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Ending Asian fund crisis

THE finance ministers of the Association of South-East Asian Nations (Asean) have turned their backs on the proposed Asian Monetary Fund. It goes to show that while people know what's good for them when the chips are down, they forget what it was as soon as their troubles are over. Now that the Asian crisis has blown over, the urgency of having Asia's own crisis fund seems no longer as pressing as it was a year or two ago. So the ministers at their meeting in Brunei decided instead to adopt a proposal to expand the existing arrangements within the currency swap agreement to meet short-term balance of payments problems. Never mind if the amount is "meagre" Japan, China and South Korea can, and will, be included in this arrangement in an effort to enlarge the kitty.

Just months ago, the setting up of a regional financing fund to safeguard economies in the region against future threats of currency or economic crises had been paramount. Especially in the light of serious shortcomings in the way the 1997

of Asean and its three partners may be backpedalling if it tries to counter an all-out attack on currencies and bourses as seen in 1997 and 1998, especially when several economies under the swap arrangement are under siege at the same time. Details on the expanded swap arrangement are still being worked out, but it does seem that this arrangement will be more effective in bailing out economies after they have been hit by a crisis instead of helping them defend against attacks or, better still, preventing the crisis from happening.

A regional fund, on the other hand, can be effective not only in rescuing economies but also in preventing a crisis from spreading. It is not merely an arrangement but an organisation, just like the IMF, with the authority and the resources to safeguard economies in the region from speculative currency attacks and stock market manipulation. The currency swap arrangement can still be expanded and become part and parcel of the AMF. After the 1997 crisis, easily one of the worst fi-

crisis was handled by the International Monetary Fund. Even Japan, which is normally shy to display any form of leadership qualities to its neighbours in East Asia, agreed to take the lead in establishing the fund. The idea was quickly shot down by the global sheriffs in Washington and was condemned by the IMF, which felt the AMF was an attempt to undermine its authority. The promoters of the idea, however, were not discouraged. Prime Minister Datuk Seri Dr Mahathir Mohamad is a staunch believer in the proposed regional fund and Japan appeared willing to take the lead again. The Asean finance ministers' decision in Bandar Seri Begawan, therefore, is no minor setback.

The currency swap arrangement could possibly work, especially if Japan, South Korea and China agree to participate. Most likely, though, there will be serious limitations; after all, the existing arrangement did not work during the recent crisis, remember? Against the might of the hedge funds and the mega banks financing them, the international reserves

nancial and currency tragedies the free market has ever known, Asian decision and policy-makers have gained invaluable experience and no doubt very painful, too on how to act during a crisis. When needed this experience, through the AMF, can be put to good use for other crises outside Asia. In Africa, for example, the IMF and its sister organisation, the World Bank, have been making reasonable progress; AMF's inputs could speed up a lot of things.

Fortunately, the finance ministers have an opportunity at their next meeting in Chiangmai to rethink their Brunei decision on the currency swap arrangement. The opportunity to do something big and right ~~the~~ establishing the regional fund cannot be allowed to slip through their fingers just because the crisis is over and economies are recovering. The IMF has to be convinced, persuaded or told off that the regional fund is aimed at making its job easier and not about undermining whatever little authority and credibility left in the aftermath of the Asian crisis.