

Monetary and Financial Cooperation in Asia – Chiang Mai Initiative and Beyond

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Outline of Presentation

- I. Monetary and Financial Cooperation – Rationale and Scope
- II. Existing ASEAN+3 Mechanisms and Institutions
- III. Beyond CMI – a roadmap for future actions and institution-building efforts

I. Monetary and Financial Cooperation – Rationale

- Minimize financial contagion in a region with highly interdependent economies,
- Minimize common financial sector vulnerabilities by harmonizing financial sector practices and regulations, and
- Augment access to liquid resources, economize on reserves

II. Monetary and Financial Cooperation – Scope

Information Coordination

- Regional information exchange, economic monitoring, and policy dialogue

Resource Coordination

- Chiang Mai Initiative (BSAs and expansion of ASA)

Financial Sector Cooperation

II. Existing ASEAN+3 Mechanisms and Institutions

1. Economic Review and Policy Dialogue Process

- ASEAN+3 Finance Ministers meet annually and their Deputies meet semi-annually for peer review and policy dialogue (since May 2000)
- ASEAN+3 Deputies semi-annual meeting was strengthened to full one-day ASEAN+3 Informal Policy Dialogue in April 2002
- Further strengthening is under discussion - two-day Policy Dialogue meetings or retain the one-day meeting but have it quarterly.

II. Existing ASEAN+3 Mechanisms and Institutions

2. Chiang Mai Initiative (May 2000)

- 16 bilateral swaps for \$36.5 billion concluded
- CMI Working Group (2004)

CMI working group to strengthen CMI in two phases: first phase recommendations by end 2004 and MT recommendations later

II. Existing ASEAN+3 Mechanisms and Institutions

3. Asian Bond Market Initiative (ABMI) (August 2003)

- WG1 (Securitization, Chair: Thailand)
- WG2 (Credit guarantee & investment mechanism, Chair: Korea and PRC)
- WG3 (Settlement, Chair: Malaysia)
- WG4 (Issuance of local currency bonds by foreign entities, Chair: PRC)
- WG5 (Rating system and information dissemination, Chair: Singapore and Japan)
- WG6 (Technical assistance, Chair: Indonesia, Philippines and Malaysia)
- Focal Group – Coordinate activities of the Working Groups

II. Existing ASEAN+3 Mechanisms and Institutions

ASEAN+3 Research Group (2003)

- Network of 30 think tanks from ASEAN+3 countries
- 1st set of studies completed, 2nd set started on ways to enhance cooperation

REMU's Support for ASEAN+3 Finance Ministers Process

Activities	ASEAN+3 Economic Review and Policy Dialogue	ASEAN+3 Chiang Mai Initiative (May 2000)	ASEAN+3 Asian Bond Market Initiative (ABMI) (August 2003)	ASEAN+3 Research Group
1. Monitoring and Vulnerability Assessment	<ul style="list-style-type: none"> •REMU prepares a confidential note on "Economic Prospects for ASEAN+3" •Vulnerability Assessment Report Planned 			
2. Capacity Building	REMU provides capacity building and training to MoF and Central Bank officials.			
3. TA/ Studies on Special Topics	REMU implements TAs and prepares studies on requested topics.	REMU studies support CMI working group activities	<ul style="list-style-type: none"> •ADB is an observer at the Focal group meeting and member of 5 Working Groups. •Bond Monitor 	ADB is a member and prepares requested studies and reports.
4. ARIC and AsianBonds Online web sites	Facilitates the above activities.			

REGIONAL ECONOMIC MONITORING UNIT

<http://asianbondsonline.adb.org>
<http://aric.adb.org>

III. Beyond Chiang Mai – Policy Recommendations

1. Strengthen the economic review and policy dialogue process
2. Expand and strengthen the CMI
3. Step up the pace of regional cooperation on financial sector development

III. Beyond Chiang Mai

1. Strengthen the economic review and policy dialogue process

- Establish a regional policy dialogue unit to serve as an independent source of analysis on regional economic developments
- Policy recommendations can be enforced through peer pressure or market pressure

III. Beyond Chiang Mai

2. Expand and Strengthen the CMI

- In the short term, expand the Bilateral Swap Arrangement Network
- In the medium-term, replace the bilateral swaps with a centralized reserve pool/fund, and
- Establish a central institution, with responsibilities of regional policy dialogue, reserve pool/fund management, guiding and monitoring of regional financial sector development.

III. Beyond Chiang Mai

3. Promote Financial Sector Cooperation

- The ABMI should be complemented with initiatives for the banking sector
- In the short-term, cooperation on information exchange and designing an indicative template for financial sector management; technical assistance from advanced countries in region to less advanced ones
- In the medium term, establish an East Asian Banking Advisory Committee to set general regional guidelines on regulation and supervision

Conclusion

- Regional cooperation has advanced at an encouraging pace since the crisis
- Time to move beyond the CMI – stronger surveillance process and larger swaps
- Centralized reserve pool a medium-term objective
- Step up regional cooperation in banking sector and capital markets

Thank you