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The contradictions of the Asian Monetary Fund

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Introduction

The US$120m. Chiang Mai Initiative Multilateralisation (CMIM) was launched on 24th March 2010 to fund any short-term liquidity crisis amongst the 13 East and South East Asian countries that comprise the ASEAN+3 group.[1] At the time of its launch the CMIM was widely reported, particularly in Asia, as heralding the establishment of an AMF (Asian Monetary Fund) that would provide an independent alternative to the IMF and distance from the influence of the USA.[2]. However, while the CMIM may well be a major step towards the establishment of such an AMF, as presently constituted it is neither separate from the IMF nor fully functional.

At this stage in its development the CMIM can only provide very limited short-term funding to members without referral to the IMF.[3] Thus, the CMIM should be seen as supplementing and generally supporting the current international financial governance structure rather than providing any immediate challenge to it. Indeed, the supplementary, even subservient relationship of the CMIM with the IMF was stressed in the ASEAN+3 public statements.[4] As is discussed in this paper, this would appear to be a remarkably contradictory position given that the original motivation for establishing the CMIM was to provide an alternative to the IMF, and the generally low regard with which the Fund is held in East and South East Asia. Indeed, given the stigma still attached to the IMF in the Asian media and population, it can be argued that the linking of the CMIM to the IMF may well make it inoperable for most, if not all, of the members that are likely to be in need of funding. However, as is outlined in this paper, it is also the case that this contradiction has been embedded in the whole post-1997 development of Asian regional financial structures. This in turn reflects the complex interaction of regional and global power structures and the manner in which these have been dealt with at each stage of the developments and negotiations that have led to the CMIM.[5]

While it might have been expected that embedded contradictions would have lead to the project becoming permanently stalled, this has not been the case. As is discussed below, progress towards the establishment of a fully functional Asian fund has continued, conditioned by the fears and actual threats of another major crisis affecting the region. This continuation has involved careful navigating around the central issue of the link with the IMF while progressing those issues that could be agreed. In this way there has been a gradual establishment of the structures, institutions, and practices that would facilitate the full operation of the regional funds. Under the crisis conditions that have prevailed since 2007, there has been significant progress in these areas. However, this still begs the question of when, or indeed if, the critical decision will be made that will enable the CMIM to become fully functional.

Motivations for the establishment of the CMIM

The process that led to the CMIM has to understood in the context of the *form* that regional integration in East and South East Asia has taken, and the shock and reaction associated with the 1997 financial crisis (Gills *et al* 2007: 87). This revealed the fatal weakness of a high level of regional integration driven by trade, investment, production networks and significant liberalisation with very limited institutional structure (Urata 2001: 453).[6] Under conditions of such informal regionalisation there was little to prevent the rapid financial contagion which characterised the events of 1997-8. This realisation has been a major factor in the broad promotion of more formal approaches to Asian economic integration (Beeson 2009). Indeed**,** Dieter (2007: 4) sees the 1997 crisis as the most important factor in the development of Asian regionalism. As a direct result of the crisis the ASEAN regional project was significantly revitalised and extended to East Asia with the establishment of ASEAN+3,[7] which was to become the principle body driving formal regionalisation and articulating the need for some form of East-South East Asian community (Bird and Rajan 2002: 4; Kawai 2009: 20).[8] The initial focus in the wake of the crisis was on macroeconomic and financial stability. This led to the rapid emergence of a general consensus amongst the major East and South East Asian economies on the need for regional financial structures and governance. These would provide monitoring, prevention, mitigation and safely net functions, while ensuring greater independence from Western money markets, and the Bretton Woods System (Dieter, 2007: 5).[9] The consensus was further reinforced by fears of another crisis, a general feeling of having been badly let-down by the IMF and the USA, and denied any alternative by their vetoing of attempts to establish an AMF in 1997.[10]

As a direct result of its handling of the crisis the IMF lost considerable credibility, particularly in Asia. This stemmed from the failure to anticipate the crisis, a misreading of its nature, the imposition of inappropriate deflationary policies and insistence on the closure of large numbers of financial institutions, measures which undoubtedly deepened and prolonged the crisis (Bullard 2002: 147-153; Weisbrot 2007: 3-4). These issues being reinforced by the manner in which governments were made responsible for the private sector debts, and demands for rapid reform and liberalisation, particularly of foreign ownership regulations (Bullard 2002; Dash 2003). Overall, there was widespread resentment of the manner in which Asian systems of regulation and interrelations between business, state and banks were both blamed for the crisis and ear-marked for dismantling (Weisbrot 2007: 2-3). The experience of 1997 showed just how far IMF policy conflicted with the various Asian developmental forms. In addition, for many in Asia, the IMF was seen as acting as both debt collector for the Western banks and an agent of Wall Street, which has long sought the removal of restrictions on foreign ownership[11]. Quite simply the IMF was seen as not serving Asian interests.

While the IMF has admitted that it mishandled the crisis (Weisbrot 2007: 4), this has done little to rehabilitate the Fund in the eyes of Asian policy makers, business leaders, and large sections of the population and media. Indeed, it can be argued that, at the core of the motivation of the East and South East Asian countries moves towards the establishment of regional financial structures is a firmly rooted aversion to ever again having to surrender economic sovereignty to the IMF (Higgott 1998; Weisbrot 2007: 5).

That the above views were a source of concern for the USA and the IMF is reflected in their establishment late in 1997 of the MFG (Manila Framework Group). This body, which also involved the Asian Development Bank and the World Bank, was intended to coordinate the development of a framework for Asian regional cooperation to ensure financial stability. However, this was envisaged as supplementing and supporting the IMF rather than offering a real alternative for the Asian economies. That is, diverting the ASEAN+3 from moves that would lead to the establishment of any fully independent regional monetary fund. However, this did not prevent renewed calls for the establishment of such a body, notably at a meeting of ASEAN finance minsters in Manila during 1999.

More significant than the activities of the MFG[12] was a sharp change in IMF policy during 2000 in the direction of openly supporting the establishment of formal regional monetary funds, but only as long *as they did not compete* with the Fund (see Bird and Rajan 2002: 39; Kohler 2001; Park 2001: 6). For the IMF the bottom line was in the event of *any* application for financial assistance, a regional fund would defer to the IMF which would direct any macro economic policy that it deemed necessary.

While the activities of the IMF and USA do not seem to have had any immediate impact on the general ASEAN+3 view of the need for regional financial governance and disregard for the IMF, these positions have come to be variously compromised and confused.

Antecedents of the CMIM

In the wake of the 1997 crisis there was rapid progress in the development of a range of regional structures, agreements and the institutionalisation of regular meetings, exchanges of information and views, and co-operation between the region's central bankers and finance ministries, something that did not happen before the 1997 crisis. Initially, developments focused on the ASEAN members, extending to the East Asian group following the institutionalisation of ASEAN+3 in 1999. Key moves during 1997-9 included: the ASEAN Surveillance Process (ASP)[13], managed by the ASEAN Coordination Unit (ASCU); the Regional Economic Monitoring Unit (REMU); and, most importantly, the development of the ASA (Asian Swap Agreement).

The ASA, which dated from 1977, involved an agreement between Indonesia, Malaysia, Philippines, Singapore and Thailand to provide short-term liquidity through a series of BSAs (Bilateral Swap Agreements).[14]

However, the amount available (US$200m.) was too limited to be even worth activating given the scale of the 1997 crisis and the ASA went largely unnoticed by most commentators. However, the agreement was renewed during 1997 and in March 2000 extended to include all the members of ASEAN, the fund being increased to US$1bn**.** The expansion was accompanied by discussions over the participation of the China, Japan and South Korea. In May 2000 these developments were brought together in the CMI (Chiang Mai Initiative) which involved all 13 members of the ASEAN+3. This attracted much comment as the first regional financial body, a road map for regional monetary integration and a precursor of an AMF (He Fan *et al* 2010: 1).

The inclusion of China, Japan and South Korea led to a rapid expansion of available funding. By the end of 2003 the East Asian members had agreed 16 new BSAs, involving US$45bn. Further development of these agreements raised the funding to US$78bn. by 2008 and US$90bn. by 2009. In addition, the earlier ASA fund was in 2005 increased to US$2.0bn.

Impressive as these sums were, there were still concerns that they might prove inadequate in the event of a major crisis.[15] Much more significantly, there was a real possibility that the CMI would be rendered ineffective by being formally linked with the IMF.[16] Under this arrangement a member could only draw 10% of the funding agreed under their various BSAs (raised to 20% in 2005), without the approval of the IMF which might involve entering a Fund stabilisation or adjustment programme. While referral to the IMF clearly followed the USA and IMF agendas, within ASEAN+3 it was extremely contentious and highly divisive.

The IMF link appears to have been supported by the likely major creditor members, China and Japan (Kawai 2009). Their view, with the events of 1997-8 still fresh, appears to have been that the involvement of the IMF was necessary to ensure that CMI members who received funding made any adjustments necessary to ensure the return to financial stability and avoid moral hazard. That is, the IMF link provided conditionality for the regional lenders without them having to take any responsibility which might have significant implications for intra-regional relations. Something that was doubly attractive given the lack of the experience or institutional capacity to construct and oversee adjustment programmes, and concerns over enforcement, not least because of a reluctance to become involved in the internal affairs of members - a basic principle of ASEAN (Eichengreen 2009).

In contrast, the link to the IMF was strongly opposed by Malaysia, which during 1997-8 had very firmly rejected IMF assistance and, even more, advice (Kawai 2009). However, other likely borrowers, notably Indonesia, Thailand, The Philippines and South Korea, who were at least as opposed to the IMF as Malaysia, were rather muted in their opposition. This would seem to reflect their having accepted IMF funding in 1997-8 and still being within their respective programmes. Thus, they may well have felt that they were not in a position to vigorously oppose the link. A position further influenced by concern over the impact of opposition on their relations with the USA at a time when they felt economically and politically vulnerable.

The CMI was clearly intended to support and supplement the IMF rather than challenge it. Though it could be argued that by its existence the CMI 'constituted a credible threat of exit from the IMF on the part of the ASEAN+3, which could be used as leverage to ensure favourable treatment by the Fund if a CMI member were in need of a 'bailout' (Grimes 2011: 87, citing Saori Katad 2004). It could be also be argued that the CMI was of considerable symbolic importance to ASEAN+3 and its regional project as whole. Additionally, the CMI agreement reflected well on the ability of the members, many of which had a history of very uneasy relations, to negotiate a complex and contentious issue. A less positive view would be that the CMI illustrated the manner in which ASEAN+3 could arrive at face saving agreements which glossed over fundamental contradictions and postponed difficult decisions.

Despite the problematic nature of the CMI agreement it was followed by a further wave of developments. Notably, the proliferation of regional surveillance and related management bodies and their extension to cover ASEAN + 3.[17] Particularly important were: the 2001 agreement of the ASEAN+3 finance ministers on monitoring short-term capital movements by exchanging information on cross-border flows; and the 2002 establishment of the ERPR (Economic Review and Policy Dialogue) to exchange information on economic conditions and policy issues.[18] However, significant as these developments were, there was limited progress on the wider issues of financial integration, such as exchange rate alignment and bond and equity markets (Fung *et al* 2008: 5-6; Garcia-Herreo *et al* 2008: 38). The slow progress in these areas reflected a lessening of urgency in the context of economic recovery, increasing regional friction, and continuing lack of agreement over the exact *form* that integration would take. In addition to the central issue of links with the IMF, there were significant differences of opinion over management, operation, monitoring, overall control and voting rights (Dieter 2007: 19). However, these issues were to be brought into sharp relief by the breaking of the current crisis in 2007 which provided the first real test of the CMI.

The CMI and the crisis

Following the collapse of Lehman Brothers, Indonesia, Singapore and South Korea experienced serious liquidity shortages. These occurred despite significant foreign reserves[19] and reflected the way in which during the latter part of 2008 the rapid liquidising of assets in such emergent markets created a major shortage of US dollars (Sussangkarn 2010a: 13).

While South Korea could have drawn US$18.5bn through the CMI and a further US$4.5bn. through related (but formally separated) bilateral arrangements with the Bank of Japan and the Peoples Bank of China, it choose not to do so. Instead, US$30bn. was secured through a currency swap with the US Federal Reserve. As Kawai (2009: 8) has noted, this was a very direct result of the linking of the CMI to the IMF, which meant that only US$3.5bn. (plus the US$4.5bn. from the separate bilateral arrangements) was available without referral to the Fund. This was clearly insufficient to address the liquidity problem and, given the bitter memories of 1997-8, recourse to the IMF would have posed a serious domestic political problem for the government (Kawai 2009: 8). Indeed, some commentators went further describing recourse to the IMF as 'political suicide' for the Korea government (Sussangkan 2010b).

It is instructive that both Singapore and Indonesia when faced with similar short-term liquidity problems also declined to utilise CMI funding and sought swap arrangements with the Federal Reserve (Sussangkan 2010a: 13). In the event, Singapore was granted the same facility as South Korea (US$30bn.), but Indonesia was refused and instead was able to extend its non-CMI bilateral agreements with the Bank of Japan to US$12.9bn. and with the Peoples Bank of China to US$14.6bn.

Thus, while recourse to the IMF was avoided by all three countries, the link to the Fund rendered the CMI safety net unusable for South Korea, and was almost certainly a factor in the decisions of Singapore and, more particularly, Indonesia. It seems likely that other members, most notably Thailand, would have had similar difficulties with referral of funding requests to the IMF.

It could be argued that the bilateral

arrangements that Indonesia drew on were developed as part of the process that led to the CMI and demonstrated both the availability of the necessary funds within Asia and the willingness of China and Japan to assist a member of the CMI. However, this does beg the question of the *function* of the CMI. There is also the issue of extent to which the type of *ad hoc* arrangements that Indonesia, Singapore and South Korea resorted to, is likely to involve the types of political levers and obligations that the CMI might have been expected to avoid. While borrowers *might* be able to gain through playing off China, Japan and the USA, they could also find themselves uncomfortably obligated to and / or alienated from one or more of these key players. Similarly, while the lenders would potentially be in a powerful position they would be faced with the regional political consequences of granting or not the requested funding. Exactly the position that China and Japan sought to avoid by favouring the IMF link.

The CMIM

The events of 2007-8 brought a new urgency to the development of an Asian regional financial structure. This reflected the concerns over the impact on the Asian economies, the seeming marginalisation of the IMF in the face of the scale of the crisis, and the general failure of the G20 meetings to make any progress in reforming global financial governance. However, it is far from clear what influence, if any, the failure of members to utilise the CMI during 2008 had on developments.

Intensive negotiations during 2008 and early 2009 lead to the expansion of the currency swap facility and in May 2009 agreement was reached[20] over converting the bilateral arrangements into an US$80bn. multilateral fund, and the establishment of AMRO (ASEAN+3 Macroeconomic Research Office) to improve regional surveillance. At the February 22-23 meeting of finance ministers held in Thailand, the fund was extended to US$120bn.

However, there was no clear resolution of the contentious issue of linkages with the IMF. It was agreed that the ASA 20% delinked portion principle would apply to the new body, but only until a credible regional surveillance body was established. However, this represented a major face saving 'fudge', for while the central importance of AMRO was stressed, at no point was the question of *how* the adequacy of the surveillance mechanisms might be judged. In addition, it was by no means clear what would happen in the event of the mechanisms being considered 'credible'. Thus, the Joint Ministerial Statement that heralded the final agreement stated:[21]

> The regional surveillance mechanism should be further strengthened into a robust and credible system which will facilitate prompt activation of the CMIM. An independent regional surveillance unit will be established to promote objective economic monitoring. After the above surveillance mechanism becomes fully effective in its function, the IMF de-linked portion *may* be increased above the current limit of 20 percent [emphasis added].

Surprisingly, this vague commitment appears to have been sufficient to enable the signing of the CMIM in December 2009. Yet, as many commentators have stressed, including the Asian Development Bank, unless the CMIM is formally separated from the fund, it will remain essentially inoperable (Asian Development Bank 2009; Kawai 2009: 8).[22] Thus, the agreement has left the CMIM as essentially 'work in progress', with, in terms of operability, no clear advance on the CMI. There was still no viable alternative to the IMF except the sort of *ad hoc* arrangements resorted to in 2008-9 with their attendant potentially problematic political consequences.[23] Though, as with the CMI, the new body can be seen has providing both an important symbol of the progress of the wider Asian regional project and a possible lever in any negotiations with the IMF.

To be fair to the agreement reached over the CMIM and the IMF link, it is clear that substantial work needed to be done on the issues of surveillance, monitoring and exchanges of information between central banks and finance ministries, which remain far from comprehensive or coordinated (Asian Development Bank 2009). In addition, there were concerns about the adequacy of the CMIM fund and individual quotas (Table 1; Sussangkorn 2010b).

Following the signing of the CMIM agreement progress slowed. As in the period before 2007, the urgency drained from the regional financial project in the wake of the recovery of the Asian economies and the retreat of the immediate threat of any 1930s-style global depression. This general lessening of urgency and consensus was evident in the protracted negotiations over the location of AMRO, its starting date and the appointment of its first director. While agreement over an initial location in Singapore and a May 2011 starting date were reached by the end of 2010, the question of the nationality of the director proved far more contentious. This became a straight conflict between China and Japan, which was much reported in the Asian media (with Japan billed as the favourite), but almost completely ignored in the West. The result, announced at the 14th meeting of ASEAN+3 Finance Ministers held in Hanoi in early May, was a typical face saving compromise. The Chinese candidate Wei Benhua would be the first director but would serve less than half of the three year term, stepping down in favour of the Japanese Yoichi Nemoto.

The agreement over AMRO was accompanied by further moves that suggest renewed urgency has been engendered by the deepening Eurozone crisis and mounting concerns over the US economy and debt levels. Most attention has focused on a doubling of the CMIM fund to US$240bn. with a further provision to increase the amount to what ever might prove necessary (Rathus 2011).[24] Important as this is, perhaps more significantly, China suggested that the delinked proportion should be increased to 30-40%. While this was not agreed, China indicated that it was now moving to favour a break from the IMF and was beginning to see this as priority (Rathus 2011). Given China's initial directorship of AMRO, this could be an extremely important development that might not only accelerate the development of the support structure for the CMIM, but, more importantly, provide a possible gradual route to partial, if not full functionality for the fund. However, as ever this would be conditioned, perhaps, even negated, by regional and global economic conditions and political considerations.

Conclusion

The CMIM is the latest stage in the development of a regional financial project that originated in crisis, and has been driven by its memory and the fears and threats of further crises. At each stage the central objective of establishing an Asian means of dealing with financial crises separate from the IMF and the West has been compromised by relations between the Asian states and wider geopolitical considerations. This led to agreements that despite containing contradictions that made the CMI and the CMIM inoperable, continue to carry the project forward. While this does appear to be a case of ignoring the elephant in the room, it seems unlikely that the countries involved would have expended so much time and effort on the project if they did not continue to believe that establishing a function regional fund was both necessary and feasible. In addition, there seems to be continued confidence in the gradual, face saving, compromising and highly pragmatic 'ASEAN way' of negotiating through, and navigating around, seemly irreconcilable contradictions and divisions. However, even if one accepts the continuing confidence of CMIM members in both the validity of the project and the means of achieving it, it is clear that changing regional and global circumstances are causing the decision making environment to be significantly more complex.

On the one hand there are rising concerns over China's increasingly assertive regional policy and expanding military capacity, and the need to balance this by promoting the US's regional presence.[25] On the other hand, there seems to be no viable alternative for CMIM members to be deeper involved in a region in which both growth and integration are increasingly driven by China. However, events since 2007 have also underlined the lessons of 1997: a highly integrated open regional system needs effective institutional structures, particularly with respect to finance. Under present global circumstances, despite the rapid Asian recovery, the need would seem to be greater rather than less. This not least for China and Japan in their roles as centres of the increasingly important and complex regional production systems and the interface between these and the rest of the global economy (Athukorala 2009).[26] Financial instability in any of the key members of the production system could, even in the absence of direct financial contagion, have serious consequences for both Japan and China.

Given the above, and the general state of the global economy, even in the absence of a decision over the IMF link, there would appear to be considerable incentives for both China and Japan to push for the rapid establishment of effective regional-based monitoring, surveillance, macro analysis, policy coordinating and support institutions through AMRO. However, this would rest on agreement over priorities and approach which might be not be easily achieved. As has already been noted, China appears to have shifted towards the view that the priority is the separation of the CMIM from the IMF, while the Japanese position on this issue remains less clear. At the May 2011 meeting of finance ministers, Japan opposed the Chinese proposal to increase the delinked portion of the CMIM, arguing that the priority was to establish effective regional monitoring, surveillance and macro analysis through AMRO, before the question of separation from the IMF can be addressed – which was of course the key point in the original CMIM agreement (Rathus 2011). While the Japanese position can be seen as no more than a difference of opinion over sequencing, rather than a lone voice against separation from the IMF, there are concerns that this is part of a wider deterioration of relations between the two regional powers and moves on the part of Japan to offset China's increasingly powerful regional position. Though caution should be exercised in judging the ability of China and Japan to cooperate on the basis of the incidence of high profile public 'spats' and exchanges. A point that is perhaps underlined by the compromise that they reached over the directorship of CMIM. However, such qualifications notwithstanding, it should be stressed that Japan's position is extremely complex.

Japan, like the other CMIM members is increasingly closely linked with China through trade, investment and production systems. A situation that is perhaps set to intensify in the wake of the March 2011 tsunami, as Japan off-shores more high-tech activity to China (Dixon 2011). Thus Japan, perhaps more than any other CMIM member, may be expected to wish to balance economic dependence on China by reinforcing long-term security relations with the USA.[27] While it is not clear how the USA would now regard a Japanese centred regional financial body independent from the IMF, it would clearly be far less approving of one that was increasingly influenced by China.

So it may be that Japan, despite its role as the originator of the AMF project and deep interest in regional financial stability, is having second thoughts about the whole project. However, if Japan is seen by other members of CMIM to be opposing China' s prioritising of delinking from the IMF, this could create an extremely uncomfortable position that could compromise credibility in Asia while attracting the approval of Washington. There is here a much wider issue of Japan's ability to continue its longstanding regional and global position as part of Asia and a bridge to the West. It may be that the time is approaching when Japan will have to choose where its priorities lie. In this, the critical issues will be the nature of the USA's ongoing involvement in Asia as whole, and relations with China in particular; which in turn raises the issues of the whole nature and governance of the Asian region, its place in the global system and relations with the West.

Given the complexity of the geopolitical situation and the general history of the AMF project, it seems most likely that any moves toward a fully functioning regional fund will involve both a major crisis and / or rupture in regional and global systems, and complex, face saving agreements. The latter might be facilitated by the further relaxing of the IMF position on regional bodies and, more importantly, the introduction of the FCL (Flexible Credit Line) and provision to forego conditionality for short-term problems in economies that it considers to be sound and have any necessary adjustments in hand (IMF 2011). This in addition to implications for regional financial management of the increased role of the ASEAN+3 in global financial governance, notably in the IMF, G20, Financial Stability Board and the Basel Committee (Grimes 2011: 102). For some members of the CMIM this may soften views of the IMF and make the continuation of some form of on-going link more palatable and easier to sell on the domestic political front.

Clearly, the CMIM must still be seen as very much work in progress. Whether the end result will be a fully functioning AMF independent from the IMF remains an open question. It is certainly the case that the longer the current uncertainty over the Eurozone and the American economy continues the more likely it is that the structures, procedures and capacity necessary for the effective operation of the CMIM will be rapidly established. However, this may well not make the decision over the IMF link any easier. Indeed, this is still most likely only to be taken in the context of a major crisis confronting CMIM members. However, while perhaps making it more difficult to avoid in the absence of a major crisis confronting the CMIM members. Though while a major crisis may be necessary to propel the CMIM into full operation, it could also lead to the project becoming stalled, perhaps permanently.

Notes

1 ASEAN+3 comprises the ten members of the Association of South East Asian Nations (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam) plus China, Japan and South Korea.

2 Indeed, as Grimes (2011: 93) has noted, from the media reports one could well believe that the AMF had already been established.

3 Members can only draw 20% of their quotas (see Table 1) without the permission of the IMF. The funds being supplied for an initial three month period which can be renewed up to six times. However, the cost is high, 150 points above LIBOR and increasing by 50 points with each renewal, up to a maximum of 300 (Rillo 2010).

4 See for example: 'Joint Media statement of the 13th ASEAN Finance Minister's Meeting, Pattaya, Thailand, 9 April 2009, http://

www.aseansec.org/22483.htm; Joint Media statement of the 12th ASEAN plus Three Finance Minister's Meeting, Bali, Indonesia, 3 May 2009, http://www.aseansec.org/22536.htm

5 For a very full treatment of the pre-CMIM relationship between regional financial developments and power structures see in particular Grimes 2006 and 2009.

6 In 2009 intra-regional trade as a percentage of total trade value:

EU	67.0
East and South East Asia	59.0
NAFTA	45.0

Source: Calculated from the IMF *International Financial Statistics*, Washington, various years.

7 The first meeting of the group took place in the autumn of 1997 and the organisation was institutionalised in 1999.

8 By 2001 there appeared to be general agreement over the need to establish some form of East-South East Asian Community, the establishment of such a body was suggested by the East Asian Vision Group whose wide ranging proposal was reviewed by the East Asian Study Group which reported to the ASEAN + 3 leaders (Kawai 2009; ADP 2009: 1). This study proposed a wide range of short and medium term measures and in 2004 the leaders of ASEAN + 3 agreed that the establishment of an East Asian Community was their long-term objective with ASEAN + 3 as the 'main vehicle for the project' (ADB 2009: 1).

9 These and subsequent developments have also to be seen in the context of a wide range of national moves aimed at limiting the possibility of further crises an mitigate their impact. Key measures include: restrictions on short-term capital flows to reduce speculation and volatility; a move away from the 'hard peg' to the US dollar which had generally prevailed before the crisis; adoption of currency management to maintain competitiveness and export earnings; accumulation of central bank reserves; bank rationalisation; reform of financial sector practice and regulation; and the promotion of domestic demand (see Dixon 2009 and 2012 for more detailed discussions).

10 While the AMF proposal was by no means fully thought through and needed considerable refinement, it is difficult to avoid the conclusion that the USA did not want to loose the leverage that could be exerted through the IMF to force open the East Asia economies. It also seems likely that the USA might have been uneasy over the prospect of Japan advancing its independent leadership role in Asia (Higgott 1998) .

11 As Wade and Veneroso (1998) have noted, in terms of the outcome for the Asian economies, there is no difference between the actions of the IMF being based on a conspiracy or a coincidence of interests with those of Wall Street.

12 It can be argued that the MFG had little significant impact on regional financial developments, which lead to it being disbanded in 2004 (Liu 2004).

13 The ASP relies on economic and financial information supplied by the ASEAN. central banks, rather than the IMF's Article IV fact finding mission approach.

14 However, while the ASA had been the subject of several ASEAN agreements, it had never been utilised.

15 The 1997 IMF programmes for Indonesia, South Korea and Thailand amounted to US$120bn.

16 This would seem to have been an important factor in the establishment of a series of BSAs that remained outside of the CMI and therefore not subject to referral to the IMF, for example those of Indonesia with Japan and China.

17 The ASP becoming the APTSP (ASEAN Plus Three Surveillance Process).

18 A very wide range of bodies have become involved in the surveillance process, for example: AFMM (ASEAN Finance Ministers Meeting), ASFOM (ASEAN Senior Finance Officers Meeting), ASTSU (ASEAN Surveillance Technical Support Unit), ACBF (ASEAN Central Bank Forum), and FMSU (Finance and Macroeconomic Surveillance Unit). For reviews of the operation of these bodies see: Anas and Atje 2005; Chang and Rajang 1999, 2002; Das 2005: 244-245; Manzano 2001; Rajan 2000.

19 As of December 2008 the reserves were: Indonesia US$49bn.; Singapore US$174bn.; South Korea US$200bn. (IMF 'International Financial Statistics Online', http://www.imfstatistics.org/imf/).

20 At a sideline meeting held during the 7th ASEAM (Asia-Europe Meeting) in Beijing 24-25 October 2008.

21 Joint Media Statement 'Action Plan to Restore Economic and Financial Stability of the Asian Region', Report from the Finance Ministers of the ASEAN+3 to Heads of States/ Governments, Phuket, Thailand, 22 February 2009 http://www.aseansec.org/22158.htm

22 This suggests a significant shift in the position of the Asian Development Bank compared to that exibited duirng its membership of the MFG. Indeed, the Asian Development Bank has come to advocate the expansion of the CMIM and the establishment of a fully functioning AMF that would 'co-exist with the IMF' (2011: 62. 112).

23 It is of course tempting to speculate that more was agreed over the IMF link that has been made public, particularly since the full agreement has not been made available (Grimes 2011: 93). This would be consistent with the sort of informal agreements and understandings which have typified so much of the operation of ASEAN and ASEAN+3.

24 Such an open ended commitment reflects the extent of the ASEAN+3 central bank reserves - almost US$5.0tr. at the end of 2010.

25 During 2010 and, more specifically 2011, the USA appears to have started to capitalise on these concerns with moves to re-engage with Asia (see Clinton, 2011).

26 Given their position in the regional system, a crisis that originated in China or Japan would be even more of an issue for the rest of the CMIM members.

27 This may well be reflected in the 2010-11 moves by the USA to re-engage with Asia and a hardening of its approach to China.

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