. As one report puts it, “the development of a well-articulated framework bringing together global, regional, and national institutions to support economic and financial stability in Asia remains very much work in progress” (Yoshino, Morgan, and Rana 2018, 9).

Hampering the development of pan-Asian financial institutions have been great power politics, intraregional rivalries and economic and social variation in Asia. As long ago as 1997, the United States opposed Japan's proposal for an Asian Monetary Fund (AMF), which it saw as weakening lending standards and diminishing the role of the International Monetary Fund (IMF), and also opposed Malaysian Prime Minister Mahathir Mohamad's suggestion in 1990 for an East Asia Economic Group (EAEG) which it saw as a challenge to U.S. power. As a general rule, the United States has been wary of organizations in Asia from which it is excluded or is not the prime mover, such as EAEG or the PRC-initiated Asian Infrastructure Investment Bank (AIIB), and has pressured allies not to join them, successfully in the case of Japan and the Republic of Korea with the EAEG but unsuccessfully with Western allies in the case of AIIB which it was invited to join. Results, however, have been nuanced as the shelved EAEG, and later East Asia Economic Caucus, provided the seeds for the ASEAN+3 process and the defeated Asian Monetary Fund idea gave way to the CMI, both of which the United States has supported along with Asia Pacific Economic Cooperation (APEC). Intra-regional rivalries have slowed cooperation as well, with important ones being between Japan and the PRC, the latter of whom withheld support for the AMF idea, and the former of whom has not joined

the AIIB, and Japan and the Republic of Korea whose opposition to EAEG was partly because Japan was to be in a leadership position. Underlying these dynamics has been the heterogeneity of Asia, which has made regional financial arrangements more difficult to create because of differences in matters such as economic size, types of political system, attitudes toward the market and importance attached to national sovereignty, which is affected in part by whether a country has had a colonial history, which most have had (Asian Development Bank 2010). One manifestation of this challenge is that countries have sometimes shown a preference for bilateral deals and sub-regional agreements (Asian Development Bank 2010).

Going forward, the biggest challenges are likely to be on the ideas front. What kind of regional financial arrangement is needed for Asia to protect against financial crises? How should the institutions that are a part of the arrangement be designed? What should their relationship be with international organizations such as the IMF? What role will self-help mechanisms play in the financial safety net? How might differences between ASEAN and the “plus three” countries (the PRC, Japan, and the Republic of Korea) be dealt with? What is the likelihood of the de-integration of Asia, and how might that impact financial stability? Questions such as these, which are mostly policy-oriented, need to be answered for an effective Asian financial safety net to be created. Other things matter as well, including political will, relations between the “plus three” countries themselves, and the behavior of external actors.

One way to proceed is to articulate a hybrid model that is built on both the realities of Asia and the experiences of other countries. The realities of Asia will define, to a large extent, what is possible. Included among them is a preference for cooperation that is informal, involves decision-making by consensus, has commitments that are non-binding and voluntary, and is intergovernmental in structure. Yet Asian countries are also flexible and pragmatic (Asian Development Bank 2010), which has allowed them to create many regional institutions and to discuss whether some of them, such as CMIM, should be upgraded and put on a stronger legal footing. These factors can be thought of as initial conditions, which together with the many other initial conditions of Asia, such as extensive intra-regional trade and investment, historical animosities, and vulnerability to Western pressure for economic or political reasons, are both enabling and constraining, and influence the character of the financial arrangements that emerge. The experience of other regions is also important, not necessarily because their region-building exercises have been successful or should be imitated, but because they provide a look into the future at what might or might not work.

The main conclusion of this paper is that Asia should develop its own model of regional financial cooperation. Parts of that model will be based on the realities of Asia, and parts will incorporate the experiences of other regions, such as Europe, which has had many financial problems to deal with. This approach may lead to a fragmentation and decentralization of global financial governance, but that is not necessarily a problem if it brings about innovative ideas to common problems and adds additional resources to the world's financial crisis-fighting capacity. Many obstacles lie in the way of creating an effective financial safety net in Asia, and it is not clear that they can be overcome, rooted as they are in matters of intra-regional historical conflict, alliances with external actors, and differences in economic standing as creditor or debtor nations. Only time will tell whether common interests – where they exist – can win out over more parochial or nationalistic considerations.

The plan for the remainder of this paper is as follows: first, we will consider the development of a financial safety net in Asia – how the Asian financial crisis has propelled

it, the development of the IMF “stigma”, the beginnings of a local approach to dealing with problems in the form of CMI and CMIM, and reasons why the more ambitious AMF never came into being. Then, we will look at the European experience, considering how European monetary cooperation developed, why Europe established the European Stability Mechanism (ESM), and proposals for a European monetary fund. The penultimate section looks at implications of the European experience for Asia. The final section concludes.

## **2. DEVELOPMENT OF REGIONAL FINANCIAL SAFETY IN ASIA**

### **2.1 Asian Financial Crisis and Asian Monetary Fund**

In order to understand the background and atmosphere of the Asian financial crisis (AFC), it is necessary to comprehend the conflict between the proponents of the Washington Consensus and the proponents of “Asian Capitalism.”<sup>1</sup> The Washington Consensus in general disavowed any attempt by anyone to throw off the free market mechanism by any means, because its proponents believed in and promoted the market-friendly policies, the importance of transparency, and the absence of corruption as the precondition for sustainable economic development. The Asian model of economic development<sup>2</sup> posed a serious threat to the proponents of the Washington Consensus and its proliferation, which would help fill the gap created by the end of the Bretton Woods system.<sup>3</sup>

Contrary to what is believed and promoted by the “Washington Consensus,” it was not the lack of transparency and tightly controlled capital market that triggered the AFC of 1997 (Lee 2006). As the Bretton Woods system came to an end with the termination of the United States’ commitment to the gold standard in 1971 and the oil crisis of 1973, rather sharp fluctuations in exchange rates and business cycles were the new norm worldwide (Pardo 2015). Whereas the US dollar (USD) went off the gold standard, the room for policy interventions for US monetary policy increased, having a ripple effect on the global economy, especially emerging markets and the small open economies in Asia.

Of further doubtfulness was the view that Asian countries had gotten into trouble because of their macroeconomic policies. So far from countries living beyond their means or pursuing irresponsible policies, many did not have low savings rates, problematic fiscal policies, unreasonable inflation rates, and low or negligible growth rates (Lee 2006). In the case of Thailand, for example, macroeconomic soundness was greater than that of Mexico in 1995. Hurting Thailand was a sharp depreciation of its currency – the Baht – and a temporary shortage in the balance-of-payments in the USD that led the Thai

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<sup>1</sup> The political economy in Asia encompassing the tug-of-war between the United States and Japan around the time of the AFC is described in the work of Narine (2003) and Lee (2006).

<sup>2</sup> Japan promoted a government-led economic development model where a guided market economy, rather than a full-blown laissez-faire economy, would perform better in the context of Asia’s economic development.

<sup>3</sup> One item that was not a part of the Washington Consensus as originally formulated by John Williamson was capital account liberalization. It was, however, an important “neo-liberal” economic policy favored by the United States and the IMF that many believe played a major role in the Asian crisis. Over time, the IMF would rethink its views on this issue in a way that recognized the importance of developmental preconditions for the avoidance of non-disruptive international capital flows.



government to come to terms with the IMF,<sup>4</sup> whose very rigid and standardized program of structural reforms added to its woes by requiring fiscal – and monetary – reform.<sup>5</sup> Such policies might have been understandable had Thailand and its Asian neighbors been suffering from bloated government deficits, but “All the countries that were struck by financial crisis in 1997 and 1998 had fiscally prudent governments” (The Economist 1999) which gave them room for countercyclical spending.<sup>6</sup> That option, however, had been foreclosed by IMF conditionality, which ended up prolonging the AFC.<sup>7</sup>

Whereas both implicit and explicit economic standoffs between the United States and Japan around the time of the AFC led to the reluctance – and therefore the lack – of US intervention to rescue the Thai economy as the crisis was unfolding, the idea of setting up an AMF proposed by Japan was rejected on similar grounds of lack of US involvement (Lee 2006). Asian countries became disillusioned by the draconian IMF conditionality that they believe exacerbated the already detrimental crisis (Park 2009). In the same vein, when Asian countries are compelled to request help from the IMF, they face huge political opposition from their populations.

Problematic though many Washington Consensus policies were for Asia, some may have been in Asia’s interests such as directing public spending to health care and infrastructure, liberalizing inward FDI and possibly competitive exchange rates. The real problem was that Washington Consensus policies had originally been developed with Latin America in mind and over time had come to be thought of as universal policy prescriptions, which violated the “one economics, many recipes” formulation.<sup>8</sup>

## 2.2 Obstacles to an AMF

### 2.2.1 Japan-PRC Rivalry and Lack of Regional Leadership

The first obstacle is the Sino-Japanese rivalry and the absence of regional leadership, although both Japan and the PRC have contributed substantially to bilateral and regional arrangements to assist countries affected by the crisis (Narine 2003; Grimes 2011; Pitakdumrongkit 2018).<sup>9</sup> Unlike in Europe, joint leadership by the two major powers is not feasible, as institutional architecture in Europe was built based on the cooperation of

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<sup>4</sup> The IMF and the United States decided to offer Mexico, whose macroeconomic soundness was worse than that of Thailand, a bailout package; however, the United States was not willing to offer Thailand assistance. Desai and Vreeland (2011) highlight these factors that drove ASEAN+3 to seriously consider the need for a regional financing arrangement (RFA).

<sup>5</sup> The Asian countries criticized the IMF policies in the region on the following grounds: (1) social and political effects of the IMF policies were not considered at all when such measures were designed; (2) the IMF conditionality did not internalize cultural and social differences in Asia; (3) non-market-based interventions were strictly prohibited; (4) creditors were given full guarantees against losses; and (5) structural reform took place too rapidly (Frankel 2015).

<sup>6</sup> Lee (2006) and Takashi (2005) provide information on what happened during the AFC to Thailand, Japan and the IMF.

<sup>7</sup> We do not mean to suggest here that no conditionality or weak conditionality is appropriate for countries that get into financial trouble. Providing assistance without a *quid pro quo* would be problematic from a moral hazard point of view. The challenge is getting the right type of conditionality, which will be based in large part on local circumstances. That is something that CMIM/AMRO and a full-fledged Asian Monetary Fund would have to grapple with in the event of a financial crisis.

<sup>8</sup> For more on the importance of localization in economic policy making, see Dani Rodrik, *One Economics, Many Recipes: Globalization, Institutions and Economic Growth*.

<sup>9</sup> Narine (2003) points out that Japanese leadership is problematic for three interconnected reasons: Japan’s unresolved history in East Asia, its ambivalent approach to regional leadership, and its complex and interactive relationships with the United States and the PRC.

Germany and France under the security and economic umbrellas sponsored by the United States (Grimes 2011). They have fundamentally differing relationships with the United States and are strategically competitive rather than cooperative in any sub-regional cooperation like ASEAN. As part of international economic policy, Japan has created close ties with the resource-abundant ASEAN over decades in order to compensate for deficiencies in population and domestic natural resources; however, in the past 20 years, the PRC has challenged Japan by replicating such policies for itself. There is also a rivalry between the Japan-backed Asian Development Bank (ADB) and the PRC-backed Asian Infrastructure Investment Bank (AIIB) in the context of infrastructure development in Asia.<sup>10</sup> Therefore, the competition and the disagreement between the region's two biggest powers are concerns for establishing an effective financial safety net in the region.

Whereas the ten ASEAN countries and the “plus three” (the PRC, Japan, and the Republic of Korea) participate in the CMIM, the contributions and voting powers among member states are not equal. The biggest contributors are the PRC and Hong Kong, China, with a combined 32% of the original \$120 billion of CMIM funding, Japan, with another 32%, and the Republic of Korea, with 16% of the original amount. In 2012, the CMIM's size doubled to \$240 billion with contribution shares remaining the same. In terms of the specific voting structure, Japan, the PRC along with Hong Kong, China, and the 10 ASEAN countries combined each hold 28.41% of the total votes, whereas the Republic of Korea has 14.77% (Pitakdumrongkit 2018). Whereas granting a casting vote to the Republic of Korea was one measure to counteract the absence of a single leader in the ASEAN+3, coordination problems cannot be easily overcome because of the intense rivalry between Japan and the PRC. Part of the reason why the Japan–PRC rivalry cannot be overcome with the casting vote possessed by the Republic of Korea is because the PRC is opposed to Japan's aspirations for economic and political hegemony in Asia. This situation leads to the absence of regional leadership and mistrust among member economies, which impedes the continued progress and effectiveness of regional financial cooperation, and which cannot be easily removed by institutional measures and the current level of financial collaboration.

### **2.2.2 Hesitancy of the United States and the High Dependency on the US Dollar**

Because the United States was supporting the Washington Consensus through the IMF and the World Bank, Japan's willingness to form an AMF was perceived by the United States as an attempt to undermine the legitimacy of the IMF and to usurp its power, in part by restricting the eligibility of the membership of the AMF to Asian economies. Between 1997 and 2006, the Chinese economy strengthened, and its foreign exchange (FX) reserves increased significantly, and there was a general consensus – even inside the IMF – that the PRC, the Republic of Korea, Mexico, and Turkey were underrepresented in the IMF. The United States' lack of willingness to intervene in the AFC and to provide rescue packages to Asian economies faced with non-permanent balance-of-payment difficulties partially stemmed from the underrepresentation of Asian economies in the IMF (Ciorciari 2011).

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<sup>10</sup> Recently, the Japanese government has urged the ADB to end new loans to the PRC because the PRC is already the world's second-largest economy.

Another reason the United States was hesitant to help the Asian economies in the same way it did with Mexico or Europe during the European debt crisis via the IMF was the dollar-dependent nature of Asian economies (Grimes 2009). Reflective of this was the Bank of Korea's agreement with the US Federal Reserve Bank to obtain a \$30 billion currency swap agreement during the global financial crisis (GFC), \$16.3 billion of which was injected directly into the Republic of Korea's domestic financial institutions as a means to provide foreign currency liquidity. Similar agreements with the US central bank were concluded by Singapore, Brazil, Mexico, and New Zealand.<sup>11</sup>

The advantage of engaging in a bilateral swap arrangement (BSA) with the Federal Reserve is the signal it sends to the capital market. Even if emergency liquidity can be provided in Japanese yen or Chinese yuan,<sup>12</sup> the genuine FX liquidity that can be readily used to reverse the direction of an attack on an Asian country's currency is the US dollar and only the US dollar as of now. The maximum amount of liquidity support of up to \$23.5 billion could have been retrieved by the Republic of Korea from the CMI in 2009; however, of such an amount, only 20% would have been disbursed without the Republic of Korea having had to negotiate with the IMF yet again.<sup>13</sup>

Furthermore, the high dependence on the US dollar in Asia means that the United States has been the end purchaser of many export products from Asian economies (Ito and Watanabe 2019). The persistent accumulation of trade surpluses by Asian economies against the United States in combination with the rhetoric of financial globalization and the withholding of capital market restrictions led the Asian economies to be directly linked to the monetary policies of the United States via FX rate channels and to be more willing to accumulate FX reserves to use as buffers against financial crisis and currency speculation. When the US Federal Reserve began its "taper tantrum" policy in 2013, emerging economies – especially in Asia – were adversely affected.<sup>14</sup> Recently, a senior IMF official publicly commented that another global financial crisis might make it politically difficult for the Federal Reserve to provide USD liquidity as it did during the 2007-2009 crisis. Under these circumstances, stockpiling FX reserves in U.S. dollars might be the only self-help mechanism reliable and more readily accessible to Asian emerging economies.

### 2.3 From Chiang Mai Initiative to CMI Multilateralization

The ASEAN countries first established the ASEAN Swap Arrangement (ASA) in 1977 to transact short-term swap facilities among members, with an initial maximum total amount of \$100 million, which was subsequently increased to \$200 million in 1978. As such, its effectiveness as a safeguard against the region's exposure to the shortage in the balance of payments was limited as was seen during the AFC. Against this background, the CMI in 2000 was established by expanding the bilateral swaps of the ASA both in size and

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<sup>11</sup> Kadogawa et al. (2018) explained why the Republic of Korea, Singapore, and Indonesia requested BSAs instead of resorting to CMIM as follows: 1) lack of operational readiness of an untested CMIM, 2) limited size of the CMI, 3) lack of precautionary liquidity facility, and 4) lack of conditionality and strong surveillance.

<sup>12</sup> The ROK also had BSAs with Japan and the PRC, in the amounts of \$20 billion and RMB180 billion, respectively.

<sup>13</sup> The IMF-linked portion is both a strength and a weakness of the CMIM. Currently, the lack of the AMRO's capacity for surveillance and expertise can be complemented by the IMF-linked portion. However, one should be aware of the "stigma" effect that the Asian economies are concerned about when they enter an IMF program beyond 30% of the IMF-delinked portion (Eichengreen 2016; Grimes 2011; Lamberte and Morgan 2012; Kawai 2015).

<sup>14</sup> Ito and Watanabe (2019) conceptualize various factors that affect the CMIM's recent operations and potentially those in the near future.

membership to include all ASEAN members and the PRC, Japan, and the Republic of Korea. It aimed to gradually develop an RFA that would be robust against another round of potential financial crises in the region.

The CMI has two main objectives: to address the shortage of balance of payments and/or short-term USD liquidity in the ASEAN+3 region and to supplement existing international financial arrangements. However, due to its small size and the absence of rapid-response mechanisms of the existing CMI in the wake of the global financial crisis in 2008–2009, CMI members such as the Republic of Korea, Singapore, and Indonesia did not seek to use the BSAs. Therefore, in 2010, the CMI was multilateralized into a single contractual agreement called the CMIM, and the total size of the CMIM facility was expanded and established at \$120 billion. Also, the ASEAN+3 Macroeconomic Research Office (AMRO) was established as a regional macroeconomic surveillance unit in April 2011. In 2014 the CMIM's funding was doubled to \$240 billion, and the CMIM-IMF de-linked portion was increased to 30%. Also, a crisis prevention facility, the CMIM Precautionary Line (CMIM-PL), was added to the existing CMIM Stability Facility (CMIM-SF) for crisis resolution purposes.

### **3. EUROPEAN EXPERIENCE<sup>15</sup>**

#### **3.1 Development of European Monetary Cooperation**

Before delving into the history and development of the ESM, it is important to understand the development of the European monetary union and its close ties to international financial organizations such as the IMF. Unlike parts of the world other than the United States, European countries have the closest ties to the IMF. Many officials, not to mention the head of the organization, are Europeans. However, other than Europe's ability to exert explicit influence on the IMF via officers from the region, it is noteworthy to observe how the ESM was developed in coordination with the IMF.

The harbinger of the European Financial Stabilization Mechanism (EFSM) was the establishment of the Short-Term Monetary Support (STMS) program, which started in 1970. It was similar to the CMI in its earliest form in that it involved six-month balance-of-payment loans with a ceiling of \$1 billion. Subsequently, a Medium-Term Financial Assistance (MTFA) program was initiated in 1971, and it opened an avenue for \$42 billion worth of loans with maturities ranging from two and five years. Germany and France each contributed 30% to the MTFA. The disbursement of funds was determined by the European Commission. Italy used the STMS and the MFTA for the first time ever in 1974.

Before the development of the EFSM, several efforts by the European Union concerning formulating regional financial safeguards were made. The European Monetary Cooperation Fund of 1973; the Exchange Rate Mechanism of 1979; the Balance of Payments Facility (BPF) of 1992; and the European Monetary Institute of 1994 were all such attempts by the European Union leading up to the rise of the global financial crisis and the European debt crisis. As such, the effectiveness of such preventive and counteracting measures with respect to the emergency liquidity needs can be evaluated and tested only amid a crisis. However painful and detrimental a crisis is, it should not be wasted, because a well-studied crisis may contribute to the upgrading of measures against future crises mitigating their effect.

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<sup>15</sup> Much of the content in this section is from EC (2019) and Pardo (2015), unless otherwise specified.

### 3.2 Why Did Europe Establish the ESM?

Whereas the European Union attempted to construct a comprehensive network of safeguards against financial crises and temporary shortages in the balance of payments by member states, the challenge to the pre-existing safeguards came from a rather technical flaw in the design of such measures. In other words, whereas Italy, Greece, France and Ireland were in dire need of rapid liquidity assistance from the European Union, they were not eligible to receive such balance-of-payment (BOP) support because it was designed before the full-blown global financial crisis and the European sovereign debt crisis targeted users of local currencies in the EU. Furthermore, the maximum liquidity support for the EU BOP Facility was a mere EUR12 billion, whereas the European Currency Unit, which was in place before the EU BOP Facility, was capped at EUR16 billion.

The default of Lehman Brothers served as a trigger for the balance-of-payments troubles that European countries experienced. Caught up in the maelstrom was Hungary, which requested EUR14.2 billion in support from the IMF and the EU BOP in October 2008. Latvia and Romania also came to the IMF and the EU BOP for support in December 2008 and spring of 2009, respectively. Recognizing the gravity of the Global Financial Crisis, the EU increased the cap on the EU BOP to EUR25 billion by December 2008 and to EUR50 billion in May 2009. The legal grounds upon which the EU stood when it provided such a responsive rescue mechanism was the Maastricht Treaty and the Stability and Growth Pact.<sup>16</sup>

The EFSM debuted during the design stage of the Greek Loan Facility, which was arranged through a EUR80 billion bilateral loan instrument for Greece from May 2010 to June 2013. A limitation of the bilateral nature of the Greek Loan Facility was the decision by Slovakia, Ireland and Portugal not to participate. The EFSM, which was publicly announced on 7 June 2010, invited all 28 EU member states to participate,<sup>17</sup> and provided support to states either facing a serious financial “disturbance”, a financial “disturbance” or “threat” beyond the member state’s control. Furthermore, it took advantage of the pre-existing EU BOP Facility by using it as collateral in issuing securities.

The EFSM is administered by the European Commission and is similar to the facility that had previously been set to help the non-euro area countries Latvia, Hungary and Romania. The European Financial Stability Facility (EFSF) was created as a special purpose vehicle set up to make loans to euro area countries, other than Greece, up to an amount of EUR440 billion, supplemented with a EUR250 billion IMF commitment. Clearly, the EFSF is potentially the most important because it is set up as a limited liability company owned by euro area member states and located in Luxembourg and it became fully operational on 4 August 2010. Loans made by both the EFSM and the EFSF have terms and conditions similar to those made by the IMF. The EU summits at the European Council then decided to keep a safeguard mechanism similar to the EFSF in place. Seventeen Eurozone states signed the first inter-governmental treaty establishing the ESM in July 2011. The ESM treaty became effective on 27 September 2012, and the public was notified about the advent of the ESM on 8 October 2012. It started out with paid-in capital of EUR80.55 billion from the member states, on top of which, EUR624.25 billion could be raised in the financial market. The crucial distinction between the EFSF

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<sup>16</sup> The legal ground for intervention in the free market by the EU involved a significant market deviation from normalcy in such a way that there would be a need to straighten out market failures.

<sup>17</sup> Only 17 countries participated.

and the ESM is that the debt was accounted for as a liability of the ESM as an international, independent institution rather than a national debt.

### 3.3 Toward the Establishment of the EMF

The European Commission (EC) proposed the transformation of the existing intergovernmental ESM into a European monetary fund (EMF) under EU law, which would provide it with wide-ranging powers.<sup>18</sup> In December 2017, the EC made two important proposals –one, to transform the ESM into an EMF, and another, to incorporate the Treaty on Stability, Coordination and Governance (TSCG, also known as the Fiscal Compact) into Community law. In 2018, these proposals were followed by other draft legislation, including the proposal to establish a European Investment Stabilization Function (EISF), which is linked to the EMF proposal.

The ESM was created in 2012 at the height of the European sovereign debt crisis to provide Eurozone members with loans; however, the mechanism was not established under the Community method, but rather in the form of an intergovernmental treaty. In terms of decision-making and accountability, the ESM's intergovernmental operational framework is somewhat complicated, because it was created as a special purpose vehicle under Luxembourg private law, which is not part of EU law by definition. The ESM was not planned as a large organization with abundant staff and extended analytical powers because of the time limit and the urgent need for support of EU institutions. It was generally understood that it would be brought under EU law at an appropriate moment. However, the Commission's proposal does not envisage small alterations but would extend the privileges of the ESM by transforming it into an EMF with new powers.

The Commission proposes that the ESM be integrated into EU law and changed into an EMF with legal personality that will succeed and replace the ESM.<sup>19</sup> With integration into EU law, the structure of accountability would change. It would maintain its present responsibilities, especially its role as a lender to governments, and maintain the role of recapitalizing banks. Lending would still be subject to conditionality – that is, a memorandum of understanding would have to be signed and implemented. The EMF's capital would be provided by Eurozone Member States, and in practical terms the capital already paid into the ESM would be transferred to the EMF. The fund would not be part of, or linked to, the EU budget.

## 4. IMPLICATIONS FOR ASIA

### 4.1 Comparison of ESM and CMIM

Whereas the CMIM was created to provide emergency liquidity support to the ASEAN+3 member countries, it does not have a single regional currency such as the Euro. Therefore, most Asian countries are tainted by so-called “original sin”, a situation in which firms and financial institutions in emerging economies with non-internationalized currencies cannot borrow long-term funds in their own currencies beyond their jurisdictions as defined by Eichengreen and Hausmann (2005). Put

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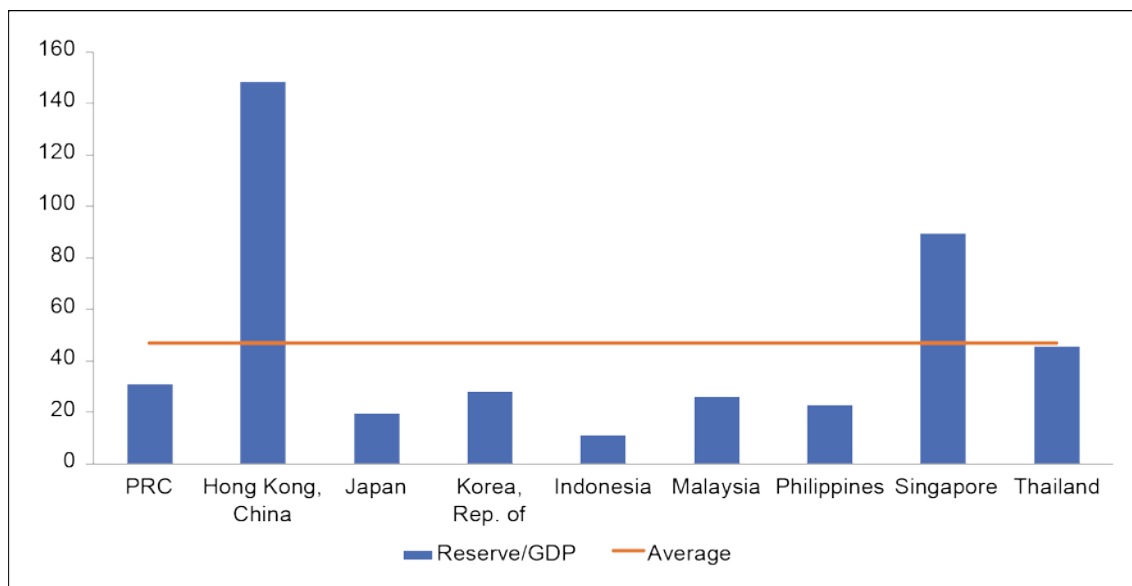
<sup>18</sup> The EMF proposal was made in the following contexts. First, the institutions are of the view that the primary aim of the ESM needs to be maintained. Second, the proposal must be seen in relation to the general evolution of European Monetary Union (EMU) architecture. Third, the ESM and many of the relevant crisis prevention and resolution mechanisms were created outside the EU's legal framework by intergovernmental means (Scheinert 2019).

<sup>19</sup> EC (2017), “Proposal for a Council Regulation on the establishment of the European Monetary Fund”.

differently, this means that the only vehicle currency for the CMIM is the US dollar. It is true that the Japanese yen is internationalized to a certain extent and the Chinese renminbi is not fully convertible to other major international currencies such as the USD or the Euro,<sup>20</sup> but being able to borrow in yen or renminbi does not carry the same meaning as borrowing in USD. This means that FX reserves using yen or renminbi may be helpful only when the USD-based BSAs within the CMIM cannot take place and that the most preferred and helpful BSAs in the region are still those that are USD-based. This situation drives ASEAN+3 member countries to hoard more FX reserves as a measure of self-insurance against another financial crisis than ESM member countries do, as seen in Figures 1 and 2.

Whereas the EU moved to establish an independent entity, the ESM that abides by the international treaty to separate its balance sheet from the balance sheets of the member states, the underlying collateral upon which the ESM is built is the irrevocable and unconditional guarantees from thirteen Eurozone countries. Although the CMIM is a common pool of liquidity, there is no institutionalized fund similar to the ESM with paid-in capital. The pre-committed contributions still remain in the hands of the central banks of the member countries, and committed funds are transferred only when there is a request for withdrawal. Given the standby and unfunded nature of the arrangement, member economies are concerned that their level of FX reserves will only be reduced upon drawdown of funds from their reserves.

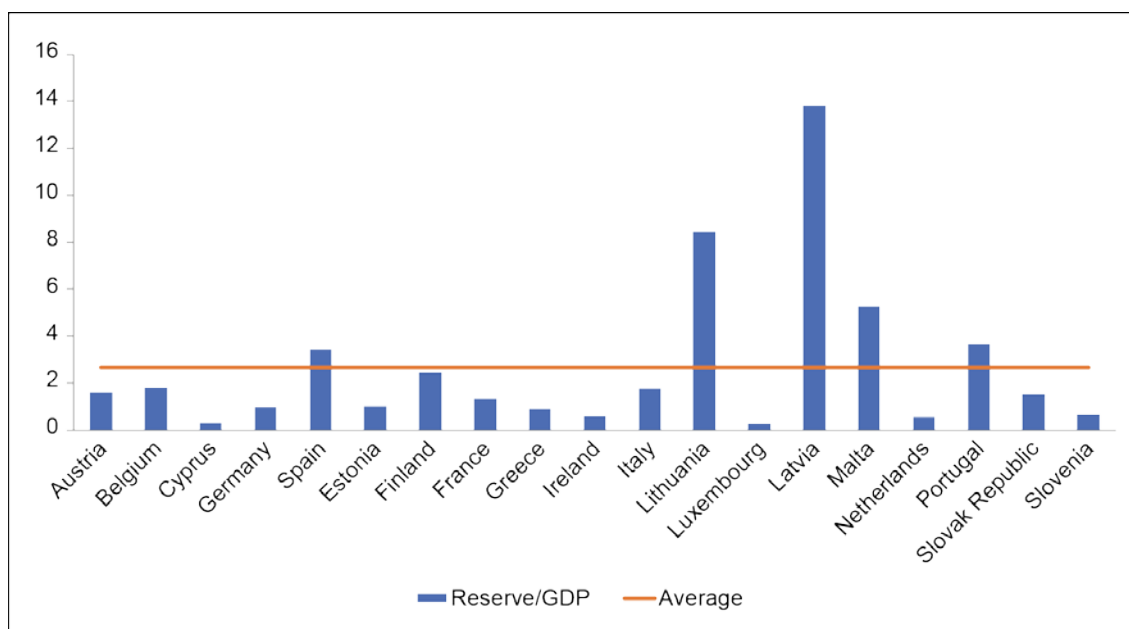
**Figure 1: Foreign Exchange Reserve to GDP Ratio: ASEAN+3(CMIM) Members (2017)**



Source: IMF, International Financial Statistics (IFS).

<sup>20</sup> Consider Henning (2009) and IMF (2016). The Chinese RMB began to be recognized as one of the currencies in the IMF's special drawing rights (SDR) basket starting on 1 October 2016. However, the effect of this change is limited in practical terms.



**Figure 2: Foreign Exchange Reserve to GDP Ratio: ESM Members (2017)**

Source: IMF, International Financial Statistics (IFS).

The ESM has the following policy tools at their disposal: the “Macroeconomic Adjustment Programme”; “Precautionary Conditioned Credit Line (PCCL)”; “Enhanced Conditions Credit Line (ECCL)”; “Direct Recapitalization of Institutions (DRI)”; and the “Primary and Secondary Market Debt Securities Purchasing.” The Macroeconomic Adjustment Programme is similar to the IMF’s Stand-By Arrangements and Extended Fund Facility in that in exchange for emergency financing for a troubled member state, macroeconomic policy adjustments are imposed on the troubled state. The ultimate goal of the program is to resuscitate the troubled member state in such a way as to rebuild its credibility in the financial market and induce the troubled state to carry out the debt services in a responsible and sustainable way. In 2014, the CMIM was doubled in size to \$240 billion, and a crisis prevention facility called the CMIM Precautionary Line was also introduced to provide short-term liquidity support to address sudden but temporary liquidity shortages, and the crisis resolution mechanism is now called the CMIM Stability Fund. However, this new facility does not increase the total amount of funds available.

In terms of governance and decision making, the ESM specifically requires unanimous approval for disbursement of its funds to a requesting state. This is different from the CMIM and the IMF, since they require only a qualified majority. Whereas the ESM’s major decisions require unanimity, for managerial or executive housekeeping decisions, a qualified majority of 80% is sufficient. For the ESM’s decisions concerning the calling in of capital or distribution of dividends, a simple majority is sufficient. The Board of Governors consists of finance ministers of the Eurozone member states who make decisions on behalf of the ESM. The president of the Eurogroup serves as the Board of Governors chairperson for the ESM. The Board of Governors reserves the right to designate one director and one alternative director to serve as managing directors on the Board of Directors.

The ESM loans entail conditionality, such as fiscal consolidation via cuts in government expenditure, privatizations and tax reforms. Such conditionality is not too different from the conditionality imposed by the IMF when it approves disbursement of its



funds to the requesting country. Additionally, structural reforms to increase employment and enhance competitiveness in the member state, strengthening of banking sector regulations, and recapitalization of banks are examples of the ESM-specific conditionality. However, one should take note of the fact that whereas the ESM funds are not IMF-linked at all, the IMF participated significantly in the design, procurement, and disbursement of the ESM fund. Taking the lead was the “Troika” – the IMF, the European Commission and the ECB – that designed, financed, and implemented most of the rescue packages given during the European sovereign debt crisis (AMRO 2018). Therefore, in a way, the absence of the “IMF-linked portion” in the ESM arrangement does not automatically mean that the IMF does not have any channel to intervene in the operations of the ESM.

## 4.2 Effects of ESM on Regional Financial Stability

Both regions have their own regional financial arrangements – CMIM in Asia and ESM in Europe. Based on a comparison, we would like to assess how much the ESM contributes to securing the regional financial stability compared to that of CMIM, which has not yet been implemented due to its small size, complex procedure and IMF conditionality. The simplest way to do so is to estimate the structural impact of the ESM on regional financial stability by using a dummy variable that takes the value of 1 in 2012 and subsequent years. A positive and significant coefficient of the ESM dummy indicates that given all the other variables in explaining the financial stability (or instability), the post-ESM period shows a structural shift in securing financial stability in Europe. However, it is difficult to interpret directly the result of the dummy variable in the simple regression. Therefore, this analysis includes both ASEAN+3 and Europe and attempts to evaluate the impact of the ESM, and we therefore employ a difference-in-difference (DID) method to observe the two regions – Europe (treatment group) and ASEAN+3 (control group) – for the two periods before and after ESM was established from 2000 to 2017.

As seen in Table 1, in the case where the same units within a group are observed in each period, the average in the second group (ASEAN+3) is subtracted from the average in the first group (Europe).<sup>21</sup> This removes bias in the second period comparison between the treatment and control groups, which could result either from a permanent discrepancy between the two groups or from a bias in comparisons over time in the treatment group due to other trends. What we end up with is:

$$y_{i,t} = \alpha + \beta_0 \text{REGION}_i + \beta_1 \text{ESM}_t + \beta_2 (\text{REGION}_i \cdot \text{ESM}_t) + \gamma X_{i,t} + \varepsilon_{i,t}$$

Here  $y_{i,t}$  stands for the financial instability measured as non-performing loans (NPLs) in line with Babihuga (2007) and Adeola and Ikpesu (2017), and  $\text{REGION}_i$  is a dummy variable taking a value of 1 if the country belongs to Europe and 0 otherwise.  $\text{ESM}_t$  is a policy dummy variable taking a value of 1 in the second period (2012–2017) and 0 in the first period (2008–2011).  $X_{i,t}$  is a set of control variables that may affect financial instability, including economic growth rate; inflation rate; unemployment rate; real effective exchange rate; lending rate; and the FX reserve ratio, as listed in the appendix. The coefficient of interest  $\beta_2$  is an interaction term,  $\text{REGION}_i \cdot \text{ESM}_t$ , which is the same as

<sup>21</sup> In our empirical analysis, ASEAN+3 members include the PRC (plus Hong Kong, China), Japan, the Republic of Korea, Brunei Darussalam, Cambodia, Indonesia, the Lao People’s Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam, while ESM members include Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

a dummy variable equal to 1 for those observations in Europe with the regional financial arrangement, ESM, in the second period.

**Table 1: Difference-in-Difference Estimation for the Effect of ESM on Financial Stability**

	Pre-ESM (2008–2011)	Post-ESM (2012–2017)	Difference
Treatment (Europe)	$\bar{Y}_1^T$	$\bar{Y}_2^T$	$\bar{Y}_2^T - \bar{Y}_1^T$
Control (Asia)	$\bar{Y}_1^C$	$\bar{Y}_2^C$	$\bar{Y}_2^C - \bar{Y}_1^C$
T-C Difference	$\bar{Y}_1^T - \bar{Y}_1^C$	$\bar{Y}_2^T - \bar{Y}_2^C$	$(\bar{Y}_2^T - \bar{Y}_2^C) - (\bar{Y}_1^T - \bar{Y}_1^C) = \beta_2$

The DID results in Table 2 show that the ESM, as a regional financial arrangement, has significantly contributed to securing financial stability in Europe, in part by reducing non-performing loans. The coefficients of an interaction term,  $\text{REGION}_i \cdot \text{ESM}_t$ , show positive and statistically significant impacts on regional financial stability. The results also revealed that the unemployment rate has a positive relationship with the NPL and thus increases financial instability, as other examples from existing scholarship have found. However, the coefficient of the FX reserve ratio is positive, but not statistically significant.

**Table 2: Estimation Results for the Effect of ESM on Financial Stability (2008–2017)**

Variables	(1) NPL	(2) NPL
Region	1.762*** (0.537)	1.171*** (0.262)
ESM (Time)	0.464 (0.520)	0.485*** (0.171)
RegionxESM	-1.333** (0.656)	-0.978*** (0.329)
dGDP		0.015 (0.021)
dInflation		-0.080** (0.035)
dUR		0.604 *** (0.146)
dREER		0.893 (1.393)
dLR		0.078 (0.095)
dFXRR		0.286 (1.065)
Constant	-0.530 (0.433)	-0.503*** (0.147)
Observations	250	98
R-squared	0.054	0.473

### 4.3 Implications for the CMIM and an AMF

First, it is critically important to facilitate more usage of local currency in trade and finance in the region and a greater role for local currencies as reserve currency, as well as to enhance local currency contributions to the CMIM. The over-dependence on the US dollar and the dominant role of the US dollar in cross-border transactions might threaten financial stability in Asia, as occurred during the Asian financial crisis and the global financial crisis. These situations cannot be relieved by domestic macroeconomic policy only; they also require a regional financial safety net and regional monetary cooperation, such as regional exchange rate coordination, currency unions, local currency settlement framework (LCSF),<sup>22</sup> and local currency bond market development, including regionally integrated bond markets within the ASEAN+3 Multi-currency Bond Issuance Framework.<sup>23</sup> This will help to minimize a country's exposure to currency mismatch and over-dependence on the USD, because ASEAN+3 economies do not have a single regional currency, like the euro and the USD, as a key currency.

The increasing uncertainty and challenging external environment have gradually increased the demand for local currency in cross-border transactions in the region. Against this background, the Finance Ministers and Central Bank Governors (FMCBG) of ASEAN+3 insist that local currency contributions to the CMIM may be one enhancement option. In May 2019, the FMCBG of ASEAN+3 requested that deputies further discuss and review the future direction of the CMIM from a medium- to long-term perspective, including the issue of local currency contribution to the CMIM. This is expected to help ASEAN+3 economies dislodge the hegemony of the US dollar in the global markets and might reduce the burden on member economies when FX reserves dwindle.

However, when looking at the realities in the region, it is clear that despite increasing intra-regional trade and investment in ASEAN+3 countries, the US dollar as a vehicle currency still plays a dominant role in trade and finance in the region. Most ASEAN+3 economies still maintain strict foreign exchange regulations that prohibit the transfer and offshore usage of the local currencies, as we know from the capital control indices shown in Table 3. A lower Chinn-Ito index implies stronger restrictions, while a higher Fernandez, Klein, Schindler, and Uribe (FKSU, 2016) index shows stronger restrictions, both ranging from 0 to 1. This will make local currency contributions to CMIM less effective and less meaningful for ASEAN+3 economies, because it increases the transaction costs of cross-border trade settlement and investment, which leads to the status quo usage of USD.

Second, further increasing the size of the CMIM and raising the purchasing multiple for the CMIM member states, besides the PRC and Japan, should be considered, because \$240 billion is not enough to fully cover ASEAN+3 in a crisis. Whereas the CMIM may serve as the central source of liquidity help, BSAs outside the CMIM should not be discouraged. When taking a probing look into the current situation in ASEAN+3, it becomes clear that they have individually accumulated massive FX reserves as a self-insurance to control volatile capital flows, which usually result in financial instability in emerging markets. However, an effective and efficient RFA may limit financial instability,

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<sup>22</sup> The LCSF is an initiative between Indonesia; Malaysia; and Thailand to promote greater usage of the countries' local currencies in their cross-border trade settlement and investment. The LCSF between Malaysia and Thailand came into operation in March 2016 and, and it was expanded to Indonesia in 2018.

<sup>23</sup> The ASEAN+3 Multi-currency Bond Issuance Framework (AMBIF) is a policy initiative under Task Force 3 of ABMI to help facilitate standardized bond issuance and investment intra-regionally. For more details, refer to Hyun (2014, 2015).

as shown in our empirical results (Table 2) and will, in turn, limit the need for excessive precautionary FX reserves, as confirmed in Figures 1 and 2.

**Table 3: Capital Control Index in Major Economies and ASEAN+3**

	Chinn-Ito Index	FKSU Index		
		Overall Restriction	Inflow Restriction	Outflow Restriction
US	1.00	0.13	0.10	0.15
Germany	1.00	0.30	0.10	0.50
UK	1.00	0.05	0.10	0.00
Canada	1.00	0.05	0.10	0.00
Australia	1.00	0.18	0.30	0.05
Brunei Darussalam		0.05	0.10	0.00
Cambodia	1.00			
Indonesia	0.42	0.70	0.75	0.65
Lao PDR	0.17			
Malaysia	0.42	0.88	0.80	0.95
Myanmar	0.00	0.90	0.90	0.90
Philippines	0.45	0.88	0.75	1.00
Singapore	1.00	0.13	0.10	0.15
Thailand	0.17	0.73	0.70	0.75
Viet Nam	0.42	0.88	0.85	0.90
PRC	0.17	0.90	0.90	0.90
Hong Kong, China	1.00	0.05	0.10	0.00
Japan	1.00	0.00	0.00	0.00
Republic of Korea	1.00	0.18	0.20	0.15

Source: Fernandez, Klein, Schindler, and Uribe (FKSU, 2016), Chinn and Ito (2006).

Third, the CMIM should aim to lower the IMF-linked portion and strengthen the cooperative ties with the IMF. To do so, CMIM's rules and procedures regarding access to the lending facility should be further refined and clarified. Striking a balance between imposing enough conditionality so that moral hazard does not pose a serious threat to the sustainability of the CMIM and relaxing conditionality so that a small-scale crisis does not lead to a full-blown regional crisis should be delicately discussed. The intention of setting a cap on the amount of the CMIM disbursement that can be deployed without any negotiation with the IMF was to discourage moral hazard for borrowers. However, simply allowing the IMF to intervene in the midst of a crisis does not naturally improve the surveillance quality or the conditionality designing skills of the Economic Review and Policy Dialogue (ERPD) or AMRO. Therefore, as was showcased in the example of the "Troika," the appropriate distribution of roles between the IMF and AMRO should be considered (Rana and Pardo 2015).<sup>24</sup>

<sup>24</sup> In the case of the "Troika," for example, the IMF takes the role of providing a macroeconomic survey in the European Union, whereas the ECB ran simulations of financial sector strategies to test for robustness prior to implementation. The EC then cross-verified with the existing EU rules and regulations to see if there were any breaches or conflicts between the proposed financial strategies and the regulations.

Fourth, it is imperative to improve the quality of macroeconomic surveillance over the ASEAN+3 region in order to further decrease (or remove) the IMF-linked portion. It is necessary to strengthen the collaboration between the IMF and AMRO/CMIM while building the strong, credible, and independent analytical capacity of AMRO. However, considering the current institutional strengths and comparative advantages of both the IMF and AMRO, the IMF can take the lead in collaboration with AMRO (IMF 2017). In other words, the IMF would take the lead on the macroeconomic framework, core macroeconomic policies, and associated conditionality, while the AMRO, which lacks the capacity to design and monitor a program, would focus on areas of its comparative advantage such as economic surveillance by using greater regional knowledge. This might be misconstrued as an IMF program to ASEAN+3 member economies with all the stigma that might be expected because member economies run the risk of being put under IMF austerity programs if they borrow beyond 30% of their individual quota from the CMIM fund. Helping avoid this would be an expansion of the staff and capabilities of AMRO to appropriately raise its quality of analysis and the design and implementation of conditionality requirements.

Last but not the least, transforming CMIM into an independent legal entity like an AMF – protected under international treaty with paid-in capital from the member states – may be the path that CMIM can take, just as the EU BOP evolved into the EFSF and subsequently into the ESM. Once the CMIM transitions into an independent RFA that operates with paid-in capital from the member states, the certainty of financing in times of crisis and the reduction in complexity of multiple transactions will improve. Underlying this needs to be improved cooperation between the PRC and Japan as trust and mutual understanding are critical for regional stability. That might facilitate the transformation of the CMIM into a major lender that can issue bonds to mobilize an even greater pool of liquidity support. The Secondary Market Support Facility (SMSF) may be applicable to the CMIM because – in the absence of such arrangements – regaining confidence in the financial market for the troubled member states may take longer than necessary.<sup>25</sup> In other words, the effect of temporary balance of payment shortages or lack of liquidity may exert a long-term negative influence on the troubled member state's economy and its confidence in the financial market.

## 5. CONCLUSION

This study's aim was to examine components of financial safety nets in Asia and Europe, to compare them, and to make policy recommendations for creating a more effective system for dealing with economic and financial risks to Asian countries. The study has also attempted to understand why an Asian Monetary Fund, which would provide surveillance and "firefighting" functions, has not been established.

The main conclusions are that the financial architecture that has developed in Asia – that currently revolves around individual countries' foreign exchange reserves, BSAs, and the CMIM/AMRO structure to a large degree – has been heavily influenced by the AFC and the stigma attached to the IMF because of its harsh conditionality requirements imposed on Asian countries; obstacles to the creation of an AMF include opposition from the United States, which does not want its position in Asia diminished by a competitor institution to the IMF, and rivalries between Japan and the PRC for regional supremacy; the ESM is part of a strong regional safety net in Europe, the actions of which

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<sup>25</sup> The ESM has the Secondary Market Support Facility (SMSF), which aims to support the good functioning of the government debt markets of ESM members in exceptional circumstances where the lack of market liquidity threatens financial stability.

have been defined in part by its more institutionalized structure than the CMIM; and the CMIM can be improved by increasing the resources available to it, creating a permanent secretariat and changing to an arrangement of paid-in capital. While simple imitation of the European safety net is not feasible for Asia because of its preference for inter-governmental arrangements over supra-national institutions, its less legalized approach to dealing with regional governance issues, its lack of a monetary cooperation, and its own unique historical, economic, and social conditions, some of the differences between Europe and Asia are exaggerated, such as the latter's attachment to national sovereignty, which is also prized by countries in Europe both within and outside of the Eurozone.

The study does not include a detailed discussion of other areas of financial governance, such as macro- and micro-prudential economic management, pan-regional regulatory institutions, pros and cons of a common currency, and currency internationalization, all of which have implications for a region's financial and economic risk management. These are topics of further research whose conclusions may affect the development of Asia's institutional architecture and hence its effectiveness in dealing with financial and economic shocks and the liquidity crises that may result from them. We have attempted to make a contribution to understanding important parts of the architecture in which the CMIM and AMRO play central roles alongside self-help mechanisms. With the global economy in a long recovery mode after the global financial crisis of the previous decade, now – “peacetime” – is the time to prepare for the next downturn in the business cycle.

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## APPENDIX

### Data Description and Source

	Description	Source
NPL	Non-performing loan to total value of loan	FSAP (IMF)
GDP	Real gross domestic product growth rate	WDI (World Bank)
REER	Real effective exchange rate	IFS (IMF)
Inflation	Inflation rate measured by CPI	IFS (IMF)
Unemployment (UR)	Unemployment rate	IFS (IMF)
Lending rate (LR)	Real lending rate	IFS (IMF)
FX Reserve ratio (FXRR)	Official Reserve to GDP	IFS (IMF)

### Descriptive Statistics

ASEAN+3 (CMIM)						
Variable	Obs	Mean	Std. Dev.	Min	Max	
NPL	98	-0.208	0.531	-2.5	0.7	
GDP growth	130	-0.218	3.267	-8.889	15.843	
Inflation	130	-0.377	4.803	-25.658	17.328	
Urate	97	-0.088	0.411	-1.2	1.791	
ln(EX)	130	0.038	0.420	-0.144	4.737	
lending rate	120	-0.223	1.095	-5.714	4.603	
reserve/gdp	128	0.014	0.053	-0.093	0.363	

Europe (ESM)						
Variable	Obs	Mean	Std. Dev.	Min	Max	
NPL	152	0.682	3.033	-11	20.2	
GDP growth	170	-0.138	4.505	-20.415	17.228	
Inflation	170	-0.123	1.955	-10.440	3.761	
Urate	170	0.199	1.733	-4.316	8.058	
ln(EX)	170	0.008	0.044	-0.172	0.099	
lending rate	22	-0.362	0.802	-2.620	0.623	
reserve/gdp	170	-0.004	0.040	-0.410	0.039	