

Asian Monetary Fund Is Back on the Agenda

by Mike Billington

The inaugural meeting of a new institution of the East and Southeast Asian nations, the East Asian Congress, took place in Malaysia between Aug. 4-6, and by renewing the long-stalled idea of an Asian economic alliance and an Asian Monetary Fund (AMF) independent from the International Monetary Fund (IMF), was able to directly address the growing international financial disintegration. The two leaders who had pressed for East Asian unity and the creation of an Asian monetary system, following the speculative assault on the Asian currencies in 1997-98—Malaysian Prime Minister Dr. Mahathir bin Mohamad and former Japanese Vice Minister of Finance Eisuke Sakakibara—also spearheaded the call at this new forum, where representatives of 13 Asian nations participated. The difference between now and then, is that the world financial system is in the early stages of a meltdown crisis. The 1997-98 financial explosion in Asia is now increasingly recognized as having been far more than an “Asian crisis”: rather, the opening fissure in the dollar-based financial bubble of the “globalization/new economy” hoax of the 1990s—just as *EIR* Founder Lyndon LaRouche assessed it then.

Dr. Mahathir, whose opening speech to the East Asian Congress is excerpted below, made the point that his call for an East Asian Economic Grouping (EAEG), first issued in 1993 and renewed in 1998, had been undermined by strong opposition from the United States and the IMF. The ten nations of the Association of Southeast Asian Nations (ASEAN) and the East Asian major powers—China, Japan, and South Korea—had then created the “ASEAN+3” at Chiang Mai on May 6, 2000, as a means of circumventing the opposition from Washington. Dr. Mahathir added that “we would be very happy if we stopped hiding behind ASEAN+3 and called ourselves the East Asian Economic Grouping.” He pointed to the fact that savings in Asia, although by far the largest total savings of any sector of the world economy, were largely invested not in Asia but in U.S. dollar-denominated bonds and investments in the United States, at extremely low rates, while the United States invests that wealth in Asia at a much higher return—an anomaly caused by the absence of regional financial structures that could direct the regional savings pool into necessary regional development. He praised the recent inauguration of an Asian Bond Fund, initiated by “my good friend” Thaksin Shinawatra, the Prime Minister of Thailand, as a step in the right direction.

Sakakibara on the AMF

Dr. Sakakibara argued that East Asia must not be “overly afraid of the U.S.,” and must change the “hub and spoke” relationship with the United States to one based on networking internationally. The region must assert “a coordinated political will” in the current global crisis, or “once again be divided and ruled by the rest of the world.” He noted that the failure to implement the AMF concept in 1997-98 was due, in large part, to the failure to address the important role of China. Had China been fully consulted at the time, he said, “We could have said to the rest, that this is Asian business, don’t bother us. The situation could have been different.”

The AMF is necessary also as a “lender of last resort,” said Dr. Sakakibara, noting the liquidity crisis created by speculation against the floating currencies in Asia, and the failure of the IMF to provide the liquidity needed to stop the speculators and keep the otherwise healthy sectors of the region’s economy functioning.

Dr. Mahathir concurred: “We have to have an Asian Monetary Fund simply because the IMF is not as independent as it should be. As we know, there are other hands which are controlling it, and those hands have other ideas contrary to the prosperity of East Asia.”

With the dollar-based financial system unravelling as fast as the supposed justifications for the U.S. pre-emptive war on Iraq, the renewed effort in Asia to counter the anarchy of the post-Bretton Woods floating-exchange-rate system has an urgent nature, as a necessary building block for a new world financial system. The East Asian Congress has set a useful agenda.

Documentation

Dr. Mahathir Opens East Asian Congress

Here are excerpts from the opening speech of Malaysian Prime Minister Dr. Mahathir bin Mohamad, titled “Building the East Asian Community: The Way Forward.”

On May 13, 1993, ten years and three months ago, in a speech to the Asia Society Conference on “Asia and the Changing World Order” held in Tokyo, I said the following: “I believe that it is now time for all of us to launch a process . . . whose final destination is a zone of co-operative peace and prosperity stretching from Jakarta to Tokyo. . . .”

As it turned out, some could not or would not understand our aspirations. They did give us a great deal of self-serving advice. They helped some of us understand that we had no right to dream what was not their dream. They helped us

understand that we had no right to work for an Asian community, living in friendship and cooperation. . . .

Today, those who speak of such an East Asian community of nations are no longer regarded as insane or foolish, or the most delirious or dangerous of men. The idea of East Asian cooperation and community building is now regarded as extraordinary, logical, and even natural. Blatant heresy has now almost become boring conventional wisdom. The idea and the ideal have already walked a hundred li [Chinese miles]. . . .

Today, at this, the First East Asia Congress, you will be discussing in detail the case for and against an Asian Monetary Fund, whatever you may wish to finally call it, in order to avoid touching any raw nerves. In other parts of the world, conventional economic theory says that trade cooperation should precede monetary cooperation. But conventional economic theory has been written basically by economists from countries and regions that are [now] capital poor or impoverished. We in East Asia hold the world's reserves—by the trillions—which we put in the United States and Europe, thus buttressing their currencies and economies. A small proportion makes the round-trip back to East Asia in the form of foreign direct investment, foreign equity investment and loans. . . .

You will, during this First East Asia Congress, be discussing China's critical role in the building of our East Asian community. This clearly is one of the core challenges in the decades to come, as China continues to be the powerhouse of regional and global growth. . . .

Who should be the entrepreneurs, architects, engineers and builders of our East Asian community? I very strongly believe it is we, the nations of East Asia, who should build our East Asian Community of Cooperative Peace and Prosperity. We are not cows to be led by the nose. We are not children to be led by the hand. This is a journey we must make with our own two feet. We must walk together. We must act together and advance together.

All this does not mean that we should turn away from anything or anyone. We must not forget those to whom we owe our full measure of gratitude. Old friends are to be venerated. All those who are not against us are with us. They are or will be our friends. And it is now gratifying to find so many who wish us and our journey well. . . .

[M]any have become too steeped in the glorification of power politics, so-called *Realpolitik*, so-called "leadership," which is not true leadership at all and so-called "realism" which is not at all realistic—or for that matter, productive. I do not believe in the wonders of imperial dominance or "benign" hegemony. In the case of East Asia today and in the future, this will be clearly catastrophic. It is fortunately impossible. Pax Nipponica, Pax Americana, Pax Sinica—all three are not desirable. Fortunately, all three are not possible. . . .

Over the last three decades especially, we have seen a massive outbreak of peace in our region, a massive peace transformation in East Asia. For most of the last 20 years, we

have been more at peace than at any time in the last two centuries. . . . [But] let us not forget that 10 years ago, the peace momentum was faster and more assured. There were fewer and less dangerous threats. The Korean Peninsula was more stable. We now have little time to lose in resuscitating the peace momentum, to ensure that it is speeded up and made more assured. . . .

We in East Asia are the most dependent region in the world on world trade and economic development. Yet we are without voice and without clout. The decisions that directly determine our present and dictate our future are made elsewhere. It is time for us to empower ourselves, for the good of our people and for the sake of our future and the future of the world. . . .

Let me also stress that both the East Asian economic community and the East Asian political community that is advocated should be outward looking. There must be no retreat behind a great East Asian economic barricade. There must be no circling of the wagons. No hiding behind Great Walls. The whole world must be our marketplace. The whole world should be welcome to our East Asian market.

Very importantly, we must also be empowered to play our rightful role in the world. Today, we are the most dependent on international trade. Our very lives, our entire future hinges on decisions made in Geneva and Washington and New York. Yet our voice is seldom heard and even more seldom heeded. We carry little weight. We have little clout. We owe it to our people to amplify our voice, to aggregate our weight, to boost our clout. Singly, we are weak. Together we will be stronger. . . .

No self-centered selfishness, that is interested only in squeezing our neighbors dry. Prosper-thy-neighbor, not beggar-thy-neighbor. No self-centered, self-righteous egotism that justifies sermonizing, hectoring, bullying, and coercion. No hegemony. No imperialism. No commands. No decrees. No edicts. No diktats. No bulldozing. No unequal treaties. No forced agreement. No intimidation. No empty Cartesian contracts not worth the paper on which they are printed. Instead, advancement on the basis of true consensus and real agreement. Democratic decision-making. No unilateralism. The governance of East Asia, by East Asia, for East Asia. . . .

Fortunately for us in East Asia, we have been blessed by the fact that we can now see some ominous gathering clouds; fortunately the storms have not yet come. If we act now, and properly, they never will. Quite obviously, we must make peace long before we *need* to make peace. We have lost a great deal of time. We should act now with speed if not haste, with determination if not alarm.

Even clearer is the message on the economic front. Imagine how the world would have been different if East Asia had started in earnest on the East Asian community-building process a dozen years ago. . . . I do not know how long the window of strategic opportunity to our future will remain open. But I do know that we will be failing our people, we will be betraying our future if we do not now grasp the moment.