

suggest is supported by what has happened across most of the Asia-Pacific region over the last two to three decades. The region's individual economic delivery systems have worked to a degree unparalleled in the rest of the world. As a result, this region which comprises two-thirds of the world's population, has emerged as the key growth centre of world economic activity. . . .

But this Asia-Pacific sea of economic progress could not withstand indefinitely the structural economic ills that have been plaguing the rest of the world. With the exceptions of China and India, with their primary dependence upon their own huge domestic markets, the relatively high level of integration with the world economy of most other Asia-Pacific nations has finally taken its toll. In 1985 growth rates across the region have stalled, most dramatically in Southeast Asia. This year is ASEAN's worst performance on record. Of the six member countries, two will actually suffer from negative growth, two will have only 2.5 percent growth and only Thailand and Malaysia will edge over four percent growth.

It seems that finally even ASEAN's resource-rich armour has been penetrated by the slow growth and instability which most of the rest of the world has been suffering from for so long.

To understand ASEAN's difficulties we must search for the root causes of the general world economic dislocation. The post-World War Two Bretton Woods system, even with its limitations, did create an environment of stability, and consequently growth, in the fifties and sixties. But the Nixon administration's 1971 declaration of the non-convertibility of the dollar undermined the very core of this international financial order.

Ever since, we have all been living in the speculators' world of chance and uncertainty. Assets went less into medium- and long-term productive investments and more into short-term monetary gains to be made on speculative differentials. In short, such an erratic international financial environment of floating exchange rates has not been conducive to global economic stability, which is the prerequisite for growth.

Successive oil crises sparked off by sharp declines in the real value of dollar oil receipts contributed to jacking up the oil bill of non-oil producing countries, further dwarfing those countries' plans for industrialization in the seventies.

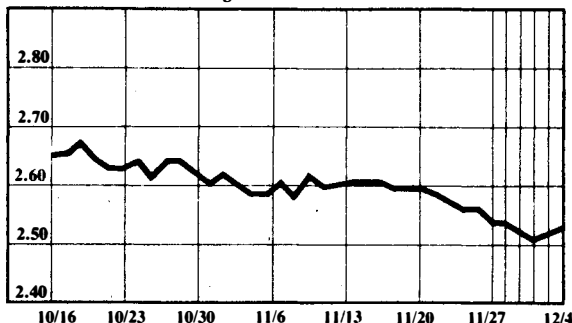
Then in 1979, the high-interest rate policy of the Carter administration, caused the doubling of Third World debt, which has today reached the staggering level of \$970 billion.

The truth of the matter is that the declaration of the non-convertibility of the US dollar in 1971 made the Bretton Woods accords void of content, thus requiring the creation of a new monetary system at that time. The United States, the country best-placed to lead the reform of the system, refused to acknowledge the need for such reform, let alone its responsibility. Some people would suggest that since the Bretton Woods accords were broken, the Bretton Woods institutions, namely the International Monetary Fund and the World Bank, lost their legitimacy at that time.

## Currency Rates

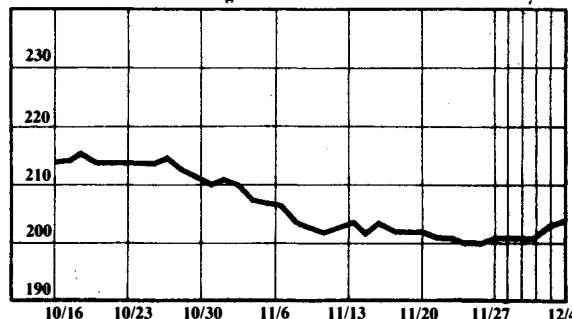
### The dollar in deutschemarks

New York late afternoon fixing



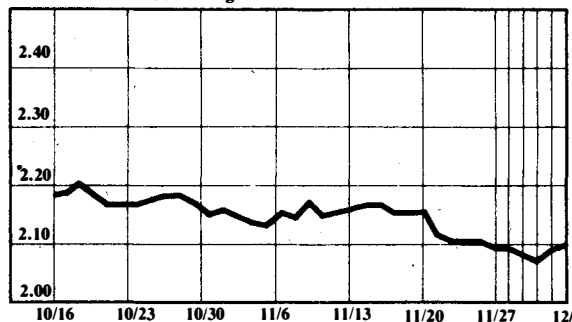
### The dollar in yen

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing

