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Asia must watch out for itself

MR MICHEL Camdessus certainly has a valid point about the need for Asian nations to watch out for each other. The International Monetary Fund's managing director first made this point in Europe last week and reiterated it yesterday in Singapore. By developing a kind of club spirit, neighbouring countries can encourage as well as exert peer pressure upon each other. Camdessus must have felt that an absence of regional surveillance contributed to the fact that nothing was done when Thailand overborrowed to fuel an economy that was already hurtling forward at break-neck speed. The IMF leader went on to say that a regional surveillance system would complement existing measures such as the IMF bailout fund.

Asean policy-makers must take cognisance of this need for regional surveillance, although its form may differ from what Camdessus has in mind. The arrangement among central banks in the region is an example of a peer pressure group that was created long before the Thai economy skidded and crashed. There are also regular meetings - both formal and informal - between officials of neighbouring countries as well as among officials in the region. When the Thai economy suffered its first hiccups, there had been regular discussions and consultations among authorities in the region. But did anyone expect the "tom yam effect", as Prime Minister Datuk Seri Dr Mahathir Mohamad has called the regional crisis caused by the baht devaluation, to be so far-reaching?

The regional surveillance system, in this case, was not effective. Camdessus' concept would have fared no better. He felt that with proper surveillance, a problem in any participating nation could be nipped in the bud. However, this will only be true if the problem affects a country's economic fundamentals. The financial turmoil in South-East Asia was not all about fundamentals. Perhaps Thailand had been warned a year before the baht fiasco, that corrective economic measures were needed and no one paid any attention. The Thai crisis therefore, should not have infected the economies of other South-East Asian countries if its cause had been purely economic in nature. However, the contagion spread and infected Asian countries with very sound economic fundamentals. In fact, Camdessus and the IMF had praised these nations for the soundness of their economic fundamentals before the crisis broke-out.

The developing world as a whole, needs more than the regional surveillance system proposed by Camdessus; it needs to know what went wrong. Why did the bourses and currencies of the Philippines, Indonesia, Singapore, Malaysia, Taiwan, South Korea and Hong Kong crash so dramatically even after the IMF offered aid first to Thailand and then to the Philippines and Indonesia? What were the forces driving the terrible contagion?

The role of currency speculators in the financial crisis of South-East Asia has generally been accepted, even documented in detailed terms in some international media. The IMF and other institutions, finance ministers from the Commonwealth, Asean and the Group of Fifteen, have acknowledged the validity of Dr Mahathir's point on the need for regulations to govern currency speculation. Apart from regional surveillance, therefore, there is also a need to ensure that the region has the necessary tools to deal with a problem, if it is caused by manipulation of stockmarkets and currencies. The proposal by Japan and

Asean to create an Asian Fund modelled after the IMF should, therefore, be reconsidered by those who are still sceptical of the need for such a fund. Camdessus is one of them who thinks that what is missing in this region now is not the funding but a regional surveillance method to strengthen IMF surveillance. If he agrees that what the world needs is regulations to discipline currency speculators and make their activities more transparent, then it would be easier to accept his point that all we need is surveillance.

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