

Institutionalizing ASEAN+3 Regional Financial Cooperation and the Birth of AMRO

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Introduction — Laying the Groundwork (1997–2006)

Within the Association of Southeast Asian Nations (ASEAN)+3 region, the Asian financial crisis (AFC) in 1997–1998 was a watershed moment. Besides highlighting the danger sudden changes in the direction of cross-border private capital flows and foreign exchange rates play in causing foreign currency liquidity and financial crises, the AFC also prompted regional monetary and financial authorities to consolidate the respective economic policy and financial supervisory framework(s) in their own jurisdiction(s). It also led to the genesis of the ASEAN+3 financial cooperation process.

In December 1998, ASEAN+3 Leaders met in Hanoi and agreed that their Finance Deputies and Deputy Central Bank Governors should meet to discuss financial and macroeconomic matters of concern to the region. The first meetings of the ASEAN+3 Finance and Central Bank Deputies and the ASEAN+3 Finance Ministers took place in March 1999 in Hanoi and May 1999 in Manila.³ In November 1999, the ASEAN+3 financial

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² The authors are previous and current staff of AMRO, respectively. However, the views expressed here are solely those of the authors in their private capacity and do not in any way represent the official views of AMRO nor the ASEAN+3 authorities. The information contained in this chapter is based on public knowledge, publicly available information, the authors' personal observations, or the knowledge the authors had already possessed before working for AMRO. No confidential information they received during their tenure at AMRO is disclosed in this paper. The information provided by AMRO (IO) is explicitly mentioned.

³ The Deputies' meeting exchanged views on ways to monitor short-term capital flows and the international financial architecture. For details, see the Joint Statement of the first ASEAN+3 Deputy Finance Ministers and Deputy Central Bank Governors' Meeting, March 18, 1999, Hanoi, Vietnam (<https://www.amro-asia.org/the-joint-statement-of-the-1st-asean3-finance-ministers-and-deputy-central-bank-governors-meeting-march-18-1999-afdcm-3-ha-noi-vietnam/>). The Finance Ministers did not make a public statement in 1999.

cooperation process was institutionalized following the affirmation of the importance of regular engagements to increase opportunities for cooperation and collaboration, with the aim of promoting peace, stability, and prosperity in the region. Leaders agreed to strengthen policy dialogue, coordination, and collaboration on financial, monetary, and fiscal issues of common interest, reform the international financial architecture, and enhance self-help.⁴

The regional financial cooperation process advanced after the Leaders' announcement. At the ASEAN+3 Finance Ministers' Meeting (AFMM+3) in Chiang Mai in May 2000, the Finance Ministers agreed to establish a regional financing arrangement to supplement existing international facilities to strengthen the region's self-help and support mechanisms.⁵ This was the birth of the Chiang Mai Initiative (CMI).⁶

In May 2002, the modality of the ASEAN+3 financial cooperation process was strengthened when the Finance Ministers announced at their meeting in Shanghai that their Finance and Central Bank Deputies would meet informally to discuss economic and policy issues under the framework of the Economic Review and Policy Dialogue (ERPD).⁷ The establishment of a regular surveillance policy dialogue and the regional self-help mechanism thus took root within 4 years of the Leaders' announcement in 1999. This is an achievement in itself, considering the deliberate nature of decision-making among state actors in the international arena.

Under this framework of regional financial cooperation, the CMI and EPRD progressed steadily.⁸ At the behest of the Finance Ministers, the

⁴ For details, see the Joint Statement on East Asia Cooperation, November 28, 1999, Manila, Philippines (<https://www.amro-asia.org/the-joint-statement-on-east-asia-cooperation-november-28-1999-manila-philippines/>).

⁵ The AFMM+3 has been convened annually since 1999 mostly at the sidelines of the Asian Development Bank's (ADB) Annual Meetings. In 2012, the AFMM+3 was renamed as the ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting (AFMGM+3) to reflect the expanded participation of Central Bank Governors in the process. The Deputy-level and working-level meetings have always involved both monetary and financial authorities.

⁶ The CMI consisted of (a) an expanded ASEAN swap arrangement and (b) a network of bilateral swap agreement (BSA) facilities among ASEAN countries, China, Japan, and Korea. For an early assessment of the CMI establishment, see Henning (2002) and Nemoto (2003).

⁷ For details, see the Joint Statement of the fifth AFMM+3, May 10, 2002, Shanghai, China (<https://www.amro-asia.org/the-joint-statement>).

⁸ See Grimes (2009) for the development of the CMI network and regional surveillance in the 2000s.

ASEAN+3 Research Group (RG)⁹ embarked on two studies aimed at strengthening financial resilience in the region. The first explored ways to enhance the effectiveness of the CMI in the medium term, with multilateralization of the CMI as a key recommendation.¹⁰ The second study proposed institutional designs for surveillance and policy dialogue for future consideration. In the second study, five key recommendations were made: (1) link the regional surveillance process to CMI, (2) invite Central Bank Governors to the AFMM+3, (3) *create an independent secretariat as centralized surveillance institution*,¹¹ (4) take gradual steps toward establishing reserve pooling (or ear-marking), and (5) adopt regional contingent credit lines.¹² The RG's third recommendation is regarded as one of the earliest ideas of an independent surveillance institution for the ASEAN+3 region. These reports were submitted to the ASEAN+3 Finance Deputies in April 2005.

In May 2005, the Finance Ministers announced four key actions to deepen and expand regional financial cooperation, in line with the RG's recommendations. One of these recommendations was to integrate and enhance ASEAN+3 economic surveillance into the CMI framework to enable early detection of irregularities and swift remedial policy actions, *with a view to developing effective regional surveillance capabilities to complement the work of other international financial institutions (IFIs)*.¹³

This 2005 Finance Ministers' statement can be regarded as recognition at the highest level of the need to create an independent surveillance office

⁹ The ASEAN+3 RG was launched at the AFMM+3 in August 2003, with the aim of identifying and exploring subjects for possible regional financial cooperation from the medium- to long-term points of views by mobilizing knowledge and expertise of private researchers and research institutions. The RG was terminated in November 2014, following ASEAN+3 members' conclusion that the RG had successfully accomplished its goal of rooting research culture into the ASEAN+3 finance process. The ASEAN+3 process may have been deprived of academic and innovative inputs by this termination.

¹⁰ For details, see Exploring Ways to Enhance the Functions of the Chiang Mai Initiative in the medium-term summary report (<https://asean.org/wp-content/uploads/2012/10/17889.pdf>).

¹¹ The italics are the authors' own emphasis.

¹² This study was initiated in 2004. For details, see the Economic Surveillance and Policy Dialogue in East Asia summary report (<https://asean.org/wp-content/uploads/2012/10/17902.pdf>).

¹³ The italics are the authors' own emphasis. The other actions announced by the Finance Ministers are to (1) clearly define the swap activation process and to adopt a collective decision-making mechanism of the current BSA network as a first step of multilateralization so that the relevant BSAs would be activated collectively and promptly in case of emergency, (2) significantly increase the size of swaps, and (3) raise the swap amount that can be drawn without a linkage to an International Monetary Fund program from 10% to 20%. For an interpretation of the ASEAN+3 financial authorities' intention behind this Joint Statement, see Kenen and Meade (2008), pp. 153–156.

in East Asia.¹⁴

Opportunity In Crisis (2007–2009)

In less than a decade, the ASEAN+3 finance process evolved from an ad hoc response to the AFC to an institutionalized regional forum, working to implement key initiatives to transform the international financial architecture.

In 2007, progress on the CMI front advanced. In May 2007 in Kyoto, the ASEAN+3 Finance Ministers announced that the total size of the CMI increased to USD 80 billion. They also agreed in principle that a self-managed reserve pooling arrangement governed by a single contractual agreement would be an appropriate form of multilateralization and tasked their Deputies to forge ahead with its implementation.¹⁵

As the ASEAN+3 Deputies conducted in-depth studies and discussed the key elements to multilateralize the CMI, the spectre of another financial crisis was looming ahead. In the midst of this uncertainty, the ASEAN+3 Finance Ministers gathered in Madrid in May 2008 and reiterated their commitment to accelerate the work to reach consensus on the Chiang Mai Initiative Multilateralisation (CMIM) elements.¹⁶ They also agreed to strengthen the ERPD by increasing the frequency of dialogues and developing a standardized format for the provision of necessary information and data to contribute to smooth and efficient decision-making for the CMIM.¹⁷

The outbreak of the global financial crisis (GFC) in September 2008 reminded ASEAN+3 financial authorities of the threat posed by sudden changes in the direction of cross-border private capital flows, especially in

¹⁴Discussions on the multilateralization of the CMI — that is the CMI Multilateralisation (CMIM) — commenced in 2005, following the Finance Ministers' instructions to their Deputies to study various possible routes toward this. Discussions continued from 2006, as Deputies were charged with establishing a new task force to further study various possible multilateralization options, as well as to enhance regional surveillance capacities. For details, see the Joint Statement of the 9th AFMM+3, May 4, 2006, Hyderabad, India (<https://www.amro-asia.org/the-joint-statement-of-the-9th-asean3-finance-ministers-meeting-may-4-2006-hyderabad-india/>).

¹⁵For details, see the Joint Statement of the 10th AFMM+3, May 5, 2007, Kyoto, Japan (<https://www.amro-asia.org/the-joint-statement-of-the-10th-asean3-finance-ministers-meeting-may-5-2007-kyoto-japan/>).

¹⁶These elements include the concrete conditions eligible for borrowing, and contents of covenants specified in borrowing agreements.

¹⁷For details, see the Joint Statement of the 11th AFMM+3, May 4, 2008, Madrid, Spain (<https://www.amro-asia.org/the-joint-statement-of-the-11th-asean3-finance-ministers-meeting-may-4-2008-madrid-spain/>).

view of the interdependent nature of cross-border financial transactions. During the GFC, neither the CMI nor International Monetary Fund (IMF) facilities were activated. On one hand, this was a positive sign that the region had taken the lessons of the AFC to heart and had adopted prudent financial and monetary policies in the intervening years that enabled them to build strong and sound macroeconomic and financial fundamentals. On the other hand, it suggested two lessons. First, neither the CMI nor IMF facilities were particularly attractive to ASEAN+3 authorities who turned to ad hoc financial arrangements — that is, dollar liquidity swap lines — with the United States (US) Federal Reserve instead. Under these dollar liquidity swap lines, the US Federal Reserve could unconditionally provide liquidity, unlike the CMI and IMF facilities, which set certain conditions for drawing.¹⁸ Second, the authorities must have noticed that they needed an objective third-party assessment of economic and financial developments by an independent surveillance unit located in the region.¹⁹

As the GFC intensified, there was recognition on the part of ASEAN+3 authorities that it was imperative to strengthen the region's financial safety net and to enhance the region's economic surveillance capabilities. At a special ad hoc meeting in February 2009 in Phuket, ASEAN+3 Finance Ministers emphasized the importance of operationalizing the CMIM and agreed to (1) increase the size of the CMIM from USD 80 billion to USD 120 billion, (2) *strengthen the regional surveillance mechanism into a robust and credible system that will facilitate the prompt activation of the CMIM through the establishment of an independent regional surveillance unit*,²⁰ and (3) increase the IMF delinked portion above the current limit of 20% once the surveillance unit is fully effective.²¹

With this announcement, the link between objective, independent

¹⁸See Ito (2017), Chabchitichaidol et al. (2018), and McDowell (2019) for bilateral swaps after the GFC. The dollar liquidity swap lines were regarded as temporary and offered only to Korea, Singapore, Brazil, and Mexico, while different swap lines were offered to the central banks of Canada, Europe, Japan, Australia, and New Zealand. In March 2020, the Federal Reserve offered the swap lines to the same emerging economies as in 2008 (Korea, Singapore, Brazil, and Mexico). For more details, see the Federal Reserve's press releases in October 2008 (<https://www.federalreserve.gov/newsevents/pressreleases/monetary20081029b.htm>) and March 2020 (<https://www.federalreserve.gov/newsevents/pressreleases/monetary20200319b.htm>).

¹⁹See Kawai (2009) for the reasons the ASEAN+3's ERPD process did not work during the GFC.

²⁰The italics are the authors' own emphasis.

²¹For details, see the Joint Media Statement, Action Plan to Restore Economic and Financial Stability of the Asian Region, February 2, 2009, Phuket, Thailand (<https://www.amro-asia.org/joint-media-statement-action-plan-to-restore-economic-and-financial-stability-of-the-asian-region/>).

surveillance and the provision of financial support under the CMIM became by far more explicit to external parties. It set the wheels in motion for the establishment of an ASEAN+3 regional surveillance unit as financial authorities sought to strengthen the region's buffers against increasing global uncertainty.

Taking The First Steps (2009–2010)

The notion of establishing an independent regional surveillance unit was not new.²² The GFC merely served as a catalyst for its prompt implementation as the idea was first seeded in 2005, together with the CMIM in the RG report as well as the Finance Ministers' statement, as indicated in the section earlier.

Following the February 2009 announcement, progress in the establishment of this surveillance unit accelerated. In May 2009, ASEAN+3 Finance Ministers reiterated their commitment to establish an independent regional surveillance unit as soon as possible to monitor and analyze regional economies and support CMIM decision-making.²³ A year later, there were two major milestones. First, the CMIM Agreement took effect as of March 24, 2010. Second, the ASEAN+3 Macroeconomic Research Office (AMRO), the region's independent surveillance unit, would be located in Singapore to monitor and analyze regional economies for the early detection of risks, swift implementation of remedial actions, and effective decision-making of the CMIM. AMRO was expected to commence operations in early 2011.²⁴

It is important to consider the external environment during this time. When the announcement of the establishment of a regional surveillance unit was made, the global economy was reeling from a banking crisis and credit crunch that prompted government bailouts of banks in the US and Europe. Borrowing costs were rising and financing was drying up. In Europe, as the situation deteriorated, the European Financial Stability Facility (EFSF) was

²²See Katada and Nemoto, "Finance and Japan" in *The Oxford Handbook of Japanese Politics* for the 1998 report by the Asian Financial and Capital Markets Subcommittee at the Japan Ministry of Finance (JMOF).

²³For details, see the Joint Statement of the 12th AFMM+3, May 3, 2009, Bali, Indonesia (<https://www.amro-asia.org/the-joint-statement-of-the-12th-asean3-finance-ministers-meeting-may-3-2009-bali-indonesia/>).

²⁴For details, see the Joint Statement of the 13th AFMM+3, May 2, 2010, Tashkent, Uzbekistan (<https://www.amro-asia.org/the-joint-statement-of-the-13th-asean3-finance-ministers-meeting-may-2-2010-tashkent-uzbekistan/>).

established in response to the sovereign debt crisis in June 2010 to provide temporary assistance to struggling Eurozone countries.²⁵ At the same time, the global sentiment toward the role of regional financing arrangements as part of the global financial safety net was changing. While the IMF had opposed the establishment of a strong regional initiative in 1997, the Eurozone crisis seemed to have led to the recognition that regional surveillance and combined firepower could contribute toward global economic stability. In October 2010, the International Monetary and Financial Committee (IMFC) called on the IMF to cooperate with regional financing arrangements,²⁶ signalling the acceptance of regional financing arrangements as an integral part of the global financial safety net.²⁷ Meanwhile, the IMF's 14th General Review of Quotas was kept on hold despite its completion in December 2010 due to delays in US Congress approval (the conditions for implementing this quota increase were finally met in January 2016).

Against this backdrop of uncertainty and shifting winds, the general sentiment was that a robust regional crisis prevention and crisis resolution mechanism needed to be in place before a crisis strikes, and that the time was ripe to do so. It also underscored the need to strengthen surveillance and monitoring to identify risks and vulnerabilities early. These considerations could have contributed toward the swift decision-making among the authorities, especially considering the consensus model of decision-making prevalent in the region.²⁸

²⁵The European Stability Mechanism (ESM), established in October 2012, is the successor to the EFSF. EFSF is a company incorporated in Luxembourg under Luxembourgish law on June 7, 2010 (see https://www.esm.europa.eu/sites/default/files/2016_02_01_efsfaq_archived.pdf) while ESM is an international organization established by the treaty (see <https://www.esm.europa.eu/about-us/history>). See Henning (2017) on the development of the EFSF and ESM, and their relationship with the IMF. Legal resemblances between EFSF/ESM and AMRO (public company limited by guarantee, company for non-profit activities)/AMRO (international organization) turned out to be a useful reference for AMRO and ASEAN+3 authorities during their transformation.

²⁶For details, see the press release of the IMFC Communiqué from October 2010 (<https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr10379>).

²⁷The momentum for this initiative would continue and in October 2011, the G20 issued the G20 Principles for Cooperation between the IMF and Regional Financing Arrangements (<http://www.g20.utoronto.ca/2011/2011-finance-principles-111015-en.pdf>). See IMF (2013) and IMF (2016) for the IMF's stocktaking of regional financing arrangements (and bilateral swaps).

²⁸Grimes and Kring (2020) place the CMIM and AMRO as a departure from an "Asian way" of decision making.

Building the Foundations (2011)

Fourteen months after ASEAN+3 Finance Ministers announced the creation of the region's independent surveillance unit, AMRO was established in Singapore in April 2011. AMRO's purposes were to (1) monitor and analyze ASEAN+3 regional economies, (2) contribute to the early detection of risks, (3) provide policy recommendations for remedial actions, and (4) support the effective decision-making of the CMIM.

AMRO started out as a public company limited by guarantee (CLG, company for non-profit activities),²⁹ hereafter referred to as AMRO (CLG), and was governed under Singapore's laws. Mr Wei Benhua, the former Deputy Administrator of the State Administration of Foreign Exchange (SAFE) of the People's Republic of China, was appointed as AMRO's first Director. When Mr Wei arrived in Singapore, he had only two colleagues³⁰ to assist with setting up the office's operations. While Singapore's financial and monetary authorities, in their capacity as the host country, offered advice and assistance with respect to navigating Singapore's laws and business practices, the lean AMRO team had to draft and secure the budget, open bank accounts, complete AMRO's registration under the Singapore Companies Act, recruit staff, propose AMRO's logo for members' approval, set up AMRO's website, convene the AMRO Advisory Panel (AP) meetings,³¹ as well as procure equipment for the office. They were backed by strong support from its member authorities.

In August 2011, after AMRO's fiscal year (FY) 2011 budget was approved by ASEAN+3 authorities, AMRO received the first transfer

²⁹According to Singapore law, AMRO was classified as a public company limited by guarantee (CLG) because it was formed for the purpose of carrying out non-profit activities. We use CLG, company for non-profit activities, in this chapter because "public" and/or "private" may also refer to the form of shareholding in certain other legal contexts.

³⁰Counselor Dr Yoichi Nemoto, from the Japan Ministry of Finance, and Mr Satoshi Nakagawa, Asian Development Bank Consultant, joined Mr Wei in Singapore to help with establishing the AMRO office. The ASEAN+3 authorities had requested for Dr Nemoto to join Mr Wei from the onset to help with setting up the office and its surveillance activities to ensure consistency throughout his term, which was scheduled to commence after a one-year period.

³¹The first AMRO AP meeting was held in August 2011, one month before the first economist's arrival. AMRO's AP comprise of six members (three from ASEAN member states and one each from China, Korea, and Japan) who are distinguished and respected economists. According to the AMRO (IO) Agreement, the AP members are appointed by AMRO's Executive Committee for a term of two years, with the mandate of providing timely strategic, technical, and professional input to AMRO's macroeconomic assessments and recommendations to AMRO's Director. The list of AMRO's current AP members can be found at <https://www.amro-asia.org/about-amro/who-we-are/advisory-panel/>.

of funds to support its manpower operations. One month later, the first recruited economist arrived in Singapore to start work. In September 2011, AMRO also received the first transfer of its office-related funds from Singapore authorities.³² A significant portion of the office-related funds was allocated to information and database resources, which could have been a response to the data and statistical reporting problem that contributed to the European sovereign debt crisis. In October 2011, AMRO welcomed five more surveillance staff to its office and conducted its first consultation visit to Vietnam.

Despite the delays in the budget process,³³ AMRO participated in the ASEAN+3 Finance and Central Bank Deputies' Meeting (AFCDM+3) in Sendai in December 2011. At the meeting, AMRO presented on the regional economic outlook and submitted country surveillance reports for each of its 14 member economies for the Deputies' deliberation at the ERP session (see the later section on the progress in AMRO's surveillance capabilities).

Taking Flight (2011–2012)

AMRO's establishment as a public CLG should have enabled it to commence operations swiftly. Being subject to the laws of Singapore, however, led to two major constraints in building AMRO's surveillance capacity — (1) human resources and (2) information and data access. As a CLG,

³²AMRO is funded annually by its member authorities. Its budget comprises the manpower-related budget (funded by ASEAN+3 member authorities) and the office-related budget (funded by the host authorities — the Monetary Authority of Singapore and Singapore Ministry of Finance).

³³The initial design of the budget process was far from ideal and resulted in a delay in AMRO's start-up by almost half a year. Neither ASEAN+3 authorities nor the host country provided AMRO with liquidity after its establishment in April 2011.

The 2011 budget process was as follows: (1) AMRO submitted its requests for both manpower and office-related budgets to ASEAN+3 authorities, (2) ASEAN+3 authorities would then examine and approve both budgets, and (3) ASEAN+3 authorities then proceeded with their internal budget processes before transferring money to AMRO's accounts. This meant that AMRO had to start its operations and establish its office (including during the process of preparation of budget requests and participation in the meetings organized by ASEAN+3 authorities) without any cash during this period.

This delay in AMRO's start-up, together with the restrictive publication policy (until 2017; see the later section), may have led to pessimistic observations vis-à-vis AMRO's future by outsiders (Eichengreen (2012); at the same time, Eichengreen and Woods (2016) recognized AMRO's steady progress and development after one of the authors visited AMRO's office in 2015).

Nonetheless, this delay may have ultimately helped to promote AMRO's transformation into an IO from a CLG because some authorities seemed to (mistakenly) attribute the delay to the fact that AMRO had yet to obtain IO status, rather than to the far from ideal design of the budget process.

AMRO was constrained by Singapore's immigration policy, which saw a tightening in the number of foreign workers within the country during that period. Second, the fact that AMRO (CLG) was governed by Singapore's laws was potentially sensitive, as there could be reluctance among other ASEAN+3 member authorities to share their confidential information or policy plans, which is crucial for AMRO to carry out its purpose and functions. Finally, AMRO (CLG) and its staff were subject to Singapore's laws, such as freedom of speech.

AMRO's CLG status was regarded as temporary and its transformation into an international organization (IO) was the next task.³⁴ As early as May 2011, ASEAN+3 Finance Ministers instructed their Deputies "to launch a study to strengthen the legal status of AMRO to constitute an international organisation with an international legal personality."³⁵

IOs are generally constituted or created by way of an international agreement. Although IOs are not sovereign states and do not enjoy sovereign immunity, it has become practice to confer certain privileges and immunities (P&Is) to IOs for them to carry out their functions fully and independently. This generally includes immunity from legal processes in respect of acts performed in its official capacity, inviolability of its premises and official archives, and exemption from certain taxes and duties. Since these P&Is will be granted not only by the host country but also by other members, it would be ideal for this international agreement to be formulated by all involved parties.

ASEAN+3 member authorities recognized that transforming AMRO into an IO would raise AMRO's profile internationally and would allow it to contribute effectively to the global community. This would help AMRO gain credibility and establish networks with peer institutions, thereby facilitating effective exchange of knowledge, information, and best practices.

After the ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting (AFMGM+3) in Manila in May 2012, preparations to draft an

³⁴There seemed to be a variety of views regarding the timing of "the next." Some members wanted to transform AMRO (CLG) into IO as soon as possible while others viewed it to be a long-term agenda, similar to the transformation of the ASEAN Secretariat. The ASEAN Secretariat was first housed at the Department of Foreign Affairs of Indonesia in Jakarta in 1976 and the current ASEAN Secretariat at 70A Jalan Sisingamangaraja, Jakarta, was established and officiated in 1981. The ASEAN Charter (treaty) entered into force in 2008. See ASEAN's website at <http://asean.org/asean/asean-secretariat/>.

³⁵For details, see the Joint Statement of the 14th AFMM+3, May 4, 2011, Hanoi, Vietnam (<https://www.amro-asia.org/the-joint-statement-of-the-14th-asean3-finance-ministers-meeting-may-4-2011-ha-noi-viet-nam/>).

international treaty to transform AMRO from a CLG to an IO began in earnest. At this meeting, Finance Ministers and Central Bank Governors called to accelerate the preparation work to institutionalize AMRO as an IO and urged AMRO and Singapore (as host country) to work together on the first draft of the treaty.³⁶ With regard to legal modality vis-à-vis the institutionalization of AMRO as an IO, they agreed to establish a treaty agreed upon by member governments and endorsed by their Parliaments to grant AMRO international legal personality via a legally binding instrument (see Table 27.2 on comparisons of international institutions affiliated with the regional financing arrangements).

Metamorphosis (2012–2013)

Treaty Drafting

Although the treaty drafting process was co-led by AMRO and Singapore authorities, it required consensus among all 14 member authorities before it could be finalized (by the Ministers' signing of the treaty). ASEAN+3 working-level officials held several intensive discussions between May 2012 and May 2013 to reach consensus on the "Agreement Establishing ASEAN+3 Macroeconomic Research Office" (hereafter referred to as the "AMRO Agreement").³⁷

Since AMRO (CLG) already started its operations under its Articles of Agreement (AoA), ASEAN+3 members agreed that it would be prudent and expedient to retain the key policy decisions made at the point of AMRO (CLG)'s establishment. At the same time, a clause allowing AMRO (IO) to

³⁶ ASEAN+3 Finance Ministers and Governors "instructed the Deputies to accelerate the preparation to institutionalize AMRO as an international organization. In this regard, [they] endorsed the Deputies' decisions to urge AMRO to prepare a work plan, including a concrete timeline, and Singapore to work with AMRO to come up with the first draft of the treaty. [They] also affirmed the importance of concluding the Host Country Memorandum of Understanding (MOU) between AMRO and Singapore to clearly define the responsibility of the Host Country." For details, see the Joint Statement of the 15th AFMGM+3, May 3, 2012, Manila, the Philippines (<https://www.amro-asia.org/the-joint-statement-of-the-15th-asean3-finance-ministers-meeting-may-3-2012-manila-philippines/>).

³⁷ At the 16th AFMGM+3 in Delhi, India, May 3, 2013, it was announced that Finance Ministers and Central Bank Governors had reached consensus on the draft of the AMRO Agreement and will proceed with the necessary domestic processes as early as possible for its prompt signature and entry into force. This would enable AMRO to conduct objective surveillance as a credible, independent international organization, contributing further to the regional financial stability along with the strengthened CMIM. See the Joint Statement of the meeting for details (<https://www.amro-asia.org/the-joint-statement-of-the-16th-asean3-finance-ministers-and-central-bank-governors-meeting-may-3-2013-delhi-india/>).

carry out the necessary activities to fulfil its functions without amending the treaty would be included.³⁸ In this regard, it was agreed that the AMRO Agreement would adopt a “two-tier approach” — that is, fundamental issues would be defined in the treaty, while other details would be prescribed in the secondary rules to allow members to flexibly decide and amend nonfundamental rules as AMRO (IO) evolves in the future. As a result, the text of the AMRO (IO) Agreement was reduced to a third, compared with that of the AoA of AMRO (CLG).³⁹

This was a practical decision because the AMRO (IO) Agreement would be signed by the governments of member authorities, rather than just the financial and monetary authorities to grant AMRO (IO) full legal personality under international law, as well as full legal capacity. AMRO (IO) would be allowed to enter into contracts, acquire and dispose of immovable and movable property, and institute legal proceedings.⁴⁰ However, this also meant that should amendments be made to the treaty, members would have to undergo a lengthy and administratively burdensome process. They would need to go through their domestic processes to obtain the instrument of full powers to sign the amendment. Even after signing the amendment, the instruments of ratification, acceptance, or approval was needed for the amendments to be effective. Having non-fundamental details in a second-tier, that is, the Secondary Rules of the AMRO Agreement, would accommodate AMRO’s future growth and development in a more flexible manner.

ASEAN+3 members also agreed to grant P&Is to AMRO (IO) to enable it to carry out its work objectively in the territories of all its members. Under the AMRO Agreement, AMRO (IO) was provided immunity from legal process; its property and assets were immune from search, requisition, confiscation, expropriation, and seizure; its archives and documents were inviolable; and its official communications were protected from censorship. In addition, AMRO (IO)’s staff were granted functional immunity to protect them in the course of their work.

³⁸For example, Article 3(d) of the AMRO Agreement states that one of AMRO’s functions is “to conduct such other activities necessary for achieving the purpose of AMRO as may be determined by the Executive Committee.”

³⁹The information in this paragraph was provided by AMRO (IO) for this chapter.

⁴⁰This is enshrined in Article 17, Legal Status of AMRO in the AMRO Agreement (see <https://amro-asia.org/wp-content/uploads/2016/09/amro-agreement.pdf>).

Figure 27.1: Illustration of the Process for Signing and Ratifying the AMRO Agreement Before it Could Enter into Force



AMRO = ASEAN+3 Macroeconomic Research Office, ASEAN = Association of Southeast Asian Nations.

*The AMRO Agreement entered into force 60 days after the deposit of instruments of ratification, acceptance, or approval by China, Japan, Korea, and at least five ASEAN member states including Singapore.

The AMRO Agreement also obliges member authorities to cooperate with AMRO (IO) to ensure that it would be able to fulfil its purposes and functions. Article 4 of the AMRO Agreement mandates that each member “shall cooperate with AMRO in good faith” and “provide AMRO with relevant information and assistance as may reasonably be required for its surveillance and other activities.”⁴¹ By including this Article, AMRO’s members were not only signaling their trust in this newly established institution but also demonstrating their commitment to develop AMRO (IO) into an independent, credible, professional, and effective regional organization.

Since AMRO (CLG and IO) is headquartered in Singapore, AMRO (CLG) and Singapore authorities agreed on the text of Headquarters Agreement (HQA) for AMRO (IO) in May 2013. The HQA seeks to ensure the smooth headquarters operations of AMRO in Singapore and commits both parties to work together to this end. The HQA would be executed and

⁴¹ Article 4 (Cooperation of Members) states, “(1) Each member shall provide AMRO with relevant information and assistance as may reasonably be required for its surveillance and other activities provided for under Article 3 to the extent permissible under its applicable laws and regulations. Members shall be under no obligation to provide information in such detail that the affairs of individuals or corporations are disclosed. (2) Each member shall cooperate with AMRO in good faith in AMRO’s surveillance and other activities provided for under Article 3.” (<https://amro-asia.org/wp-content/uploads/2016/09/amro-agreement.pdf>).

enter into effect concurrent with the AMRO Agreement.⁴²

Table 27.1: Process of AMRO's Transformation to an IO

Year	Month	Key Milestones
2009	Feb	AFMM+3 decided to establish an independent regional surveillance unit.
2011	Apr	AMRO (CLG) was established.
	May	AMRO (CLG) started operation.
2012	May	AFMGM+3 instructed to accelerate the preparation to institutionalize AMRO as an IO.
	Sep	Working-level discussion started on drafting a treaty.
2013	May	AFMGM+3 agreed to transform AMRO to an IO.
	Nov	Consensus was reached on the AMRO Agreement draft.
2014	Oct	The AMRO Agreement was signed by ASEAN+3 member authorities. ASEAN+3 authorities started their domestic processes to ratify the AMRO Agreement.
2016	Feb	AMRO (IO) was established.

AFMGM+3 = ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting, AFMM+3 = ASEAN+3 Finance Ministers' Meeting, AMRO = ASEAN+3 Macroeconomic Research Office, ASEAN = Association of Southeast Asian Nations, CLG = company limited by guarantee, IO = international organization.

Source: Based on Chabchitichaidol et al. (2018) and Joint Statements of AFMM+3 and AFMGM+3.

Treaty Signing, Ratification and Entry into Force (2013–2016)

Subsequent to the May 2013 announcement, the text of the AMRO Agreement was finalized in November 2013, following minor adjustments at the technical working level. The next step was for members to obtain the instrument of full powers to the delegated signing authority.

⁴²See the Joint Statement of the 16th AFMGM+3. Legally speaking, AMRO (CLG) was not protected by the HQA between 2011 and 2013. In the end, this helped to rationalize the IO conversion process because AMRO (CLG) and Singapore authorities could discuss the text for the Host Country MOU for AMRO (CLG), the HQA for AMRO (IO), and the treaty concurrently. In the Joint Statement of the 15th AFMGM+3 on May 3, 2012, Ministers and Governors "affirmed the importance of concluding the Host Country Memorandum of Understanding (MOU) between AMRO and Singapore to clearly define the responsibility of the Host Country" and also "welcomed Singapore's commitment to provide the necessary host country support which AMRO deems critical to pursue its mission as an independent surveillance unit, for example to provide budget and liquidity support, protect the member countries' data and information, and facilitate employment pass process" (for details, see <https://www.amro-asia.org/the-joint-statement-of-the-15th-asean3-finance-ministers-meeting-may-3-2012-manila-philippines/>). The Host Country MOU was concluded in May 2013 and provided AMRO (CLG) with legal protection until its reconstitution as an IO (see the Joint Statement of the 16th AFMGM+3, May 3, 2013 for details: <https://www.amro-asia.org/the-joint-statement-of-the-16th-asean3-finance-ministers-and-central-bank-governors-meeting-may-3-2013-delhi-india/>).

After all 14 members completed their domestic processes to obtain the instrument of full powers,⁴³ the signing of the treaty to transform AMRO into an IO was successfully convened on October 10, 2014, in Washington, D.C., at the sidelines of the IMF/World Bank (WB) annual meetings. The next step was for members to enter into their respective domestic processes to ratify this treaty.

The AMRO Agreement came into effect on February 9, 2016, following the ratification by the minimum requisite number of members required for entry into force as per Article 26 of the AMRO Agreement.⁴⁴ Dr Yoichi Nemoto, then Director of AMRO (CLG), assumed the position as Director of AMRO (IO). The opening ceremony for AMRO took place on February 19, 2016 in Singapore to commemorate this milestone event.⁴⁵ ASEAN+3 Finance and Central Bank Deputies, members of the diplomatic corps, and representatives from other IOs,⁴⁶ financial institutions, and institutions of higher learning attended the ceremony. Singapore's then Minister for Finance, Mr Heng Swee Keat, delivered the welcome remarks at the event.⁴⁷

Table 27.2 compares institutions affiliated with regional financing arrangements that were established after the GFC.⁴⁸ Despite their diverse backgrounds (due to various reasons), it is safe to conclude that AMRO (IO) has acquired the commensurate legal foundation (indicated by its establishment by international agreement), governance (as indicated by the clearly pre-determination of supermajority rule), and transparency (as

⁴³ It is reported that it took 10 months from the technical level's consensus on the text of the Agreement to its signing due to a situation whereby one member required its Minister to obtain approval from the Parliament to sign for finalization (not approval of the treaty), as the lower house was dissolved for a certain period.

⁴⁴ Article 26 of the AMRO Agreement states, "This Agreement shall enter into force on the sixtieth (60th) day following the deposit of instruments of ratification, acceptance or approval by the People's Republic of China, Japan, the Republic of Korea, and at least five ASEAN Member States including the Republic of Singapore."

⁴⁵ See AMRO's website for more details on the opening ceremony (<https://www.amro-asia.org/amros-opening-ceremony/>).

⁴⁶ The European Stability Mechanism (ESM), IMF, Asian Development Bank (ADB), Asian Development Bank Institute (ADBI), Economic Research Institute for ASEAN and East Asia (ERIA), and Credit Guarantee and Investment Facility (CGIF) sent representatives to attend the opening ceremony.

⁴⁷ Mr Heng's speech can be found on AMRO's website (<https://www.amro-asia.org/welcome-remarks-by-his-excellency-heng-swee-keat-minister-for-finance-for-singapore-at-amros-opening-ceremony/>).

⁴⁸ Grabel (2017) compares characteristics of the regional financing arrangements. Kring and Grimes (2019) compare the Latin America Reserve Fund (FLAR) and CMIM/AMRO in terms of members, scope, centralization, control, and flexibility and examine their impact on the global liquidity regime.

Table 27.2: Institutions for RFAs Established After the GFC

International Organizations/ Institution	Year of Establishment	Region	Legal Bases	Whether Arrangements and Institutions are Described by the Single Legal Source	Governance Decision-Making	Economic Research Report Publication
European Financial Stability Facility (EFSF) (Company set up under Luxembourg law)	2010	Euro members (19 countries)	Contract ("Framework Agreement")	Same	Special majority	No
European Stability Mechanism (ESM) (Public international organization)	2012	Euro members (19 countries)	International Treaty	Same	Special majority	Yes
ASEAN+3 Macroeconomic Research Office (AMRO) (Company established under Singapore law (2011– 2016), public international organization (2016))	2011	ASEAN, China, Japan, and Korea	Contract ("Articles of Agreement") (2011–2016) International Treaty (2016)	Separate	Consensus (special majority in case consensus is not reached)	Limited (2011–2017) Yes (2017–)
Eurasian Fund for Stabilization and Development (EFSD) (Not a legal entity, Eurasian Development Bank manages resources)	2009 (name changed in 2015)	Former CIS countries (6 countries)	International Treaty	No provisions for institutions (financial arrangements only)	Special majority	Yes (they appear on both EFSD's and the Eurasian Development Bank's homepage)
(Cf.) Latin America Reserve Fund (FLAR) (Public international organization)	1978 (name changed in 1991)	8 countries in Central and South America	International Treaty	Same	Special majority (one country, one vote)	Yes
(Cf.) Arab Monetary Fund (AMF) (Public international organization)	1976	22 countries in MENA region	International Treaty	Same	Special majority	Yes
(Cf.) BRICS Contingent Reserve Arrangement (CRA) (Not a legal entity)	2014	Brazil, Russia, India, China, and South Africa	International Treaty	No provisions for institutions (financial arrangements only)	Consensus and special majority (depending on items)	No
(Cf.) International Monetary Fund (IMF) (Public international organization)	1946	All regions	International Treaty	Same	Majority and special majority (depending on items)	Yes

ASEAN = Association of Southeast Asian Nations, CIS = Commonwealth of Independent States, GFC = global financial crisis, MENA = Middle East and North Africa, RFA = regional financing arrangement.
Source: Based on Grabel (2017), Krings et al. (2019), Tominaga (2020), and the organizations' homepages.

indicated by the publication of its economic reports).^{49, 50}

Table 27.3 compares the process to establish the IMF, Asian Development Bank (ADB), and AMRO. While the duration between the start of discussion and operationalization in the case of the IMF and ADB are 4 years and 3 years, respectively, the duration between the ASEAN+3 Finance Ministers' decision (February 2009) and establishment of the company (April 2011) was 2 years, and it took almost 5 more years to complete the transformation to an IO. Chabchitichaidol et al. (2018) suggest the reason why AMRO was initially founded as a company in Singapore, rather than an IO, is because the Finance Ministers might have anticipated that setting up an IO would require a long preparation period. They argue that "AMRO was desired to start operations promptly in light of the underlying economic and financial condition surrounding the region (after the GFC)."

Table 27.3: Establishment of the IMF, ADB, and AMRO: A Comparison

	IMF	ADB		AMRO
Start of Discussion	Mar 1943	Dec 1963	Establishment as Company	Apr 2011
Signing of Treaty	Jul 1944	Dec 1965	Start of Discussion on Transition to IO	May 2012
Establishment	Dec 1945	Aug 1966	Signing of Treaty	Oct 2014
Operationalization	Mar 1947	Dec 1966	Transition to IO	Feb 2016

ADB = Asian Development Bank, AMRO = ASEAN+3 Macroeconomic Research Office, IMF = International Monetary Fund, IO = international organization.

Source: Chabchitichaidol et al. (2018) based upon International Monetary Fund (1996), McCawley (2017), Watanabe (1973), Joint Statements of ASEAN+3 Finance Ministers' Meeting, and ASEAN+3 Finance Ministers' and Central Bank Governors' Meeting.

⁴⁹ The appointment of the Directors of AMRO (IO), Dr Chang Junhong (2016–2019) and Mr Toshinori Doi (2019), are "guided by the principles of meritocracy, transparency and openness." This is enshrined in Article 11(2) of the AMRO Agreement.

⁵⁰ One notable difference is the fact that an institution and a financial arrangement are prescribed separately (see the discussion in the "Looking Forward" section).

IO versus CLG (Company for Non-Profit Activities) (2016–2020)

With AMRO's transition to an IO in February 2016, the formation of its legal framework was firmly grounded. The AMRO Agreement enshrines AMRO's rights and functions, and is succinctly captured in Article 5(c), which states that "AMRO, independently and without undue influence of any member, shall prepare such reports as it deems desirable in carrying out its purpose and functions, and communicate its views informally and confidentially to any member on any matters arising under this Agreement that may affect such member." It reaffirms AMRO's role in supporting the CMIM, as articulated in Article 3(c), which states that AMRO shall "support members in the implementation of the regional financing arrangement."⁵¹ It also guarantees the autonomy of AMRO's personnel, stating that the "Director and the staff shall, in the discharge of their functions, owe their duty entirely to AMRO and to no other authority. Members shall respect the international character of this duty and shall refrain from all attempts to influence any of the staff in the discharge of these functions."⁵²

Since its transformation to an IO, AMRO's operations have changed significantly, reflecting the Articles above and its international legal status. This section will examine the key changes.

Enhanced Transparency and Accountability

AMRO's status as an IO engendered greater openness in its operations. In their paper "Institutionalizing Financial Cooperation in East Asia: AMRO and the Future of the Chiang Mai Initiative Multilateralisation," Grimes and Kring (2020) point out that AMRO, as an IO, is transparent in what it does and this has established AMRO as an authoritative and professional organization among its member authorities and peers.

Since 2017, AMRO (IO) started to publish some key indicators of its activities, such as expenditures and human resource capacity in its corporate annual report.⁵³ This document details the organization's key developments

⁵¹See the AMRO Agreement for details. Kawai (2015) expects impartial surveillance by an objective, independent, international organization.

⁵²See Article 11(5) of the AMRO Agreement.

⁵³AMRO's corporate annual reports are available on its website (<https://www.amro-asia.org/publications/corporate-documents/amro-annual-report/>).

and achievements. In the same year, AMRO started to publish its annual consultation reports on its member economies as well as its flagship ASEAN+3 Regional Economic Outlook (AREO).⁵⁴

This is a conscious decision on AMRO's part as it seeks to promote transparency and accountability in its activities and documents, strengthen its effectiveness by providing stakeholders and the public with access to AMRO's functions and relevant activities, support the quality of surveillance by subjecting AMRO to external review, and raise AMRO's public profile and visibility through various channels. It was also acknowledged that for AMRO to be recognized as a peer of other IFIs, it was crucial to ensure that its publication policy was on par with theirs. In the years since AMRO (IO) set its publication policy in 2017, it has expanded the categories of publications in its website to include analytical notes, working papers, blogs, and speeches.

Publication Policy

One of the policy issues raised following AMRO's establishment as an IO was its publication policy. ASEAN+3 members put in place a highly restrictive publication policy for AMRO (CLG) when they designed its governance structure. This is attributed to three factors. First, there was a need for an objective third-party view of the region's economic and financial development (as described in the Opportunity in Crisis section), even as the external environment was clouded with uncertainty. ASEAN+3 members wanted to keep the reports and discussions frank and expedient, but confidential to enable open and candid exchange of views. Second, member authorities wanted to avoid unnecessary market speculation that the publication of its reports could bring. Third, it was possible that member authorities did not want to undergo the process of reviewing and editing AMRO (CLG)'s surveillance reports to prepare it for publication, as it was doing with the other IFIs.

As a result, AMRO (CLG) was required to obtain explicit approval from all member authorities to publish any external publications.⁵⁵ Thus, AMRO only managed to publish two reports during its first 5 years of

⁵⁴ AMRO's AREO reports are available on its website (<https://www.amro-asia.org/publications/asean3-regional-economic-outlook/>).

⁵⁵ This makes this chapter challenging, especially for the AMRO (CLG) period as it is based upon publicly available information (see footnote 2).

operations.⁵⁶ AMRO (CLG) and its member authorities recognized that the publication policy of AMRO (CLG) was greatly restrictive and inadequate to accommodate the ambitions for AMRO (IO). Accordingly, they stipulated that “AMRO shall publish such reports as it deems desirable for carrying out its purpose and functions in accordance with subparagraph (2)(f) of Article 8” for AMRO (IO).⁵⁷

Thus, AMRO’s Executive Committee agreed to revise AMRO’s publication policy to strike a balance between boosting AMRO’s visibility while ensuring confidentiality of information per the AMRO Agreement. The revised publication policy of AMRO (IO) came into effect in January 2017.⁵⁸ The impact of the change in policy was clear. AMRO (IO) published 58 reports in the first three and a half years its operations, a stark contrast to its CLG years. See Table 27.4

Table 27.4: Number of Economic Reports Published by AMRO (CLG) (2011–2016) and AMRO (IO) (2016–2019) (as of December 31, 2019)⁵⁹

Category of Reports	2011	2012	2013	2014	2015	2016 (Company)	2016 (IO) ¹	2017	2018	2019
Regional	0	0	0	0	0	0	0	1	9 ²	6
Country	0	0	0	0	0	0	0	8	11	13
Research	0	0	0	0	1 ¹	1	0	2	6	2
Total	0	0	0	0	1	1	0	11	26	21

AMRO = ASEAN+3 Macroeconomic Research Office, CLG = company limited by guarantee, IO = international organization.

Note:

¹ ASEAN+3 Macroeconomic Research Office (AMRO) (IO)’s publication policy was being discussed during this period, and only came into effect in January 2017. This explains the lack of publications during this time.

Authors moved the publication year of a report titled “Understanding Banking Supervisory Priorities and Capacities in ASEAN+3 Economies” from 2016 to 2015. The report was uploaded on AMRO’s homepage in 2016 although the report was completed and made public in 2015 (as indicated on the cover page of the report).

² This includes monthly regional outlook updates.

Source: Based on information provided by AMRO. The shaded areas indicate AMRO during the stage when it was a company (CLG).

⁵⁶Technically speaking, 2011–2016 (5 years) is the period between the establishment of AMRO (CLG) and the establishment of AMRO (IO). After 2016, AMRO (CLG) and AMRO (IO) coexisted for about 4 years until AMRO (CLG) was formally dissolved on December 24, 2019.

⁵⁷Subparagraph (2)(f) of Article 8 states, “The Executive Committee shall maintain strategic oversight of and set policy directions for AMRO and, in particular: set the publication policy of AMRO.” See the AMRO Agreement for more details.

⁵⁸Although AMRO’s Executive Committee described the process as a “revision” because AMRO (IO) followed AMRO (CLG)’s publication policy until January 2017, the process could have been referred to as “creation,” in light of the substantial changes to AMRO’s publication policy.

⁵⁹The information of this table was provided by AMRO (IO) for this chapter.

for the number of economic reports published annually during AMRO's time as a company (CLG, 2011–2016), and the early years of its reconstitution as an IO (2016–2019).⁶⁰ This is a new and significant development, considering that the gaps in the publication of reports in previous years had been viewed as a hindrance in tracking, even in an informal way, the sophistication or accuracy of AMRO's surveillance efforts over time.⁶¹

Credibility and Legitimacy for Partnerships, Outreach, and Communications

AMRO's formal establishment as an IO via a treaty with full legal personality and legal capacity for carrying out its purpose and functions also provides it with legitimacy as a regional actor and reflects its member authorities' commitment and support. This is significant because it confers AMRO with a greater sense of respectability in its interactions with peer IOs, the media, academia, global and regional fora, and financial institutions as it seeks to build capacity, gain credibility, and enhance capabilities.

As AMRO expands its engagement with these groups, it is able to assert its voice on a larger stage and this reinforces AMRO's reputation as a trusted advisor to ASEAN+3 member authorities. For instance, AMRO has been invited to participate in several high-level fora since being reconstituted as an IO to disseminate its views on the regional economy and the global financial safety net.⁶² These include the Asia-Europe Meeting (ASEM) Finance Ministers' Meeting, the Asian Infrastructure Investment Bank (AIIB) Annual Meetings, Group of Twenty International Financial Architecture Working Group (G20 IFA WG) Meetings, ADB Annual Meetings, IMF/WB Annual Meetings,⁶³ and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) meetings.

With the ability to enter into contracts, AMRO as an IO has been able to institutionalize several key partnerships as well. AMRO has entered into

⁶⁰These numbers are based on AMRO's homepage as of December 2020 (<https://amro-asia.org/publications/>).

⁶¹See Grimes and Kring (2020). The consultation reports of all member economies have become accessible from the AMRO homepage (as of December 2020).

⁶²The AMRO (CLG) Director has been invited to ASEAN Finance Ministers' Meetings since April 2013.

⁶³AMRO has participated in the IMF/WB meetings as an observer since 2013. During AMRO's early years as a CLG, AMRO and IMF gradually established informal channels of communication at the ground level. These informal channels of communication include AMRO staff visiting IMF's representative offices during their trips to member economies, and the IMF mission team stopping by AMRO's office before or after their Article IV missions. The first meeting between the heads of AMRO and IMF took place in July 2012, when AMRO Director and IMF Managing Director met, 1 year after the start of AMRO (CLG).

Memoranda of Understanding (MoUs) with the ADB, ESM, FLAR, IMF, and the Trilateral Cooperation Secretariat (TCS)⁶⁴ and cultivated win-win relations to ensure mutually beneficial outcomes through joint activities (e.g. joint seminars, joint research), information sharing and exchange on surveillance, crisis management support and other pertinent thematic issues, and corporate enhancement in the form of staff exchange, secondments, and exchange of best practices.

As AMRO (IO)'s visibility and profile increased, it began to attract attention from mainstream media outlets. The greater autonomy conferred to AMRO meant that it was able to accept requests for interviews while practicing the necessary discretion to safeguard confidential information. AMRO has featured in several interviews with high-profile media outlets, including Reuters, CNA, Chosun Biz, and ABS-CBN.⁶⁵ This has further helped assert AMRO as an authoritative voice in the region and bolster its reputation as the premier surveillance unit for ASEAN+3.

This three-prong approach of leveraging on its IO status to enhance its partnerships, communications, and outreach has entrenched AMRO's position as an independent, credible, and professional regional organization, acting as a trusted policy advisor to its member authorities. As AMRO has gained a wider audience and has built a deeper understanding and support for its role and operations, it has been able to compete with peer IOs and attract talent from the region, especially since it is no longer bound by Singapore's immigration laws. This ability to pick the *crème-de-la-crème* of talent bodes well for AMRO's future development.

Table 27.6 compares the key functions of AMRO (CLG) and AMRO (IO). Some functions are enabled by parliamentary approval and others are enabled by specific provisions in the AMRO Agreement.

⁶⁴See AMRO's website for more details on partnership engagements (<https://www.amro-asia.org/about-amro/what-we-do/#partnerships>).

⁶⁵For details on AMRO's interviews, see its website (<https://www.amro-asia.org/news-events/interviews/>).

Table 27.5: AMRO's Partnerships — MOU Signed by AMRO (IO)⁶⁶

MOU	Areas of Cooperation	Modality of Cooperation	Remarks
AMRO-ADB MOU (May 3, 2017)	Surveillance and research, capacity building	Information sharing and consultation, joint activities, staff exchange	MOU was renewed on January 1, 2021
AMRO-IMF MOU (October 10, 2017)	Surveillance, capacity building, regional and global financial safety nets	Information sharing and exchange of views, training and staff exchange, joint activities	MOU was renewed on October 11, 2020
AMRO-ESM MOU (October 11, 2017)	Dialogues between RFAs and between RFAs and the IMF, research, capacity building	Joint activities, technical cooperation, information sharing, staff exchange	MOU was renewed on October 11, 2021
AMRO-FLAR MOU (October 5, 2018)	Dialogues between RFAs and between RFAs and the IMF, research, capacity building	Joint activities, technical cooperation, information sharing, staff exchange	
AMRO-Trilateral Cooperation Secretariat (April 17, 2019)	Regional economic and financial affairs, capacity building	Research, joint activities, information sharing and consultation	

ADB = Asian Development Bank, AMRO = ASEAN+3 Macroeconomic Research Office, ESM = European Stability Mechanism, FLAR = Latin American Reserve Fund, IMF = International Monetary Fund, IO = international organization, MOU = memorandum of understanding, RFA = regional financing arrangement.

Source: ASEAN+3 Macroeconomic Research Office's partnership page (<https://www.amro-asia.org/about-amro/what-we-do/#partnerships>) and authors' own information.

Table 27.6: Comparison of AMRO (CLG) and AMRO (IO) on Key Functions

Key Functions	AMRO (CLG)	AMRO (IO)	Remarks
Protection from member authorities' interference (e.g., staff's arrest, document confiscation)	n.a. (No legal protection) ¹	Explicit protection by AMRO Agreement (legally protected)	Enabled by parliamentary ratification
Member authorities' obligation to submit to AMRO the same information to the IMF	Based on private agreement among central banks (articles of agreement)	Based on international treaty ratified by Parliament	

continued on next page

⁶⁶The information of this table was provided by AMRO (IO) for this chapter.

Table 27.6: *continued*

Key Functions	AMRO (Company)	AMRO (IO)	Remarks
Information exchange and various cooperation with other international organizations (e.g., IMF)	n.a.	Allowed to establish cooperative relations as AMRO	
CMIM secretariat function	n.a. ²	Explicit provision in AMRO Agreement	Enabled by provisions in AMRO Agreement
Support to other ASEAN+3 activities	n.a.	Explicit provision in AMRO Agreement	
External publication including economic reports	Strict condition. practically difficult for timely publication	Allowed to publish as per pre-set publication policy	

AMRO = ASEAN+3 Macroeconomic Research Office, ASEAN = Association of Southeast Asian Nations, CLG = company limited by guarantee, CMIM = Chiang Mai Initiative Multilateralisation, IMF = International Monetary Fund, IO = international organization, n.a. = not available.

Note:

¹ A memorandum of understanding (MOU) was signed between AMRO (CLG) and Singapore in May 2013.

² With the explicit instruction by ASEAN+3 authorities, AMRO (CLG) prepared a set of indicators to assess ASEAN+3 members' qualification for the CMIM's crisis prevention facility (called the Economic Review and Policy Dialogue (ERP) Matrix).

Source: Chabchitichaidol et al. (2018) based on the AMRO Agreement.

As The Number of Economists Exceeds the Number of Member Economies...⁶⁷

Until its transformation into an IO in 2016, the priority of AMRO's (CLG) surveillance work was mainly given to support regional surveillance discussions at the ERP session — a peer review surveillance session among the Deputies at the AFCDM+3. As described in an earlier section, an AMRO surveillance team made its first annual consultation visit to one of its member economies, Vietnam, in October 2011 and AMRO began to submit a regional surveillance report titled “ASEAN+3 Regional Economic Monitoring (AREM) Report” and 14 individual country reports for the member economies to the AFCDM+3 meetings biannually, only with six surveillance staff in total (two senior economists and four economists) in December 2011. AMRO's (CLG) human resources were preoccupied with conducting annual visits to 14 member economies and producing quarterly surveillance reports on the region and individual economies.

With the transition to an IO in February 2016, AMRO was better positioned to further enhance its surveillance capacity. Key enabling factors are as follows:

⁶⁷The information in this paragraph was provided by AMRO (IO) for this chapter.

First, AMRO's top management structure evolved from a single directorship to a senior management system, consisting of a Director, Deputy Director 1 (Administration), Deputy Director 2 (CMIM, Strategy and Coordination), and Chief Economist (Surveillance). Second, AMRO's surveillance capacity was significantly strengthened in both staffing and organizational structure. The number of surveillance staff increased from 6 in December 2011 to 23 by December 2016, and then further expanded to 41 (including 9 secondees) in August 2020. In the second half of 2016, AMRO also bolstered its regional and sectoral surveillance capacity by establishing dedicated teams for these functions (e.g., financial surveillance, regional surveillance, and fiscal affairs). Third, AMRO has been able to publish its surveillance reports under the new publication policy since 2017 as described in the previous section.

With greater resources at its disposal, AMRO was also able to strengthen its support toward enhancing the CMIM, in particular, the work on the ERP Matrix. After agreeing to introduce the CMIM Precautionary Line (CMIM-PL) in 2012, ASEAN+3 Deputies explicitly tasked AMRO (CLG) to develop this Matrix, consisting of economic indicators of all ASEAN+3 economies to facilitate assessment of members' qualification for the CMIM-PL.⁶⁸ Subsequently, this work by AMRO (CLG) was transferred to AMRO (IO) and has since become one of AMRO's (IO) core tasks, with AMRO working closely with member authorities to refine the assessment framework.

As mentioned earlier, the ERP Matrix was first introduced as a quantitative "scorecard" on financial stability to be applied in determining access to the CMIM-PL. It has since been enhanced and expanded to include both quantitative and qualitative analyses and currently consists of three components. First, a purely quantitative "scoring" of a suite of macro-financial indicators, representing pre-defined macroeconomic and financial soundness criteria for members, relative to designated peer economies. Second, analyses from AMRO's regular bilateral surveillance of member economies and third, qualitative assessments of member economies' data

⁶⁸For details, see the Joint Statement of the 16th AFMGM+3. In 2012, ASEAN+3 authorities needed to explicitly task AMRO (CLG) to develop this ERP Matrix. The AoA of AMRO (CLG) defined AMRO's (CLG) functions within a narrow scope and the work on the ERP Matrix fell outside of it. On the other hand, the Agreement establishing AMRO (IO) prescribes that one of its functions is "to support members in the implementation of the regional financing arrangement" (see Article 3(c) of the AMRO Agreement). In the context of AMRO and the ASEAN+3 region, the regional financing arrangements refer to the CMIM. See also Table 27.6 on the previous page for a comparison of the key functions of AMRO (CLG) and AMRO (IO).

adequacy and quality of financial supervision.⁶⁹

In 2018, the ERPD Matrix framework was integrated into AMRO's surveillance work.⁷⁰ The convergence of the ERPD Matrix with AMRO's regular surveillance of member economies provides the basis for more in-depth analysis to assess qualification to the CMIM-PL.⁷¹ AMRO continued to support members with respect to CMIM activation and in 2019, the ASEAN+3 Finance Ministers and Central Bank Governors announced that they had adopted the ERPD Matrix Scorecard as a qualification reference for the CMIM-PL, which was made possible because of AMRO's efforts.⁷²

AMRO's progress in enhancing its surveillance capacity has therefore enabled it to serve as a trusted advisor to members, especially in ensuring the operational readiness of CMIM activation. In 2020, ASEAN+3 Finance Ministers and Central Bank Governors shared that a policy and review function would be introduced within AMRO to strengthen the governance of its surveillance process and reinforce support for CMIM programs.⁷³ Following the global outbreak of the coronavirus disease (COVID-19) pandemic, AMRO has provided timely analyses on the impact of the pandemic to its member authorities. These surveillance products have also been made available on AMRO's homepage as part of its efforts to establish itself as a trusted policy advisor for within the region.⁷⁴ This demonstrates the value and importance ASEAN+3 members place in AMRO's contributions.

⁶⁹Li Lian Ong and Laura Grace Gabriella, AMRO Working Paper: The ERPD Matrix "Scorecard": Quantifying the Macro-Financial Performance of ASEAN+3 Economies (https://www.amro-asia.org/wp-content/uploads/2020/04/AMRO-Working-Paper-20-01_ERPD-Matrix-Scorecard_Ong-Gabriella_final.pdf).

⁷⁰See Joint Statement of the 21st AFMGM+3, May 4, 2018, Manila, Philippines (<https://www.amro-asia.org/the-joint-statement-of-the-21th-asean3-finance-ministers-and-central-bank-governors-meeting-may-4-2018-manila-philippines/>).

⁷¹See Ong and Gabriella (2020) for more details on the ERPD Matrix framework, in particular the framework and methodology for the Scorecard component.

⁷²See Joint Statement of the 22nd AFMGM+3, May 2, 2019, Nadi, Fiji (<https://www.amro-asia.org/joint-statement-of-the-22nd-asean3-finance-ministers-and-central-bank-governors-meeting/>).

⁷³See 23rd AFMGM+3 Joint Statement, September 18, 2020, virtual (<https://www.amro-asia.org/joint-statement-of-the-23rd-asean3-finance-ministers-and-central-bank-governors-meeting-september-18-2020-virtual/>).

⁷⁴AMRO refocused its efforts to better support members by providing information on the latest developments on the COVID-19 pandemic, informing national authorities on the impact of the COVID-19 pandemic on their economic activities and financial stability, deepening its analytical capabilities by stocktaking pandemic policies undertaken by ASEAN+3 member authorities and developing surveillance tools, as well as enhanced monitoring on vulnerable countries in the region. A wide array of new surveillance products that addressed the impact of the pandemic were also introduced and a microsite that collates these products was established on its homepage at <https://www.amro-asia.org/covid-19-in-focus/>.

Looking Forward

The past decade has been a whirlwind of activity for AMRO. Despite its achievements, there is scope for AMRO to enhance its effectiveness and support to members in the long run. This section will examine some of them.

AMRO's core mission is to contribute to the macroeconomic and financial stability of the region through conducting macroeconomic surveillance and supporting the implementation of the regional financing arrangement. To do so, AMRO must continue to accumulate expertise and knowledge on crises, program design, and policy advice. In detecting risks and vulnerabilities, AMRO's advantage lies in its close relations with member authorities, which has fostered close and regular dialogues among them. At the same time, it is imperative that AMRO remains objective in its assessments and continues to provide candid and frank views to member authorities.

Given the importance of accurate reporting of data and statistics for effective surveillance, AMRO has scaled up its technical assistance (TA) program in recent years. AMRO's TA program seeks to create a platform to strengthen members' macroeconomic surveillance capacities and facilitate knowledge sharing among members and other IOs through the programs. The heterogeneous nature of AMRO's member economies means that some members may require more assistance in this regard. The need to enhance the coverage, frequency, and quality of data and statistics will continue to be a long-term agenda for AMRO.

Finally, there is a need for ASEAN+3 members to consider the future direction of AMRO with respect to its role in supporting the CMIM. As mentioned, the vision of creating an independent secretariat as a centralized surveillance institution linked to the CMIM, with reserve pooling and regional contingent credit lines, was mooted in the early years of the ASEAN+3 financial process (i.e., in the 2004–2005 recommendations of the ASEAN+3 RG). To date, AMRO and the CMIM exist as separate entities — inexorably linked together yet unable to unify as one. The CMIM is a quasi-public contract among central banks while AMRO's treaty was approved by the respective Parliaments of its member authorities.⁷⁵ Should ASEAN+3 desire a smoother activation process for AMRO and the CMIM, it

⁷⁵Article 3(c) of the AMRO (IO) Agreement stipulates that one of AMRO's functions is "to support members in implementation of the regional financing arrangement."

is worthwhile to consider legally upgrading the CMIM and to pool together a portion of the CMIM's total size to ensure the swift disbursement of funds.

If there is one key lesson to take away from the AFC, GFC, and the Eurozone crisis, it is that we must make hay while the sun shines. The ASEAN+3 region has shown remarkable resilience in the years following the AFC and has competently navigated the uncertainty and challenges in the global economy since. It has built a strong foundation and sound macroeconomic fundamentals and strengthened the various layers of the regional financial safety net to create strong self-help buffers. Perhaps it is timely to consider further enhancing and integrating its regional facilities so that AMRO/CMIM can take its place as a credible regional monetary fund that complements the global financial safety net. The COVID-19 pandemic is expected to accelerate these discussions and efforts to strengthen the CMIM as its members recognize the importance of ensuring its relevance in the face of the fast-changing global environment. It is noted that rule-based multilateral systems are more difficult to maintain, but they are more resilient against various shocks even in critical periods.⁷⁶

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⁷⁶See Nemoto (2015). Grabel (2019) is of the view that emergent coherence is (on balance) productive with respect to development and stability, rather than debilitating.

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