

Sussangkarn, Chalongphob

**Working Paper**

## The Chiang Mai Initiative Multilateralisation: Origin, development and outlook

ADB Working Paper, No. 230

**Provided in Cooperation with:**

Asian Development Bank Institute (ADBI), Tokyo

*Suggested Citation:* Sussangkarn, Chalongphob (2010) : The Chiang Mai Initiative Multilateralisation: Origin, development and outlook, ADB Working Paper, No. 230, Asian Development Bank Institute (ADBI), Tokyo

This Version is available at:

<https://hdl.handle.net/10419/53615>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



**ADB Working Paper Series**

**The Chiang Mai Initiative  
Multilateralization: Origin,  
Development and Outlook**

---

Chalongphob Sussangkarn

No. 230  
July 2010

**Asian Development Bank Institute**

Chalongphob Sussangkarn is a distinguished fellow at the Thailand Development Research Institute.

The views expressed in this paper are the views of the authors and do not necessarily reflect the views or policies of ADBI, the Asian Development Bank (ADB), its Board of Directors, or the governments they represent. ADBI does not guarantee the accuracy of the data included in this paper and accepts no responsibility for any consequences of their use. Terminology used may not necessarily be consistent with ADB official terms.

The Working Paper series is a continuation of the formerly named Discussion Paper series; the numbering of the papers continued without interruption or change. ADBI's working papers reflect initial ideas on a topic and are posted online for discussion. ADBI encourages readers to post their comments on the main page for each working paper (given in the citation below). Some working papers may develop into other forms of publication.

Suggested citation:

Sussangkarn, C. 2010. The Chiang Mai Initiative Multilateralization: Origin, Development and Outlook. ADBI Working Paper 230. Tokyo: Asian Development Bank Institute. Available: <http://www.adbi.org/working-paper/2010/07/13/3938.chiang.mai.initiative.multilateralisation/>

Please contact the author(s) for information about this paper.

Asian Development Bank Institute  
Kasumigaseki Building 8F  
3-2-5 Kasumigaseki, Chiyoda-ku  
Tokyo 100-6008, Japan

Tel: +81-3-3593-5500  
Fax: +81-3-3593-5571  
URL: [www.adbi.org](http://www.adbi.org)  
E-mail: [info@adbi.org](mailto:info@adbi.org)

© 2010 Asian Development Bank Institute

**Abstract**

This paper discusses the Chiang Mai Initiative Multilateralization (CMIM); its origin, development and future outlook. It puts forward a number of proposals to make the liquidity support role of the CMIM more effective. It is further argued that the CMIM can bring about major changes to the policy institutional infrastructure of the East Asia region, particularly through the establishment of an Independent Surveillance Unit (ISU). The ISU can provide technical and secretariat support to financial cooperation processes in the region, which have thus far been driven by officials on a part-time basis. Consolidation of the main financial forums in the region is also proposed, specifically the Finance Minister Process and the Central Bank Process. Membership of these two processes should be expanded and unified, with the ISU providing technical and secretariat support. It is argued that regular policy meetings can be institutionalized and that this could enhance the role of East Asia in the global financial arena, whilst facilitating policy cooperation, with important regional and global implications.

**JEL Classification: E02, E44, F33, F36, F42, F55, G15**

## Contents

1.	Introduction.....	1
2.	Origin.....	1
	2.1 Perceived Importance of Developing Regional Self-help Mechanism.....	1
	2.2 The Chiang Mai Initiatives (CMI).....	4
3.	Development .....	6
4.	Outlook .....	10
	4.1 The Provision of Foreign Exchange Liquidity to Countries in Need of It .....	10
	4.2 Regional Surveillance Process .....	13
5.	Conclusions .....	15
	References .....	16

## 1. INTRODUCTION

This paper discusses the Chiang Mai Initiative Multilateralization (CMIM)—its origin, development and outlook. Following the introduction, section 2 discusses the origin of the bilateral Chiang Mai Initiatives (CMI), the perceived need to develop regional self-help mechanisms arising from the 1997–98 financial crisis, and the emergence of the CMI. Section 3 discusses the development of the CMIM and agreements that have been reached thus far. Section 4 discusses the outlook for CMIM in two areas: the provision of liquidity support to countries in need of it, and the regional surveillance mechanism.

Proposals are made on how to make the liquidity support role of the CMIM more effective. It is also argued that the CMIM can bring about major changes to the policy institutional infrastructure of the East Asia region, particularly through the establishment of the so-called Independent Surveillance Unit (ISU). This new organization can provide technical and secretariat support for financial cooperation processes in the region, which currently lack such support. The paper also proposes consolidation of the main financial forums in the region. This could enhance the role of East Asia in the global financial arena and also facilitate policy cooperation, with important regional and global implications.

## 2. ORIGIN

### 2.1 Perceived Importance of Developing Regional Self-help Mechanism

The 1997–98 East Asian financial crisis was a major event that pushed countries in East Asia to embark on a multitude of regional economic cooperation initiatives. It led to the formation of the ASEAN+3 group (ASEAN plus the People's Republic of China (PRC), Japan, and the Republic of Korea, hereafter Korea), a group that was similar to the East Asian Economic Caucus proposed by the then Prime Minister of Malaysia, Dr. Mahathir Mohamad, back in 1991,<sup>1</sup> However, the proposal never got off the ground as the idea was too radical at that time. However, the 1997–98 crisis provided the appropriate push factors and rationales for economic cooperation among the ASEAN+3 group.

The crisis started in Thailand, and at first it was thought that its impact would remain localized. However, the contagion to nearly the whole region soon became apparent. Indonesia and Korea followed Thailand in having to enter an IMF program, and even countries that did not need an IMF rescue package faced severe economic slowdown or recessions. It became quite apparent that East Asian economies were inextricably linked to each other and could not afford to ignore what was happening elsewhere within the region.

Basically, the countries requiring assistance from the International Monetary Fund (IMF) became insolvent in terms of not having enough foreign currencies to meet their foreign currency obligations. A particularly striking common feature of the three countries requiring IMF assistance compared with other countries in the region, is their very high ratio of short-term foreign debt to foreign reserves (see Table 1). In the region these three economies were the only ones with a ratio of short-term foreign debt to official reserves of more than 100% at the end of 1996. The ratio for Thailand was 110%, that for Indonesia 167%, and that for Korea 195%. Such high ratios are very dangerous, because if these short-term debts are not rolled over for any reason (for example due to a loss of confidence), then these countries would become bankrupt as a result of possessing insufficient foreign reserves to repay their debts.

---

<sup>1</sup> Except ASEAN+3 does not contain Hong Kong, China and Taipei, China and includes all the newer ASEAN member countries.

**Table 1**  
**Ratio of Short-term Foreign Debt to Official Reserves (%)**

	1990	1991	1992	1993	1994	1995	1996
PRC	30.8	24.3	64.8	66.5	32.6	29.4	23.6
Hong Kong, China	23.4	21.7	18.2	17.2	16.4	16.4	22.2
India	164.7	104.1	73.2	26.8	18.5	23.4	28.3
<i>Indonesia</i>	<i>130.7</i>	<i>139.7</i>	<i>158.5</i>	<i>145.6</i>	<i>147.4</i>	<i>175.6</i>	<i>167.2</i>
Malaysia	19.3	18.8	21.0	25.4	24.2	30.4	40.8
Philippines	216.2	109.2	98.5	85.0	80.3	67.9	67.9
Singapore	2.7	2.7	2.3	2.0	1.7	1.8	2.6
<i>Korea</i>	<i>72.9</i>	<i>81.6</i>	<i>69.5</i>	<i>60.2</i>	<i>123.1</i>	<i>142.5</i>	<i>195.4</i>
Taipei	20.0	18.9	19.6	21.8	20.3	20.4	20.1
<i>Thailand</i>	<i>58.3</i>	<i>67.8</i>	<i>69.5</i>	<i>89.0</i>	<i>96.4</i>	<i>119.4</i>	<i>110.3</i>

Source: Asian Development Bank, Key Indicators 2001.

The problem prior to the crisis was that countries were viewing the adequacy of foreign reserves with the wrong paradigm. In Thailand, for example, as short-term debt increased, foreign reserves also increased. This increase in foreign reserves was actually considered to be a sign of strength by the authorities. Viewing the situation from a current account perspective, foreign reserves in the few years prior to the crisis amounted to more than five months of imports of goods and services combined. At that time it was not realized that reserves also needed to cover short-term foreign debt, as such loans may not be extended when they become due and foreign currencies would be needed to repay them. Moreover, as indicated above, the situation by the end of 1996 was becoming very risky as total foreign reserves were smaller than total short-term debt, not taking into account the large current account deficit Thailand was running at the time. The country's economic fundamentals weakened considerably in 1996, with a decline in exports compared to export growths of more than 20% per annum in the previous two years. Speculators started attacking the Thai baht, which was under a fixed basket peg at that time, and the situation became untenable as nearly all foreign reserves were used up to try to defend the value of the currency. By the middle of 1997, Thailand's net foreign reserves (net of forward contracts to sell foreign currencies) amounted to only about US\$2.8 billion. With about US\$30 billion of outstanding short-term foreign debt and a current account deficit of about US\$1 billion per month, it was clear that the country was insolvent. The baht therefore had to be floated, and assistance had to be requested from the IMF.

While East Asian economies running saving deficits had to rely mostly on foreign short-term borrowings to fill their saving gaps, the region as a whole was actually running a saving surplus prior to the crisis, amounting to about US\$100 billion annually (see Table 2). The saving surplus of the region was invested mostly in US dollar denominated assets and the countries running deficits had to rely on foreign bank borrowings, which were mostly of short-term maturity.<sup>2</sup> Some in the region had argued at that time that if the financial resources within the region had been better utilized, to provide liquidity support and longer-term development finance to countries in the region in need of such provisions, then the 1997–98 crisis could possibly have been avoided.

<sup>2</sup> Most of the loans to developing countries were short-term because under the provisioning requirements of the Basle Capital Accord, a 20% risk weighting is applied to short-term loans to non-OECD banks, while a 100% risk weighting has to be applied to long-term loans (with a maturity of one year or more).

**Table 2**  
**Current Account of East Asian Countries (Million US\$)**

	Avg. (93-97)	1993	1994	1995	1996	1997
Thailand	-9,143	-6,364	-8,085	-13,554	-14,691	-3,021
Indonesia	-4,776	-2,106	-2,792	-6,431	-7,663	-4,889
Malaysia	-5,310	-2,991	-4,520	-8,644	-4,462	-5,935
Philippines	-3,250	-3,016	-2,950	-1,980	-3,953	-4,351
Singapore	11,859	4,211	11,400	14,800	13,977	14,908
Sum (ASEAN)	-10,620	-10,266	-6,947	-15,809	-16,792	-3,288
Korea	-8,655	821	-4,024	-8,665	-23,120	-8,287
PRC	8,225	-11,609	6,908	1,618	7,243	36,963
Japan	107,108	131,640	130,260	111,040	65,790	96,810
Sum (Plus 3)	106,678	120,852	133,144	103,993	49,913	125,486
Sum (Total)	96,057	110,586	126,197	88,184	33,121	122,198

Source: International Financial Statistics, 2005, International Monetary Fund.

Another factor pushing countries in the region toward greater cooperation was that they had very limited influence on shaping the IMF crisis resolution measures. These measures were largely dictated by the IMF, with the US Treasury and the Federal Reserve exerting influence behind the scenes. The IMF programs were meant to restore confidence and generate increases in foreign exchange reserves to enable countries under the programs to eventually recover from their insolvency positions. But the nature of the conditions imposed by the IMF was rather controversial and was much debated in the aftermath of the crisis.<sup>3</sup> Critics pointed to a number of areas, such as:<sup>4</sup>

- The harsh nature of the tight fiscal and monetary policies, with apparent disregard for their social or political consequences. This even led to a change of political regime in Indonesia.
- The conditionality for the various countries tended to be of a “one size fits all” nature, therefore failing to differentiate between the different political and socio-cultural contexts.
- An unwillingness to allow non-market based interventions, such as controls on capital flows.<sup>5</sup>
- An imposition of full guarantees for creditors (mostly foreign) of financial institutions.
- An imposition of relatively rapid structural reform measures, such as stringent financial standards and corporate restructuring, privatization of state owned enterprises and asset sales at what many regarded as “fire sale” prices.

<sup>3</sup> For detailed discussions of the IMF program for Thailand, see Sussangkarn (2002).

<sup>4</sup> For various discussions, see for example, Sachs (1997), Stiglitz (1998), Feldstein (1998), Krugman (1998), UNCTAD (1998), Chapter 4, and Stiglitz (2002).

<sup>5</sup> Malaysia successfully used capital controls to ward off a more severe crisis. It should be noted, however, that Malaysia did not have as much short-term foreign debt (in relation to reserves) as Thailand.



Because of the dissatisfaction with the way the crisis was handled, many in the region felt that if the region had had a greater input into the crisis resolution measures, the crisis could have been resolved with much less pain than had been the case.

For all of these reasons, it was logical for the region to come together after the 1997–98 crisis and the first meeting of the leaders of the Association of Southeast Asian Nations (ASEAN)+3 countries took place in December 1997 on the sideline of the 2<sup>nd</sup> Informal ASEAN summit in Kuala Lumpur. Since then, the meeting has become an annual event, supported by other ASEAN+3 meetings at ministerial levels as well as meetings among officials. As it was the financial crisis that brought the region together, it was not surprising that the first substantive cooperation agreement was in the area of finance, particularly the Chiang Mai Initiative (CMI), economic surveillance and bond market development (Asian Bond Market Initiatives, ABMI, together with the Asian Bond Funds). This has expanded into numerous ministerial level meetings in areas such as agriculture, energy, environment, ICT and transnational crime. Regional cooperation has also extended to numerous free trade and “so-called” comprehensive economic partnership agreements at the sub-regional level, with many of these involving ASEAN as one of the parties to the agreement. At the summit level, the annual meeting has also been expanded to include India, Australia and New Zealand, the so-called “East Asia summit”. Overall, the 1997–98 crisis created a major impetus for regional cooperation within the region and the extent of this cooperation is still expanding.

## 2.2 The Chiang Mai Initiatives (CMI)

The first proposal for regional financial cooperation after the crisis was actually the proposal made by Japan at the G-7/IMF meeting in Hong Kong, China in September 1997 to set up an Asian Monetary Fund (AMF). For it to have any chance of success, much background work, many informal discussions, and lobbying of the key stakeholders would have been required. This was not done, however, and the proposal also came at a time when the IMF was already implementing the rescue package for Thailand. It was not surprising, therefore, that it did not receive much support within the region and was strongly opposed by the IMF and the United States. Consequently, the proposal was quickly pushed aside.<sup>6</sup> Arguments were made at that time that this could create a lot of moral hazard vis-à-vis the IMF. In fact, regional monetary organizations were nothing new, as they already existed in Latin America and in the Middle East,<sup>7</sup> and they co-existed with the IMF, so this argument was an exaggeration. However, the proposal was simply too radical and came at the wrong time. Yet the idea of East Asia having its own financial and monetary organization did not disappear completely. Twelve years after the original AMF proposal was made, such an organization may eventually still emerge, as discussed below.

Even though the AMF idea did not materialize, key players in the region continued to explore ideas for financial cooperation. At a meeting of Asian Finance and Central Bank Deputies in Manila, Philippines on 18-19 November 1997, the so-called “Manila Framework” was developed. This was to be “A New Framework for Enhanced Asian Regional Cooperation to Promote Financial Stability”. Given the involvement of the United States and also the IMF,<sup>8</sup> the ideas incorporated into the framework were not very radical and stressed the central role of the IMF. The official Summary of the Discussions stated:

---

<sup>6</sup> For details on Japan’s proposal for the AMF, see Lipsky (2003).

<sup>7</sup> In the form of the Latin American Reserve Fund and the Arab Monetary Fund, see, e.g., Sussangkarn (2000).

<sup>8</sup> The countries represented were Australia; Brunei; Darussalam; Canada; PRC; Hong Kong, China; Indonesia; Japan; Korea; Malaysia; New Zealand; Philippines; Singapore; Thailand and the United States. High-level representatives from the IMF, the World Bank and the ADB also attended the meeting.

“.....Deputies agreed on the need and desirability of a framework for regional cooperation to enhance the prospects for financial stability. This framework, which recognizes the central role of the IMF in the international monetary system, includes the following initiatives: (a) a mechanism for regional surveillance to complement global surveillance by the IMF; (b) enhanced economic and technical cooperation particularly in strengthening domestic financial systems and regulatory capacities; (c) measures to strengthen the IMF’s capacity to respond to financial crises; and (d) a cooperative financing arrangement that would supplement IMF resources.”

The Manila Framework was endorsed at a meeting of finance ministers from ASEAN; Australia; PRC; Hong Kong, China; Japan; Korea; and the United States, in Kuala Lumpur, Malaysia, on 2 December 1997. Work on the regional cooperative financing arrangement to supplement IMF resources continued and was eventually agreed in May 2000 at the ASEAN+3 Finance Ministers’ Meeting in Chiang Mai on the sideline of the Annual ADB meeting there, and is hence referred to as the “Chiang Mai Initiative (CMI)”.

With the CMI, the ASEAN+3 group expressed "a need to establish a regional financing arrangement to supplement the existing international facilities",<sup>9</sup> and reached agreement on an expansion of swap facilities<sup>10</sup> among the ASEAN member countries (the ASEAN Swap Arrangement, ASA) and to include bilateral swap arrangements (BSA) with members of the Plus Three group.<sup>11</sup> The size of the ASA was expanded to US\$1 billion from the level of US\$200 million that was in existence at that time.<sup>12</sup> Members were able to draw up to twice their contribution to the ASA, unconditionally,<sup>13</sup> to be repaid within six months, with the possibility of roll over for a maximum of six months. In addition, a number of BSAs between the older ASEAN member countries and each country of the Plus Three group were to be concluded.

The BSA is a facility in the form of swaps of US dollars with the domestic currencies of participating countries. Repurchase agreements were meant to provide liquidity support through the sale and buyback of US treasury notes or bills with a remaining life of no more than 5 years and government securities of the counterparty country. By October 2003, thirteen BSAs had been successfully concluded with a combined total size of roughly US\$35 billion. Under the terms of these bilateral swap arrangements at that time, 10% of the agreed amount could be utilized without any linkage to an IMF program for 180 days. For the rest, the condition was that the country already had to be under an IMF program or would be in the near future. The linkage to the IMF program was meant to ensure that the major part of such swap arrangements was not independent of IMF assistance. This was meant to ease the fears of those who were concerned with potential conflicts with IMF conditionality and moral hazard problems. In 2005, the total amount of swaps under the ASA was raised to US\$2 billion. The amounts under the BSAs have also increased, and the latest total amount of swaps under the CMI was US\$90 billion, with the various bilateral amounts shown in Figure 1. The amount that a country could draw without linking to any IMF program was also increased, from 10% to 20%.

---

9 See The Joint Ministerial Statement of the ASEAN+3 Finance Ministers Meeting, 6 May 2000, Chiang Mai, Thailand, available on the web site of the ASEAN Secretariat at <http://www.aseansec.org/>.

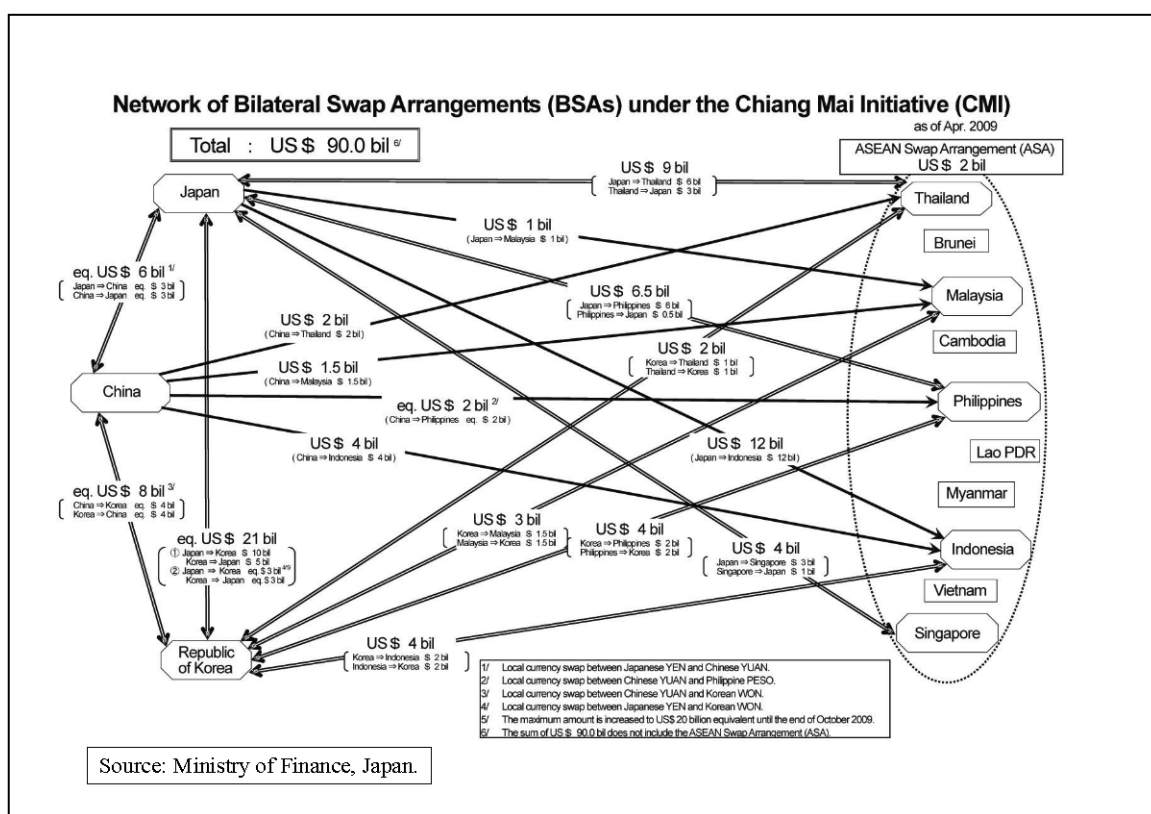
10 Under the swap facilities, a participating member country with temporary international liquidity problems can swap domestic currency for US\$ with an agreement to buy back the domestic currency at an agreed future date.

11 See reviews and discussions of arrangements under the Chiang Mai Initiative in Manupipatpong (2002) and Rana (2002).

12 The ASA actually started in 1977 with a total amount of US\$100 million. The total was increased to US\$200 million in 1978.

13 Contributions to the ASA by the six older members of ASEAN (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) were US\$150 million each, while Viet Nam, Myanmar, Cambodia and Laos contribute US\$60 million, US\$20 million, US\$15 million and US\$5 million, respectively.

Figure 1: Structure of the Chiang Mai Initiative



While the total of all the various swap arrangements in Figure 1 may appear large, the amount available to each country is in fact not very large, especially if the drawing is not linked to an IMF program. For example, if the latest CMI had been available before the crisis in 1997, Thailand would have been able to draw about US\$2 billion from the CMI swap arrangements prior to asking for IMF assistance. This amount is insignificant compared to the scale of problem that Thailand faced in mid-1997, or compared with the size of the IMF package for Thailand (US\$17.2 billion). Therefore, the amount of money available under the current Chiang Mai Initiative is still too small to make a lot of difference. The CMI should instead be viewed as a significant symbolic initiative, showing that the countries in East Asia are willing to work together to develop self-help mechanisms to reduce the risk of a future crisis. The CMI was clearly a work in progress, especially given the compromises necessary to bring it about. It needed to be developed into something more tangible and substantive. This has occurred through the evolution of the CMI into the Chiang Mai Initiative Multilateralization (CMIM), even though this evolution was very slow.

### 3. DEVELOPMENT

While CMI was more symbolic than truly effective, the need for a liquidity support mechanism for the region appeared to become less urgent as the region gradually recovered from the financial crisis. The main macroeconomic adjustments of the crisis-affected countries were through currency depreciation and the export engine. The role of the export sector became more and more important after the crisis, and the ratio of exports to GDP increased significantly. For example, in the case of Thailand, the ratio of exports of goods and services to GDP increased from about 40% prior to the 1997 crisis to about 75% in recent years. Most East Asian economies ran current account surpluses after the crisis, and also had large net capital inflows. Nevertheless, the authorities actively intervened in the

foreign exchange markets to prevent their currencies from appreciating too much in case this would negatively affect the export engine. As a result, East Asian economies have been accumulating foreign reserves at a very rapid pace (see Table 3). By the end of 2008, East Asian economies had accumulated more than US\$4 trillion of foreign reserves, which accounted for more than 55% for the world's foreign reserves.

**Table 3**  
**Gross Official Foreign Reserves**

	1997	2000	2003	2006	2008
PRC	146.4	171.8	416.2	1,080.8	1,946.0
Hong Kong, China	92.8	107.6	118.4	133.2	182.5
Indonesia	17.5	29.4	36.3	42.6	51.6
Japan	226.7	361.6	673.6	895.3	1,030.8
Korea	20.5	96.3	155.5	239.1	201.5
Malaysia	21.5	28.7	44.3	82.9	92.2
Philippines	8.7	15.1	17.1	23.0	37.5
Singapore	71.4	80.2	96.2	136.3	174.2
Thailand	26.9	32.7	42.2	67.0	111.0

Source: World Bank, World Development Indicators (Online through the Global Development Network).

The large accumulation of reserves provided an effective self-insurance against the kind of crisis that occurred in the region in 1997–98. This was not so much the result of a conscious strategy to accumulate these reserves. (Indeed, reserves accumulation can lead to problems with sterilization and often negatively affect the central bank's balance sheet.) Rather, the accumulation of reserves to a greater extent was the outcome of exchange rate intervention to keep the local currency from appreciating too much and from negatively affecting the export sectors. Whenever large capital inflows led to currency appreciation, export businesses complained strongly to the government, and as the export was a major engine driving the economy, or even the only engine in some cases, the political pressure for the central bank to intervene to keep the currency from appreciating too much can be huge. In Thailand's case, for example, even large interventions could not prevent the baht from appreciating rapidly in the second half of 2006. The authorities imposed strong controls on capital inflows in December 2006, which led to a stock market crash the next day, and some of the measures had to be reversed, resulting in a loss of credibility for the authorities and also created undesirable capital market distortions.

Apart from the accumulation of reserves, better self-insurance also resulted from lessons learned from the 1997/98 crisis about the danger of letting short-term foreign debt become too large. As a consequence, most countries in the region carefully monitored their amount of short-term foreign debt and tried to keep the ratio of short-term foreign debt to official reserves relatively low. For example, in the case of Thailand, the ratio of short-term foreign debt to official reserves had been in the range of about 25-30% for most of the last decade. Another difference compared with the pre-crisis situation was that most countries had been using some form of a managed float exchange rate regime rather than a fixed rate regime. While as indicated above, most countries also actively manage the exchange rate so that it will not appreciate too much compared with their competitors (who are also mostly in East Asia), the ability to let the exchange rate depreciate when conditions warrant it also provide another valuable instrument for the authorities that lessened the risk of a 1997–98 style crisis. This was particularly relevant during the sub-prime crisis when there were large capital outflows from the region, putting depreciation pressures on many countries' exchange rates. The countries concerned were able to use both currency depreciation and sales of foreign reserves to manage capital outflows in an orderly way.

Even though a regional foreign exchange liquidity mechanism appeared to be less urgent for the reasons indicated above, the momentum to evolve the CMI into a more effective mechanism remained. The fact that reserves accumulation provided greater self insurance for each economy also meant that the cost of providing some reserves for a regional liquidity mechanism declined as the countries in question still had plenty of reserves left for its own self-insurance. Although progress was slow, the region finally agreed on the principle of converting the bilateral schemes of the CMI into a multilateralized self-managed reserves pooling scheme governed by a single contractual agreement, or the Chiang Mai Initiative Multilateralized (CMIM), at the 10<sup>th</sup> ASEAN+3 finance ministers' meeting in May 2007 in Kyoto, Japan. The Joint Ministerial Statement said "...we unanimously agreed in principle that a self-managed reserve pooling arrangement governed by a single contractual agreement is an appropriate form of multilateralisation.....We instructed the Deputies to carry out further in-depth studies on the key elements of the multilateralisation of the CMI including surveillance, reserve eligibility, size of commitment, borrowing quota and activation mechanism."<sup>14</sup>

One year later, at the 11<sup>th</sup> ASEAN+3 Finance Ministers' Meeting held in Madrid, Spain, progress was limited. It was agreed that the total size of the reserves pool would be at least US\$80 billion, and that 80% of the amount would be contributed by the Plus 3 countries (PRC, Japan, and Korea), with the rest provided by ASEAN countries. More substantive agreements were reached at the 12th ASEAN+3 Finance Ministers' Meeting in Bali, Indonesia on 3 May 2009. The Joint Media Statement included the following passages:

"On the Chiang Mai Initiative (CMI), we have reached agreement on all the main components of the CMIM, including the individual country's contribution, borrowing accessibility, and the surveillance mechanism. The agreed components of the CMIM, which is a framework of mutual assistance among ASEAN+3 countries, are consistent with its two core objectives : (i) to address short-term liquidity difficulties in the region and (ii) to supplement the existing international financial arrangements.

...We agreed to implement the CMIM before the end of this year. In this regard, we tasked our Deputies to work out the operation details and implementation plan, particularly the legal documents that will govern the CMIM.

...We agreed that an independent regional surveillance unit will be established as soon as possible to monitor and analyze regional economies and support CMIM decision-making...."<sup>15</sup>

The attachment to the statement gave details of the contributions. The total size was to be US\$120 billion, with 80% contributed by Plus 3 countries and the rest by ASEAN countries, as had been agreed in Madrid. A table (Table 4 below) showed individual country contributions and the borrowing multipliers (borrowing quota equals contribution multiplied by the borrowing multiplier). The broad decision making mechanism of the CMIM was also indicated. Fundamental issues (review of size, contributions, and borrowing multipliers, re-admission, membership, terms of lending, etc.) will be decided through consensus of the members of ASEAN+3, while the lending issues (lending, renewal, default) will be decided by majority vote.

---

14 From the Joint Ministerial Statement of the 10th ASEAN+3 Finance Ministers' Meeting, 5 May 2007, Kyoto, Japan. The author was co-chair of this meeting in his capacity as Thailand's minister of finance at that time.

15 From the Joint Media Statement of the 12th ASEAN+3 finance ministers' meeting, 3 May 2009, Bali, Indonesia.

**Table 4**  
**CMIM Contributions and Borrowing Multipliers**

Country	Contribution (US\$ Billion)		Borrowing Multiplier
Brunei	0.01		5
Cambodia	0.12		5
PRC	38.40	PRC , Excluding Hong Kong, China 34.2	0.5
		Hong Kong, China 4.2	2.5*
Indonesia	4.77		2.5
Japan	38.40		0.5
Korea	19.20		1
Lao PDR	0.03		5
Malaysia	4.77		2.5
Myanmar	0.06		5
Philippines	3.68		2.5
Singapore	4.77		2.5
Thailand	4.77		2.5
Viet Nam	1.00		5

\* Hong Kong, China's borrowing is limited to IMF delinked portion because Hong Kong, China is not a member of the IMF

Source: The Joint Media Statement of The 12th ASEAN+3 Finance Ministers' Meeting, 3 May 2009, Bali, Indonesia.

The issue of individual country's contributions, particularly among the Plus 3 countries, was especially difficult and took longest to resolve. Countries naturally tended to think of contributions as being related to the voting weights that they will have in the new institution. Thus, each country does not want to be outdone by the others. Many formula could have been adopted with different implications for the contributions. For example, if contributions were based on a country's level of foreign reserves, PRC would have the largest contribution. If, however, they were based on the size of GDP, then Japan would have the biggest contribution (at least until the size of PRC's economy overtakes that of Japan). Korea, of course, was concerned it would be dominated by PRC and Japan. The final agreement seems a reasonable compromise. Among the Plus 3 countries, PRC (including some contributions from Hong Kong, China) and Japan will contribute 40% each, with Korea contributing 20%. Equal contributions from PRC and Japan seem to make good sense, as each would have found it difficult to accept if the other was to contribute more. And while Korea only contributes half of the other two, this should not matter in practice as Korea is likely to hold the swing vote between PRC and Japan on many important issues. The participation by Hong Kong, China, as part of PRC's contribution to the CMIM is also significant. It means that Hong Kong, China will be a full part of key activities that will take place under the CMIM umbrella. While these activities remain to be developed, some key areas of cooperative activities under the CMIM are proposed below.

The other important remaining issue that had to be agreed on is the establishment of an Independent Surveillance Unit (ISU). It would be difficult to see how the CMIM could operate without a dedicated institution to carry out economic surveillance and coordinate the mechanism. The final issue to be resolved, apart from the details of the unit's scope of work and operations, was where to locate it, with a number of countries wishing to host this new institution. It has now been decided that the ISU will be located in Singapore. It will be called

the ASEAN+3 Macroeconomic Research Office (AMRO), and is due to start operation by May 2011. The CMIM officially became effective on 24 March 2010.

## 4. OUTLOOK

The section discusses the roles that CMIM and the ISU could play in providing liquidity support to countries in need of it and in terms of regional surveillance. Suggestions are made on how to make these roles as effective as possible.

### 4.1 The Provision of Foreign Exchange Liquidity to Countries in Need of It

Given the large accumulation of foreign reserves in the region, and the lessons learned from the 1997/98 crisis about key variables to monitor and manage in order to minimize the risk of another crisis, foreign exchange liquidity shortages should be less of a problem for East Asian economies now than in the past. However, as the recent sub-prime crisis showed, foreign exchange liquidity shortages can develop unexpectedly and quickly. During the last quarter of 2008, severe liquidity shortages in money markets in the US and other advanced economies led to a global liquidation of much of the portfolio investments by various investment funds worldwide. Proceeds from sales of these assets were then converted into foreign currencies (mostly US\$) to take back to the West. This led to severe liquidity shortages of US dollars in many economies. The situation for Korea was particularly severe. Although it had more than US\$200 billion of foreign reserves, it also had large amounts of short-term foreign debt and large foreign holdings of stocks which could be easily liquidated to take money out of the country. Korea's foreign reserves were not sufficient to cover short-term foreign debt and short-term contingent liabilities from foreign holdings of portfolio investment which could be quickly liquidated (see Table 5). To a lesser extent this was also the case for Indonesia, and Singapore too faced severe US dollar liquidity shortages.

**Table 5**  
**Foreign Reserves and Potential Short-term Liabilities (end 2008)**

	(1)	(2)	(3)	(4)	(5)
	FX Reserves (Bn. US\$)	Short-term Debt (by remaining maturity)	Foreign Holdings of Stocks	Foreign Holdings of Bonds	Ratio of (1) to (2)+(3)+(4)
Korea.	201.7	191.1	111.0	27.0	61.3%
Indonesia	50.9	33.2	18.0	7.1	87.3%
Malaysia	91.3	42.4	22.3	11.8	119.3%
Philippines	39.6	14.3	11.6	0.6	149.4%
Thailand	112.3	35.1	30.7	1.7	166.4%

Source: Chua (2009), quoted in Table 2 of Huang (2009).

While the CMIM was not yet operational, the CMI was. Korea could have accessed US\$18.5 billion under CMI through its swap agreements with various countries. However, only US\$3.7 billion of this (20%) could be drawn without having to be part of an IMF program. Given the experience with the IMF in the aftermath of the 1997/98 crisis, it would probably have been political suicide for Korea's government to take the country into another IMF program, even though during the sub-prime crisis IMF conditionality had become much more loose under the new so-called "Flexible Credit Line (FCL)", introduced in March 2009, for countries it regarded as having strong fundamentals and sound macroeconomic policy track records.

Instead, Korea entered into a swap agreement with the US Federal Reserves for US\$30 billion. The same was true for Singapore. Indonesia also wanted to have a swap agreement with the US Federal Reserves. The US, however, did not agree to this, and Indonesia ended up with swap agreements with PRC and Japan.<sup>16</sup>

Given other sources of liquidity support, particularly through central bank swaps, that countries in the region had access to during the sub-prime crisis, the importance of the CMI and CMIM would seem to have substantially declined, especially given their links with IMF programs. However, East Asian countries have pushed ahead with the CMIM in spite of having other central bank swaps. This is likely due to the realization that developing a liquidity support mechanism in the form of a regional public good mechanism is the most effective option, both economically and politically. While the US Federal Reserves is always in a position to provide US dollar liquidity if it chooses to do so, it would be a major mistake to rely on such agreements in the future. The important point is that who the US chooses to give swap agreements to will be driven mainly by US interests. For example, the swap may allow US investors to more easily withdraw funds from some country at a time of severe liquidity shortages, such as during the sub-prime crisis, without suffering additional losses from large depreciations of the local currency because the country has foreign exchange shortages. Furthermore, there is no guarantee that the US will indeed grant the swap, such as in the case of Indonesia. More generally, relying on ad hoc bilateral swap agreements can create political frictions, such as in cases where swaps are refused, and can also give the impression of bilateral dependence, which can easily develop into a sensitive political issue.

The region has pushed ahead with CMIM, and it is now close to fruition. However, to make the CMIM fully effective, we suggest a number of implementation steps. First, the mechanism must be de-linked from the IMF. There is now such a stigma attached to the IMF in many parts of the region that even with the new FCL it would be politically very risky for a government to enter into an IMF program. So unless CMIM is de-linked from the IMF, countries in the region are unlikely to make use of the CMIM. Instead, they will be inclined to resort to various central bank swap arrangements, with the US or other regional central banks. As such the CMIM will be bypassed and rendered useless.<sup>17</sup>

Second, the CMIM borrowing quota may not be enough if a country gets into serious problems. To address this issue, it should be made possible for CMIM funds to be supplemented with additional contributions from countries in the group. This would be similar to borrowing under an IMF package. For example, when the IMF arranged a borrowing package of US\$17.2 billion for Thailand in 1997, only US\$4 billion of that was the IMF's own money (or 23.25%); the rest came from contributions by various countries in the region. If similar contributions are possible for CMIM, then the total size of resources available for liquidity support in the region would be more like US\$400–500 billion and not just the US\$120 billion of the CMIM pool.

Third, instead of just borrowing from the CMIM, countries should also be able to arrange swap facilities with the CMIM, in a similar manner as with central bank swaps. This would make it much more flexible and quicker to use CMIM in situations of short-term liquidity shortages.

Fourth, it should be made possible for other members of the East Asian summit not part of the ASEAN+3 (Australia, India and New Zealand) to participate in CMIM activities.<sup>18</sup> Given

---

16 There are also various other central bank swap agreements (not associated with the CMI) in the region, such as Korea's swaps with Japan and PRC .

17 De-linking should be agreed at the policy level, but with appropriate sequencing. The IMF can still play an important role for the CMIM through its relationship with the ISU (see below).

18 At the sideline of the annual ASEAN summits, there is now the ASEAN+3 summit, as well as the East Asian summit (ASEAN+3+Australia, India and New Zealand).



the difficulty in reaching agreements on country contributions to CMIM, it would be difficult to add these three countries as full contributing members. But one way of allowing these countries to participate would be to make them “Contributing Partners” or “Associated Members” of CMIM. As such they could contribute to specific future borrowing programs to supplement money from the CMIM fund as other ASEAN+3 members can (as discussed in point two above). As contributing partners, they would be able to participate in all the technical programs to be carried out in the future under the CMIM umbrella, such as surveillance and activities to support the integration of the region (see below). This might be the best approach to take at this stage as it would not disrupt what has already been agreed upon and will also make ASEAN+3 and ASEAN+6 (East Asian summit members) activities in the financial area more unified.<sup>19</sup>

Fifth, and most importantly, the CMIM needs full time professional staff to provide substantive support to the member countries in areas such as surveillance and implementing and monitoring mechanisms. Although it is commendable that the ISU is to be set up initially as AMRO, it will be a pity if the ISU<sup>20</sup> simply remains a research office. It should evolve into a regional monetary organization for East Asia, similar to the Arab Monetary Fund in the Middle East and the Latin American Reserve Fund in Latin America.<sup>21</sup> It is also important to note that this organization would not simply be performing a role as a regional IMF in East Asia. It should also carry out a multitude of activities to support various aspects of financial cooperation in the region, which may include macroeconomic policy coordination, regional financial regulatory frameworks, capital market development as well as long-term regional financial and monetary integration. This would be similar to the Arab Monetary Fund, which has a broad range of objectives covering: 1) correcting disequilibria in the balance of payments of member States; 2) striving for the removal of restrictions on current payments between member States; 3) establishing policies and modes of Arab monetary co-operation; 4) providing advice, whenever called upon to do so, with regard to policies related to the investment of the financial resources of member States in foreign markets; 5) promoting the development of Arab financial markets; 6) paving the way towards the creation of a unified Arab currency; and 7) promote trade among member States.<sup>22</sup>

Being completely new, the ISU would need time to develop expertise and gain credibility. It should develop close links with other regional organizations such as the Asian Development Bank, the Asian Development Bank Institute and the ASEAN Secretariat. It should also have close links with global international financial institutions, such as the IMF, the World Bank and the Bank for International Settlements, and with monetary organizations in other parts of the world. In particular, even though the CMIM borrowing should be de-linked from the IMF, as indicated above, the IMF can still have an important role to play in providing technical assistances and capacity building support to the ISU.

Finally, financial support for the operation of the ISU should come from pro-rata contributions by the ASEAN+3 countries. The CMIM contributions are “self-managed” which means that the funds are still managed (invested etc.) by the various central banks (or ministries of finance in some cases) and interest earnings from these funds belong to the various country agencies. To operate the ISU and its related activities, each country should contribute a small amount of interest earnings on these CMIM funds for ISU operations. For example, 0.05% of the contributed amount per year would amount to US\$60 million per year (initially the amount could be much lower).

---

19 At present, ASEAN+6 only holds an annual Summit, with no substantive activities below the Summit level, while there are numerous meetings at Ministers and officials levels under the ASEAN+3 mechanism.

20 The new organization will still be referred to as the ISU in the rest of the paper.

21 It is likely be more similar to the Arab Monetary Fund, which has 22 member countries, than the Latin American Reserve Fund which groups together only seven relatively small countries.

22 See <http://www.amf.org.ae/content/objectives-and-means>

## 4.2 Regional Surveillance Process

Within ASEAN, the global surveillance process of the IMF was supplemented by the ASEAN Surveillance Process (ASP) after the 1997/98 crisis. This was meant to be an informal process based on a peer review system that would complement the regular surveillance by the IMF. A unit was set up within the ASEAN Secretariat to assist with coordinating the work of the ASP and to prepare a series of semi-annual ASEAN Surveillance Reports, and the ADB provided technical support for the operation of the ASP. The peer review of the ASP is conducted at the ASEAN Finance Ministers meeting, which is held twice a year.<sup>23</sup> At the level of the ASEAN+3, surveillance is conducted through the Economic Review and Policy Dialogue (ERPD). This is held at the Deputies' level twice a year to discuss economic and financial developments in the region and is reported to the ASEAN+3 Finance Ministers' Meeting which is held annually.

From the author's own experiences in these processes, the current surveillance mechanisms are not very effective. The resources available to support the mechanisms are very limited and the officials involved in these processes only carry out the tasks on a part-time basis alongside many other regular jobs. Ministers Meeting mostly "rubber stamp" what the officials have prepared through the Deputies Meetings. Even making slight changes to the Ministers Declaration, drafted by the officials, can be complicated, as officials may have spent a lot of time negotiating over wordings in the Declaration that all countries (as represented by the Deputies) could agree with.

The key to the success of any kind of surveillance mechanism within the region is to have a strong professional secretariat to support the process. This presumably would be a key role of the ISU, which could make a strong contribution by becoming the dedicated technical secretariat of the ASEAN+3 Finance Ministers process. The ISU should aim to provide high quality technical input into the regional surveillance process, supporting the Deputies Meetings and the Finance Ministers Meetings. In fact, once the ISU is established, one should take the opportunity to reform the economic surveillance and financial cooperation institutions of the region to make them more integrated and more effective. Within the region, although the membership group is slightly different to the ASEAN+3 or ASEAN+6, there is another important consultative forum among central banks officials, the EMEAP process.<sup>24</sup> Like the Finance Ministers process, EMEAP does not have a permanent secretariat either, but is a cooperative process with rotating host economies providing local logistical support. Once strong enough, the ISU could also assume the role of secretariat of the EMEAP process.

The memberships in the Finance Ministers process and the central banks process should become more unified. As was suggested regarding the CMIM, Australia, India and New Zealand, could become associated members and participate in key activities of the ISU, including regional surveillance and other regional financial cooperation activities. Hong Kong, China can already participate in CMIM as it is a contributor within the quota of PRC. This means that if EMEAP were to be expanded to include all the central banks of the newer ASEAN member countries (Cambodia, Lao PDR, Myanmar and Viet Nam) and India, the expanded CMIM and EMEAP would have exactly the same membership. This would make the two processes the focal points for regional surveillance and other financial cooperation initiatives that may develop in the future. The consultative regional financial institutional infrastructures might be as follows; a meeting of the expanded EMEAP central bank governors every quarter, a meeting of the expanded CMIM Finance Ministers every six

---

23 Manupipatpong (2002) gives details on the development and process of the ASP as well as an evaluation of its potential contributions and limitations.

24 EMEAP stands for Executives' Meeting of East Asia-Pacific Central Banks. The economies involved are the five old members of ASEAN; the "plus three" countries; Hong Kong, China; Australia; and New Zealand.

months, and a joint meeting of the expanded CMIM/EMEAP Finance Ministers and central bank governors once a year.<sup>25</sup>

Consultation and cooperation activities around the (expanded) CMIM/EMEAP and the ISU will be important contributions to those at the global level.<sup>26</sup> As the sub-prime crisis originated outside the region but ended up having a large indirect impact on the region, East Asia's surveillance activities cannot simply be an internal surveillance of the region. The region also needs mechanisms for surveillance of the more advanced economies that have the potential to negatively affect the region indirectly. And as East Asia is a major creditor of the Western economies, it is in East Asia's interest to carefully monitor the markets in which its economies have invested a large part of their resources.

In this respect, the CMIM/EMEAP regular meetings of central banks and Finance Ministers could develop into an important focal point of the global financial system; no less important than meetings of the US Federal Reserves or European counterparts. The CMIM/EMEAP meetings should become much more visible than they are at present. The region's central banks can play a key role in coordinating the region's monetary policy, exchange rate policies, and foreign reserves investment policies. All these, particularly the latter two, can have major global implications. Given that East Asia is a region with very large financial resources and can strongly influence important global financial variables, such as exchange rates and bond yield curves, the world should be anxiously anticipating the outcomes of key financial meetings in East Asia in the future.

Regular meetings of CMIM/EMEAP may also result in important policy coordination necessary to tackle major global problems such as the global imbalance. If the sub-prime crisis brings about an easing or reversal of the global imbalance, then all well and good. However, if a global recovery sees a recurrence of the global imbalance or even increases it, the risk of another major financial crisis will return. In such a case the direct cause of the crisis would probably be very different from the sub-prime crisis. But it would be very rash to assume that the global imbalance could continue to exist without resulting in major disruptive adjustments.

While the global imbalance is a global problem, and adjustments are needed from both those countries with surpluses and those with deficits, a major variable affecting the global imbalance, the exchange rates among relevant currencies, are more under the control of East Asia (the surplus region) than the US (the major deficit country). Without coordination, each country will try to prevent its currency from getting too strong in order to protect its export sector. This would mean that the global imbalance is likely to remain and may even increase. Under the current regional institutional infrastructure there is no effective forum or mechanism that can deal with exchange rate cooperation or coordination. This is why the new regional institutional frameworks that could be built up from the CMIM, EMEAP and ISU have the potential to make a real difference to the policy processes within the region, with major regional and global implications.

---

25 Heads of other financial supervisory bodies, if any, can also participate in the annual meeting, which might be called the Asian Financial Stability Dialogue (AFSD). See discussions in Setboonsarng (2009).

26 For a detailed discussion of reforms of the global financial architecture and contributions from evolving East Asian regional financial architecture, see Kawai (2009).

## 5. CONCLUSIONS

The CMIM has the potential to make significant contributions to the region's self-help liquidity support mechanism and policy institutional infrastructures. The creation of the ISU will be particularly important. It can fill a major gap in providing dedicated technical and secretariat support to financial cooperation processes in the region, which have thus far been driven by officials very much on a part-time basis.

The paper has made a number of proposals on how to make the liquidity support role of the CMIM more effective. De-linking the lending from the IMF is particularly important for the region, as well as the ability to supplement lending by country contributions, or to use the CMIM for swap agreements. The economies involved in the CMIM activities can also be expanded in the form of "contributing partners" without having to renegotiate the various contributions and weights that have already been agreed upon.

On surveillance, the paper proposes that CMIM and EMEAP memberships should be expanded to become the same (basically ASEAN+6 plus Hong Kong, China, and the two processes better coordinated to form more regular meetings of Finance Ministers and central bank governors, separately and also jointly. The ISU will provide technical and secretariat support for these meetings. These meetings should increase the visibility and impact of East Asia in the global financial arena, and also facilitate regional policy cooperation and coordination, with impacts at both the regional and global levels.

## REFERENCES

- Chua, J. 2009. Asia Macro Views: Asia: Reassessing FX Reserve Adequacy. Citigroup Global Markets. Hong Kong, China. 23 February.
- Feldstein, M. 1998. Refocusing the IMF, *Foreign Affairs* 77 (2): 20–33.
- Huang, Y. 2009. Strategies for Asian Exchange Rate Policy Cooperation. Paper presented at a conference on Asian Economic Integration: Financial and Macroeconomic Issues, organized by the East Asia Bureau of Economic Research, ANU, the Institute of World Economics and Politics, CASS, and the Institute of Asia-Pacific Studies. CASS. 14 May. Beijing, PRC
- Kawai, M. 2009. Reform of the International Financial Architecture: An Asian Perspective. ADBI Working Paper 167. Tokyo: Asian Development Bank Institute.
- Krugman, P. 1998. Saving Asia: It's Time to Get Radical. *Fortune*, September.
- Lipsky, P. Y. 2003. Japan's Asian Monetary Fund Proposal. *Stanford Journal of East Asian Affairs* 3 (1): 93–104.
- Manupipatpong, W. 2002. The ASEAN Surveillance Process and the East Asian Monetary Fund. *ASEAN Economic Bulletin* (19) 1: 111–123.
- Rana, P. B. 2002. Monetary and Financial Cooperation in East Asia: The Chiang Mai Initiative and Beyond. Economics and Research Department Working Paper No. 6. Manila: Asian Development Bank.
- Sachs, J. D. 1997. The Wrong Medicine for Asia. *New York Times*. 3 November.
- Setboonsarng, S. 2009. Desirability of the Asian Financial Stability Dialogue. Paper presented at a Conference on Global Financial and Economic Crisis: Regional Cooperation and Architecture. Asian Development Bank Institute, 16 July (Revised September).
- Stiglitz, J. 1998. Must Financial Crises Be This Frequent and This Painful?" McKay Lecture, Pittsburgh, Pennsylvania: 23 September.
- Stiglitz, J. 2002. Globalization and Its Discontents. New York, NY: W.W. Norton & Co.
- Sussangkarn, C. 2000. A Framework for Regional Monetary Stabilization. *NIRA Review* 7 (4): 16–20.
- Sussangkarn, C. 2002. Economic Crisis and Recovery in Thailand: The Role of the IMF. In *Asian Economic Recovery: Policy Options for Growth and Stability*, edited by T.K. Yam. Singapore: The Institute of Policy Studies, Singapore University Press.
- UNCTAD. 1998. Trade and Development Report. New York and Geneva: United Nations.