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## **Practices of Financial Regionalism and the Negotiation of Community in East Asia**

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# Practices of Financial Regionalism and the Negotiation of Community in East Asia

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## Abstract

Not only in East Asia the political construction of “coherent regions” is often closely linked to practices of financial regionalism. Starting from a non-idealistic understanding of community building, this paper compares three stages of the development of East Asian financial regionalism: Japan's proposal to establish an Asian Monetary Fund, the establishment of a network of currency swap agreements in 2000 (Chiang Mai Initiative) and the multilateralization of this cooperative scheme in May 2010. It is demonstrated how the evolution of these cooperative arrangements has materialized an influential “East Asia”-Asianism essentially embedded in financial regionalism. Effectively negotiated internal discrimination, successful balancing of great powers as well as lender-borrower interests and the potential security function of the arrangement serve as the foundation of a nascent but fragile East Asian community.

## Key words

Financial Regionalism, Community Building, Asianism, East Asia, ASEAN, Chiang Mai Initiative Multilateralization

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## Introduction

In 2011, financial tremors are challenging “Project Europe”. Diverging “Europisms” reemerge from the fissures where integrative practice had meant to hide them. Considering the importance of international finance in the modern globalized world it seems plausible that relevant “Asianisms” will also revolve around financial and monetary regional cooperation. Particularly in East Asia with its shared crisis experience in 1997/1998, practices of financial regionalism are a crucial feature of the political construction of a cohesive and coherent region.

In this paper, I will analyze the evolution of financial regionalism in East Asia with a focus on the question of community building. My claim is that various sets of rules and practices in regional defensive arrangements have resulted from two parallel processes: First, Asian powers constantly “negotiate the region”. The main actors in this process include the People's Republic of China, Japan and the regional grouping of the Association of Southeast Asian Nations (ASEAN). Second, besides this internally negotiated discrimination and management of difference there is a need to relate the nascent financial “practice community” to external arrangements and actors in international finance. The realized patterns of financial regionalism hint to specific visions and potential manifestations of an East Asian community. However, as collectively held ideas also shape the economic world in which we live, the continuous redefinition of community feeds back into the material world of finance (Cohen 2010: 27; Abdelal et al. 2010: 2).

In order to better understand the relation between community building and cooperation in international finance, I will compare three stages of the development of East Asian financial regionalism: (1) Embryonic financial regionalism following Japan's proposal to establish an Asian Monetary Fund and the Asian Financial Crisis (AFC) 1997-1998; (2) The establishment of a network of currency swap agreements between central banks in 2000 known as Chiang Mai Initiative (CMI); (3) The multilateralization of this cooperative scheme (CMIM) in May 2010. The guiding questions of my comparative analysis are: What are the key determinants of the particular sets of rules and practices in these stages of regional financial cooperation? What Asianisms do they entail and finally, what kind of community – if any – is potentially realized?

I will not discuss financial integration in Asia in general but focus on *international* financial regionalism. Asianisms that I will consider are elite-driven, related to high politics and not often visible in everyday social reality. Yet, this is not only a deficit of my analysis, but a general feature of regionalism and community-building processes in East Asia. It is also precisely one of the core characteristics of “financial order” in social groups to be relatively invisible but nevertheless pervasive and powerful.

The challenges of community building have been at the center of scholarly attention in regard to developments in East Asia since the AFC (Dent 2008: 13, Dosch 2008: 165, Curley/Thomas 2007: 2). What is the possible “added value” my paper can give? Firstly, I

argue for an eclectic but profoundly non-idealistic understanding of community building. Secondly, my comparative inclusion of the latest developments of defensive financial regionalism promises new insights and a sharpened perspective on the evolution of East Asian regionalism.

The main part of this paper is divided into two sections. The first section presents theoretical and conceptual considerations and seeks to develop an analytical framework to distinguish several dimensions of community building processes in financial regionalism. In the second section, I will apply this framework to analyze three stages of the evolution of financial regionalism in East Asia and related processes of community building. Finally, I will summarize my analysis and discuss how far financial regionalism and community building has come in East Asia.

## **Financial regionalism, community building and Asianisms – from theoretical considerations to an analytical framework**

In the following, I will first locate my analysis in relation to the body of existing approaches to the study of regionalism in International Relations (IR) research (1). In a second step, I will attempt to clarify the meaning of several key concepts related to East Asian financial regionalism and community building processes (2). Finally, this theoretical and conceptual work will feed into my analytical framework (3).

### ***1. Theoretical approaches to the study of (financial) regionalism and community building***

IR theories provide some explanatory patterns to explain the emergence, substance and outcomes of regional cooperation in international finance. At the minimum, they offer analytical lenses which guide the researcher to define a problem in a specific way and to set analytic priorities.

So-called realists describe East Asian financial cooperation as a process driven by great power politics. Focusing on leadership, they see patterns of financial regionalism as a result of strategic attempts to optimize relative power positions and as instruments of national security and national wealth considerations (Grimes 2009). A second important concern for realist scholars is system stability. Financial regionalism is considered to be the consequence of weakening hegemonic stability in the international financial order (Dent 2008: 28). From a power transition perspective, scholars predict that in a situation “before hegemony”, states could try to pursue financial regionalism instrumentally to project “new” structural power in the regional or global political economy.

Structural factors are also at the core of theoretical reflections building on Marxist and a more British style of “International Political Economy” (IPE) thinking (Strange 1994, Breslin 2003). Classical Marxist writers would stress the role of capitalist expansion in

fostering regionalization and focus on transnational class struggle in international production networks. A key element seen also in post-Marxist thinking is the global relevance of structural power. From this perspective, financial regionalism could either be an attempt to overcome the divide between the core and the periphery and its inherent dependence perpetuated by transnational capital or, on the contrary, the attempt to uphold structural divisions among the involved states (Dent 2008: 37).

Liberal institutionalist approaches focus on the imperatives to cooperate within a region that emerges from increased transnationalized activities. Complex interdependence requires the institutionalization of cooperation – also in international finance – to realize possible absolute gains. The key questions for liberal institutionalists therefore are related to institutional management and – more generally – to the problems of collective action in international finance and their regional solutions (Kawai 2005, Baldwin 2009).

The constructivist research program concentrates on issues of identity (Hopf 1998). At first glance, international financial and monetary relations seem to be of no importance for this school of thought. However, the focus on regional community building and identity politics is not bound to a specific field. Social constructivist analyses often focus on non-materialistic factors and stress the importance of discourse, ideas, values and beliefs for community formation (Breslin 2007b: 37).

Closely related to such thinking, a new strand of sociological theorizing inspired by scholars like Bourdieu spills into constructivist IR research. “Practice theorists” consider practice and not discourse as the fundamental link of the social fabric and would expect financial regionalism to be established as a “practice community” in which patterns of rule-based behavior and related habitual roles enshrine power relations and symbolic violence (Schatzki et al. 2001, Adler/Pouillot 2011).

Besides these general IR theories there is a body of theoretical work dealing more specifically with regional integration.<sup>1</sup> On a very general level, path dependencies and exogenous shocks have been identified as two important mechanisms driving regionalism (Caporaso 1998: 13). While earlier approaches (“old regionalism”) centered on the economic logic of integration mainly in Europe, “new regionalism” (NR) is at the same time a description of a proliferation of new regional cooperation efforts as well as an academic agenda containing a new pluralism of theoretical approaches. NR shifted the attention toward a multidimensional account of transnational cross-border flows and interdependence involving both state and non-state actors and a broader range of sectoral interactions in regions (Acharya/Johnston 2007: 10). One of NR's key features – and the link to the constructivist school of IR – is that scholars are more likely to give consideration to ideas and identity claims, including “the conscious (...) actions of elites in the construction of regions” (Ba 2009: 347).

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<sup>1</sup> Related to the debate on whether the European experience is or should be a model for regional integration, there is also the attempt to establish separate theories concerned only with specific features of East Asian regionalism. However, to focus only on *the* characteristics of East Asian regionalism – “informality, incrementalism, consensus-building, minimalism, ASEAN-isaion” Liu (2003: 20) – potentially ignores the dynamic evolution of the region.

This brief summary has shown that there is a diverse range of theoretical patterns or analytical framings to explain financial regionalism and community building. They mainly emphasize (1) leadership, power politics and competition (realism), (2) structural power and the subtle perpetuation of dependency (structuralism, British IPE), (3) cooperative engagement and the provision of public or club goods managed in institutionalized arrangements (liberal institutionalism) or (4) ideational processes involving Asianisms in the construction of the region and their realization in a “practice community” (constructivism/practice theory).

However, a crucial problem remains. The chosen topic, linking regional financial cooperation, community building and the politics of “negotiation”, does not fit well in the perimeter of one theoretical approach. With my analytical framework, I will follow an eclectic approach to combine material and ideational explanatory factors from several schools of thought to offer a more holistic perspective of financial regionalism (Katzenstein/Sil 2010, Dent 2008: 3, Abdelal et al. 2010: 3). The aforementioned approaches will indeed inform my analysis, but I will not try to prove the theoretical superiority of any one of their claims. In my understanding, it cannot be decided a priori, which out of the identified features of the negotiation of community in financial regionalism are the most important. It is an open empirical question with high explanatory value what shape these indicators take in reality.

## ***2. Conceptual clarifications and analytical framework***

In the following, I will first discuss the relationship of the concept of Asianism to three related terms in the political science discourse. After debating whether community building is essentially centered on identity or on negotiated discrimination, I will delineate more precisely the form of financial regionalism under consideration here.

### **Asianisms and their relation to Regionalism, Regionalization and Regionness**

The concept of “Asianism” crosses established conceptual boundaries in IR research on regional integration in East Asia. Spakowski/Frey (2008a) have argued that Asianisms involve Asia “as a point of reference for the (re)definition of spaces, identities and power structures”, that they encompass “discursive constructs as well as related political, cultural and social practices” and “involve processes of linking, dissociation, integration and desintegration” (Frey/Spakowski 2008b: 8). In using such a broad conceptualization they do not define a priori what type of actors would “refer to Asia”, how and for what reasons they do it and what kind of consequences result from such an exercise.

As argued earlier, in the political science sub-discipline International Relations there is a tradition of analyzing regional integration. Although the term “region” itself is highly contested (Grimes 2009: 37), *regionalism* is usually distinguished from the term *regionalization*. The latter denotes micro-level processes of increasing economic, political, security and sociocultural linkages and flows between non-state actors within a particular international region (Dent 2008: 7). Regionalism is used in a more general

sense to refer to state-led projects of cooperation that emerge from intergovernmental dialogues and agreements (Kim 2004). Furthermore, scholars have attempted to capture and categorize potential results and forms of regionalism. Hettne/Söderbaum (2002: 46) differentiate degrees of *regionness* – regional space, regional regionalization complex, regional society, regional community and finally region-state. It is mostly agreed that East Asia is full of regionalization but that East Asian regionalisms are characterized by rather shallow institutionalization. However, the degree of regionness is not easy to determine because “indicators of 'regionness' vary according to the particular problem or question under investigation” (Hurrell 1995: 38). In East Asia the term “community” has been widely used to represent a general vision of regionness that is supposed to be achieved in the region.<sup>2</sup> My paper is concerned only with a very narrow but critical aspect of this community building. The form and the practices of financial regionalism and related Asianisms are good indicators of the region's regionness.

What remains vague is the relation of these three key terms to the concept of Asianisms. Asianisms as discursive constructs can bridge several forms of regionalization and regionalism when a particular “Asianness” is explicitly promoted to describe and legitimize the construction of an overarching community. A lower degree of Asianness is probably the case, when many competing Asianisms circulate. The realization of Asianisms in “related practice” can take the form of community building through field-specific regionalisms and “Asianisation” through non-state linkages. When Asianisms as social constructions of a region are used strategically to legitimize policies and compete with other notions of the region, this realization can be made explicit. State-led regionalism usually builds on explicit Asianisms but also implies and perpetuates them in social practice. Conversely, Asianisms will often refer to regionalism and processes of regionalization as discursive anchor points to achieve a specific redefinition of the region. Breslin (2007) mentions the problem of oversupply of regional forms and initiatives in East Asia arising from conflicting demands for diverse forms of region with different sets of membership. With plural Asianisms pointing to the possibility of multiple levels and overlapping forms of regions at the same time, features of financial regionalism can coincide, strengthen or compete with community building processes in other arenas. I suggest that the negotiation and competitive construction of “communities” (moving along an imagined yardstick of regionness) is conditional not so much to a common “identity” but more to the practices in specific policy fields, negotiated discrimination and the management of internal differences.

### Is community building centered on identity or on negotiated discrimination?

Scholars have pointed out Asia's problems to “fill new regionalisms with identity” (Spakowski 2008). They question how East Asians could ever achieve community when “ultimately community building is all about building a common regional identity” (Pablo-Baviera 2007: 244). Nair (2009) speaks of “frustrated regionalism” and the

<sup>2</sup> There are several reasons why “community” is the preferred wording to describe a form of regionness to be achieved. Besides its common usage, its foundation in sociological theories and positive connotation in everyday discourse, the European model certainly plays a role here (Jetschke 2009).

inefficacy of pinning the future of regional projects to holistic goals such as community. For him, meaningful conceptions of togetherness would have to be rooted in a regional popular political and social consensus. Spakowski (2008), however, observes that political Asianisms are often not more than functional integration. I would argue that functionalist and interest-guided economic and political regionalisms entail very important dimensions of community building and should not be put against the allegedly more important social realization of regions through shared imagination and cognitive procedures. Contrary to the assumption that governmental agreements and business networks are rarely substantiated by what scholars of regionalism call cognitive or imagined regions (*ibid.*), they are essential determinants of the social construction and practice of regionness. Dent modestly contends that some kind of regional identity-formation “may emerge” not from shared values but from the identification of common interests. Critical to him was a “substantial development of co-operative and harmonious relations within a regional community” (Dent 2008: 13). Strengthened co-operative relations and harmony in Asia do not necessarily build on solidarity and *we-ness*, but could follow from a hierarchically differentiated and stabilized Asian order (Kang 2004) and “hegemony as harmony” (Katzenstein 2011).

The rules which govern the financial relationship of states and regulate transnational financial exchange involve powerful social techniques of identification and discrimination. Both are necessary components of community building. I would argue that the nature of financial transactions is of such eminent social relevance, touching on the very foundation of modern capitalist societies, that notions of financial order and their realization in regional financial arrangements (in Asia) naturally are at the center of the negotiation of community.

A too narrow focus on the ideational components of Asianisms such as normative consent and shared identity, is misleading.<sup>3</sup> Often constructivist interpretations display “a bias in favour of cooperative interpretations, thus providing a distorted picture of the cognitive processes they purport to reflect” (Rüland 2005). From my perspective, community building is a highly political process that involves material structures and intensive power struggles more than common identity and solidarity. One could even argue that its main function is the painful suppression of constituents, assertion of dominance and perpetuation of power differentials. Admittedly, to enable such continuous negotiation at all, some kind of basic socialization and more than “momentary trust” seems necessary.<sup>4</sup> Although Checkel (2005: 804) posits that socialization involves “a process of inducting actors into the norms and rules of a *given* community” it seems plausible that such a community could just at the same time be in a state of evolution. Based on the co-evolution of a minimal cooperative standard, the

<sup>3</sup> The work of Adler/Barnett (2000: 31) on “security communities” starts from a very demanding definition of community necessitating “shared identities, values, and meanings.” However, scholars of community formation in ASEAN show that shared norms can have the effect of limiting the sense of regional community (Rother 2004).

<sup>4</sup> See Acharya (2010) for a discussion of the possibility of socialization in Asian regional institutions and Aykens (2005) who distinguishes stages of trust development: “momentary trust”, “reputational trust” and “affective trust”.

internal negotiation of community in East Asia to find viable ways for dealing with power differentials is still going on:

internal tensions and conflicts [are] yet to be worked out within East Asia (...) what is going on within East Asia (...) may matter most to whether or not East Asia exists. The challenge of East Asian regionalism is not just vis-à-vis extra-regional/global forces, but also vis-à-vis intra-regional ones (Ba 2009: 360).

This is also implicitly acknowledged in Rüländ's description of the key regional institution encompassing East Asia "ASEAN+3" to be "shifting from an outward-oriented balancing institution to an arena for intraregional balancing games" (Rüländ 2005). East Asia's existence as a region and its degree of regionness will ultimately depend on delicate internal negotiations.

Clearly, one should not deny the significance of ideational integration and the importance of discursive Asianisms. Indeed, power structures embedded in a "community" are heavily in need of discursive support. However, an assumed shared sense of belonging often only either emotionally rationalizes or just masks the material necessities and incentives that originally led to integrative steps and community formation. Identity postulations then serve not as precursor of community but are constantly negotiated and "managed" in practice. Successful "imagined communities" transform material conditions in socially meaningful patterns, position themselves in relation to other relevant actors and thereby hide and regularize necessary internal discrimination. While this obviously can be a great achievement and can benefit most of the involved parties, it is easy to overlook the instrumental character of identity claims.

### Financial and monetary regionalism

Financial regionalism has a fundamentally ambivalent nature. It encompasses forms of "permissive regionalism" to deepen regional financial integration and to foster the liberalization of capital flows by enabling or strengthening non-state financial exchange. Contradictorily, the concept covers state-led regional arrangements implementing financial regulation and supervision to protect the involved parties from the perils that are associated with increased financial interdependence, deregulated capital flows or resulting situations of currency instabilities and capital account strains. Additionally, there are forms of state- or central bank-led practices that oscillate between these two categories. Attempts to develop regional markets for financial products and to establish some kind of regional actorness in such markets strengthen regional financial exchange and aim at stabilizing the region's access to financing. On the monetary side of financial regionalism, different degrees of currency coordination in a regional monetary system can equally fulfill permissive and protective functions.<sup>5</sup>

For three reasons, I will concentrate only on one form of defensive financial regionalism:

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<sup>5</sup> There is some terminological fuzziness in the literature. Dieter's "monetary regionalism" as well as Grimes' "financial regionalism" both incorporate cooperation in regional liquidity pools (Dieter 2000; Grimes 2009). I will use "monetary regionalism" only for any form of exchange rate coordination (including monetary union).

arrangements for short-term liquidity provision and related monitoring and surveillance. First, this form was at the center of East Asian financial regionalism efforts and is clearly its most advanced form (Katada 2009: 11). Secondly, there is a theoretical debate about the possibility of monetary regionalism and not integration in trade being the basis of sequential integration (Dieter 2000, Baldwin 2009). Dieter (2003) claimed that regionalism will increasingly have to offer protection against financial crises and that this type of “Anti-Balassa-Sequencing” could be a viable way to achieve a regional community in East Asia. Finally, I would argue that community building processes are intensified when they concern fundamental needs such as economic security and financial safeguards rather than private profit opportunities from any form of economic exchange.

### Analytical framework

The empirical analysis of East Asian financial regionalism and community building will be structured by the following analytical framework that includes explanatory factors coming from different IR theories and takes up the conceptual distinctions made in the previous section.

- 1) *Path dependencies, precursors, and context* -- the evolution of regional cooperation is embedded in a huge range of contextual factors and is following path dependent trajectories that will be necessary to explore.
- 2) *Leadership and negotiated community building* -- Mattli (1999) speaks of leadership as a necessary “supply condition” in regionalism to overcome collective action problems. Yet, such leadership does not have to be undisputed and all-encompassing (Dent 2008b: 21). The character of leadership competition is a crucial dimension of community building. The distinct forms of leadership, including only temporary roles necessary to constitute financial regionalism, will feed back into the actual practices under this arrangement and determine related forms of Asianism.
- 3) *Identification* -- Processes of “selfing” and defining the central subject matter are indispensable for community building. The negotiation of the scope of a financially based Asianism is essentially a question of membership (Hamanaka (2011: 98), Breslin (2007: 5) further stresses the importance of “othering”: “Even when one doesn’t know what one is, knowing what one is not can be enough to form a tie that binds“. Other important struggles include the precise field of activities and the ambition of a potential community. In this dimension of community building, leaders most clearly invoke explicit Asianisms to identify the region. Yet, defining a community is complicated and implies the positioning of the subject in a wider field of actors, ambitions and institutions. The identified community has to be linked with a complex network of ordering practices in international finance and with other social fields.
- 4) *Discrimination as integration* — Tensions will arise from integration and inevitable inequitable distributions of gains. Difference lies at the heart of community building.<sup>6</sup>

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<sup>6</sup> Regarding financial integration, Hiwatari (2003) argues that differences in preferences and

Regionalism routinely embeds hierarchies as well as implicit and explicit roles.<sup>7</sup> Key to this dimension of community building is internally negotiated discrimination, its perpetuation through a process of institutionalization, rule-setting and the adaption of social techniques that allow the continuous management of difference. Obvious features of this process include voting rules and decision-making mechanisms but also sovereignty intrusions in non-altruistic financial assistance such as the assessment of creditworthiness, surveillance, monitoring and the conditionality of assistance.

- 5) *Realization* — Whether the intended practice is actually happening is the last dimension of community building considered here. Lower degrees of realization range from planning to implementation and institutionalization including its “physicality”. Higher degrees concern the mechanisms real effectiveness and social relevance. Social relevance is a diffuse indicator that points to the comparative value of the arrangement but can also include the symbolic value and perception of the arrangement's implementation. The difficulty with defensive mechanisms in financial regionalism is that their activation is not necessarily the best indicator of effectiveness, as such arrangements are meant to be never used (Park 2004: 3).

## **Empirical analysis – Three stages of defensive financial regionalism and community building in East Asia**

### *1. Japan's proposal for an Asian Monetary Fund (AMF) and nascent financial regionalism*

#### Context, precursors and path-dependencies

The backdrop against which financial regionalism emerged in East Asia was the Asian Financial crisis of 1997/1998. The crisis became visible in July 1997 when the Thai Baht collapsed and triggered a financial meltdown with devastating economic and social consequences across East Asia. No country in the highly interdependent region could escape contagion. Beyond Thailand, the countries most affected were Indonesia, Korea and Malaysia. The former three had to rely on huge financial assistance packages provided primarily by the International Monetary Fund (IMF).

This crisis was at the same time “the first crisis of globalisation” (Higgott 2000: 262) as it was one of existing regional institutions (Rüland 2005: 149). The possibility of rapid

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characteristics of member countries financial system will lead to incoherence of the regional arrangement. This supposed incoherence is however, a matter of perspective. I would follow Katada (2009) who posits that “the very composition of countries with contrasting capacities and needs would help establish a coherent regional arrangement”.

<sup>7</sup> Suzuki (2004) and Yoshimatsu (2005) have pointed out that – given the importance of “informality” in Asian regionalism, it is important not to focus only on formally institutionalized structures and roles.

acceleration and contagion was a result of regionalization trends and rapidly expanding regional linkages in the 1990s. Trade, investment and loans across the region had become so closely interlinked that troubles in one national market were quickly reflected in those of its neighbors (Pempel 2001: 70). The fact that no regional mechanism was capable to deal with the crisis made it a powerful catalyst to a series of new regionalisms (Curley/Thomas 2007: 3).

However, East Asian financial regionalism did not come out of the blue.<sup>8</sup> In addition to the Asian Development Bank and the Executive Meeting of East Asia Pacific Central Banks<sup>9</sup> as the most visible expression of Japan's central role in advancing regional financial co-operation, two other path-dependencies are important to mention here: one functional, one related to an explicit East Asian membership structure. As early as 1977, the Association of Southeast Asian Nations (ASEAN) had implemented a pool of currency swaps with the so-called ASEAN Swap Agreements (ASA). This arrangement allowed members to exchange local currency for U.S. dollars on a short-term basis to alleviate “temporary international liquidity problems”. ASA's size was doubled one year later to comprise \$200bn in 1978. Although, this swap facility was used only a few times by the members of the ASEAN-6 States, it still lives on as a component of the later network of swap agreements that forms the core of defensive financial regionalism in East Asia.<sup>10</sup>

Besides this functional precursor, there was one important prototype that provided a model for the possible membership scope of future financial regionalism after the Asian financial crisis. In the early 1990s – as a reaction to the integration of ASEAN member states into APEC, Malaysia's Premier Mahathir twice advocated an East Asian Economic Group (EAEG, later: EAE-Caucus) excluding not only the U.S., but Australia and New Zealand as well. Membership would have been restricted to the then six ASEAN countries and their big Northeast Asian “neighbors” South Korea, Peoples Republic of China and Japan. This Asian-only grouping was initially not thought to focus on problems of international finance but rather to build a counterweight to the European and North American trade blocs that were forming amid a breakdown in global trade talks. However, this was the first time that a conceptual framework for regional cooperation (not: regional conceptions of dominance) in *East Asia* was even discussed. The idea was strongly objected to by the U.S. leadership who wanted APEC to be given priority in economic cooperation. The U.S. administration is known to have done their best to kill Mahathir's proposal, pressuring Japan and South Korea and certain ASEAN states to

<sup>8</sup> For a detailed account of the building blocks of financial regionalism in East Asia, see Hamilton-Hart (2007) and Dent (2008: 153-155). Terada (2003) describes in detail the informal meetings on a ministerial level between ASEAN states, China, Korea and Japan starting in 1994.

<sup>9</sup> Japan and the U.S. are the members with the largest share of contributions (and votes) in the ADB (12,3%) whose membership structure extends beyond Asia-Pacific including European States. The EMEAP was established in 1991 with the first governors meeting held in Tokyo one year before the AFC. Members include JP, AU, CN, HK, ID, KR, MY, NZ, PH, SG and TH.

<sup>10</sup> Dent (2008) claims that they have never been used. It is unclear what kind of evidence lies behind Henning's assertion that this was the case (Henning 2002). Secrecy is a problem when analyzing currency swap agreements. Depending on the general macro-economic situation and market sentiment, governments might prefer not to have to publicly announce the activation or on the contrary use the swap as a signal of crisis resolution.

reject it, too (Dent 2008: 151). Eventually, “East Asia” as a concept “was not yet firmly enough established to gain the consensus of the relevant countries and Japan, seen as a leader in EAEC by Mahathir” (Terada 2003: 251).

### Regional leadership in and after the financial crisis

Clearly, Japan was a key driver of Asian financial regionalism after the financial crisis. This was basically an expression of Japanese economic dominance in the region which included its creditor status, official developmental assistance and Japanese trade power in the region. However, in the financial crisis, Japanese leadership also stepped in to overcome a lack of leadership from the U.S.. In the Thai rescue package in 1997 – at the beginning of a series of cascading crises – the U.S. did not provide any support at all. As the U.S. remained critically influential in the highly criticized IMF policies, it could be blamed for a double failure: not to assist bilaterally and perceived misguided policy conditions attached to IMF funds exacerbating rather than mitigating the crisis.

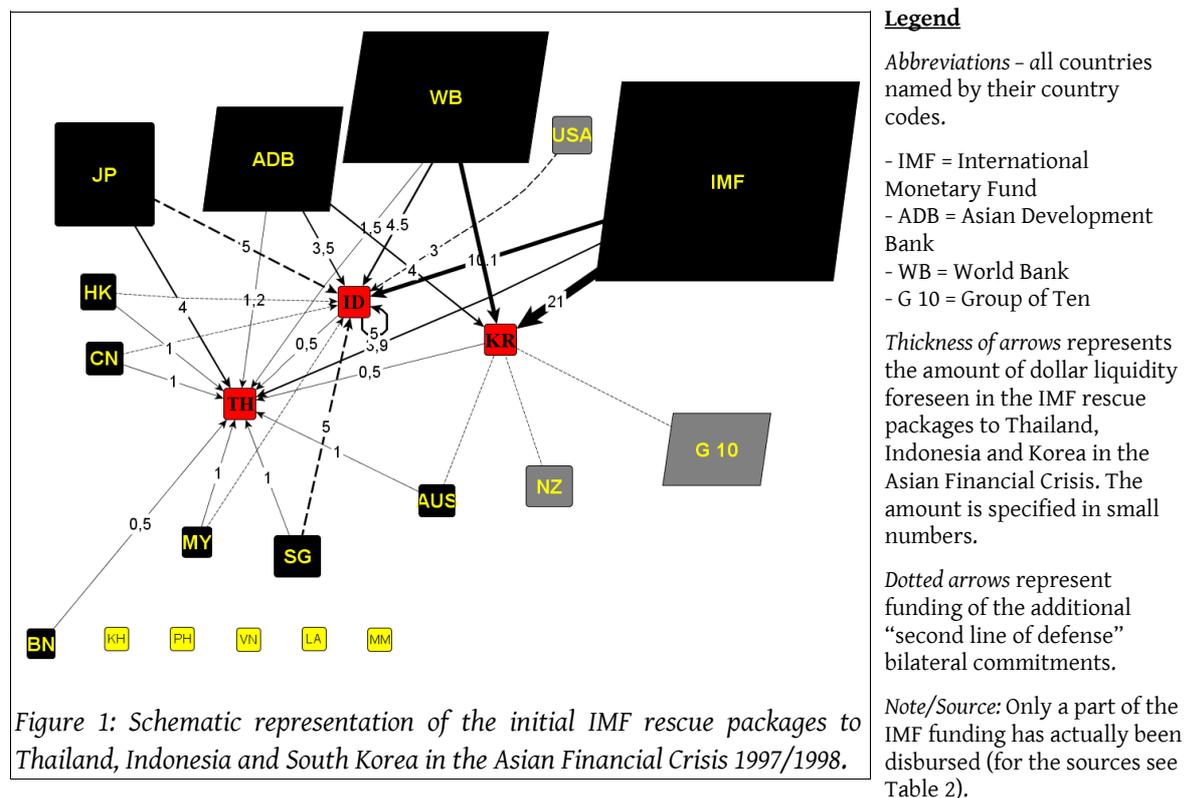


Figure 1: Schematic representation of the initial IMF rescue packages to Thailand, Indonesia and South Korea in the Asian Financial Crisis 1997/1998.

At the beginning of the crisis Japanese leadership secured the rescue package for Thailand. At the IMF meeting in Tokyo on the 11<sup>th</sup> August 1997, Tokyo provided the largest share of the package – a higher amount than the IMF contribution (Figure 1).<sup>11</sup> In

<sup>11</sup> For an explanation of how exactly Japan moved from being an IMF supporter to the AMF proposal, see Lee (2006)

addition to its region-wide bilateral engagement and its function as a facilitator for the establishment of a network of assistance especially to Thailand, the Japanese government more clearly advanced a new Asianism by putting forward a proposal to establish an Asian monetary fund (AMF) in August 1997. Endowed with \$100bn it could have possibly taken over the functions of the IMF. After the plan was rejected very quickly and as the crisis spread further, it was increasingly the IMF and the World Bank who provided necessary liquidity to the states under market pressure. The influence of any Asian state on crisis solution in Indonesia (October 1997) and particularly Korea (December 1997) was comparatively small.

Not only Japan was attempting to sit in the “drivers seat”. On a lower level of less bold leadership, one of the reactions of ASEAN in the crisis was to initiate closer links with its northern counterparts through initially informal ASEAN+3 (APT) meetings. The suggestion of the Japanese Prime minister Hashimoto to regularize Japan-ASEAN meetings beginning from December 1997, was turned into an invitation of ASEAN which also included China and South Korea.<sup>12</sup> Without the “embracing function” of ASEAN as the preexisting institutionalized form of cooperation, this institutionalized East Asia-Asianism could not have been achieved. APT basically realizes Mahathir's EAEC with the ASEAN bloc as the core (Hund 2003, Terada 2003). ASEAN was co-responsible for establishing this “vessel” for future cooperation. The substance was more dependent on the input and leadership of the northern members of APT.

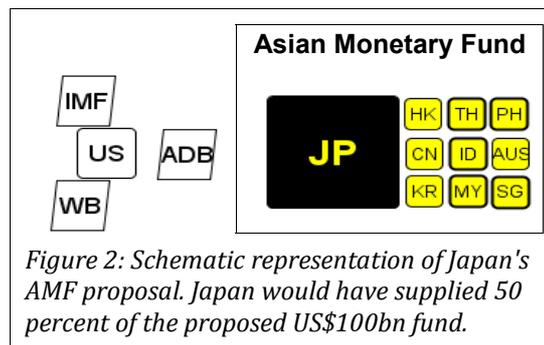


Figure 2: Schematic representation of Japan's AMF proposal. Japan would have supplied 50 percent of the proposed US\$100bn fund.

### Identifying the community: Defining the subject, selfing and othering

The efforts to deepen regional financial cooperation and particularly the AMF proposal by Japan were driven by a sharpened East-Asia-versus-the-West sentiment that arose out of AFC (Amyx 2005). They were clear attempts to escape domination by Washington and to achieve financial independence. There was widespread dissatisfaction with the IMF's performance in the Asian financial crisis and an overall sentiment of decreasing legitimacy of the global financial system, as embodied in the IMF (Higgott 2000). Actors on both sides of the Pacific offered different interpretations of the root causes of the crisis and suggestions on how to deal with such a disruption. The crisis exposed fundamental disagreements about the nature of a globalized economy, ways of

<sup>12</sup> Other interpretations have been put forward in which either Japan or even China (Ye 2005) or Europe as an external actor (Gilson 2002) are present respectively as the driving force behind the establishment of ASEAN+3. Stubbs (2002: 443) presents a convincing summary, which includes external stimulation through the attempt to formalize Asia-Europe meetings since 1995, the willingness of Japan and China to deepen their cooperation with ASEAN and some diplomatic maneuvering: Although Japan was initially reluctant to get involved in this new form of East Asian cooperation, “the Chinese government's agreement to take up ASEAN's invitation essentially forced Tokyo's hand.”

legitimately pursuing state development and especially about the appropriate measures to regulate financial flows.

Two crucial factors thus helped to roughly identify a “new region” mainly concerned with international finance. First, there was the potential to describe “evil” transnational economic forces coming from outside Asia together with institutionalized U.S. structural power and self-interest in the IMF as a kind of “other” or even threat to the financial stability in the region. Secondly, the strength of financial contagion led to the emergence of a shared sense of vulnerability and a kind of “Asian solidarity” (Lipsy 2003: 95) or “Asian identity” (Emmers/Ravenhill 2010: 9).

However, the boundaries of this “region” as well as its internal working mechanisms were not elaborated yet. With the impetus of the successful concluding of the Thai rescue package, the AMF proposal of Japan in September 1997 was an attempt to provide these missing components and thereby establish Japanese leadership in a financially defined region. The plan foresaw a large regional pool of foreign exchange reserves to provide short-term liquidity support for East Asian countries facing a currency or liquidity crisis. It intentionally excluded the U.S. and IMF and reflected a preference for insulating Asia. The membership structure initially proposed by Japan included China, South Korea, Australia, Hong Kong, five of the ASEAN countries (Singapore, Indonesia, Malaysia, Philippines, Thailand) and also Australia, a geographically and culturally non-Asian country (Lee 2006: 357). It is unclear whether Taiwan would have been “hidden” or included in this selfing attempt. Five “minor” Southeast Asian countries (Vietnam, Brunei, Myanmar, Cambodia) were not mentioned. There is disagreement which states would actually have supported the AMF proposal and its selfing/othering procedure. Interpretations span from „a warm reception in virtually every Southeast Asian capital“ (Altbach 1997: 10) to at least „rejection“ from the Philippines, „reluctance“ in Hong Kong and a „negative“ stance in Canberra (Hayashi 2006: 87).<sup>13</sup> Korea's potential support and decisive U.S. resistance are well documented. Concerning China there is a consensus that Beijing – like Washington not having been consulted by Tokyo – did not support the AMF and was possibly lobbied by the U.S. to oppose the plan.<sup>14</sup> The main figure behind the AMF proposal later admitted that it did not take off from the ground as it lacked the PRC's backing (Sakakibara 2009).

A rough „us“ versus „them“ construction was quite easily accomplished in the world of finance but the “who are we?” question remained unanswered after the failure of the AMF proposal. ASEAN+3 offered another possible boundary specification. The failure of ASEAN to respond in any meaningful manner to the crisis was obvious. The logic of going beyond ASEAN and including the “plus three” members was therefore not difficult to grasp (Breslin 2007: 5). However, APT was “not an institution that was intentionally

<sup>13</sup> Lipsy (2003) has the following account of a regional Finance Ministers' meeting in November 1997: “While ASEAN and South Korea expressed support for the AMF proposal, Hong Kong and Australia remained neutral, and China voiced no opinion.” Chey (2008: 14) mentions that Laos and Myanmar did not agree to the AMF plan.

<sup>14</sup> Rapkin (2001) on China's perception of the AMF as an attempt to establish Japanese regional hegemony.

designed by somebody for specific goals or visions in mind” (Katada 2007: 68). There was little planning before its establishment, but as it was setup in the context of the AFC, APT's track was predestined. “ASEAN+3 as a region is constructed by economic agendas (...)” (Higgott/Breslin (2010: xxi). Memberships and parameters of this region have been set by considerations related to international finance. It is significant that it was “only after the ASEAN+3 meeting of *finance* ministers in Hanoi, in March 1999, that the term ‘ASEAN+3’ was widely used” (Terada 2003) and that the first ‘*Joint Statement on East Asia Cooperation*’ was issued by the thirteen heads of governments at the third informal summit meeting in Manila (November 1999). The need to develop a shared understanding of what exactly this forum should be about and what the scope of the activities should be, was met only later by shifting existing practice to this “vessel” and an ongoing process of vision and study groups.

### No integration without discrimination

The AFC gave strong impetus to “regional organization in general and the articulation of regional responses to global financial disorder in particular” (Breslin/Higgott 2000: 338). However, in terms of financial regionalism, no negotiated discrimination in an explicitly *regional* setting was achieved at this time. Japan's AMF proposal and its attempt to institutionalize and perpetuate power differentials in the region was not successful. Japan responded to the rejection in 1998 by formalizing its planned bilateral financial assistance in a single coherent framework of the New Miyazawa Initiative (NMI) (Lee 2006: 359). This form of “fake-regionalism” or “unilaterally bilateralized regionalism” clearly did not include any form of regionally negotiated perpetuation and management of difference. Instead, it continued the practice of Asian consultations under Japan's leadership that had successfully lead to the Thai rescue package. The initial statement of the participating countries clearly shows the non-regional character of this undertaking:

The Ministers and Governors welcomed the initiative announced today by Japan, to support Asian countries overcome the current economic difficulties by providing a package of support measures totaling US\$30 billion. The countries concerned intend to immediately engage in bilateral discussions on how to implement the initiatives (MOF Japan 1998).

A fundamental subjectification of roles at this early stage of financial regionalism was the identification of Indonesia and Thailand but particularly of the more developed Korea as potential weak points in the financial order of the region. Singapore's relative autonomy and Malaysia's outspoken anti-western and pro-regional stance was confirmed throughout the crisis. China's role at this early stage of financial regionalism was yet undefined. With its cautious financial contributions to the rescue packages and its noted dissatisfaction with the Japanese AMF proposal, Beijing qualified as a potential “voice” in the region. This was supported by an “impression” of regional responsibility which was discerned given China's non-devaluation of the currency during the crisis. The most important articulate role assignments still concerned the role of Japan as a facilitator and most important liquidity provider. However, these structural roles were mainly based on economic preponderance of Japan and only partially reflected in

substantial Asianisms – certainly not in regional practice. In terms of other regional roles, Japan together with some ASEAN states, mainly Singapore and Malaysia, figured as “initiator” and often as “host” for events related to financial regionalism. The ADB and other Tokyo sponsored institutes additionally spearheaded research programs to further study the possibilities of financial regionalism (Rana 2002: 7).

The crucial “management of difference” in defensive financial arrangements was also not realized on a coherent *regional* basis. One attempt to regularize monitoring, information-exchange and surveillance was started with the Manila Framework Group (MFG) bringing together the deputies from the finance ministries and central banks of those 14 countries within and outside the Asia-Pacific region that had contributed to the Indonesian rescue package, and Canada. The U.S. were encouraging the establishment of this group, whose role it was to strengthen the predominance of the IMF while enabling other bilateral measures of financial assistance.<sup>15</sup>

## Realization

In terms of the practical realization of financial regionalism until the end of the 20<sup>th</sup> century, the real outcomes were meager. No *regional* mechanism for the provision of short-term liquidity was established. The ASEAN currency swap agreements (ASA) were not even activated and were dwarfed compared to the amount of liquidity that was finally provided through the rescue packages for Thailand, the Philippines and Indonesia (and the Philippines). Consequently, the actual provision of financial resources was organized under the umbrella of the IMF, the Manila Framework Group and Japan's NMI. The related sovereignty-constraining techniques were still exercised by the IMF, supplemented by bilateral pressure and information exchange between liquidity provider and receivers as well as by a plurality of limited and competing surveillance mechanisms.<sup>16</sup>

What was realized however, were the first steps of a new form of regular deliberation and exchange among the APT member countries. The APT leaders' first joint statement of 1999 states that in monetary and financial cooperation, APT leaders agreed to strengthen “self-help and support mechanisms in East Asia (...) through the ASEAN+3 Framework.” Based on the possibility of financial regionalism, this Asianism points to a potential but not yet realized community.

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<sup>15</sup> The announcement of the MFG shows the politics of promoting IMF primacy very clearly: “... This framework, (...) recognizes the central role of the IMF (...) includes the following initiatives: (a) a mechanism for regional surveillance to complement (...) the IMF (...) (c) measures to strengthen the IMF's capacity (...) and (d) a cooperative financing arrangement that would supplement IMF resources” (MFG 1997)

<sup>16</sup> Another attempt to institutionalize regional surveillance was realized by the ASEAN Surveillance Process (ASP) in 1999 with the by now ten ASEAN-members. IIMA (2005) has an overview of Macroeconomic Policy Coordination and Surveillance in East Asia.

## 2. *The Chiang Mai Initiative of the ASEAN+3: hidden hierarchy “in vitro”*

### Path dependencies & context

In addition to the impetus of the AFC, two path-dependent processes and one general characteristic of the region's politics have been influencing financial regionalism in East Asia since the year 2000 and the establishment of the Chiang Mai Initiative (CMI) as a new arrangement to provide short-term liquidity in crisis situations: (1) the institutional history of financial regionalism, (2) a multitude of activities centered around the APT and (3) the rise of China as a regional power.

The AMF and the ASEAN Swap Agreements have never died. Basically, the CMI equals the „AMF+ASA“ minus obvious Japanese leadership, broken down into several planned components, linked to the IMF and turned bilateral. More specifically, CMI takes over the ASA and complements it with a network of region-wide bilateral swap agreements (BSA).<sup>17</sup>

At the end of 1990s the members of the APT started to engage in intensive summitry and a multiplicity of initiatives.<sup>18</sup> One important element of the increased APT deliberations was the formalization of „meaning construction“ through the East Asia Vision Group (EAVG 1998-2001) proposed by South Korea and the follow-up East Asia Study Group (EASG 2001-2002). The resulting East Asian identity discourse, plural pragmatic cooperation and the potential to combine financial cooperation with regional trade integration led to a growing understanding that „East Asia had finally defined itself“ (Breslin 2007a: 8). Stubbs (2002) predicted that the APT would probably become the most important form of regional cooperation in Asia. While critics pointed out that achievements were disappointing, most agree that progress on financial cooperation is the “single most important exception” (Emmers/Ravenhill 2010: 11, Baldwin 2009: 3).

A major contextual factor influencing financial regionalism in East Asia is the pace of „China's rise“ as a regional power with considerable global reach. China's weight in the international economy exerts a gravitational pull on all kinds of regional interactions (Breslin 2009/2010, Goh 2006). Based on a redefinition of national security, stressing aspects of economic and financial security, Beijing increasingly engages Asia and actively reshapes the regional order (Shambaugh 2005, Jiang 2010: 610). Key dimensions of this engagement include the Chinese government's growing appreciation of multilateral and regional cooperation in general (Sohn 2008, Goldstein 2005) and particularly its diplomatic “charm offensive” in Southeast Asia. (Heng 2010, Kurlantzick 2006).

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<sup>17</sup> The BSA part of the CMI itself heavily extends and decentralizes the \$15bn short-time liquidity component and a \$3bn „Asian Currency Crisis Support Facility“ of Japan's earlier NMI.

<sup>18</sup> The APT provides an umbrella for over 400 projects (almost exclusively ASEAN+1) and a forum for consultations on a broad range of issues (Emmers/Ravenhill 2010: 10, Dent 2008: 176).

## Leadership

The AMF idea was revived again when the APT finance ministers fulfilled the 1999 APT-leaders' wish to develop “self-help and support mechanisms” in East Asia. In May 2000, the APT Finance Ministers agreed in Chiang Mai (Thailand) to establish a system of bilateral swap arrangements among the APT countries. Because the initiative was presented as the result of APT consultations, “leadership” was somewhat hidden and hence more agreeable to ASEAN. Nevertheless, the contextual setting reveals two driving forces. There was a long sequence of Japanese research and policy input before the finance ministers' main proposal was made (probably by the Japanese minister) at the sidelines of the ADB Annual Meeting. Cohen (2010: 20) speaks of Tokyo pushing “one idea after another for new regional ventures, obviously hoping to consolidate whatever remains of Japan's position as a regional leader while there is still time”. It was China who originally proposed to upgrade the meetings of APT Vice Finance Ministers and Central Bank Deputies to the ministerial level (Dent 2008b: 71). The detailed framework of the CMI was also worked out in Beijing (Rana 2002: 8). The most notable change in this second stage of the evolution of financial regionalism in Asia was China's adoption of a “more proactive stance” (Onyx 2005). Some authors argue that China had been „socialized“ into multilateral cooperation now seen as mutually beneficial while serving the interest of Beijing's foreign policy (Sohn 2008). One may call it constructive leadership or strategic power projection, but in any case, the new role of China poses a challenge to Japanese primacy in regional finance. Five months after the establishment of the CMI, the Chinese Premier Zhu Rongji signaled ambitions to seriously engage in financial regionalism:

As for the next-step financial co-operation, China is open to all ideas (...) China stands ready to work with other East Asian countries for the reform of the current international financial regime and the prevention and management of financial crisis (Zhu 2000).

This changed attitude though lead to “worries in Japan that China could take supremacy in East Asian regionalism” and “pushed Japan into actions to strengthen its leadership in the region” (Yoshida, 2004: 17).The resulting competition for influence could suggest that regional integration is doomed to fail (Grimes 2011: 83, Breslin 2007: 6). But as long as the cost of the engagement is weak, such competition can also lead to a regional race for leadership, driving integration and acting as a “spur to regionalism, as neither China nor Japan is prepared to allow the other to gain an advantage” (ibid.). Behind this competitively shared leadership of Japan and China<sup>19</sup> lies their broad convergence of interests as potential lenders in crisis situations in the region:

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<sup>19</sup> Sohn (2008) takes a comparatively neutral stance believing that without China “Asian financial co-operation could not have come into being in the early 2000s.” Lee (2010) argues that an unprecedented level of regional financial cooperation was driven by China’s self-interest and proactive attitude. Breslin (2007a: 5) goes farthest to describe the new impetus to “look more seriously at strengthening financial cooperation” achieved “under Chinese initiatives (as opposed to Japanese leadership of the AMF plan.”

Both seek to achieve regional stability and concerning the implementation would like to ensure rapid and massive liquidity provision, prevent moral hazard, and minimize the political costs of establishing credibility, necessary to achieve the first two goals (Grimes 2009: 105).

The CMI clearly emerged out of earlier proposals and the initiative of Japan. However, with APT as a “vessel”, China hooking in and partially taking over the agenda (Jiang 2010: 618), the first substantial and consented “East Asia”-Asianism based on financial regionalism was realized.

## Identification

The finance ministers' statement in May 2000 identified three areas of potential cooperation: “monitoring of capital flows, self-help and support mechanism and international financial reforms” (APT FMM 2000). Only the self-help component was called CMI. Its aim was – again – to provide member countries experiencing short-term balance of payments deficits with liquidity support, to prevent an extreme crisis or systemic failure and subsequent regional contagion (ibid.). It was not surprising that the first substantive cooperation agreement of APT was in the area of finance (Sussangkarn 2010: 4). However, the qualification of the agreement as “CM-*Initiative*” is significant because it had to be first realized subsequently. The fundamental principle of this process was that member countries agreed *bilaterally* to new currency swap and repurchase agreements apart from the existing ASA. Similar to other APT initiatives, the arrangement realized a region-wide umbrella for action in which all countries of the region are somehow linked, but the underlying processes are bilateral.

The scope of participants of this APT-arrangement obviously also had to include all ASEAN members. This required a substantial reformulation of the original ASA in 2000, which up till then had not included Brunei, Cambodia, Laos, Vietnam and Myanmar.<sup>20</sup> Although their integration in this network of swap agreements is shallow, the fact that *all* Southeast Asian states and their northern partners were participating in this undertaking to strengthen financial security in the region was highly symbolic. Furthermore, it is a fundamental prerequisite for socialization processes among government officials of East Asia. Breslin argues that the development of the CMI as APT's major initiative is important not so much because of its functional value but because it is a

powerful indication that a 'cognitive region' is emerging—that regional leaders accept that they are part of a region, and that there is a shared understanding of which countries are part of that region, and which are outside it. (Breslin 2007a: 5)

Nabers expected that “without doubt” the CMI process would “foster the identity of an East Asian community (Nabers 2003). The idea of “East Asia” was not only “becoming firmly embedded in the thinking and discourse of governments and opinion leaders

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<sup>20</sup> With the notable exception of Taiwan and perhaps North Korea, all states considered to be a part of “East Asia” geographically were included.

around the region but due to the fact that the CMI was the most visible component of East Asian cooperation”, it became increasingly linked to defensive financial regionalism (Stubbs 2002). Yet, APT was not the only possible form of community debated by Asian leaders. Starting in 2000, a sequence of “community”-proposals has been advanced. The East Asian Summit (EAS) encompassing APT but also Australia, New Zealand and India was the most visible and institutionalized alternative.<sup>21</sup> While the proliferation of community concepts hints at fundamental difficulties finding a comfortable regional identity (Kim 2004), I would argue that the *community building* process in terms of financial regionalism is not substantially hindered. On the contrary, the contrast between the CMI on the one hand and “talks shops” and unsuccessful attempts to renegotiate a relatively coherent form of cooperation on the other hand could make its logic of financial regionalism even more convincing.

A critical component of the “identification” embedded in the CMI is its linkage with the IMF. The drawing of more than ten per cent of the available funds was to be subject to IMF conditionality. The actual provision of larger amounts of liquidity would still involve IMF programs. While Malaysia opposed the IMF linkage (Stubbs 2002: 450), the “+3” countries, particularly in the early stages, strongly supported this arrangement, probably for three reasons. First, it was a necessary step to avoid another failure of a genuine regional initiative because of U.S. and IMF opposition. The APT countries needed to “water down” the independent nature of CMI at this initial stage of regional financial integration (Sohn 2007: 4). Second, while the APT remained critical of the IMF per se, some kind of effective surveillance and monitoring was necessary but not yet available on a regional basis. Both China and Japan as potential lenders had a shared interest in ensuring that funds would be repaid. Third, the link can be explained with national foreign policy preferences. Japan carefully sought not to jeopardize its security relationship with the U.S. (Cohen 2010), while for Korea and China the linkage was also a measure to restrain Japanese leadership (Narine 2003: 83).

However, the IMF-link is designed only as a temporary measure and officially conditional to the establishment of a regional surveillance system (Hamilton-Hart 2006: 124). The first meeting of APT officials to discuss possible paths towards this goal took place in 2001. The clearly envisioned self-projection of APT was to become independent of the IMF as soon as possible.

### Integration and discrimination: “Hidden hierarchy in vitro”

Since the CMI announcement in May 2000, the rules governing the arrangement, the underlying swap agreements and hence the structure of the network have constantly been re-negotiated. Because the member countries do not submit to any higher level

<sup>21</sup> Higgott/Breslin (2010: xxiii) see mainly attempts to balance China's growing influence behind the EAS. Others point to Japan's persistent policy to push for a wider and more open regionalism (Hund 2003, Chey 2008: 17, Pak et al. 2010: 68). Kawai (2007: 36) tries to make sense of the multitude of communities using the official formulations: “It is now understood that the core of East Asian cooperation lies in ASEAN as the major “driving force”, with ASEAN+3 as the “main vehicle” (...) and EAS as “an integral part of the overall evolving regional architecture”.

authority, a structure of a non-threatening *hidden hierarchy in vitro* evolves under the umbrella of APT and CMI (Lee 2009).

Although in principle all the APT states participate, there is variation in the degree of their participation as well as in the timing, quantity and direction of the swaps concluded. Subject to bilateral negotiations, the contracting parties of the BSA can deviate from the basic CMI framework when setting the conditions of the agreements (Park 2004). To take an example, BSAs between China and ASEAN countries provide only one-way support by China often with the full swap amount linked to a potential IMF program. Tellingly, the China-Japan swaps have no IMF link. While most of the agreements involve the exchange of dollars versus local currency, some are denominated in yen and yuan – well in line with both Japan's and China's aspirations to internationalize their currencies.

Concerning the structural roles and latent hidden hierarchy embedded in the CMI, Figure 3 shows that (in 2009) only two states in the network – Japan heading over China – act as potential net lender. While Korea is also an important provider of crisis liquidity, it is at the same time CMI's potentially largest receiver. Together with Indonesia it constitutes the networks structural “weak point”. Singapore, Malaysia and China have obviously attempted to distance themselves from the arrangement, possibly either because they consider it to be unnecessary in light of their abilities for self-reliance (SG, CN) or have seen saw it stained with the IMF-link (MY).

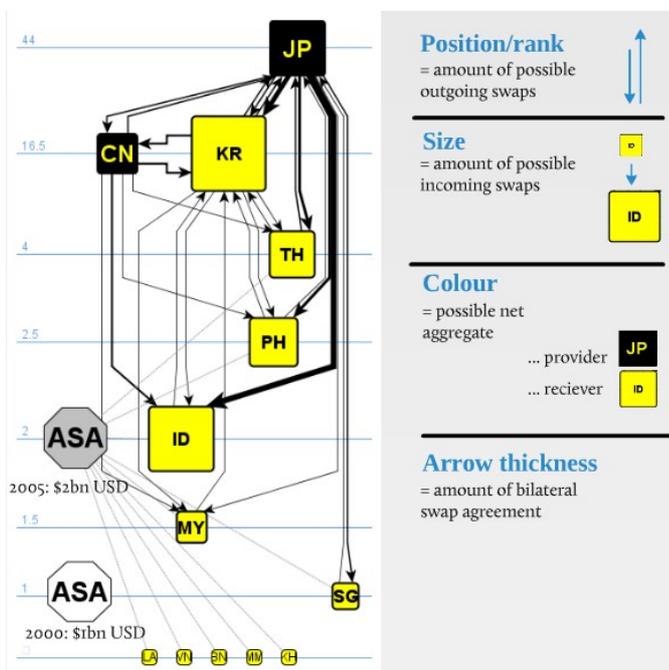


Figure 3: Hidden hierarchy in the Chiang Mai Initiative network of bilateral currency swap agreements as of 2009 (Source: Own visualization of data provided by Japan's Ministry of Finance (MOF Japan 2009)).

In terms of an effective management and perpetuation of difference in Asian financial regionalism the region, before 2009, was still in need of its own surveillance mechanism. Only very basic functions of “review” and dialogue” have been institutionalized under the “Economic Development Review and Policy Dialogue (EDRP) on the APT finance ministers and central bank deputies level (Bergsten/Park 2002: 48).<sup>22</sup> Emmers/Ravenhill (2010: 10) label this waxing institutionalization as an “unprecedented process of surveillance.” However,

<sup>22</sup> For a graphical overview of regional forums for policy dialogues and their membership see Kawai (2007: 25).

what usually drives such a positive assessment of financial regionalism in East Asia is its projected future development: the “potential to lead to more *intrusive* regionalism” (ibid.). The importance attached to this genuine East Asian process becomes more clear in the following context: After five years, the Manila Framework Group with its IMF oriented surveillance attempt and non-Asiatic membership structure slowly died out in 2004. A report on surveillance and policy dialogue in East Asia commented: “having no secretariat and broad members from outside the region are not suitable for the region” (IIMA 2005: 3).

## Realization

While it is not true that, “CMI has also institutionalized meetings of finance ministers (AFMM+3) and deputy ministers (AFDM+3) for policy dialogue and coordination and also the annual summit for ASEAN+3” (Park 2004), CMI management was probably essential to these meetings. Given the nature of CMI as an umbrella for bilateral action, not much of what is usually associated with “institutionalization” was realized. Instead, what happened was “networked contractualization” –the consolidation of density and order in a network of agreements. In addition to the existing small amounts in ASA, the number of bilateral swaps increased from eight in July 2002 to sixteen by the end of 2005 with the cumulative sum somewhere between US\$30 billion and US\$37 billion.<sup>23</sup> All the agreements until 2005 were directed from “+3” countries to ASEAN states. Indonesia, Malaysia, Philippines and Thailand “networked” with all their northern partners. Within the “+3”, Japan entered both possible agreements, China only one, and Korea entered none. Each agreement enabled the respective parties to swap the equivalent of US\$1-3 billion in foreign exchange reserves from partners (Sohn 2007: 3, MOF Japan 2009).

Observers remained skeptical about the effectiveness and general value of this arrangement (Ravenhill 2002: 191). One often repeated argument is that compared to the bail-out packages in the AFC, the initial amounts appeared relatively small and inadequate to prevent speculative attacks. In 1997 Thailand alone requested US\$17.2 billion. With the US\$ 7 billion available through its bilateral agreements, CMI could not provide sufficient financial security. Even worse, only the “de-linked” ten percent would be available as immediate assistance with the rest subject to IMF-like conditionality (Sohn 2007: 3).

In May 2005, major agreements were reached to improve the effectiveness of CMI. A clear definition of the swap-activation process was provided and a collective decision-making mechanism approved. The member countries agreed to a significant increase in the size of BSAs and ASA, pushing the scale of their future total commitments to around US\$80 billion. Together with an explicit commitment to enhance surveillance by integrating ERPD into the CMI framework, the increase from ten to twenty percent in the level of BSA disbursement permitted without an IMF program was a strong signal (APT FMM 2005, Kawai 2007). In this second phase of financial integration, the monetary

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<sup>23</sup> There are inconsistencies between the early account of Stubbs (2002) and later assessments (MOF Japan 2009).

component of financial regionalism (exchange rate coordination, regional currency unit) was put on the agenda again by the ADB and Japan and intensively studied in several research groups, yet without any visible progress (Kawai 2008, Jiang 2010). APT also launched another initiative for the development of regional bond markets in Asia, which is related more to the permissive part of financial regionalism (Asian Bond Market Initiative, ABMI).<sup>24</sup>

The *relevance* of the CMI arrangement is difficult to judge, as the swaps have never been activated.<sup>25</sup> It is obvious however, that regional measures are not the preferred way of governments in the region to protect their economies from the dangers of liberalization and volatile capital flows. There is a shared national preference across East Asia for self-reliance. The most dramatic evidence of this preference can be seen in the immense accumulation of international reserves. With more than half of the world's foreign exchange reserves shelved in East Asia the costs of providing some of these reserves for a regional liquidity mechanism declined.

*Table 1: Foreign Exchange Reserves in East Asia (in billion US\$)*

Country	1997	2000	2003	2006	2008	2011
PRC	146.4	171.8	416.2	1,080.8	1,946.0	3,197
Japan	226.7	361.6	673.6	895.3	1,030.8	1,138
Korea	20.5	96.3	155.5	239.1	201.5	305.0
HK	92.8	107.6	118.4	133.2	182.5	277.2
Singapore	71.4	80.2	96.2	136.3	174.2	242.2
Thailand	26.9	32.7	42.2	67.0	111.0	185.4
Malaysia	21.5	28.7	44.3	82.9	92.2	132.7
Indonesia	17.5	29.4	36.3	42.6	51.6	118.1
Philippines	8.7	15.1	17.1	23.0	37.5	68.8

Source: World bank (<http://data.worldbank.org>)

But it is misleading to conclude that “in spite of its important symbolism (...) CMI could end up without providing a meaningful regional mechanism” (Asami 2005: 3). Meaningfulness does not depend on the usage of the swaps. While the CMI was more symbolic than truly effective and also “cheap” to implement (Sussankarn 2010: 6), its worth in signaling feasible cooperation and adding an additional layer of protection in terms of financial security to East Asia should not be underrated.

<sup>24</sup> This project aims to develop efficient and liquid bond markets in Asia to enable a better utilization of Asian savings for Asian investments (Park 2005: 34, MOF Japan 2009b).

<sup>25</sup> Lee (2010) reports that Indon. and Japan activated CMI in 2009. However, this probably confuses the new CMI-BSAs between China, Japan and the ASEAN states with a non-CMI precautionary currency swap in June 2009.

### **3. The multilateralization of the Chiang Mai Initiative (CMIM): attempt to institutionalize balanced discrimination**

#### **Background**

The implementation of the Chiang Mai Initiative Multilateralization (CMIM) on March 23, 2010 replaced the existing network of bilateral agreements with a reserve pooling arrangement totaling \$120 billion and moved cooperation among APT to a new stage. Three factors – path-dependency, catalyst and context – influence financial regionalism and its community character in this phase.

The quasi-institutional form of CMI developed its own path-dependent trajectory consisting of regular meetings, research and official announcements of reform efforts. Already in 2005, the APT Finance Ministers had announced that they would strengthen efforts of regional surveillance and would look for possible paths towards multilateralization. Since then, APT leaders have been steadily developing the agenda for the recent substantial step towards integration. The evolutionary logic towards the blueprint of an Asian monetary fund is frequently mentioned in semi-official statements (Sakakibara 2009, Rana 2011). However, seen from the outside, between 2005 and 2009 not many tangible results have been accomplished beyond additional bilateral swap agreements.

Ten years after the AFC, the Global Financial crisis (GFC) was another catalyst for financial regionalism and injected “a sense of urgency into the project” (Wheatley 2009). Several countries of the region faced liquidity shortage during the crisis but did *not* employ CMI swaps. Not wanting to seek IMF assistance, Korea, Singapore and Indonesia triggered large non-CMI swap agreements with the U.S., China and Japan (Rana 2011). The CMI's obvious ineffectiveness resulted from the small sizes of effectively available swaps, a lack of surveillance and hence missing trust. The perception of these shortcomings prompted a faster development of the CMI (Emmers/Ravenhill 2010: 13).

The GFC is a part of and at the same an amplifier of a broader contextual trend: the global power shift. Its consequences for financial regionalism and community building in East Asia do not point uniformly towards further integration. Since the AFC, a counterweight ideology has encouraged steps towards financial regionalism (Sohn 2007: 2) The case for a decentralized global financial architecture and an APT-led AMF had been strengthened a lot by difficulties in reforming IMF-governance (Rana 2010). However, the power shift also entails a shift of attention for all regional actors and the potential of raising national (or regional) voice on the global stage (Katada 2011). Regional powers such as China and Indonesia could begin to transcend regional interests (Beeson 2011). With a new window of opportunity for reforming the *global* financial architecture (G-20, IMF) and the *global* need for Asian leadership, the idea of necessary regional solutions and the CMIM particularly have been challenged (Emmers/Ravenhill 2010: 16).

## Leadership

ASEAN's contribution to financial regionalism is diminishing to the role of enabling China and Japan to cooperate on neutral territory (Dieter 2008: 503). Due to the basic agreement between Japan and China that there should be some kind of regional financial order and an increasingly structured implicit hierarchy in the related practices, ASEAN states find themselves on the receiving end of financial regionalism. China and Japan welcome ASEAN's role as a forum and a hub for institution-building, but their willingness “to play ASEAN's game” is limited (Jones 2010).<sup>26</sup> Whereas ASEAN as an organization “will not be able to achieve significant change in monetary and financial affairs” (Dieter 2008: 504), some individual member to a certain degree will have a say in the further development of financial regionalism, either owing to capacities in international finance (Singapore) or economic relevance and regional weight (Indonesia). ASEAN centrality is questioned further with the strengthening of the “+3” component in general (Terada 2011). The GFC has accelerated trilateral cooperation between China, Japan and Korea. Statements made by the Chinese Premier Wen Jiabao before the first crisis meeting in 2008 reveal this re-orientation:

Financial cooperation should be broadened. The expansion of bilateral currency swap among the three nations be discussed, the trilateral cooperation in the 10+3 financial sector be boosted, the “Chiang Mai Initiative” multilateral process be accelerated, the regional foreign exchange reserve be established as soon as possible, the building of the Asian bond market be promoted and the cooperation of central banks of the three nations be enhanced” (MOFA China 2008).

In 2010, “+3”-leaders signaled again to make “further efforts to strengthen financial cooperation in East Asia” (MOFA Japan 2010). However, substantial leadership will clearly be in the hands of China and Japan and their competition determines the potential for further integration and community building (Jiang 2010: 618). Since the GFC, a kind of punctuated equilibrium has been reached, where cooperation was feasible. Based on a shared “trend analysis” concerning the respective power positions (China's fragile rise, Japan's long decline), both parties could benefit from a cooperative institutional lock-in.

## Identification

Joint statements of the ASEAN+3 Finance ministers progressively refine the definition of what defensive financial regionalism in East Asia should be about (see Annex). The CMI evolved from its network structure to CMIM constituting an institution with a *single* contractual basis and demonstrated the commitment and concerted efforts of APT members to enhance regional capacity to safeguard against risks in the global economy. With the CMIM being effective, the contractual corpus of East Asian financial regionalism has grown significantly (Lejot 2011). In 2011, the ministers also agreed to strengthen the

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<sup>26</sup> The metaphor of ASEAN in the “driver's seat” upheld as the convention of speech also related to financial regionalism (Interview of the author at the ASEAN-secretariat in November 2010). However, this probably implies not much more than a useful “taxi driver's role” with China and Japan sitting in the back giving directions.

legal status of the newly established surveillance unit to constitute an international organization with an international legal personality.

Although East Asia's institutional identity is more visible now, this is not necessarily the result of a reinforced sense of regional vulnerability or common identity among the members. Neither the external shock of the GFC and related trends to decentralize the global financial architecture nor internal socializing effects of the initiative itself are likely to overcome resistance to a genuine sovereignty bargain in the near future (Cohen 2010). Yet, the membership structure itself has been consolidated and become more rigid. It will be increasingly difficult to change (enlarge), considering the fact that the bargain struck to realize the division of contributions and votes in the CMIM was hard to achieve (Sussankarn 2011: 14). Remarkably, while Taiwan continues to be hidden in this arrangement, the dual nature of Hong Kong is strongly highlighted in the CMIM.

Apart from the ASEAN+3-Asianism rooted in financial practice, other “community-proposals” pop up on a regular basis. An “Asia Pacific Community” proposal of Australia's Prime Minister (2008) stressing great-power coordination and the Pacific dimension, and, in 2009, a Japanese draft of an “East Asian Community” including India, challenge the APT as Beijing's preferred Asianism. They were mainly met with reservation (China) or resistance (particularly from ASEAN countries) and have yet to produce any significant outcome. Moreover, the APT scheme drags existing forms of cooperation under its umbrella. In May 2011, the Finance Ministers announced that their meeting “will then become ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting from next year” (APT FMM 2011). This updated forum thus competes with the older Japan-initiated meeting of central bank executives including Australia and New Zealand.<sup>27</sup>

The CMIM is situated in a broader field of financial practices, some of them coming out of the region and significantly influencing the international financial architecture.<sup>28</sup> However, the most important aspect of the CMIM's institutional characteristic concerns its link with the IMF. Although the CMIM retains the 20-percent link for now, the discourse on its appropriateness has been shifting rapidly. In May 2011, the APT Finance Ministers

welcomed the establishment of AMRO [APT Macroeconomic Research Office], which, as the surveillance unit of CMIM, plays an important role to monitor and analyze regional economies, and to contribute to early detection of risks, swift implementation of remedial actions, and effective decision-making of CMIM.

With the surveillance component of the CMIM now established and shortly before being

<sup>27</sup> Similar to the APT with the Asian-Bond Market Initiative, the EMEAP is also pursuing ways to strengthen regional bond markets by creating “Asian Bond Funds” (ABF). For the record of this initiative, see Sohn (2008). A comparison of ABF and ABMI has Grimes (2006).

<sup>28</sup> The other major component of financial regionalism, ABMI is likewise making significant progress with the establishment of a Credit Guarantee and Investment Facility in 2011. Particularly China is expanding its financial reach through additional bilateral swap agreements with non-APT countries, by attempting to internationalize its currency and pushing outward foreign direct investment (Miller 2010).

fully operational, another critical step to undo the IMF-link has been taken. Chinese officials have already suggested that the de-linked part should be pushed to 30-40 percent (Rathus 2011). However, experts involved in setting up AMRO have estimated that another five to ten years will be needed for completing the insulation process of CMIM.<sup>29</sup>

### Successful discrimination as integration in the CMIM

A RSIS study has depicted the CMIM as “good example (...) in response to the need for redistributive mechanisms” in Asia (RSIS 2009). Redistribution implies a much clearer regularized discrimination of the involved subjects and roles (Terada 2011). The price that smaller states pay in such a community for the predictability of the behavior and support of those who potentially provide financial security is their support of an increasingly (hierarchically) ordered arrangement (Sohn 2007: 6). Consequently, to enter this substantially new stadium of financial regionalism and community building accomplished by the CMIM, critical internal balancing has been necessary. This negotiation of difference in the CMIM has included bargaining over contributions and possible borrowings, and has required agreement on the decision-making procedures and the precise institutional design of the surveillance unit.

In the CMIM, the schedule of financial contributions will be directly linked to voting weights. Hence, it is understandable that the negotiations took several years to satisfy all interests of the involved parties. The first general discriminative principle was agreed upon at the Finance Ministers' Meeting in 2008 when the proportion of “+3” and “ASEAN” commitment was determined to be 80 to 20 and the minimum size of the reserve pool to be at least US\$ 80 billion (APT FMM 2008). One year later, the ministers achieved a fine-grained balance between the individual members' precise contributions (voting weights) and possible borrowings. The outcome is miraculous (Figure 4), considering the fact that Tokyo was determined to gain the largest quota, reflecting its past dominance in regional finance and Beijing insisted that its own growth and size entitled it to an equal share of the total (Cohen 2010: 21). CMIM had to institutionalize “unequal equality”. And indeed, Japan came out as the single largest contributor to the CMIM with US\$ 38.4 billion from China. However, if one includes Hong Kong's commitment (US\$4.2bn) in the calculation, the PRC and Japan end up dead even. Furthermore, with Korea providing US\$ 19.2 billion, and the five strongest ASEAN states US\$ 4.77 billion each, Korea's role as a swing

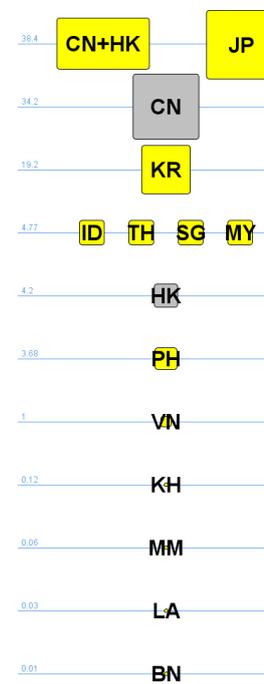


Figure 4: Contributions to CMIM (in billion US\$)

<sup>29</sup> Interview by the author in Singapore (November 2010). See also Rana (2011).

player is equally important. Korea “+1” or “+ASEAN” reaches the necessary majority to push through decisions, while Japan and China can block every approval together – if they learn to cooperate within the confines of this regional institution. The agreed inverse “multipliers” determine the amount of borrowings available to all members. Only Korea can borrow exactly the same amount as it contributes (and equals China and Japan here).

Such agreed-upon discrimination concerning contributions is particularly relevant as it could serve as a model for future cooperative schemes.<sup>30</sup> Furthermore, the decision-making process on lending issues is based on majority vote. Decisions on fundamental issues will continue to be based on consensus to avoid substantial compromise of national sovereignty (Cohen 2010: 9).

At the heart of intrusive regionalism, the institutional design of the surveillance unit, particularly the location of the “research office” and its directorship were contentious issues that delayed the implementation of CMIM considerably. While for a long time, rumors had the surveillance unit located in Thailand, the APT Finance Ministers agreed in May 2010 to establish the AMRO in Singapore. Its mission should be to

play an important part in monitoring and analyzing regional economies. It will contribute to early detection of risks, swift implementation of remedial actions, and effective decision-making of CMIM (APT FMM 2010).

It is still an open question how exactly the research office will proceed to enable monitoring, peer review/pressure or due diligence in East Asian financial regionalism.<sup>31</sup> It could prove to be a fundamental weakness that expectations particularly in regard to its role superseding IMF surveillance are so high. Another critical issue is potential lender-influence on surveillance procedures. However, Chinese officials have been toning down the capacity of AMRO to intervene in other countries' internal affairs and have described the monitoring as a mere performance tracing. (Rathus 2010).

Concerning the question on who should head the surveillance arm of the CMIM, another maneuver was necessary to balance competing leadership claims of Japan and China (APT FMM 2011). With the Chinese Wei Benhua heading the AMRO for one year, China “takes the leader's seat” and is able to claim a symbolic victory (Rathus 2011). The balancing consists of an agreement among the APT leaders, that, deviating from the usual three-years term, Wei will only head for one year. In the following two years AMRO

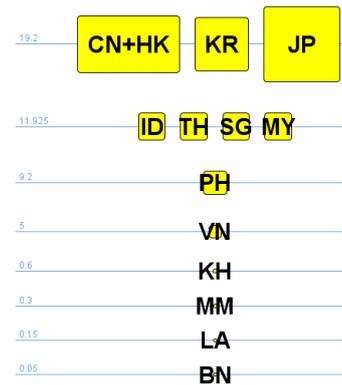


Figure 5: Possible borrowings from CMIM (in billion US\$)

<sup>30</sup> An expert involved in the development of the surveillance mechanism suggested, that the underlying pattern could also be used for the proportions of a future currency basket used to coordinate exchange rate policies (Interview by the author in Singapore, December 2010).

<sup>31</sup> Technical details necessary for the actual establishment of AMRO are still to be worked before operations will start in early 2012. A crucial open issue also remarked in the ministers' statement is the organizational capacity of the office whose staff will probably have between 20-25 persons (APT FMM 2011).

will be directed by a Japanese. However, the steering of the institution during the first year will enable China to benefit from first-mover advantages and to set the direction of future institutional developments.

## Realization

The assessment of the CMIM achievements has been ambivalent. Most observers agree however, that it will still take time to actually reach the level of autonomy that has been foreseen by the East Asian countries held together through this Asianism. Apart from the increased visibility and “physicality” of the institution with its surveillance unit located in Singapore and the legal body expanded significantly, the question of the arrangement's effectiveness is still heavily debated. In this context, it is interesting to note the perception of CMIM's role by the East Asian leaders in the recent episode of worldwide financial instability:

We were pleased to note that the CMIM Agreement, effective on March 24, 2010, has played a positive role in safeguarding regional financial stability (...) we reiterated our commitment to further deepen regional financial cooperation in the years to come (APT FMM 2011).

Clearly, the size of the available funding and hence the protective power of CMIM has increased remarkably (quadrupled) in the ten years since the establishment of CMI. Recently, following a Korean proposal, APT finance ministers have agreed on the need to double the emergency fund to US\$ 240 billion (Newsworld 2011, Reuters 2011).

*Table 2: Amount of short-term liquidity assistance in billion US\$ available under the IMF rescue packages, CMI 2009, CMIM 2011 and after a possible strengthening of the CMIM (amount not subject to the IMF-link in brackets).*

Country	Commitments				IMF Disbursements until Jan. 1999	CMI 2009 [\$90bn] (20% non IMF)	CMIM 2011 [\$120bn] (20% non IMF)	CMIM 2013? [\$240bn] (30-40% non IMF)
	IMF	WB/ADB	Bilat.	Total				
Indonesia	11.2	10.0	21.1	42.3	8.8	11.0 (2.2)	11.925 (2.385)	23.85 (~7,1-9.5)
Korea	21.1	14.2	23.1	58.4	19.0	19.0 (3.8)	19.2 (3.84)	38.4 (~11.52-15.36)
Thailand	4.0	2.7	10.5	17.2	3.1	8.0 (1.6)	11.925 (2.385)	23.85 (~7,1-9.5)
Total	36.3	26.9	64.7	117.9	30.9	75.0 (15.0)		

Source: The first seven columns are adapted from Lee (2009), additional data from the Japan's MOF Website ([http://www.mof.go.jp/english/international\\_policy/financial\\_cooperation\\_in\\_asia/index.html](http://www.mof.go.jp/english/international_policy/financial_cooperation_in_asia/index.html)). The projection is based on News sources (Reuters 2011, Newsworld 2011, Rathus 2011).

A perception survey conducted in June 2011 revealed that nearly two-thirds of the interviewed Asian policy makers, experts and opinion leaders “felt strongly that the decision to establish the AMRO was significant and that it would enhance the usage of

CMIM”. A similar number of leaders said “that some time in the future, the CMIM and the AMRO should be merged to establish the AMF”. Concerning time frame and IMF-link the more than half of the respondents stated that a future AMF should be established between 2016 and 2020 and that in the long-term there should be a single currency in Asia (Rana et al. 2011).

## **Conclusion: Financial regionalism and the evolution of community in East Asia**

Practices of financial regionalism in East Asia after the Asian financial crisis until today entailed several conceptions of community and related Asianisms. Following Malaysia’s EAEC, the AMF proposal in 1997 sent out the second strong signal that the (East) Asian insulation and delinking from the existing economic and financial architecture was “thinkable”. However, a sharp rupture of an (East) Asia defined on Japanese terms was not feasible. Japan’s leadership and “most ambitious foreign economic policy proposal [...] in the postwar period” (Altbach 1997) was rejected from outside but also lacked internal support. The attempt to regularize internal discrimination in financial regionalism failed. While the establishment of the APT had tremendous symbolic significance, it still lacked substance and therefore relevance in terms of defensive financial regionalism. East Asians did not share one single conception of an East Asian community but the idea of a *possible regionness* itself was firmly established. The nascent community realized through financial regionalism was one of experienced vulnerability and not one of practice. It only survived birth under the shadow of U.S. supremacy and Japan’s region-wide bilateral influence.

With the Chiang Mai Initiative in 2000, the ASEAN+3 members successfully re-invented financial cooperation on a more regional basis. Two East-Asian sub-regions were thus brought together under the auspices of an “embryonic economic and financial architecture” (Emmers/Ravenhill 2010). At the same time, defensive financial regionalism was established as the core of regional cooperation in East Asia. ASEAN’s role as the facilitator and non-discriminating practice continued to characterize the Asianism of East Asia as a region. But cautiously, as a result of the leadership of Japan *and* China, the CMI’s network of bilateral swap agreements implanted non-threatening hidden hierarchy in an additional layer of financial security. This genuine regional self-help and support mechanism strengthened the case for an East Asian community build around practice in international finance. However, compared to other national and bilateral options to access financial resources in crisis situations, the arrangement’s stepwise expanded safety net was still very weak. It was never used and additionally lacked independent surveillance. The CMI’s swap agreements being linked with IMF monitoring and conditionality, reveals continuing American structural power but also the continuing need for global institutions to provide the functional necessities of such an arrangement.

Since 2005, the structure of the arrangement has constantly been re-negotiated. After a

long period of difficult bargaining and stepwise reforms, the ASEAN+3 member countries finally agreed in 2009 to turn the CMI into a self-managed regional reserve pooling agreement. The solutions which the CMIM provides for the leadership dilemma and the overall balance achieved represent a watershed in regional cooperation and a remarkable stabilization of the ASEAN+3-Asianism based on financial regionalism. Compared to other “community proposals” the CMIM embodies the most advanced and relevant “East Asia”-Asianism so far. For the first time, consciously negotiated discrimination and hierarchy have been institutionalized in a policy field so closely related with national security considerations. With the establishment of the regional surveillance unit AMRO in 2011, East Asian practice in defensive financial regionalism will reach a new degree of coherence and institutional visibility beyond summits and meetings. Given the desire and potential to gradually delink from the IMF, the CMIM could become a key building block of a more decentralized international financial architecture. An IMF communiqué released in October 2010 signals how important it now seems to be for the Fund “to cooperate with regional financial arrangements.”<sup>32</sup> Experts ponder how to square the cycle of creating regional economic and monetary institutions that are autonomous and linked to their global counterparts (Lombardi 2010, Rana 2010).

Whether the ongoing global financial crisis will have centrifugal or centripetal effects for financial regionalism in East Asia is still an open question. The European experience with its monetary union caught in a sovereign debt crisis could significantly dampen enthusiasm for deeper financial and monetary cooperation in Asia (Beeson 2011: 371). Opinions on the future of East Asian financial regionalism will remain divided. Rana (2011) contends, that “the establishment of the AMRO now and the CMIM last year has quickened the journey towards the AMF”, while the head of the surveillance unit argued that “AMRO is still far from this goal” (Wei 2011). Cohen (2011) concludes that also the “CMIM is largely of symbolic value, and that it signals little more than a minimal spirit of comity.”

In this paper, I have tried to demonstrate how the developments leading to the CMIM have materialized at minimum an influential and viable “East Asia”-Asianism embodied in financial regionalism. Maybe it is now, that *East Asian financial regionalism* is the idea whose time has come (Katzenstein 2000: 361). Based on its potential security function and successfully negotiated internal discrimination, the recent institutionalization of CMIM could prove to be a highly significant step towards a however fragile East Asian community. Perhaps one day East Asia will come up with a less crisis-prone construction of financial regionalism than the Europeans.

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<sup>32</sup> The communiqué is available at: <http://www.imf.org/external/np/sec/pr/2010/pr10379.htm>. With newspapers in Korea now heading “IMF to consider linkage with Regional Financial Arrangements”, the world seems to have turned around (<http://news.mk.co.kr/english/newsRead.php?rss=Y&sc=30800011&year=2010&no=623069>).

## Annex

### *ASEAN+3 Finance Ministers Meetings and their agreements related to the Chiang Mai Initiative Multilateralization*

ASEAN+3 Finance Ministers Meetings	Results
8th APT FMM (Istanbul), May 2005	Announcement to strengthen efforts of regional surveillance and to research possible paths towards multilateralization
9th APT FMM (Hyperabad) May 2006	- “Second Phase of the CMI Review” - Collective decision-making adopted - Strong statement directed at International Financial Institut.
10th APT FMM (Tokyo), May 2007	Agreement „in principle that a self-managed reserve pooling arrangement“ is the „appropriate form of multilateralization“
11th APT FMM (Madrid), May 2008	Agreement on - Amount: US\$ 80 billion at least - 80/20 between „+3“ and ASEAN
12th APT FMM (Bali), May 2009	Agreement on „all the main components“: - definition of aims - attached table with precise contributions - surveillance unit to be established as soon as possible - broad decision-making procedure
<b>March 2010 Chiang Mai Initiative Multilateralization (CMIM) becomes officially effective</b>	
13th APT FMM (Tashkent) May 2010	Announcement to locate AMRO in Singapore and establish it in spring 2011
14th APT FMM (Bali) May 2011	- Announcement of the new head of AMRO (Wei Benhua) - instruction to review Ammo’s organizational capacity - commission of a study to strengthen legal status

Sources: ASEANWEB press releases (<http://www.asean.org/19832.htm>), NEAT (<http://www.neat.org.cn/uploadfiles/2008031702023316.pdf>)

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