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AMF-OPPOSITION (News Focus)

ASIA MUST SET UP AMF DESPITE STRONG OPPOSITION

By: Mikhail Raj Abdullah

BERLIN, Oct 12 (Bernama) -- Japan, along with Malaysia and others, must quickly set up the Asian Monetary Fund (AMF) for the time has come for regional economies to help themselves despite what others say.

This is because if viewpoints by German finance ministry officials are anything to go by, the European Union (EU) like the International Monetary Fund (IMF), is dead against the proposed Asian Monetary Fund (AMF).

Dr Axel Nawrat, Head of Department for International Finance and Currency Relations in Germany, said that an Asian-led fund would not work as it just cannot afford it.

He argues that if the AMF had been around during the 1997 economic crisis, for instance, it would not have had the financial resources to help beleaguered economies like South Korea and Indonesia.

Others beg to differ.

Prime Minister Datuk Seri Dr Mahathir Mohamad said that had the AMF been around, Thailand, Indonesia and South Korea might have been saved from turning to the IMF.

Dr Nawrat further contends that Japan as the region's sole economic powerhouse would be the only contributor to the Funds, thereby limiting its funding operations.

Yet, detractors to the AMF are oblivious to the fact that Asian economies can raise funds via borrowings from member economies, or through fund mobilisation in the market.

Using these methods, Japan's Institute for International Monetary Affairs, Hajime Shinohara, said last year that the AMF can or indirectly mobilise more than US\$100 billion (RM380 billion).

Against such a capability to raise funds, the opposition to regional economies getting together to help themselves which makes economic sense is exasperating, other than it being merely political.

Nevertheless, Dr Nawrat contends that politically, Japan along with other Asian countries have every right to form such a Fund.

"Nobody can stop the AMF, these countries have the political right to form the AMF," he told a group of visiting Asian editors here recently.

But this is far from reassuring, because as the experience of the Malaysian-led East Asian Economic Caucus has showed, there would be moves to "kill" it even before it crystallises.

Washington did not mince its words in the earlier days when it decried the AMF to be "dangerous" and that it was also a "terrible" idea.

Yet, whatever the reason for the pessimism -- Dr Nawrat, Germany, the EU and the United States, simply fail -- or refuse to see, the shortcomings of the IMF itself in helping crisis-hit economies.

Renowned American economist Jeffrey Sachs said that when the IMF took over ailing economies after the 1997 crisis, the outcome was also terrible.

Those opposing the AMF conveniently ignore these bare facts.

One must seriously consider the real prospects of the AMF playing a complementary role to the IMF, for the latter's resources are also limited.

Also, without an AMF, Asian economies, especially from East Asia would be hard-pressed to defend themselves from another nasty experience given the failure to reform the international financial architecture and "mighty" unscrupulous hedge funds which are still out there.

Hence, the AMF is practical and a necessary alternative, but not a replacement to the IMF.

This is why Malaysia is strongly committed to supporting Japan's proposal for the setting up of the AMF as a regional funding facility.

As Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi recently put it during a working visit to Tokyo:

"The hard lessons of the Asian economic crisis must spur us on to seek effective means aimed primarily at preventing rather than administering cures after the outbreak of the crisis.

"The obvious message to Asian economies would be to look after themselves first, for the IMF has other continents to consider as well, i.e., Africa, Latin America and countries such as Russia."

Russia should serve as a fine example of how an IMF rescue package that spanned almost a decade failed miserably, yet the institution claims unabashedly that reform has come to the former Soviet republic.

At this stage, China's strong support to the AMF would be essential to taking the proposed regional Fund a step further towards its implementation.

Perhaps, Asian leaders should use the third Asia-Europe Meeting (Asem 3) in Seoul next week as a splendid opportunity to initiate efforts in the road towards formalising the AMF.

Despite what others say, it would do well for Asian economies to push forward the AMF with greater earnestness for in a crisis, there is no greater comfort than having friends nearby who are ready to help out with no strings attached. -- BERNAMA

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