

## **Are We a Step Closer to an Asian Monetary Fund?**

**Akkharaphol Chabchitrchaidol**

**Team Executive**

**International Economics Department**

**Monetary Policy Group**

In line with the traditionally subdued demeanor of central bankers and government officials, Asean+3 Finance Ministers last week issued a joint statement on the sidelines of the Asian Development Bank's Annual Meeting in Hanoi, vowing to support the operations of the Asean+3 Macroeconomic Research Office (AMRO) and its newly appointed director.

Across Asia, much faith has been entrusted with AMRO, which is intended to serve as a main surveillance mechanism to complement the US\$120-billion (Bt3,630 trillion) fund jointly established by the 10 Asean countries, China, South Korea and Japan. The fund itself, more commonly known as the Chiang Mai Initiative Multilateralisation (CMIM), was created as an alternative financing option for countries facing emergency currency or balance of payments crises, such as that which hit Asia in 1997. The AMRO office is meant to equip the CMIM with a dedicated surveillance mechanism that will eventually diminish - if all goes according to plan - the CMIM's current dependence on the IMF for its surveillance needs.

In the past, attempts to create an Asian monetary fund-type of institution have been plagued with concerns over whether it would be just a pool of cash without a supporting economic surveillance function. In that case, such a fund would merely be an outlet for easy money, without the harsh conditions on domestic policy that would typically be imposed if financial assistance was obtained from the Washington-based IMF. This led to fears by some that Asia would conduct profligate economic policies, without having to go to the IMF should a crisis occur. In other words, moral hazard could be allowed to run unchecked at a regional level.

The recent crisis has proved that Asia has not only been competent in its policies, but also very prudent. The establishment of AMRO is a further step to reassure the world that it should be confident in Asia's policies. In order to do so, however, AMRO itself needs to prove that it is serious in conducting straightforward economic surveillance of members, in pointing out inappropriate policies, and in calling the shots when asked whether a country should be eligible for CMIM cash. To head this office, ASEAN+3 countries agreed to appoint Wei Benhua, a former top official from the People's Bank of China who has held high ranking posts at the ADB as well as the IMF, for Asia's newest top monetary post.

The challenges facing the new office are many. AMRO needs to establish a degree of credibility that is on par with its well-established competitors - international organisations which include the IMF, the World Bank and the ADB, as well as the think-tanks and research houses that conduct economic research - albeit on a shoestring budget and a skeleton staff. AMRO needs to be able to operate independently and without political pressure, standing ready to criticise policies of all the CMIM members, should circumstances require. These represent challenges not only to the new director; it is the credibility of the AMRO office, as well as the credibility of the region as a whole and its ability to self-manage and conduct economic surveillance, that is at stake.

---

**(The views expressed in this column are the writer's own.)**

**Published in the Nation on Monday, May 9, 2011**