

banks of 10 members of the Association of South-east Asian Nations (Brunei, Cambodia, Laos, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) plus China, Japan and South Korea, with the purpose of weaving a web of bilateral currency swaps to stave off any future run on their currencies.

The shock of the current global financial crisis impelled the CMI towards more ambitious objectives, including “multilateralising” the existing bilateral currency agreements, and creating a common fund of \$120 billion, with Japan and China providing the main contributions, from which the crisis-stricken countries can draw to battle speculative attacks.

“The Chiang Mai Initiative and bilateral currency swap arrangements set up at the beginning of the year, sent the important message that Asian countries would exercise regional self-help rather than turn to international organisations such as the IMF to deal with any financial crisis,” said Olivier Desbarres, Asia FX strategist at Credit Suisse.

But, arguably this is too little. That \$120 billion is small change compared with the more than \$4 trillion of reserves held by China, Japan and other countries in the region, such as India, South Korea and Singapore.

Speaking at an East Asia summit in Thailand between the 10-member Association of South East Asian Nations and China, Japan, South Korea, India, Australia and New Zealand, he said



Johanna