

## Asia makes breakthrough in regional financial cooperation

### Special Report: [Global Financial Crisis](#)

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BALI, Indonesia, May 4 (Xinhua) -- The global nature of the ongoing economic turmoil underlines the importance of cooperation between nations. Asian economies have, in this regard, taken a big step forward by finalizing a sizable regional reserve pool plan.

Finance ministers of the ten-member Association of Southeast Asian Nations, China, Japan and South Korea (ASEAN+3) reached an agreement "on all main components" of the so-called "Chiang Mai Initiative Multilateralization" (CMIM) Sunday and pledged to implement it by the end of this year.

In the 120-billion-U.S.-dollar pool many see as the quasi Asian monetary fund, China and Japan are the biggest contributors, each with a commitment of 38.4 billion U.S. dollars.

Sunday's agreement sends a strong message to the world that Asia is willing to act cooperatively and responsibly in the face of the daunting tasks ahead. It is also a showcase of determination and confidence.

The idea of the pool stemmed from the devastation Asian nations suffered from the 1997-98 financial crisis, where the region sank into a deep recession after currencies collapsed in Thailand, Indonesia and South Korea. The losses could have been greatly reduced had there been an anti-crisis emergency facility.

But turning the idea into a tangible mechanism -- and having all the details being agreed upon -- costs Asia almost a decade. State leaders and finance ministers engaged in several rounds of talks on various agenda from individual country's contribution, borrowing accessibility, to the surveillance and decision-making mechanism.

Now, the talk is over. All the major disputes have been settled, and obstacles cleared. Asia is given a big impetus towards getting equipped with the finance first-aid.

According to a statement the ASEAN+3 ministers issued Sunday, the reserve pool is set up on two objectives -- "to address short-term liquidity difficulties in the region and to supplement the existing international financial arrangements."

The first mission is clearly stately and right to-the-point. In times of the financial turmoil, the sizable reserve will greatly empower member nations' abilities to defend currencies and maintain financial stability.

The mechanism will be a boost to smaller Asian economies in particular, as the terms of the mechanism allow them to borrow larger amounts in proportion to their contributions than the more-developed economies.

Moreover, the CMIM is a foundation-laying step for more profound changes of Asia's financial cooperation and reform -- exemplified by a unified Asian currency, as some economists have suggested.

The scheme, however, is not without potential problems. Difficult situations could emerge concerning CMIM's second objective -- to supplement the existing international financial arrangements, as the pool's role overlaps with that of various bilateral currency swap deals and the International Monetary Fund.

More work needs to be done in clarifying terms of borrowing and coordinating conflict interests before the mechanism is fully implemented.

