

立法會
Legislative Council

LC Paper No. CB(1)144/09-10

Ref: CB1/PL/FA

Panel on Financial Affairs
Meeting on 2 November 2009

Background Brief
on Hong Kong's participation in Chiang Mai Initiative Multilateralization

Purpose

This paper sets out the background of the Chiang Mai Initiative Multilateralization (CMIM), a regional financial cooperation initiative agreed by the ten member countries of the Association of Southeast Asian Nations¹, China, Japan and the Republic of Korea (ASEAN+3). It also provides information on Hong Kong's participation in CMIM.

Background

The Chiang Mai Initiative

2. In the aftermath of the Asian Financial Crisis, the ASEAN+3 leaders recognized the need to promote regional financial cooperation and strengthen the self-help and support mechanisms in East Asia. As a start, they agreed in May 2000 to strengthen the existing cooperative frameworks among their monetary authorities through the Chiang Mai Initiative (CMI). The core objectives of CMI are to address short term liquidity difficulties in the region and to supplement the existing international financial arrangements. CMI involves an expanded ASEAN Swap Arrangement that would include ASEAN countries, and a network of bilateral swap and repurchase agreement facilities among ASEAN countries, China, Japan and the Republic of Korea.

¹ The ten member countries of ASEAN are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

The Chiang Mai Initiative Multilateralization

3. At the ASEAN+3 Finance Ministers' Meeting in May 2005, the Finance Ministers agreed upon a number of measures to enhance the effectiveness of CMI as a self-help and support mechanism, including integration and enhancement of ASEAN+3 economic surveillance into CMI framework, clear-definition of the swap activation process and the adoption of a collective decision-making mechanism, significant increase in the size of swaps, and improvement to the drawdown mechanism. They also commenced studies on the possible routes towards multilateralizing CMI and a task force was set up in 2006 to study various options towards an advanced framework of the regional liquidity support arrangement (Chiang Mai Initiative Multilateralization (CMIM)).

4. In May 2007, the ASEAN+3 Finance Ministers unanimously agreed in principle that a self-managed reserve pooling arrangement governed by a single contractual agreement was an appropriate form of multilateralization. In May 2008, they agreed that the total size of CMIM would be at least US\$80 billion, and that the proportion of the amount of contribution between the ASEAN and the +3 countries would be 20:80. The total size of CMIM was subsequently increased to US\$120 billion in February 2009. The maximum amount that each country can borrow is based on its contribution multiplied by its respective borrowing multiplier. In May 2009, the ASEAN+3 Finance Ministers reached agreement on all the main components of CMIM including the individual country's contribution, borrowing accessibility and the surveillance mechanism.

Hong Kong's participation in CMIM

5. According to the Joint Media Statement of the 12th ASEAN+3 Finance Ministers' Meeting on 3 May 2009, Hong Kong's contribution to CMIM is US\$4.2 billion. The amount of contribution for individual ASEAN+3 countries and the borrowing multiplier is summarized in the table at **Appendix I**.

6. Except for a brief report in the paper for the briefing on the work of the Hong Kong Monetary Authority on 21 May 2009, the subject of Hong Kong's participation in CMIM has not been discussed by the Legislative Council or its committees. However, there have been press reports on the subject following the announcement of the amount of contribution for ASEAN+3 countries in May 2009. A number of local press reports on the subject dated 15 May 2009 to 2 June 2009 are attached at **Appendix II** for members' reference.

Recent developments

7. The Administration proposes to brief the Panel on Financial Affairs on Hong Kong's participation in CMIM at the meeting on 2 November 2009.

Relevant papers

8. The joint media statements of the ASEAN+3 Finance Ministers' Meetings are available at the following link:

<http://www.mof.gov.cn/mof/zhuantihuigu/12jiecaizhenghui/lijieshengming/>

Council Business Division
Legislative Council Secretariat
29 October 2009

Chiang Mai Initiative Multilateralization

Amount of contribution and borrowing multiplier of the ASEAN+3 countries

Country	Contribution (USD Billion)		Borrowing Multiplier
Brunei	0.03		5
Cambodia	0.12		5
China	38.4	China (Exclude Hong Kong, China) 34.2	0.5
		Hong Kong, China 4.2	2.5*
Indonesia	4.77		2.5
Japan	38.4		0.5
Korea	19.2		1
Lao PDR	0.03		5
Malaysia	4.77		2.5
Myanmar	0.06		5
Philippines	3.68		2.5
Singapore	4.77		2.5
Thailand	4.77		2.5
Vietnam	1.00		5

* Hong Kong, China's borrowing is limited to International Monetary Fund (IMF) de-linked portion because Hong Kong, China is not a member of IMF.