



# **The Regional Financial Safety Net in East Asia - CMIM and AMRO**

**December 14, 2017**

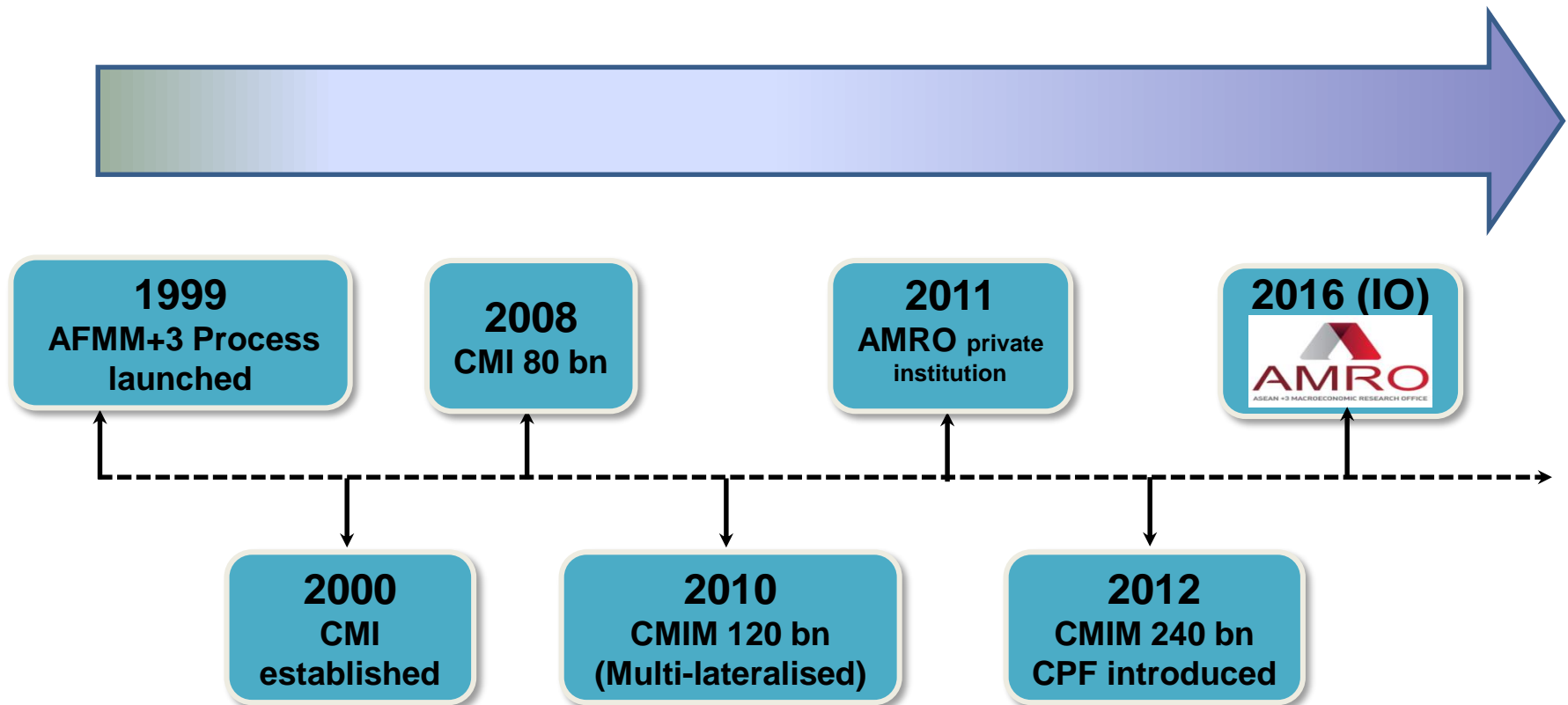
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1. CMIM and AMRO
2. Importance of Regional Financial Safety Nets (RFAs)
3. CMIM: Reassessed
4. Beyond the CMIM

# 1. CMIM and AMRO

## CMIM & AMRO – Regional Financial Safety Net in the East Asia



## CMIM (Chiangmai Initiative Multilateralisation)

- **An FX Liquidity Support Arrangement (multilateralised currency swap)** in the ASEAN+3 region
- **Main Objectives**
  - Self-help mechanism to address BOP and/or short-term liquidity difficulties (both crisis prevention and resolution Facilities)
  - Complementing the existing international arrangement (IMF Linked portion)
- **Financing:** Swap Lines/Transaction (a self-managed reserve pooling)

### CMIM Contributions

Members	Contribution (USD bn)	Share (%)
China	76.8	32.00
Japan	76.8	32.00
Korea	38.4	16.00
ASEAN	48.0	20.00
<b>Total</b>	<b>240.0</b>	<b>100.00</b>

Source: AMRO

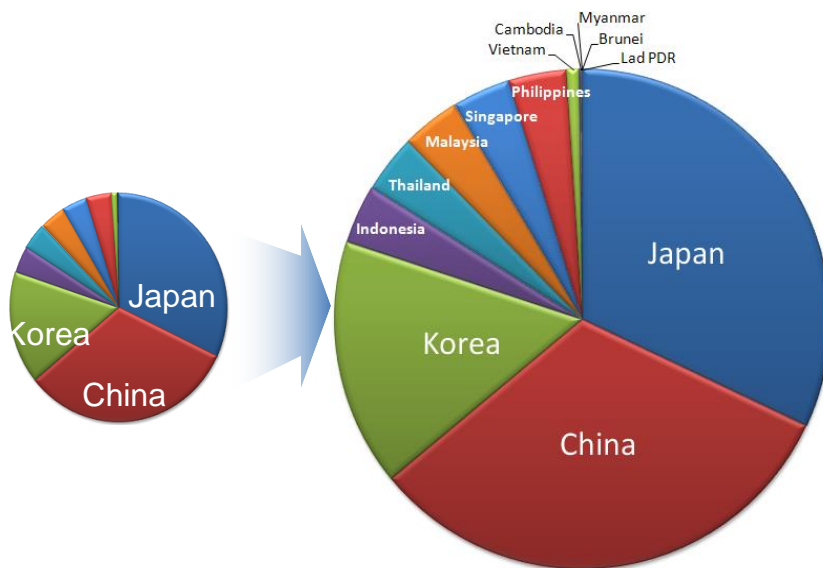
## Key outcomes in May 2012 at the ASEAN+3 Ministerial Meeting

### Doubling the total size

From 120 bn US\$ to 240 bn US\$

### Increasing the IMF de-linked portion

From 20% to 30% in 2012, and review in 2014



2010

2012

2014

20%

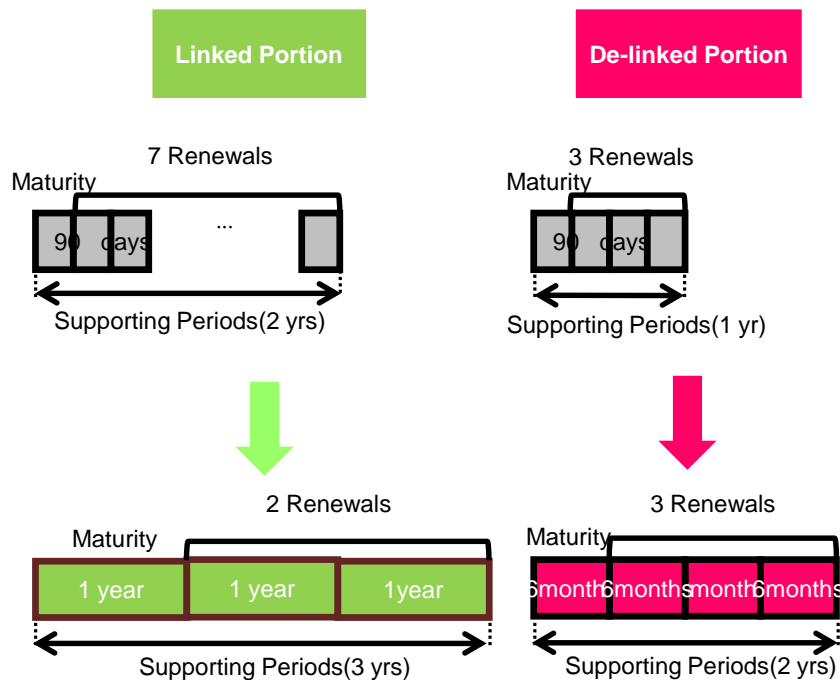
30%

40%  
(under review)

## Key outcomes in May 2012 at the ASEAN+3 Ministerial Meeting

### Lengthening the maturity

From 90 days to 1 yr(linked), to 6 mths (de-linked)



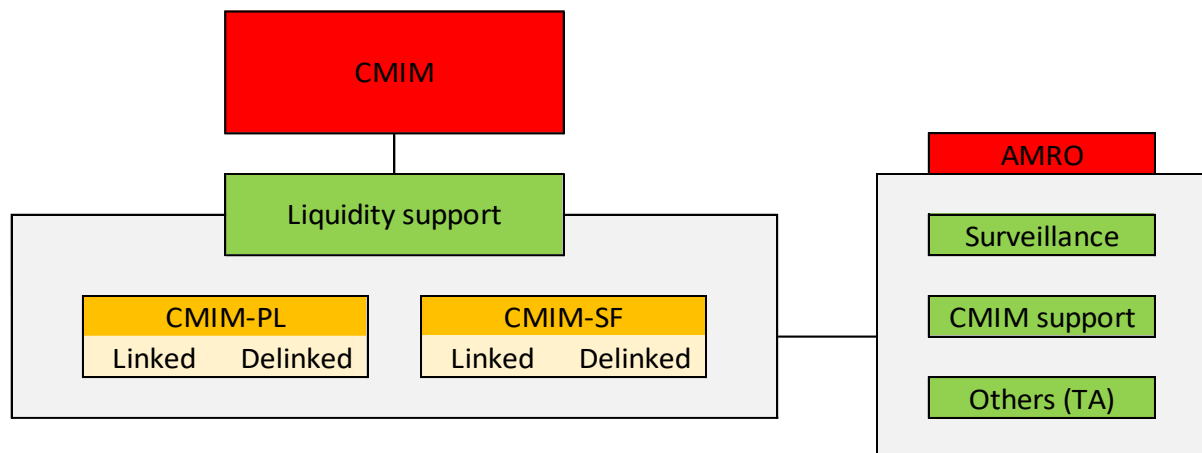
### Introducing Crisis Prevention Function

One, Simplified and Flexible



## ***AMRO (ASEAN+3 Macroeconomic Research Office)***

- An international organization (IFI) that supports CMIM



- Established in May 2011 as a non-profit organization, based on Singapore law
- Advanced into an international organization in February 2016



### Mandate

- ❑ Conduct macroeconomic and financial surveillance of global and regional economies
- ❑ Contribute to early detection of risks, policy recommendations for remedial actions and effective decision-making of the CMIM

### Scope of Work & Deliverables

#### I Non-Crisis Period

- Surveillance, analysis and assessment
- Identification of trends/issues/risks, focusing on balance of payments and short-run liquidity

- Prepare periodic reports on the macroeconomic assessment and outlook of ASEAN+3 regional economies (monthly & quarterly)
- Prepare individual country surveillance reports for member economies (biannually)
- Undertake short thematic studies on topical issues
- Prepare assessments and reports for members requesting for CMIM-Precautionary Line

#### II Crisis Period

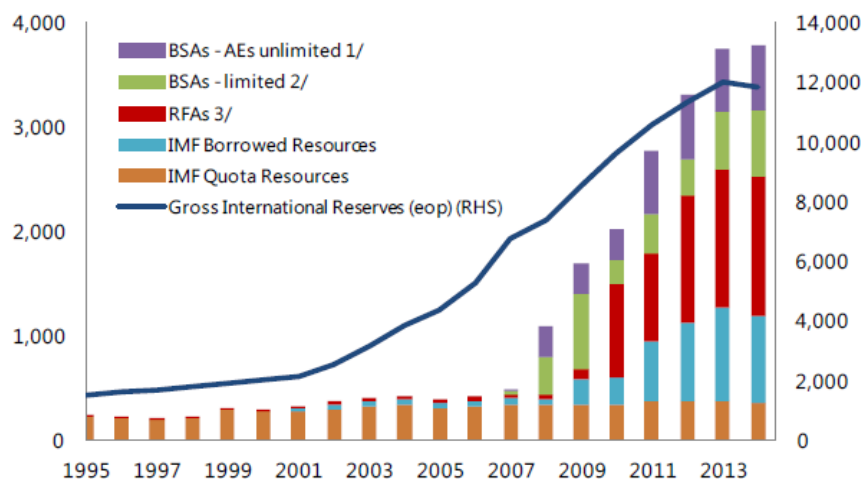
- Provide an analysis of the economic and financial situation of the Swap Requesting Country (CMIM-Standby Arrangements);
- Monitor the use and impact of the funds disbursed under CMIM agreement; and
- Monitor the compliance by the Swap Requesting Country with any lending covenants to CMIM agreement



## 2. Importance of Regional Financial Safety Nets (RFAs)

***Global FSNs have expanded, in particular, in the aftermath of the GFC.***

Evolution of the GFSN (in USD bn)



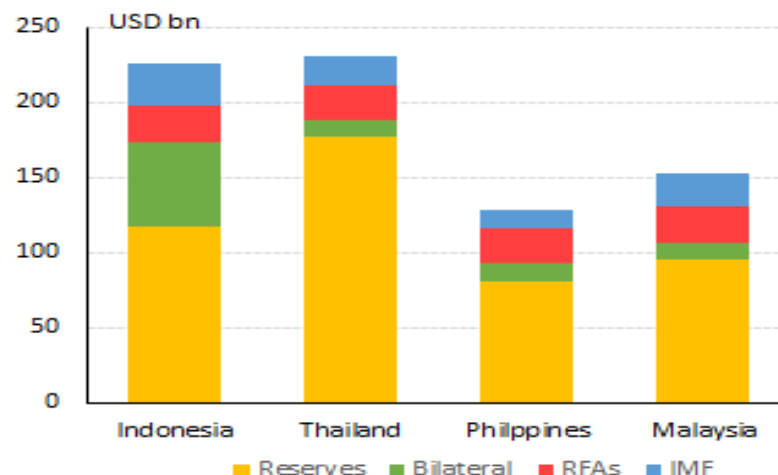
Note: 1/ Unlimited swap arrangements are estimated based on known past usage.

2/ Limited-value swap lines include all arrangements with a value limit, exclude all CMIM and NAFA

3/ Based on explicit lending capacity/limit where available, committed resources, or lending capacity

Source: IMF

Financial Safety Nets for ASEAN-4

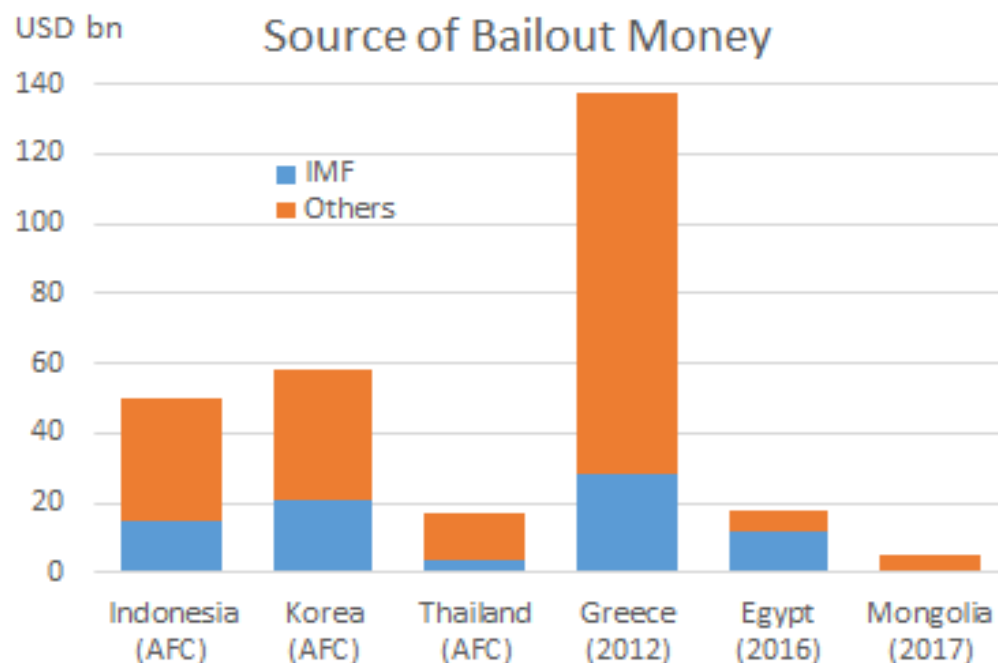


Note: RFAs include CMIM and ASEAN Swap Arrangement.

Data used are available as of February 2017.

Source: National central banks, IMF, AMRO staff calculations

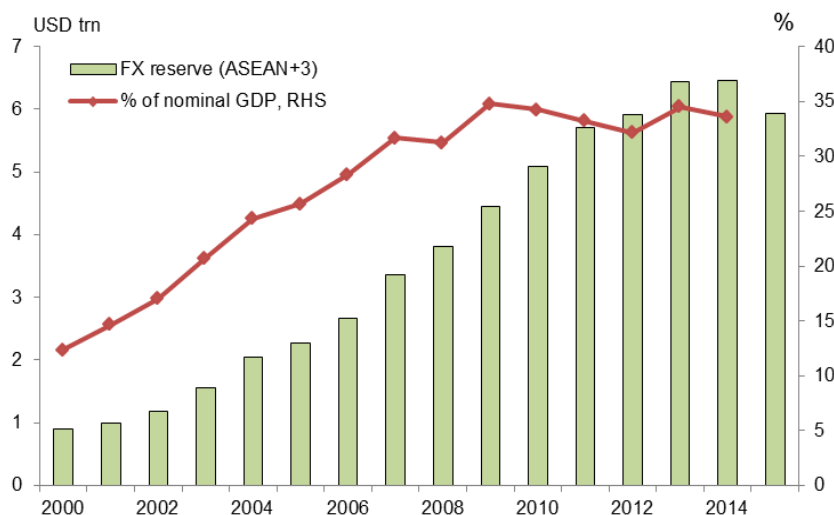
***Historically, IMF facility alone has not been sufficient for bailouts.***



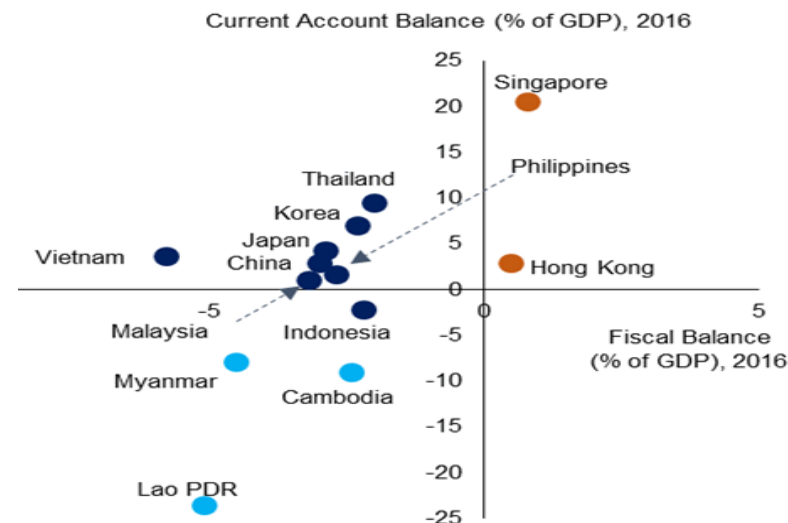
Note: 1/ "Others" in Egypt Bailout includes bilateral contributions by China, the United Arab Emirates, and G7 countries.  
Source: IMF, European Financial Stability Fund (EFSF), AMRO staff calculations

***FX reserves are costly to maintain and not as readily usable as expected.***

Foreign Exchange Reserves in ASEAN+3



Current Account and Fiscal Balance in ASEAN+3



Note: Myanmar is excluded due to data availability. The GDP share for 2015 will be updated upon the Laos GDP figure in 2015 available.  
Source: National central banks, CEIC, AMRO staff calculations

***RFAs have a role to play in the evolving GFSN system.***

#### Foreign exchange reserves

National level



#### IMF programs

Global level



## 3. CMIM: Reassessed

Q1

- Is the CMIM functional?

Q2

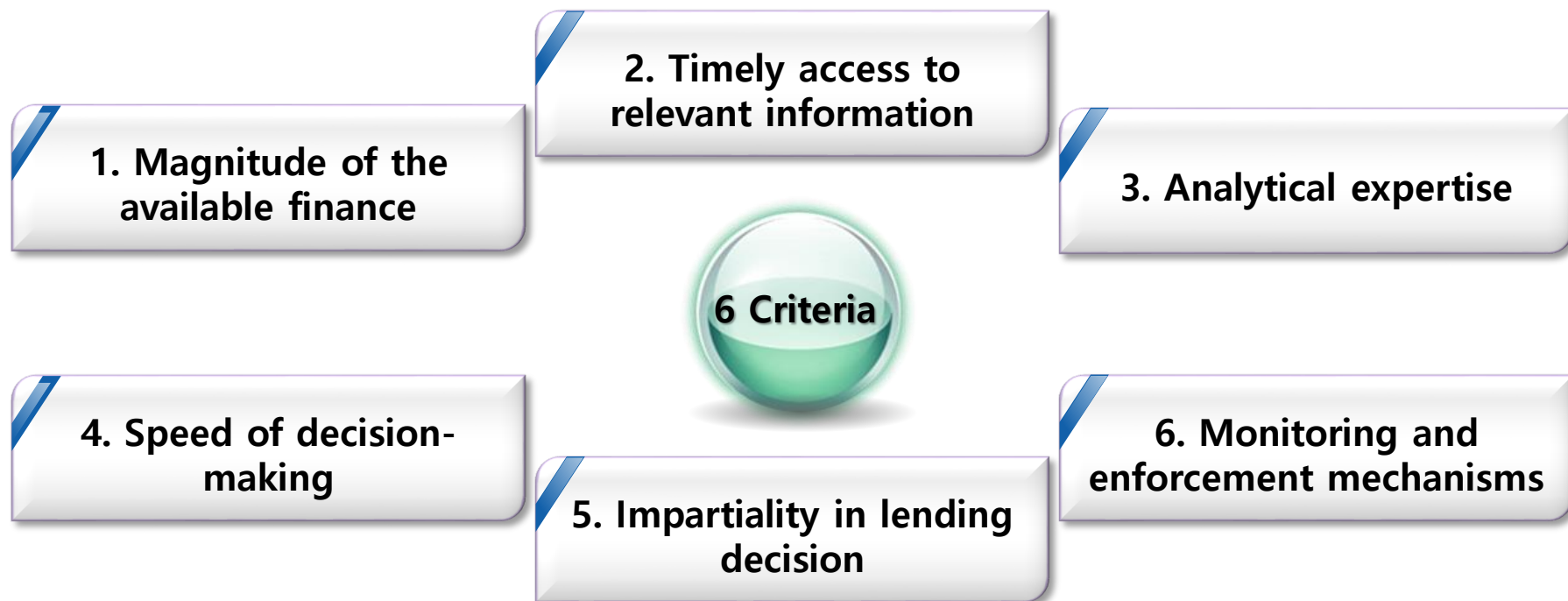
- Is the CMIM sufficient?

Q3

- Are the CMIM & AMRO operationally ready?



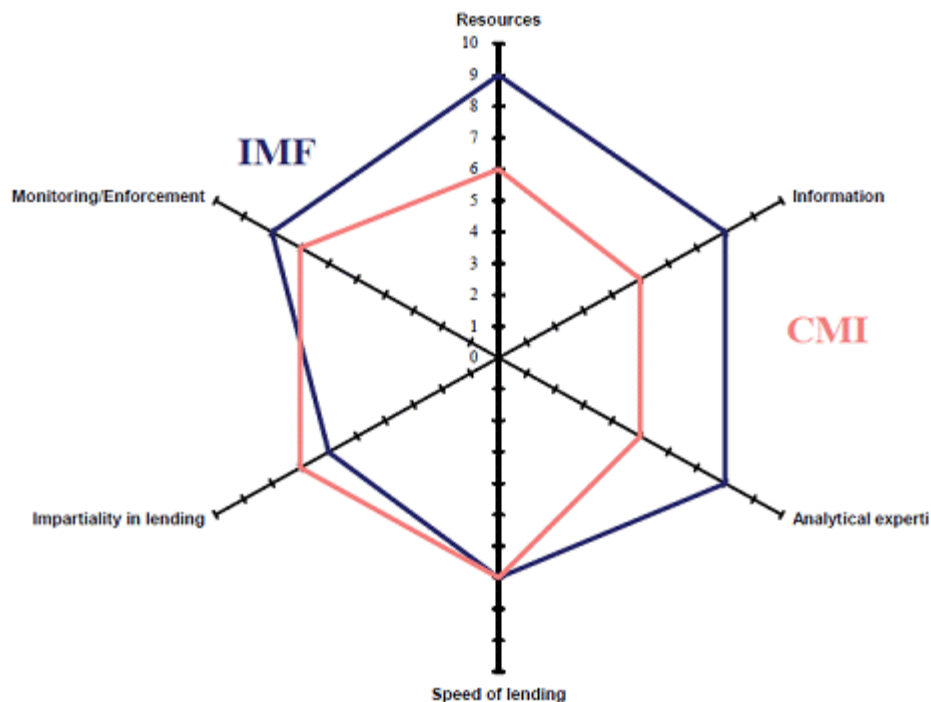
***6 criteria in “regional financing arrangements and the stability of the international monetary system” (Julie Mckay, Ulrich Voltz &, Regine Wolfinger, 2010)***



***Significant progress has been made on resources, analytical expertise, and etc.....***

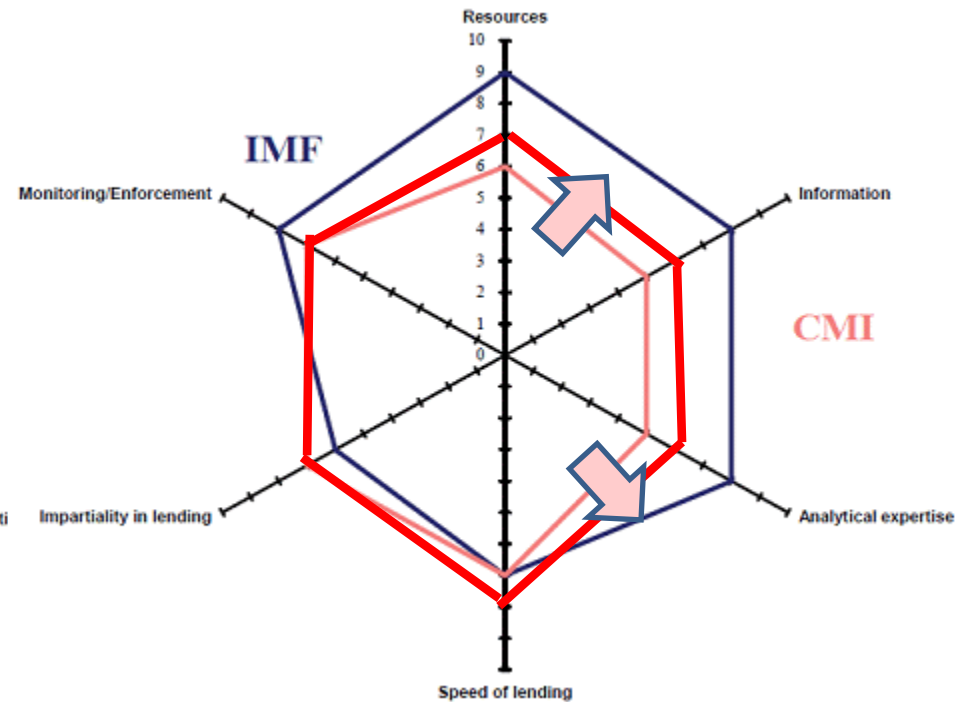
**in 2010**

**IMF vs. CMI**



**in 2012**

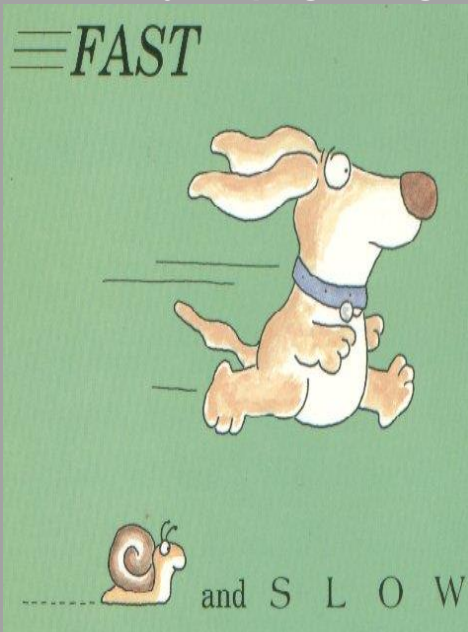
**IMF vs. CMIM**



**..... but, challenges remain.**

#### Never sufficient

Economy keeps growing



#### Peer assessment

Leniency error



#### Separation

CMIM & AMRO



## 4. Beyond the CMIM

### (1) Strengthening the CMIM & AMRO

#### CMIM

- strengthening financing toolkit (size, financing multiples, de-linked portion, etc)

#### AMRO

- staffing
- operational autonomy

### (2) Establishing a new mechanism

Fund-type like the IMF



***Advantages of a fund-type mechanism could be enormous.....***

**Better financing**

Based on capital



**Synergy**

CMIM & AMRO



**Objectivity**

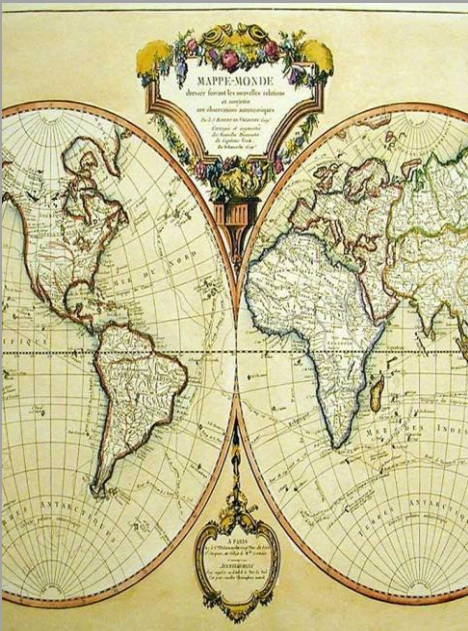
Independent from





***..... while challenges are as big as the advantages.***

### **International politics**



### **Contribution burden**



### **Lack of expertise**



# Thank you!

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