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The lull before the storm

AS repeatedly cautioned by Prime Minister Datuk Seri Dr Mahathir Mohamad, the rebound of the South-East Asia region from the depths of the financial crisis may breed complacency or, worse, an illusory sense of security that the turmoil of the past three years has gone, never to return.

When he first said this in the early part of last year, some thought he was either being a wet blanket or being fervently opposed to the neo-liberal economic doctrine. But evidently, Dr Mahathir is not alone in his apprehension now. Since then, others in elite policy-making and opinion-forming circles echo the fear that without radical reforms to the international financial system, the world remains financially fragile and the next crisis can erupt anytime. Japan's influential former Vice-Minister of Finance for International Affairs Eisuke Sakakibara, popularly referred to as Mr Yen, puts the point bluntly: Be prepared for the next economic crisis.

Such gloom will hardly appeal to many who feel that the crisis has passed, lessons have been learned and countries should be better equipped to deal with any eventuality of a recurrence. But with the worse over, some countries do not even see the urgency in pushing for systemic reforms of the global financial system. The warning by Sakakibara should be seen as a wake-up call for the countries in the region. They had suffered the most and, therefore, they should pay greater heed to calls for a regional defence mechanism to shield themselves from the debilitating blows of the next crisis.

The need for each country to build a good, supervisory authority, higher foreign reserves and private sector burden-sharing which entails some kind of contingent arrangement is imperative. Governments in the region are pursuing domestic reforms and, in some areas, the results are already seen. But good policies alone will not be able to forestall the crisis. Contagion can spread a crisis from one place to another, including countries whose policies are not to blame. Thus, there is merit in the setting up of a contagion facility in times of systemic danger where access to extra funds will be faster and front-loaded without conditionalities attached to the borrowing.

This idea had been in circulation at the height of the crisis in 1997 whereby Japan had proposed the Asian Monetary Fund. But it was shot down by the United States and the International Monetary Fund. Dr Mahathir has been persistent in his call for a regional fund to help provide the necessary funds for crisis-stricken countries and for the setting up of a regional grouping along the line of the East Asian Economic Caucus, which was first proposed in 1990. As Sakakibarasays, the situation during the mid-1997 crisis could have been different if the EAEC had existed.

There have been no lack of ideas but none came to fruition as the region has yet to collectively deal with the United States, a hegemonic power in the world whose macho posturing on global issues reveals it is hell-bent on protecting its position, the centrality of the dollar, its institutions and market. The region must pursue its own course. Let the US and her allies condemn us for resorting to regionalism or accuse us of retreating from the tide of globalisation. As countries which lack position vis-a-vis the global financial system, we have already suffered from the politics of alienation and marginalisation spun by the mighty few.

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