

Multilateralism in East Asia: Analysis of Chiang Mai Initiative (CMI) within ASEAN+3 Framework

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Abstrak

Sektor finansial merupakan sektor kerjasama yang paling intensif di dalam ASEAN+3. Penandatanganan *Chiang Mai Initiative* (CMI) pada Mei 2000 dan kemudian diperluas melalui *Chiang Mai Initiative multilateralization* (CMIM) atau *Common Fund Agreement* pada bulan Mei 2009, menandakan sebuah babak baru dalam relasi antara negara-negara tersebut dan juga dalam perdebatan akademik mengenai multilateralisme dan regionalisme di wilayah Asia Timur. Makalah ini menganalisis CMI dalam konteks multilateralisme, bukan dengan cara membandingkan dengan Uni Eropa misalnya, akan tetapi dari segi prinsip-prinsip multilateralisme itu sendiri sebagaimana diformulasikan oleh John Gerard Ruggie.

Kata kunci : Chiang Mai *initiative*, multilateralisme, regionalisme, ASEAN +3

Introduction

The ASEAN+3 framework (China, Japan, and the Republic of South Korea)² has broadened and deepened in many areas of cooperation (20 areas). It ranges from political cooperation and security to youth and women. Researchers have been debating whether ASEAN+3 can be considered as multilateralism in East Asia or not (See Acharya 2008, Liu and Yan 2004, Mahbubani 2008,

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2 Although many discussion on whether East Asia Community should include Australia, New Zealand, and India as stated in the first East Asia Summit (EAS) in 2005, ASEAN+3 has being considered as the main vehicle for East Asian regional integration and carrying out many cooperative activities compare to EAS.

see also the concept of soft institutionalization in Qin 2007). The signing of the Chiang Mai Initiative (CMI) in May 2000 and then its extension-Chiang Mai Initiative Multilateralization (CMIM) or Common Fund Agreement in May 2009- has brought new discussion to the debate. CMI is one of cooperation within ASEAN+3 framework in term of finance and monetary.³ This paper wants to address the question: to what extent CMI within ASEAN+3 framework can be considered as multilateralism in East Asia?

Several studies on East Asian multilateralism have tried to compare ASEAN+3 to European Union (EU) as a model for regional cooperation (See for example Baldwin 2003 and Stubbs 2002). But it is important to focus the discussion on the definition and criteria of multilateralism itself. It should not make conclusion only by comparing the CMI with the European Monetary Cooperation Fund (EMCF). Multilateralism has indeed existed in many different forms long before the formation of EU.

ASEAN is considered different with EU in term of institutionalization process. ASEAN has characteristic of informal agreement, lack of binding rules and procedure in its process than to EU. ASEAN focuses on trust building and maintain good relations. Qin Yaqing called ASEAN style as soft institutionalization (Qin 2007). This different style does not imply that ASEAN is not multilateralism. John Gerard Ruggie defines multilateralism as the practice of coordinating relations among three or more states in accordance with certain principles (*Multilateralism Matters: The Theory and Praxis of an Institutional Form* 1993, 8). The "certain principles" are the key point that differentiates multilateralism with bilateralism. It is not differentiated by the number of states as Keohane described (*Multilateralism: An Agenda for Research* 1990, 755). Those principles of multilateralism are non-discriminatory, indivisibility and diffuse reciprocity.

The paper will examine whether CMI has those principles. Section 2 after the introduction will present briefly the CMI. This will be followed by Section 3 which consists of 3 parts. Part 1 will examine the existence of non-discriminatory principle, part 2 will examine the principle of indivisibility and part 3 will deal with the principle of diffuse reciprocity. Section 4 is the conclusion that will answer whether CMThe importance of this study is also to understand the condition of peace in East Asia after the Cold War especially after Asian financial crisis. Mahbubani stated that Asian financial crisis was predicted as fuel of conflict between East Asian States (79). As in the early 1980, Ruggie argued that multilateralism was crucial to the stability of relations among states in the West after second World War. An extended period of cooperation and economic growth among states in Europe, US,

3 Chiang Mai Initiative (CIM) which launched together Asian Bond Market Initiative (ABMI) was signed after Asian Financial Crisis.

Japan and some of other Asian states are made possible by multilateral arrangement of Bretton woods (Griffiths 1999, 197). If this study concludes that CMI is multilateralism, it will contribute to the previous studies on the role of APT in East Asia peace building.

This paper uses the constructivist approach of Ruggie. Ruggie gives strong critique to the realist approach who neglects the importance of institutionalization process in international relations. The interaction between states helps them to institutionalize certain rules of behavior and conducts. These rules later on guide them how to behave toward each other. International relations are not merely the struggle of power between states in the anarchical system. In this respect, Ruggie perspective is in line with the liberal institutionalist such as Goldstein and Keohane.

Despite of the agreement on institutionalization aspect of liberal institutionalist, Ruggie criticizes the nominal aspect of institutionalization from Keohane. As mentioned before, it is not the number of states who interact determine relations between states as multilateralism or bilateralism, but the existence of certain principles. Ruggie also criticizes Keohane in the neglect of ideational factor in the institutionalization processes. Keohane only focus in the mutual interest between states, while Ruggie stresses the importance of idea in transcending their national interest. The role of ideas in international relations will be presented in the discussion concerning diffuse-reciprocity principle.

Chiang Mai Initiative (CMI)

In ASEAN+3 annual meeting in Chiang May, Thailand, May 2000, financial ministers of ASEAN+3 member states, agreed in principle to pool their hard currency resources. This multilateral currency swap arrangement was called as Chiang May Initiative (CMI). CMI was a response to the 1997-1998 Asian financial crisis.

There are three tracks of cooperation in the agreement: currency swap, surveillance and early warning system for future financial crisis, and exchange views among the ASEAN+3 members on reform needed to international financial structure (Stubbs 2002, 449-450). Currency swap is an agreement to exchange one currency for another and to reverse the transaction at a date in the future. It builds the expanded intra-ASEAN US\$ 1 billion standby swap arrangement. Miyazawa Initiative put in place by Japan in the late 1998 to assist Asian countries. The surveillance and early warning system will be in form of exchange of information on short-term capital movements in East Asia. It will make governments aware of potential problems. The last track will become the basis for recommendation to international forums on the international financial structure reformation.

CMI in the first stage combined the previous ASEAN Swap Arrangement (ASA) and new Bilateral Swap Arrangement (BSA). The ASA started in 1977

which allowed ASEAN members to exchange local currency for US dollars on a short term basis to alleviate “temporary international liquidity problems.” BSA is a network of new bilateral agreements consists of 30 agreements between the 3 States (Japan, China, South Korea) and each 5 ASEAN members (Malaysia, Thailand, Indonesia, The Philippines, Singapore), plus agreements among the 3 states themselves.

Table 1.
Bilateral swap agreement under Chiang Mai Initiative

Countries	status as of July 2002	Amount (billion of dollars) ^a	Currency
Japan-South Korea	signed July 4, 2001	2	Dollar-won
Japan-Thailand	signed July 30, 2001	3	Dollar-Baht
Japan-Philippines	signed August 27, 2001	3	Dollar-peso
Japan-Malaysia	signed October 5, 2001	1	Dollar-ringgit
China-Thailand	signed December 6, 2001	2	Dollar-baht
Japan-China	signed March 28, 2002	3	Yen-renminbi
South Korea-China	signed June 24, 2002	2	Dollar-renminbi or dollar-won
South Korea-Thailand	Announced, not signed	1	Dollar-baht or dollar-won
South Korea-Malaysia	expected 2002	[1]	Dollar-ringgit or dollar-won
South Korea-Philippines	expected 2002	1	Dollar-peso or dollar-won
Japan-Singapore	in progress	[3]	Dollar-Singapore dollar
China-Malaysia	in progress	[1]	Dollar-ringgit
China-Philippines	in progress	[1]	Dollar-peso
Japan-Indonesia	in progress	[3]	Dollar-rupiah

a. Brackets indicate provisional figures

Source: http://www.pii.com/publication/chapter_preview/345/3iie3381.pdf

CMI has become a framework for ASEAN+3 member states to make contract between themselves bilaterally. All arrangements generally swap US dollars for local currency. For instance, Japan and Thailand contracted swap agreement in certain amount of US dollar against Thailand Baht and so on. Only one exception which is Japan and China contracted in Yen-Renmimbi . If a state wants to withdraw a necessary amount of money from more than one source, the state must negotiate individually with each of the swap providing counterpart.

This arrangement is being criticized because of its structural weaknesses in terms of transparency and efficiency in the operation. In order to address the crisis in the future, the swap arrangements must be readily available to

allow time disbursement. In order to meet such need, the CMI must be carried out under a multilateral operational framework (Asami 2005, 20).

The Multilateralization of CMI (CMIM) or Common Fund⁴ in February 2009 has transformed a network of CMI bilateral currency swap arrangement between the members, valued \$78 billion, into a single \$120 billion pool of funds committed by the members. This was the second stage of CMI. Under this Common Fund Agreement, member states could swap their respective currencies with US dollars for an amount up to the participants contribution multiplied by respective purchasing multiplier as provided.

The arrangement was proposed to convert BSAs into single contract of common fund. This essentially replicates the model of reserve pooling of the European Monetary Cooperation Fund (EMCF). This is meant to be legally binding and enforceable contract, which would give effective protection to participating members (Park 2009, 52).

4 Formerly called as Self-Managed Reserve Pooling Arrangement (SRPA) and then in Finance ministers of ASEAN+3 meeting in Phuket, Thailand on 22 February 2009 has acquired new name: Chiang May Initiative Multilateralization (CMIM). The informal name is common fund agreement. The informal name, common fund will be used through out the paper to avoid confusion.

Table 2.
CMIM (Common Fund) Contributions and Purchasing Multiples

	Financial contribution		Purchasing Multiple
	USD (billion)	(%)	
China	38.40	China (Excluding Hong Kong, China) 34.20	28.50 0.5
		Hong Kong, China 4.20	3.50 2.5
Japan	38.40	32.00	0.5
Korea	19.20	16.00	1
Plus 3	96.00	80.00	-
Indonesia	4.77	3.97	2.5
Thailand	4.77	3.97	2.5
Malaysia	4.77	3.97	2.5
Singapore	4.77	3.97	2.5
Philippines	3.68	3.07	2.5
Vietnam	1.00	0.83	5
Cambodia	0.12	0.10	5
Myanmar	0.06	0.05	5
Brunei	0.03	0.02	5
Lao PDR	0.03	0.02	5
ASEAN	24.00	20.00	-
Total	120.00	100.00	-

* Hong Kong - China's purchasing is limited to IMF de-linked portion because Hong Kong - China is not a member of the IMF

Multilateralism Principle in CMI

The three generic principles of multilateralism-nondiscriminatory, indivisibility, and diffuse reciprocity-within CMI will be analyzed through out this section. Those principles will be analyzed within the three tracks arrangement in CMI. Nondiscriminatory principle will be analyzed in currency swap track, indivisibility principle in surveillance mechanism track, and diffuse-reciprocity principle in the mechanism of view exchange on regional and international financial structure reformation track.

Those three principles are actually difficult to be separated from one another. The same thing happened in term of the three tracks of CMI. Each tracks can be analyzed with all principles because they have all elements related

to all principles. This theoretical framework is built by focusing the principle which is dominant in each CMI tracks. Only additional remarks in certain small extent will be added to give us a clear view on the interconnectedness of all principles and all tracks.

1. The Non-Discriminatory Principle in CMI

In this part, the analysis of the nondiscriminatory principle in CMI will focus on the first track of CMI that is the currency swap arrangement track. This arrangement was dealing with the membership, contributions and also right of states within the CMI. It is the reason that nondiscriminatory principle is discussed in the currency swap track.

Nondiscriminatory principle means that states should carry out their treaty obligations without any contingencies or exceptions based on alliance, or on idiosyncrasies of the circumstances at a hand or on the degree to which national interests are perceived to be at stakes. The example of non-discriminatory principle in economic realm is the obligation of every member of GATT (and then its successor, WTO) to extend to all members the status of most favored nation (MFN). In security realm, it is the requirement that states respond to aggression whenever and wherever it occurs whether or not any specific instance suit their individual likes and dislikes.

The Common Fund of CMI suits the nondiscriminatory principle of Multilateralism. This has broadened the participation in regional financial facilities beyond the eight countries that presently have BSAs. It has included Lao PDR, Cambodia, Vietnam, Burma/Myanmar, and Brunei in the process for the first time.

Under this arrangement all member states of ASEAN+3 have to contribute to the currencies pool in certain amounts. Japan, China and South Korea contribute 80 percent of the pooled funds. Five ASEAN nations, Indonesia, Thailand, Malaysia, Singapore, and the Philippines – each contribute \$4.77 billion (3.97 percent). Vietnam pools \$1 billion (0.83 percent), Cambodia \$120 million (0.1 percent), Myanmar \$60 million (0.05 percent), Brunei and Lao PDR. \$30 million (0.02 percent) each (The Jakarta Post 2009, 1).

On the other hand, each of ASEAN+3 member states has the right to swap its currency for dollars according to the agreement mentioned without having the obligation to undergo any bilateral negotiations as in BSAs agreement. There are differences in the amount of the states contribution but still it is under the same agreement without any exclusion. Japan, which contribute the most to this arrangement with \$38.4 billion or 32 percent of the total funds, and gets a 0.5 purchasing multiple, can swap its yen up to \$19.2 billion. Indonesia, with \$4.77 contribution, get purchasing multiple of 2.5, can swap rupiah up to \$11.93 million.

But, it is not enough to conclude the existence of nondiscriminatory principle without discussing the principle in the light of national interest of states. One of important thing is to look the existence of dual-frameworks

CMI Common Fund was planned to become fully multilateral framework. Although it gives more structural benefit, ASEAN+3 member states prefer use BSAs in CMI. This can be explained due to the risk when there is a disagreement among ASEAN+3 member states in using the fund in CMI common fund collectively. State pairs might retain the option to activate bilateral swaps in crisis.

This is the reason why there was a long debate among ASEAN+3 member states to include Lao PDR, Cambodia, Vietnam, Burma/Myanmar, and Brunei in CMI common fund arrangement. ASEAN+3 had difficulties to agree on how large of common fund extension. The difficulties largely correspond to differences in their size, economic development and structure, external trade and investment relations, and political institutions, among other factor (Henning 2009, 5). To include Burma/Myanmar is politically a problem for other ASEAN members.

Nondiscriminatory principle in its full manner (only use the CMI common fund) will risk ASEAN+3 member states to be trapped in long and complicated decision making process. This will jeopardize their national interest in the face of financial crisis. Henning states that coexistence of common fund (nondiscriminatory) and BSAs (discriminatory) could facilitate agreement on joint decision making by reducing the risk that adopting a supermajority or unanimity decision rule that would block disbursements in crisis (6).

This is different with MFN which is pushed into practice through constant negotiations. CMI will unlikely retire all its BSAs arrangement in the future. CMI will unlikely expand its nondiscriminatory principle to its entire frameworks and practices.

2. Indivisibility Principle in CMI

This part of section 3 will focus on indivisibility principle of multilateralism in the second track of CMI, the surveillance mechanism. First it will discuss what is meant by indivisibility principle according to Ruggie and then will discuss the formation of collectivity of ASEAN+3 member states in the historical process of CMI surveillance mechanism formation. This part will end by the analysis whether surveillance mechanism of CMI has provided indivisibility principle for ASEAN+3.

According to Ruggie the indivisibility can take many different forms, ranging from physical ties or railways lines that the collectivity choose to standardize across frontiers, all the way to the adoption by the states the premise that peace is indivisible (11). In the context of military cooperation, states are required to meet their commitments to all states in collective security agreement. Griffiths adds that for multilateral security regimes, this refers to the requirement that peace be regarded as indivisible for and by each signatory to the treaty (196). The indivisibility of Peace is a social construction

and not technical condition. Ruggies said that states *behave as though that* peace were indivisible, and thereby make it so (16).

NATO is the ideal type of indivisibility principle in which a subset of states organized a collective self defense scheme of indefinite duration, *de jure* against any potential aggressor though *de facto* against one. Nevertheless, internally the scheme was predicated on the indivisibility of threats to bring collectivity together with the requirement of an unconditional respond.

Ruggie gives an example of the concert of Europe, which also exhibited elements of multilateral form. The concert version is characterized by the dominance of great powers; decisions are taken by informal negotiations and consensus, and no specification of the mechanism for implementing collective action. This is why concert also put in the collective security arrangement. A concert nevertheless is predicated on the notion of all against all. This is the indivisibility of peace among the member of concert and their nondiscretionary obligation to respond to acts of aggression (*Ibid.*).

In the context of CMI, it can be analyzed in the same way. Has it formed an indivisibility of financial relation among ASEAN+3 member states or not? Richard Stubbs stated that Asian Financial Crisis has become a major catalyst in institutionalizing the new arrangement (CMI). First, it added to the sense of common history that has emerged in the region. Secondly, it demonstrated the ineffectiveness of APEC (Asia Pacific Economic Cooperation) and ASEAN. Thirdly, a clear consensus has emerged in the region that the International Monetary Fund (IMF), in conjunction with the U.S government, initially misdiagnosed the problem and chose to impose a set solution that only served to exacerbate the situation (9).

Asian Financial Crisis happened due to the lack of coordination and collaboration between ASEAN+3 member states. Even not all ASEAN+3 member states directly affected by it, nearly every government felt its reverberations and had to deal with the fallout from the crisis(*Ibid.*). The crisis was very contagious. Asian Financial Crisis erupted in July 1997 when the Thai government was forced to abandon the fixed exchange rate regime to adopt a flexible exchange rate, resulting in substantial depreciation of the Thai Baht. This crisis affected the depreciation of Indonesian rupiah and Korean won simultaneously.

There is change in the thinking among both political and business leaders in Northeast Asia and a growing realization of the urgent need for the creation of formal regional mechanism to deal with any similar crisis in the future and to maintain the economic growth of the region (Chai 2001, 11). China, Japan, and South Korea realized that they need to develop their institutional connections between them for a better cooperation in economic issues and also the need to increase investment and trade with ASEAN members. Richard Stubbs adds that the economic health of ASEAN members was very much of the the 3 states interest. And for many ASEAN members

the crisis underscored the benefits of establishing formal economic links to the more developed economies of Japan and South Korea and the dynamic market of China as a means of facing any possible future crisis (10).

The construction of CMI in the ASEAN+3 framework has built the sense of solidarity among ASEAN+3 member states in term of economic and trade especially in financial sector. And by the set up of common fund arrangement, it has marked new development in term of indivisibility principle of multilateralism. Surely, future problem on one member's financial structure, will be a threat to all members.

It is important to analyze how the ASEAN+3 perceive and formalize their indivisibility. It means how they coordinate and collaborate their action with the same foundation to face the problems, especially financial crisis. The second track of CMI, the surveillance system is the indicator of how they arrange the financial coordination and collaboration in a single unit, in an indivisible unit.

The surveillance system can be discussed into 3 its important parts. First, the ASEAN+3 launched a regional surveillance mechanism called the Economic Review and Policy Dialogue (ERPD) in April 2002. This was planned to be the mechanism of providing information and analysis that would permit the identification of financial and economic vulnerabilities among members and provide a foundation for regionally defined conditionality in the event that CMI in term of BSAs and also common fund were called upon (Henning 2009, 3).

ERPD was a compromise between China and Japan. In November of 2001, a Japanese Ministry of finance backed a proposal for surveillance facility at CMI which then rejected by China. China lead to a creation of a less formal mechanism, ERPD. In April 2005, participation in the ERPD process became a condition for release of funds from CMI. At the meeting in Bali, Indonesia in 2009, they agreed to establish an independent regional surveillance unit to monitor and analyze regional economies and support CMI decision making. As a start, there would be an advisory panel of experts to work closely with the Asian Development Bank and the ASEAN Secretariat. But despite such strengthening the ERPD is still incapable of providing the level of economic surveillance (Rathus 2009, 2).

Secondly, it concerned with policy adjustment and conditionality. This also one of problems that ASEAN+3 member states still do not agree. Policy conditionality of IMF at the previous financial crisis proved to be the most contentious and resented aspect. Still there are no strict regulations on how a member state has to adjust its policy when facing financial crisis.

The third is the governance body in a permanent secretariat. By setting up of common fund, CMI mechanism needs to operate within a permanent secretariat. Prior to multilateralization, the CMI process as a network of BSAs did not require a secretariat. It is unlikely that the option for the CMI

secretariat within the ASEAN secretariat, but it is unlikely that ASEAN can provide the technical elements required. In December 2008, they met and tried to locate the CMI secretariat, but there was no conclusion yet to be reached. It is an important decision, because it will affect the locus of regional economic cooperation more broadly (*Ibid.*).

The surveillance mechanism should identify economic vulnerabilities and desirable policy adjustments for the states under review. CMI still has problems concerning with its informal economic surveillance, unclear policy conditionality, and the question of the CMI secretariat location.

The problem in establishing CMI surveillance mechanism is due to the strong noninterference principle in the history of ASEAN particularly and the 3 states relations in general. The politically established principle of noninterference to other member's affairs, peer pressure or policy coordination constitutes limitation to the effectiveness of the surveillance process of CMI (Asami,14). The discussion in Section 3.1 on currency swap, stated that ASEAN+3 member maintain BSAs outside common fund. BSAs relatively support the resentment of ASEAN+3 member states of the interference from other member states or regional institutions. It can be said that common fund is a form of indivisibility or solidarity and BSAs is form of flexibility. ASEAN+3 member states might well place a higher value on flexibility than on solidarity (Henning, 6).

ASEAN+3 also finally agreed that the decision making process within CMI should be made on the weighted-voting system, similar to IMF. Despite of any adjustments made, it is clear that China and Japan will together be able to approve, or block, any application of CMI. With this kind of decision making, if we use the collective security model mentioned above, CMI will likely to be a concert in term of financial arrangement in East Asia. It is due to the role of great (economic) powers, the informal negotiations and consensus-based decisions, and the lack of clear formal rules in the arrangement.

The indivisibility principle in CMI surveillance mechanism is still in process. In the case of the EU, a multilateral surveillance mechanism did not work until the early 1990s, although the origins of multilateral surveillance can be traced back to the 1970s.

3. Diffuse-Reciprocity Principle in CMI

The last principle of Multilateralism according to Ruggie is the diffuse-reciprocity. It means that joint participation has to take place over an extended period of time. In diplomatic practice, reciprocity can be differentiated in to specific reciprocity and diffuse reciprocity. While the concept of specific reciprocity leads to simultaneous exchange or one with strictly delimited sequence (simultaneity), diffuse-reciprocity provides mutual benefits sequentially (Bolewski 2007, 45).

Through consistent of cooperation, states generally accepted standards of behaviour. These standards exert their own normative pressure on state action, contributing to the development of long-term obligations between states which stress cooperation. Thus, in a system of diffuse-reciprocity, according to Keohane states do not need to seek the intermediate benefit guaranteed by specific reciprocity, but act in the confidence that their cooperative actions will be repaid in the long run (*Reciprocity in International Relations* 1986, 145).

The long-term participation and not single shot of interaction become the basis for, anticipation about the longer-run of the functioning of the collective. In other words, Griffiths said that states extend what is sometimes called "the shadow of the future". The interaction of states in multilateral setting also helps states to transform their sense of self-interest (196).

There is important point that we can use from discussion above. It can be said that in order to understand the diffuse-reciprocity principle in CMI, we should analyze two aspects in CMI: the accepted standard of behavior and the transformation of states in a sense of self-interest, especially in the mechanism of exchange view on regional and financial structure reformation.

The standard of behavior can be found in the set of rules that govern states in CMI arrangement. It already discussed in first and second part of this section concerning the nondiscriminatory and indivisibility principles. The rules in CMI is far from developed and formalized. There are already rules concerning with the contribution of each state and also their rights, but still consensus is the most important decision making to determine whether some states has the right to activate the common fund in CMI and on what terms.

The rules of how states should behave both before and after the financial crisis are also not yet settled. The difficulties of surveillance mechanism to penetrate in domestic matters of each states is the main obstacle. The rules concerning what states should do in order to recover from crisis in term of policy adjustment is not yet agreed, due to the resentment of the member states. ASEAN+3 member states are not yet having total trust in the CMI mechanism, especially in term of its surveillance mechanism. It can be said that CMI is far from having the accepted standard of behaviour which is important aspect in diffuse reciprocity.

On the other hand, the BSAs of CMI has relatively well developed mechanism; for example, in the question of term. Beyond the first 20 percent of the swap, borrowers could originally activate on 90-day basis, renewable seven times, at increasing increment over Libor. The surveillance mechanism is based on the judgment of the lender. The policy adjustment also negotiated between the pair states involved in the BSAs. The lender will activate the BSA on the compensation that agreed by the borrower. The agreement of BSAs in CMI between the lender and the borrower can be considered more as specific reciprocity than diffuse reciprocity.

Trust building in collective collaboration is not only built from formalized set of rules. It is also built from the interaction between members. The exchange view between ASEAN+3 member states on financial structure reformation through CMI third track is important to discuss. Has the exchange view between them has transformed their sense of self interest?

As discussed before, Asian Financial Crisis has brought new perspective in the mind of ASEAN+3 member states (see page. 7). Asian Financial Crisis actually was not only important as a material fact or factor. The most important thing is the ideational factor of Asian Financial Crisis. The same crisis can be seen as reason for protectionist policy or “behind its fortress policy”. Financial crisis also can be seen as reason for war. Yet, the opposite of those were chosen by ASEAN+3 member states. They prefer to think that they are in the same boat with common history. They chose to think that there is no reason for not cooperating. This is the ideational factor of the financial crisis according to Ruggie (*What Makes the World Hang Together? Neo-utilitarianism and the Social Constructivist Challenge* 1998). For comparison, British nuclear capabilities were a very different social fact (in term of ideational factor) for United States from Soviet nuclear capabilities [Wendt 1994, 384(6)].

There was a swift on how they perceived its own interest and other interest. In term of financial interest, the stability of others has becoming their interest. It is interesting to see the changes of view of the member states, especially China concerning cooperation. China has been known for its preference on bilateral ties than multilateral, but since 1990s, China has changed its view ranging from security issue to the most intensive regional meeting on financial and economic issues. (Kornberg & Faust 2005, 171).

Mahbubani stated that there are some progresses to note in regional role of China, especially its relation toward other East or East Asian Countries. When US and EU turn its back from East Asian countries after Cold War especially in time of financial crisis 1997-1998, China help those countries by refused to devalue its currency, maintaining a rate 8.3 renminbi to US\$1. As it had done by 33 percent in 1994, that would have made China’s exports less costly and also undermined efforts by affected ASEAN countries to restore their economies. In addition, China gave economic assistance more than US\$1 billion to Indonesia and another US\$1 billion to Thailand, the two countries most affected by the crisis (229). China has seen its interest laid in the stability of other states.

The success of CMI framework in putting 13 countries in regular meetings is important to note. This is especially due to the hostility relation between ASEAN+3 member states. The relation between Japan, China and South Korea can not be considered as in good relations. They hardly talk to each other. There is mistrust, competition and deep misunderstanding between Japan and China. The number of Chinese people who have friendly feelings toward Japan has declined sharply since the end of 1980s; and same

thing happened in Japan. Japan and China has most share in CMI common fund and this has forced them to cooperate. Japan and China has learned to cooperate within CMI framework ranging from the discussion of the amount of share from each state in Common Fund to surveillance mechanism issues. Japan and China has learned to put aside their rivalry and seen the financial stability of East Asia as their common interest.

It is also interesting to see the diverse ideological background and ideological rivalry between the ASEAN+3 member states. There is division between the noncommunist ASEAN, South Korea and Japan and communist Indochina, China and North Korea. As Mahbubani said that the history also told us the hostile relation between those states and it can be traced back from the beginning of World War II or further, the invasion of Japan to Manchuria and then to China mainland latter on, Korean War, Japan colonization in Southeast Asia. During Cold War, China supported many communist movements in those countries to overthrow the regimes in South East Asia (*Ibid.*)

It is remarkable to see communist states such as China and Vietnam has joined in the CMI. It is also important to mention the contribution of small and poor states such as Cambodia, Burma/Myanmar in CMI arrangement. This can be explained by the interest of those states for recognition as an actor from others (Wendt, 2). Vietnam, Cambodia, Burma/Myanmar, and also Lao PDR have transformed its interest above and beyond the survival through brute force.

Although CMI lack of formalized set rules or standard behavior, the constant meeting between the ASEAN+3 member states has contribute on their view of their own interest and others. Qin Yaqing called this as soft institutionalization, which pays great attention to process maintenance and trust building, due to the lack formal institutions to sustain its consensus, and then contribute to difficulties in implementation of CMI decisions and important measures.

There have been constant discussions on the role of IMF in the respect of their interests. As stated in the CMI agreement that ASEAN+3 member states has common intention to contribute the reformation of international financial structure. It started with the common resentment to the IMF after Asian Financial Crisis. Richard Higgott said this as politics of resentment (Higgott 1998).

Related to the linkage to IMF, CMI in the first stage arranged that borrowers can draw up 20 percent of their swaps prior to agreeing on an IMF program, including required policy adjustment. Several borrowers would like to see this linkage reduced; the 13 member states were committed to reviewing the link periodically.

It is not important to go further detail on ASEAN+3's proposals in CMI arrangement for IMF reformation. But it is important to see how the

member states perceived their financial interest in the context of regional and international financial structure. Certainly, there are always individual motive in their effort to reform the regional and international financial structure, but there are also many options to pursue state financial interest outside cooperation. Unilateralism is always possible. CMI with its third track of exchange views on financial structure reformation, has marked a new swift on how the ASEAN+3 member states pursue their own financial interest. This is the indicator of the existence of diffuse-reciprocity in the CMI.

Conclusion

It is difficult to answer the question whether CMI in ASEAN+3 framework has suited the definition of Ruggie on multilateralism. The difficulties lay on the mixture of both multilateral and bilateral principles in CMI arrangement especially each of its tracks. The nondiscriminatory principle of multilateralism exists in the first track of CMI on currency swap. The involvement of all ASEAN+3 member states within the CMI common fund which was signed in the April 2009 after almost a decade of CMI process, is a clear indicator of nondiscriminatory principle. But by maintaining the BSAs outside common fund arrangement has put CMI in ambiguous position concerning this principle. BSAs mostly suited the discriminatory principle of bilateral framework. CMI has both nondiscriminatory and discriminatory principle in its framework and this will unlikely change in the future.

Asian Financial Crisis and then CMI as the respond of it, have built the collectivity and indivisibility among ASEAN+3 member states. Because of the lack of formal set of rules in governing in its surveillance mechanism track, consensus based decision making, CMI is best defined as a concert model of multilateralism in the respect of indivisibility principle. Japan and China as dominant states will likely determine the process and direction of CMI in the future.

The lack of rules mentioned is the reason to question the existence of diffuse-reciprocity principle in CMI. On the other hand, the constant discussions and exchange view between ASEAN+3 member states concerning reformation of regional and international financial structure have a certain feature of diffuse-reciprocity principle. From several facts, CMI has constituted an ideational factor that transform states sense of interest. There was a swift in the view of ASEAN+3 member states of their interest in wider perspective; in the relation of other states interests and in the relation with the regional and international financial structure.

If we link with findings above to the general question of whether bilateral relations are building block or stumbling block for a multilateral relation, BSA in CMI will be an obstacle or stumbling block for more solid multilateral relation between ASEAN+3 member states. When the process of multilateral arrangement needs member states to give up some of its national interest,

they will tend to avoid it and turn back to the BSAs. The existence of BSAs in CMI will prevent the ASEAN+3 from having a strong institutionalization.

The dominant role played by Japan and China actually can be seen positively as a potential to bring CMI or ASEAN+3 in general to become truly multilateral relations in East Asia. There were proofs of constant tension between states preference on noninterference (state sovereignty) and wider multilateral involvement, especially concerning surveillance mechanism. If Japan and China especially able to give examples to come out from that tension by giving up some of "their financial sovereignty" to strengthen the surveillance mechanism, CMI/ASEAN+3 will have more strong institution. Japan and China should take lead in the formation of set rules in it.

There is always price to pay for having strong multilateral framework. To build strong supranational institution, it needs certain aspect of national sovereignty to be sacrificed, but it does not to be a zero-sum; strong supranational institution or national sovereignty. In certain extent it is possible to have them both. The long process of ASEAN+3 has helped to build trust between its member states. This is the time that ASEAN+3 have to move forward. CMI as the most intensive cooperation in its framework can be its vehicle. BSAs in CMI can still exist for allowing temporary adjustment. But the most important thing to start with is to strengthen the surveillance mechanism system within CMI to become more strong, rule-based and independent. ●

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