
Commentaries

The IMF 'has failed, and failed miserably'

Malaysian Deputy Prime Minister and Finance Minister Anwar Ibrahim, in Washington, D.C., July 20, *The Star Online*.

Speaking to reporters also in his capacity as chairman of the IMF-World Bank Development Committee, Anwar accused the IMF of a "lack of transparency and consistency," and noted the discussion of reinstating Bretton Woods arrangements, such as fixed currency parities. He was sharply critical of the disparity in the IMF's "high-speed action" in dealing with Mexico in 1994-95, and in Russia in July 1998, compared to stonewalling on disbursements to Indonesia pending compliance on rigid conditions. Anwar declared, "We wish to reiterate the point expressed by many of our colleagues in the region—that we are not satisfied with the manner in which the IMF imposes rigid conditions." The IMF must take into account the impact on the poor in these countries.

He said, "We support [the Russia package] without reservation. Our objection is . . . an apparent lack of transparency and consistency when it comes to disbursement of funds to the countries in the region, in particular, Indonesia." He reminded the IMF/World Bank that the reform measures demanded by them "had been respected, and the new President and government of Indonesia are committed to ensure these reform measures are implemented." He warned that as chairman of the Development Committee, a post he assumed during the April IMF meetings, "I certainly would expect change in the direction and the manner in which the IMF deals with the problem." He said the matter would be taken up seriously at the next general meeting of the two.

When asked about criticisms, including by the U.S. Congress, that IMF measures had failed to overcome the Asian crisis, Anwar claimed that there is no real alternative to the IMF as lender of last resort "for the present." He noted that discussions were taking place on the "international architecture of the financial system." Malaysia's view, he said, is that there is a role for the IMF "for the present. . . . But they must appreciate the complexities and peculiar conditions of each country. Yes, countries must undertake to initiate necessary changes and reforms, but once the parameters are agreed upon, then disbursement must be fast, otherwise you expect all these conditions to be observed and no funds are forthcoming. And that would aggravate the problems already faced by these countries."

Malaysian Prime Minister Dr. Mahathir bin Mohamad, *The Star*, July 21.

Dr. Mahathir conducted a nationwide tour in July to explain the current crisis and organize Malaysians in defense of his government's effort to address the crisis without resort to the IMF. He briefed constituents on the recent cabinet decision to launch large-scale infrastructure projects to stimulate the economy, pointing out that at least 140 industries would benefit from the spin-off effects of such projects. Two key points of attack in his speeches are the role of speculation in triggering the crisis, and the role of foreign media in trying to undermine the country's political leadership, by sowing discord within the ranks of the ruling party and coalition. He particularly hit at the principal opposition party, the Democratic Action Party, for lending credence to smears from the likes of the *Far Eastern Economic Review*.

Dr. Mahathir also took up criticism of the IMF's "lack of transparency," similar to that of Deputy Prime Minister Anwar. Mahathir noted that even though Indonesia changed its leaders, it still couldn't get IMF money. "We can understand if [the IMF] had forced Yeltsin to step down from the administration," he said.

Malaysian Special Functions Minister Tun Daim Zainuddin, speaking to a seminar on "The Economic Crisis in Malaysia and the Role of the Media," *Singapore Straits Times*, July 23.

Tun Daim said that the IMF has "failed, and failed miserably" in handling the Asian crisis. He added that any alternative to the IMF's tight monetary and fiscal policies is considered heresy, but there appears to be a growing consensus among countries affected by the regional turmoil, that a reversal of IMF policies is needed.

At a press conference the same day, Tun Daim released the outline of the government's stimulus program, called the "National Economic Recovery Plan, Agenda for Action," which was approved by the cabinet two weeks earlier. The plan outlines six key areas: Stabilize the ringgit, restore market confidence, maintain financial stability, strengthen economic fundamentals, continue the equity and social-economic agenda, and rebuild adversely affected sectors.

Philippines President Joseph Estrada, welcoming ministers attending the 31st ASEAN ministerial meetings in Manila, July 24.

Estrada called for an international conference on globalization and a "new architecture" for the international financial system. "ASEAN as an association has to participate actively in the shaping of a new architecture of the international financial system, which some have been calling for," he said. "The financial crisis has confronted us with the stark truth that the world is dealing with a new phenomenon. It is the phenomenon of massive amounts of capital flowing across national boundaries at lightning speed, bloating economies into fragile

bubbles as they rush in and shaking economies to their foundations as they are withdrawn. This is one of the aspects of globalization that carries an element of risk and peril. It is an aspect of globalization that requires the most profound examination and the most delicate handling. I reiterate the call [by former President Fidel Ramos in December 1997] for an international conference on globalization and urge ASEAN to take the intellectual leadership in it. Unless ASEAN does so, others will once again shape our destiny for us.”

China’s Foreign Minister Tang Jiaxuan at the ASEAN Regional Forum (ARF), Manila, July 27.

“The past year has been one of continued significant and profound changes in the Asia-Pacific region. . . . Peace, development and cooperation remain the main trend in the regional situation.

“However, destabilizing factors have apparently increased in the Asia-Pacific: India and then Pakistan conducted nuclear tests, plunging South Asia into a sudden wave of tension. As implications of the financial crisis spread, new problems have cropped up one after another in the process of regional development. The Cold War mentality still has its influence in the region. . . .

“The East Asian financial crisis fully indicates that economic security has increasingly become an inseparable part of national or regional stability. The East Asian financial crisis broke out ferociously and has caused such tremendous damage which is no less than that of a war. For this reason, the ARF should approach the subject of safeguarding economic security in an in-depth manner from the perspective of comprehensive security.

“It is true that there are different views and perceptions with regard to the concept and meaning of economic security. It is our preliminary thought that the primary essence of economic security is to safeguard the economic sovereignty of a state, of which financial security stands at the core. Economic security is based, first of all, on formulating the right strategy for economic growth and enhancing a country’s economic might and competitiveness. It is based on political stability, the inviolability of sovereignty, and respect for its model of development. Meanwhile, it is necessary for countries to take an active part in and work to promote regional economic cooperation and coordination, readjust, and improve the existing international economic and financial order and, in particular, to strengthen supervision over and take strict precautions against excessive speculation. Economic security is mutual, and it is inadvisable to try to shift one’s troubles onto others.”

Russian Foreign Minister Yevgeny Primakov at the ASEAN Regional Forum, Manila, July 27.

Noting substantive transformations in the past year, Primakov warned that “we cannot but notice new alarming de-

velopments.”

“Regrettably, the forecast that existing and mounting financial and economic challenges, represent the gravest danger to stability and further progress in the region, has been warranted.

“Many countries of the region face the threat of serious economic recession. As a result, not only internal social problems have been aggravated. This objectively provokes re-emergence of a number of old intraregional conflicts.

“Moreover, the currency and financial crisis in Southeast Asia has reached beyond the region, acquired an Asia-wide dimension, and as such affected the economic interests of majority of nations of the world. Its consequences are likely to have a negative impact for a long time to come.

“We are convinced, however, that the negative consequences of the crisis are not irreversible.” He then called on ARF to study the “causes and consequences” of the Asian financial upheavals with the intent of preventing future such developments. “Today, as never before, it has become evident the region needs a collective economic security system that would include transparency of financial mechanisms, forecasting crisis developments and development of methods of early warning of such situations. Incidentally, such early warning would also be necessary for countries outside the region.”

Coming soon in EIR

Next week’s issue will feature a Special Report on the real story behind the reunification of Germany. On July 7, the Bonn government released hitherto secret documents showing that Chancellor Helmut Kohl, during 1989-90, was put under enormous pressure by French President François Mitterrand and British Prime Minister Margaret Thatcher, to subordinate German sovereignty to the European Union, as the price for the reunification of Germany.

These documents only tell part of the story, however. *EIR* will provide detailed documentation of the battles over policy that were occurring behind the scenes. At the center of the fight were the ideas of Lyndon LaRouche, dating back to his call for an International Development Bank in 1975; his campaign for a ballistic-missile defense program based on “new physical principles,” which later became known as the Strategic Defense Initiative; and his 1989-90 call for a Productive Triangle of Eurasian development.

The Special Report will provide a conceptual overview of the most explosive strategic and economic developments of the past 25 years.