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A fund for Asia, by Asia

ASEAN and Japan should not be overly excited by the sudden change of heart in global institutions over the proposed Asian stand-by facility. After all, the about-face does not explain why the International Monetary Fund had opposed its formation in the first place. It was also made clear that the IMF and the World Bank were agreeing to the formation of the Asian fund simply because they expect to have a big say in the way it is run. Unless Asia has no need for autonomy and democracy in the management of its monetary policies and the region's general welfare, its vice finance ministers meeting in Manila later this month should view the IMF/World Bank about-face with caution.

The ministers must remember, that barely a month ago in Hong Kong during the annual IMF/World Bank meetings, an IMF official had said that the existence of an Asian stand-by facility, which was then called the Asian Monetary Fund, would undermine the IMF. Although Asean and Japan, who are the brains behind the Asian fund project, had explained repeatedly that this was not the objective of the fund, the IMF had seen fit not to extend its support to the establishment of an Asian counterpart.

One can only speculate that the IMF's opposition was due to the fact that an Asian Monetary Fund would be a direct threat to its authority. Clearly, to some in the IMF, an Asian fund could lead to a clear division between the Western-backed fund based in Washington and the Asean/Japan-backed fund based in Tokyo or Kuala Lumpur. Should the Asian fund adopt another set of policies and turn out to be more effective in checking the scourge of wild currency fluctuations and speculation, it may begin to reflect badly upon the IMF. The fund could also have been seen as an attempt by Asean and Japan to part with an institution said to be greatly influenced by Washington. If the Asian stand-by facility is set up outside the IMF framework, it would diminish Washington's influence in matters that Asia depends on the IMF for and, by extension, the US and the West. An Asian fund will also be a powerful voice when asking for international monetary policies that are not inclined towards Western interests and ideals.

The vice ministers meeting in Manila may want to consider what Prime Minister Datuk Seri Dr Mahathir Mohamad said on the need to push ahead for the Asian stand-by facility with Asia in mind. The Asian fund, he said, should be independent of the IMF. Representatives from the IMF and World Bank, who will meet Asean and Japan vice finance ministers in Manila, would not accept this, of course. There is already a proposal to make the IMF's Tokyo office a secretariat for the Asian fund. The two Bretton Woods institutions will, no doubt, be asking for more before they give their "blessings" to the fund.

The Asian vice ministers in Manila must ensure that they do not grant any such concessions. The Asian fund is not being created to challenge the authority of the IMF and the World Bank, or the influence of the US in this region. It will be used to provide assistance to countries facing economic problems related to a currency crisis. When Mexico suffered the peso crisis, the US and the IMF provided aid swiftly. In the case of Thailand and Indonesia, the IMF was not "close" enough to act as swiftly. The situation in Thailand could have been salvaged had there been an Asian fund monitoring the region. This, in turn, could have prevented the contagion from hitting other countries in the region, moving beyond the

region and infecting the world.

Those who will be in Manila to decide upon the setting up of the Asian fund should welcome the IMF and World Bank's involvement in managing the fund. Their experience should be utilised and the Asian fund will benefit from the institution's management systems and expertise. However, the running and policy-making of the Asian fund should be left to Japan and Asean, or representatives from countries within the region. The fund should not be dictated by any single nation or power, be it Japan, China or Asean. And certainly not by the IMF, the World Bank, or the US.

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