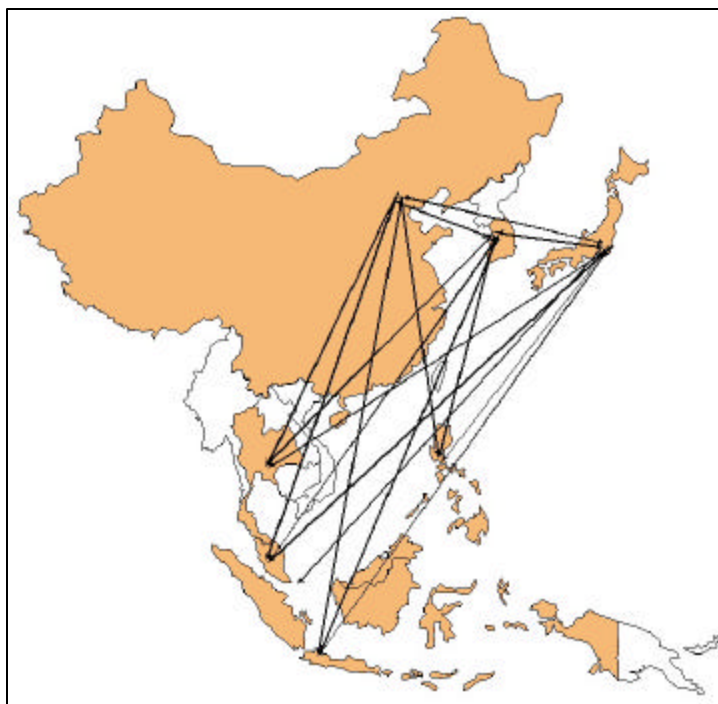


Chiang Mai Initiative (CMI): Current Status and Future Directions

- The CMI, agreed upon by the ASEAN+3 in May 2000, represents a significant step in reserve sharing among the ASEAN+3 countries in the postcrisis years.
- Under this Initiative, a framework for creating a network of bilateral swap agreements among ASEAN+3 countries was agreed upon.
- Until now, 16 bilateral swap agreements amounting to \$36.5 billion have been signed under the CMI (details of the 16 swaps are in the appendix).
- A recent study by ADB published by Macmillan in January 2004 (Monetary and Financial Integration in East Asia: the Way Ahead) concluded that while the CMI has proven a commendable initiative in the aftermath of the 1997 crisis, it has certain limitations.
- First, the size of the CMI swaps is relatively small, compared to both the foreign exchange reserves held by the ASEAN+3 countries (which now amounts \$1.5 trillion) as well as the multilateral emergency assistance required by the crisis-affected countries at the time of the 1997 crisis (Thailand alone requested \$17.2 billion from the IMF during the 1997 crisis). Second, the CMI swaps are bilateral in nature, somewhat limiting its flexibility and effectiveness.
- The ADB study, therefore, recommends that over the next two or three years there is merit in both expanding the size of the CMI swaps and in multilateralizing the swaps. Alternatively, the ASEAN+3 countries could consider earmarking a portion of foreign exchange reserves for financing short-term liquidity needs of the member countries.
- Subsequently, say, over the three to five year horizon, once the regional economic monitoring and the policy dialogue process is strengthened significantly, the ADB study suggests that the region could also consider establishing a centralized reserve pool.
- These and other recommendations of the ADB study was presented to senior policy makers from the ASEAN+3 countries in a Senior Policy Seminar jointly organized by the Philippine Government (Department of Finance) and ADB in mid-March this year. The senior policy makers appreciated ADB's effort, especially in view of the fact that the CMI is being reviewed this year.
- Subsequently, the ASEAN+3 Finance and Central Bank Deputies who met in Singapore in early April 2004 also discussed and debated the future directions of CMI. The issue is likely to be taken up by the ASEAN+3 Finance Ministers, when they meet on 15 May in Jeju, Korea, at the time of ADB's 37th Annual Meeting.

Bilateral Swaps under the Chiang Mai Initiative



BSA	Currencies	Conclusion Dates	Size
Japan-Korea	\$/Won	4 Jul 2001	\$ 2 billion ¹
Japan-Thailand	\$/Baht	30 Jul 2001	\$ 3 billion
Japan-Philippines	\$/Peso	27 Aug 2001	\$ 3 billion
Japan-Malaysia	\$/Ringgit	5 Oct 2001	\$ 1 billion ¹
PRC-Thailand	\$/Baht	6 Dec 2001	\$ 2 billion
Japan-PRC	Yen/Renminbi	28 Mar 2002	\$ 3 billion ²
PRC-Korea	Renminbi/Won	24 Jun 2002	\$ 2 billion ²
Korea-Thailand	\$/won/baht	25 Jun 2002	\$ 1 billion ²
Korea-Malaysia	\$/won/Ringgit	26 Jul 2002	\$ 1 billion ²
Korea-Philippines	\$/Peso	9 Aug 2002	\$ 1 billion ²
PRC-Malaysia	\$/Ringgit	9 Oct 2002	\$ 1.5 billion
Japan-Indonesia	\$/Rupiah	17 Feb 2003	\$3 billion
PRC-Philippines	Renminbi /Peso	31 Aug 2003	\$ 1 billion
Japan-Singapore	\$/S\$	10 Nov 2003	\$ 1 billion
Korea-Indonesia	\$/Rupiah	24 Dec 2003	\$ 1 billion ²
PRC-Indonesia	\$/Rupiah	30 Dec 2003	\$ 1 billion
Total			\$36.5 billion

¹ These exclude amounts committed under the New Miyazawa Initiative: \$ 5 billion for Korea and \$2.5 billion for Malaysia.

² Two-way swap arrangements. The overall availability for the BSA is therefore counted double the face value of the BSA.