

ASEAN and the Idea of an "Asian Monetary Fund": Institutional Uncertainty in the Asia Pacific

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Introduction

The East Asian Economic Crisis of 1997-1999 will have a lasting effect on the development of the Asia Pacific. The worst of the Crisis appears to be over, though the prospects of the region's recovery are mixed. Northeast Asia is returning to economic health at a remarkable rate. For Southeast Asia, the return to prosperity is more uncertain.

The Crisis has placed economic security at the heart of security considerations in the Asia Pacific. Without economic stability, political stability and peaceful regional relations are impossible. Creating economic security is, therefore, a complex but imperative undertaking.

The Association of Southeast Asian Nations (ASEAN) has lost much of its prestige and purpose as a result of the Crisis. Before 1997, ASEAN was attempting to maintain its status as, perhaps, the premiere regional institution in the Asia Pacific. It had expanded its range of activities to address regional security concerns in the ASEAN Regional Forum (ARF); it was constructing an ASEAN Free Trade Area (AFTA), designed to attract foreign investment. During the Crisis, however, ASEAN proved ineffective. It could not coordinate its members' responses to the regional difficulties; the aftereffects of the Crisis, such as the upheaval in East Timor, also proved beyond ASEAN's capabilities to manage. As the region returns to a semblance of economic health, ASEAN is struggling with its own relevance. Can it be reformed to regain its lost prestige? Can it lead regional institutional development, or has its time passed?

To many Asian leaders, the Economic Crisis was a harsh wake-up call. It demonstrated the fragility of many of the most dynamic regional economies. It vividly displayed the inadequacy of international institutional structures, both regional institutions such as ASEAN and the Asia Pacific Economic Cooperation (APEC) forum, and international institutions, notably the International Monetary Fund (IMF).¹ During the Crisis, Japan first broached the idea of establishing an *Asian Monetary Fund*, a financial instrument that would be funded by regional states and possess the resources to help them through the economic setback. The Japanese proposal was immediately opposed by the United States, the IMF and, significantly, China. The idea of an AMF has refused to die, however. Most recently, it has resurfaced in the context of the "ASEAN Plus Three" meetings between ASEAN, Japan, China and South Korea.

The object of this paper is to examine the debate around an AMF and the role that ASEAN may play within such an institution. Can ASEAN facilitate the creation of an AMF? If so, what are the implications for ASEAN's future institutional development? What are the obstacles faced by a proposed AMF?

The paper argues that the prospects for the creation of a regional monetary mechanism are very good. The momentum for the establishment of an indigenous Asian financial institution is very strong.

However, whether or not this institution will be an *effective* economic instrument is a different question. Lingering historical animosities and considerations of power politics between Asian countries remain as enormous obstacles that must be overcome before the AMF can function. An AMF would also challenge the United States' primary role in the world economy, something that most Asian countries may not be prepared to do. Asian states' support for an AMF will depend upon the extent to which they feel threatened by the workings of unrestrained international financial markets.

ASEAN may play an important intermediary role in the creation and initial maintenance of an AMF. Ultimately, however, the AMF will survive or fall on the basis of how its most wealthy and powerful members resolve their own conflicts. In the long run, an effective AMF has the potential to further divide ASEAN and co-opt its economic aspirations.

Theoretically, this paper draws on constructivism to emphasize that the evolving identities of the Asian states help to explain the uncertainty that characterizes regional relations. The Asian states are reexamining their relationships with one another and the United States in the aftermath of the Cold War. Simple identities of "friend" and "enemy" no longer apply. Instead, inter-state relationships are increasingly complex and reflect the tension between 19th century ideals of sovereignty and the interdependent world of today. As long as these identities remain unclear, so will the rules of interaction in the region. ASEAN can help shape the discourse that defines those rules.

The Theoretical Approach: Constructivism in the Asia Pacific

Constructivism is a *theoretical approach* which focuses on the role of identity in explaining state actions. Alexander Wendt defines "constructivism" in the following terms:

Constructivism is a structural theory of the international system that makes the following core claims: (1) states are the principal units of analysis for international political theory; (2) the key structures in the states system are intersubjective, rather than material; and (3) state identities and interests are in important part constructed by these social structures, rather than given exogenously to the system by human nature or domestic politics.²

The constructivist approach claims that states identities and interests are socially constructed. Therefore, understanding state behaviour means understanding the international social context in which it evolves.

States have a *corporate identity*, the "intrinsic, self-organizing qualities that constitute actor individuality".³ How states fulfil the needs of their corporate identities depends upon their *social identities*, i.e., how states see themselves in relation to other states in international society. On the basis of these identities, states construct their interests. States may have many different social identities. These can be cooperative or conflictual; state interests vary accordingly. States define their interests in the process of defining the social situations in which they participate. Thus, the Cold War relationship between the United States and the Soviet Union was a social structure wherein the two principals identified each other as enemies and defined their national interests regarding each other in antagonistic terms. When the U.S. and the U.S.S.R. no longer defined

each other in these terms, the Cold War ended.⁴ International structure consists of social relationships, which give meaning to material capabilities.

Wendt defines an "institution" as:

...a relatively stable set or "structure" of identities and interests... Institutions are fundamentally cognitive entities that do not exist apart from actors' ideas about how the world works.⁵

Institutions and states are *mutually-constituting entities*. Institutions embody the constitutive and regulative norms and rules of international interaction; they shape, constrain and give meaning to state action and define what it is to be a state. However, institutions exist because states produce and reproduce them through practice. The social relationships that define state identity and, therefore, state interests, develop within the context of institutions. States usually assign meanings to social situations on the basis of institutionally defined roles. Because states and institutions are constantly in process, there is always the possibility that each can bring about change in the other. Constructivism suggests that state identities and interests - and how states relate to each other - can be altered at the systemic level through institutionally-mediated interactions.⁶

Constructivists focus most of their attention on institutions that exist at a fundamental level of international society, such as international law, diplomacy, and sovereignty. Organizations such as ASEAN are superficial manifestations of these deeper institutional structures.

Constructivist analysis of international relations focuses on understanding the social structures governing state relationships. Constructivists ask: what are the social structures and relationships presently characterizing a region? How do states perceive their identities, and those of their neighbours? What interests follow from these perceptions? This paper uses constructivism's insights into the nature of international politics to form a sketch of the Asia Pacific at the dawn of the 21st century.

The Asia Pacific is characterized, first and foremost, by uncertainty. The identities and normative structures which organized regional relationships have been in flux since the end of the Cold War. In the post-Cold War period, states are uncertain of their identities. States that have been enemies - and may be again - also enjoy lucrative economic relationships with one another. The rules of state sovereignty in an interdependent world remain unclear.

This situation means that interpreting events in the Asia Pacific is exceptionally difficult. At present, there is an ongoing struggle over which regional identities and norms should be dominant. However, the events of the East Asian Economic Crisis and the response of the IMF and the United States to the Crisis have created a powerful impetus towards the development of an East Asian regional identity. A consensus may develop that the threats to Asia in the post-Cold War era are economic in nature. However, traditional security concerns continue to influence regional identifications. For example, until China decisively demonstrates that it will not use force to achieve its political ends, its relations with the

rest of the region will remain strained. Asia is still trying to decide/determine if conflictual or cooperative identities, and their associated social structures, will define the region for the 21st century.

The Role of ASEAN in the Asia Pacific

ASEAN was created in 1967.⁷ It was established in the aftermath of the *Konfrontasi* between Indonesia and Malaysia (and, by extension, Singapore). During this period, Indonesia, under President Sukarno, challenged the legitimacy of Malaysia. *Konfrontasi* ended when Suharto overthrew Sukarno, but it taught the involved states important lessons about their mutual vulnerability and the need for a politically stable regional environment.⁸ ASEAN was created, in part, to build intra-regional economic and social ties between its members and to foster a sense of regionalism. In response to *Konfrontasi*, a fundamental part of ASEAN's mandate was to alleviate tensions between its members. This function was represented by ASEAN's commitment to the principle of non-intervention in any state's internal affairs.⁹ The ASEAN states were also united by their common opposition to regional Communism. Ideally, ASEAN was opposed to regional interference from any external power. In practice, however, all the ASEAN states (except Indonesia) pursued their security through alliances with Western powers.¹⁰

A defining characteristic of ASEAN is the "ASEAN way," the process of interaction through which ASEAN reaches organizational decisions. The ASEAN way encourages decision-making through consultation and consensus-building. When consultation cannot create consensus, the ASEAN states agree to disagree and pursue their individual interests. The "ASEAN way" encourages its members to work around contentious issues by putting such issues aside and concentrating on cooperating in other, less difficult areas.¹¹ Thus, ASEAN has promoted the art of conflict avoidance, but not conflict-resolution.¹² During the Cold War, this approach ensured that the organization did not try to accomplish more than its individual members could accommodate.¹³ The ASEAN way remains fundamental to the organization's operations, despite recent questions about its efficacy. For most of its first decade, ASEAN was relatively unproductive, though it helped to facilitate political and social contacts between its members. The decline of the American commitment to Southeast Asia, the rapid pullback of British forces, and the reassertion of Chinese influence were among the factors that created a unifying sense of external threat. The Communist victory in Vietnam in 1975, however, galvanized ASEAN to action. In February 1976, the ASEAN heads of state met, for the first time, in Bali, Indonesia. The Bali Conference promulgated the ASEAN Treaty of Amity and Cooperation (TAC). The TAC codified various rules for the conduct of regional relations, including the prohibition of force to resolve disputes and a commitment to non-intervention in the affairs of local states. The TAC was open to ascension by non-members of ASEAN, but it was rejected by Vietnam. However, conflict between Vietnam, Cambodia and China, the regional Communist powers, helped reduce ASEAN's sense of impending Communist threat.

The 1978 Invasion of Cambodia by Vietnam proved a watershed in ASEAN's development. By using force against Cambodia, Vietnam violated ASEAN's regional code of conduct and confirmed ASEAN's

fears of its aggressive intentions. ASEAN was at the forefront of international attempts to drive Vietnam out of Cambodia. It sponsored opposition to Vietnam in the United Nations and organized the internal political opposition to the Vietnamese-backed Cambodian regime. ASEAN attracted considerable attention from the international community and established its credentials as a significant regional political regime.¹⁴

However, ASEAN's effectiveness in dealing with Vietnam was dependent upon its alliances with the United States and, particularly, China. ASEAN itself was divided over how to respond to the Vietnamese action. Indonesia saw China as the major regional threat and was reluctant to pursue policies that weakened Vietnam, which it saw as a potential counterweight to China. Thailand, which bordered Cambodia, insisted that ASEAN support it in its opposition to the Invasion. The Thai position carried the day, but caused growing tension within ASEAN.¹⁵ Despite these internal difficulties, ASEAN acquired a reputation as the most successful indigenously created structure in the developing world. In the post-Cold War era, some analysts have argued that ASEAN can be the basis of a regional security community, a regional identity, and that it plays a "pivotal role" in regional cooperation.¹⁶

In the post-Cold War era, ASEAN has been remarkably active. ASEAN has added four new members to its ranks since 1995; it now incorporates all of Southeast Asia. It established the ASEAN Regional Forum (ARF) in 1994, a Pacific-wide security instrument that includes all of the major regional states but remains dominated by ASEAN. ASEAN demanded a key role within the Asia Pacific Economic Cooperation (APEC) forum. It is establishing an ASEAN Free Trade Area (AFTA). However, despite these activities, ASEAN was actually more fragile than it seemed. The East Asian Economic Crisis revealed this fragility.

During the Crisis, ASEAN was rendered all but meaningless. Observers expected ASEAN to coordinate a regional response to the economic downturn. Instead, ASEAN fell apart. Its members fought amongst themselves and regional economic cooperation, temporarily, fell by the wayside. The organization's feeble efforts to coordinate banking reserves were fruitless and quickly abandoned.

The expectation that ASEAN could have played any meaningful role in facing the Economic Crisis betrays a profound misunderstanding of ASEAN's functions and purposes. ASEAN was never, primarily, an economic institution. It is a political regime, and works most effectively as Southeast Asia's regional voice to the rest of the world. Nonetheless, ASEAN's failure to meet this expectation undermined its international credibility. The global perception of Southeast Asia as a meaningful unified bloc, however illusory, was fundamentally important to gaining ASEAN the international prestige that it has enjoyed since the Vietnam/Cambodia conflict. Moreover, the Crisis revealed the extent of regional interdependence. Whatever ASEAN's original and true functions, it will need to adapt to this more volatile environment if it wishes to remain a relevant regional player. There are strong reasons to doubt ASEAN's ability to make this transition. ASEAN has survived largely because it has avoided involvement in its members' internal affairs.

ASEAN's efforts to adjust to the aftermath of the Crisis have, so far, been relatively weak. It is trying to construct a regional financial monitoring body that can act as an early warning system in the future. ASEAN members, however, are reluctant to provide this body with the economic data it needs to function

effectively. ASEAN has forged ahead with regional economic cooperation, though here are also indications that various members are resorting to traditional protectionist measures. Attempts to reform ASEAN to give it greater influence over member states have been overwhelmingly rejected by the membership.¹⁷

Given these developments, ASEAN's role in the creation of an Asian Monetary Fund takes on a different meaning. In the past, ASEAN was hesitant to support the development of regional institutions, largely because it wanted to preserve its own regional standing. However, the push for an AMF within Asia is gaining strength. Given that an AMF will require the participation of the major regional powers, its creation *could* give an extra push to ASEAN's institutional cohesion; it is only as a united body that the weak states of Southeast Asia could assert influence within an AMF. On the other hand, the successful creation of an AMF may undermine ASEAN's remaining relevance. The AMF might, ultimately, leave ASEAN as an empty shell.

For the moment, however, the drive to create an AMF, or something like it, has strengthened ASEAN. ASEAN is serving as the intermediary body that has made a level of regional financial cooperation possible.¹⁸ Whether or not this can continue, and what the longer term implications of the evolving AMF will be, are questions considered below.

The East Asian Economic Crisis and the Role of the IMF

The East Asian Economic Crisis began in earnest in May 1997, with the attack of foreign currency speculators on Thailand's baht.¹⁹ Through 1996 and 1997, important Thai banks and real estate concerns failed to repay debts, or required government bailouts. These were the first signs of problems in the Thai economy. By early 1997, foreign banks began calling in loans and currency speculators began their attack.²⁰ Thailand was unable to sustain the baht's peg of twenty-five baht to one US dollar. With the collapse of the baht, currency speculators turned their attention to other regional currencies, provoking similar collapses in Indonesia, South Korea and, to a lesser extent, Malaysia and the Philippines. The currency collapses meant that the considerable foreign loans managed by local banks could not be readily financed. Business debts increased in value. The situation was exacerbated by the panic of foreign investors, who pulled their money out of Asia en masse.²¹

The factors leading up to the Economic Crisis were put in place in the early 1990s. At that time, East Asian countries, encouraged by the IMF, undertook a process of financial liberalization and deregulation that opened their economies to foreign capital and created many more financial institutions. Asian stockmarkets increased in value. European and American fund managers made the booming economies of Southeast Asia a favourite destination for investment. In the United States, a powerful economy, combined with low interest rates, meant that enormous amounts of cash were available for overseas investment. In Europe and Japan, economic downturns meant that local investors were attracted to the high-profit margins of Southeast Asia. The interest rates in the region were high and the relative risks of investment low, as the local currencies were pegged to the US dollar. By the end of 1996, European banks had lent \$318 billion to the countries of East Asia. Japanese banks had lent \$260 billion; the US, \$46 billion.²² Many Asian companies used the easy credit

to expand and diversify, without oversight from weak national regulatory regimes. The level of foreign debt grew accordingly; by mid-1997 private foreign debt in Indonesia reached \$65 billion; in Thailand, private bank debt went from \$29 billion in 1993 to \$69 billion.²³

Much of the investment in Asia during this period was in real estate speculation. Additional investment in manufacturing contributed to a global oversupply of many Asian products, such as automobiles and computer chips. Under these circumstances, business failures were inevitable, resulting in a large number of non-performing loans. When the extent of this bad debt became apparent, the financial crisis was the result.

"Moral hazard" also contributed to these developments. "Moral hazard" refers to the expectations of bailouts on the part of investors in the event of economic downturn. Domestic banks, depositors, and corporations in Southeast Asia and South Korea expected their governments to rescue national institutions. Foreign banks expected the IMF to force debtor countries to pay if anything went wrong.²⁴

Changes in the value of regional and international currencies also played a role in creating the Crisis. The affected Southeast Asian states benefited by pegging their currencies to the US dollar when the dollar was relatively weak, but by 1995 it had started to rise in value, and pulled up the Asian currencies with it.²⁵ Another important contributing factor was China's decision to abandon the government-controlled exchange rate for the yuan in 1994. This led to a 50% decline in value of yuan and soaring Chinese exports, largely at the expense of ASEAN exports on world markets. The manipulated decline in the value of the yen in 1995 had the additional effect of undermining ASEAN's high value-added exports.²⁶

Finally, Jeffrey Sachs argues that the withdrawal of foreign funds was, basically, an investor panic. Crony capitalism and other factors contributed to Asia's economic downturn, but these considerations had not prevented economic prosperity before, and were exaggerated as causal factors during the Crisis. Investor panic had to be calmed before recovery was possible.²⁷

The IMF took the lead in restructuring the economies of Indonesia, Thailand, and South Korea. The IMF's stabilization programs were based on the assumption that the Asian countries' institutional structures were flawed and in need of fundamental reform. The IMF insisted on closing financial institutions and enforcing strict regulatory standards. In Indonesia, this policy exacerbated investor panic; the abrupt closing of 16 commercial banks caused a run on the whole banking system. The IMF also demanded of Thailand, Indonesia and South Korea that they implement high real interest rates and fiscal restriction, such as cutting subsidies.²⁸ This approach was based on the IMF experience in Latin America, where governments ran high budget deficits and inflation was chronic. High interest rates were tolerable because corporate debt-to-equity ratios were quite low, and the high interest rates controlled inflation. In Asia, the situation was radically different; government budgets were balanced or in surplus and inflation was not a consideration. The Asian Crisis was one of the private, not public, sector. Nonetheless, the IMF imposed its traditional solution, while failing to understand the implications of fiscal restriction in the Asian context.²⁹

The effects of these policies were predictably destructive. High real interest rates devastated private actors who were functioning with high debt loads and low inflationary expectations. Asian businesses, even those which were financially sound, suddenly found needed capital to be prohibitively expensive. What was

needed to save Asia was not a program of government contraction, but a program of government expenditure. To many analysts, the IMF policies turned an economic downturn into an unnecessary Economic Crisis.³⁰

The IMF meant for high interest rates to bring foreign investment back to East Asia. A program of recovery, however, must rely on more than just the return of foreign investment. Moreover, the IMF policies actually drove investors away by making economic recovery more difficult, for the reasons described above. The IMF requirements of structural reforms in the middle of the economic downturn further exacerbated the problems. The Fund imposed Western standards of financial restructuring, including demands for changes in labour laws to make it easier to fire workers and the lifting of regulations on foreign ownership, to allow foreign banks and firms to buy their Asian counterparts. Given that these changes were made when interest rates and levels of indebtedness were high, the effect was to create closures, layoffs, deflation, and accelerated capital flight.

Asian governments finally began to turn away from the IMF strategy. They cut interest rates and introduced fiscally expansionary policies. Malaysia, which had resisted IMF intervention, implemented currency exchange controls, to stop the fall of the ringgit; Malaysia is presently experiencing the most robust recovery in Southeast Asia. South Korea used government funds to buy bad loans and finance bank mergers. The IMF itself began to reverse some of its policies, allowing its government patients to run budget deficits.

During the early stages of the Crisis, Japan proposed the creation of an Asian Monetary Fund. The initiative originated with Japan's Vice Finance Minister of International Affairs, Eisuke Sakakibara. The proposed AMF would be capitalized to the amount of \$100 billion, with half of its reserves coming from Japan, and the remaining \$50 billion from other regional powers, such as Taiwan, Singapore, Hong Kong and mainland China. These economies all had huge balance of payment surpluses and foreign exchange reserves of almost \$800 billion, collectively. The proposed AMF would build on Asia's savings surplus, foreign-exchange reserves, and net-creditor status to finance the debt of the Crisis-affected countries. Given that this debt amounted to around \$300 billion dollars, the region possessed more than adequate resources to effectively deal with the problem.³¹

The AMF idea was vociferously opposed by the IMF and the United States.³² The IMF and US argued that two rival monetary funds would create "moral hazard" problems by allowing countries access to bailouts even if they did not implement painful structural reforms. The IMF wanted to protect its own status as the primary international institution charged with managing the world economy. Given the US dominance in the IMF, this goal was also in the American interest. The US used the Crisis to advance its own economic interests in Asia.³³ The US Treasury did not want an AMF that might reduce its ability to force adjustments on Asia and impede the liberalization of trade and finance. The US was also concerned that its own influence in Asia not be challenged, especially not by Japan. Nordhaug also suggests that the US was afraid that Asian states and private banks, which had been investing heavily in US Treasury bills, would divert their resources to finance a regional mechanism.

If regional banks, led by the Bank of Japan had sold out from their huge holdings of Treasuries to finance this costly operation, the interest rates on Treasuries and long-term interest rates would probably have soared and halted the US economic upturn.³⁴

The US and IMF opposition was enough to kill the original AMF proposal, with the support of China and South Korea, which were afraid of Japanese regional ambitions. The United States managed to protect its coveted role as world economic leader. According to Larry Summers: "US economic leadership is crucial to avoid a descent into the kind of regionalism and protectionism that we saw in the periods between the first and second world wars".³⁵ Japan was humiliated by the US reaction to its initiative, and pulled back from further efforts at regional leadership. In November, 1997, Asian finance officials met in Manila, the Philippines, and worked out the "Manila Framework" which stipulated that any bailout mechanism can only complement the IMF's supervisory role. The meeting called for a new "framework for regional cooperation", though it did not endorse the idea of an Asian rescue fund.

The US could celebrate its defeat of the AMF proposal only for a short time. The inability of the IMF to halt the Crisis and the growing evidence that it was applying the wrong medicine to the wrong problem raised considerable doubts within Asia about the competence of the IMF and the US Treasury. The US refusal to donate money to Thailand when the Crisis began also undermined its position in Asia. In October 1998, Japan presented the Miyazawa Plan, launched by Finance Minister Kiichi Miyazawa. The Miyazawa Plan offered \$30 billion in aid to the Crisis-struck Asian economies, but was careful to do so as part of a larger aid effort involving the G-7 countries, the IMF and the World Bank. At that time, the IMF was running out of funds and the US Congress was waffling on approval of further US funding. The Miyazawa Plan gained the support of the IMF. The US administration was less enthusiastic, but it did not actively oppose the plan as it had the AMF.³⁶

The IMF's mishandling of Asia, combined with the inadequate and predatory American response, has had serious repercussions in the region. To many Asians, the IMF demonstrated that it lacks the expertise to manage financial relations in the region.³⁷ It was also revealed as a blunt instrument of American economic policy. The IMF represents a particular system of capitalism and acts on the basis of its ideological predispositions towards the world economy. It is not friendly to "Asian capitalism"; quite naturally, Asians are considering constructing institutions that are more friendly towards their modes of interaction. As a result, the impetus for an AMF continues to grow.³⁸ Most recently, the newly-formed ASEAN Plus Three initiated a currency-swap agreement which may be a first step towards a regional fund.³⁹

The question of how to address the East Asian Economic Crisis depends on how one interprets its causes. The view of the Washington establishment and the IMF is that the Crisis was created by structural deficiencies in the Asian economies. Crony capitalism, weak corporate governance, poor standards of disclosure, lack of transparency, and other features of "Asian capitalism" led to economic collapse. The solution to this problem is to implement fundamental structural reforms in Asia. Many Asians disagree. Most admit their countries' economic failings. However, these failings were greatly exacerbated by the imprudent lending and investment practices of international banks and investors, who then panicked under adverse

conditions. If the Crisis resulted from investor panic, then mechanisms are needed to control unstable markets while providing public money to act as reassurance to jittery investors.⁴⁰

A combination of these two explanations actually accounts for the events of the Crisis. The shape that the AMF should take, however, depends on where one places the greater causal weight.

Evaluating the Case for an Asian Monetary Fund

There are a number of crucial questions to address when considering the idea of an "Asian Monetary Fund". First, what would be the purpose of such a fund? Should it be a supplement to the IMF, or should it support a particular "Asian" approach to economic development? Which country or countries would lead such an organization? What role would ASEAN play within an AMF, and how would the establishment of such a regional economic instrument affect ASEAN's institutional development? There are no definitive answers to these questions, but the possible answers can be analyzed on the basis of political and historical evidence.

First, what should be the relationship of the AMF to the IMF? The most common response to this question is that an AMF should complement the IMF, rather than compete with it. It would be, essentially, an Asian arm of the IMF - better able to act quickly, not dependent on the American Congress for its funds, but still guided by, and subordinate to, the principles and policies articulated by the IMF. The second response is more militant: the AMF should replace the IMF in Asia. It should promote and defend a model of "Asian developmental capitalism" that is more appropriate for Asia than the Anglo-American model promoted by the IMF. The following discussion addresses each of these views in turn, then considers the political obstacles that stand in the way of *either* AMF model becoming a reality. It also examines how the issues surrounding the AMF affect the institutional evolution of ASEAN.

AMF and IMF: Working Together in Asia

An Asian Monetary Fund could fulfill various stabilizing functions in an unstable world economy. An AMF would be better placed than the IMF to be an early warning mechanism and watchdog over Asian economies. Most important, an AMF would be well-capitalized and able to provide financial support to Asian states without going outside the region. However, this capacity has profound implications. How an AMF disburses its funds and its relationship to the IMF is of critical importance in determining its effect on the world economy.

The argument that an AMF should complement and be subordinate to the IMF is widely promoted by analysts inside and outside of the region.⁴¹ Rajan notes at least six good reasons to create an AMF (beyond those noted above), though there is some overlap between the six.⁴² First, past economic crises have been regional in nature, and the bailout packages organized by the IMF have been heavily financed by

regional powers. Thus, having a regional body to coordinate such rescues is not a great departure from established practice and increases efficiency. Second, there is an East Asian demand for a regional economic facility, and the resources to fulfill this demand are available. Third, an AMF can complement other East Asian efforts to facilitate regional economic development and interaction. Fourth, a regional economic facility can improve the East Asian voice in the international financial architecture. Fifth, there is no strong regional hegemon in Asia or regional monetary institution, in contrast to the dominant role of the US in the Americas, or the European Union in Europe. Sixth, an AMF could deal with the contagion effects of economic crises in one part of the region, which could easily spread to other parts and beyond.

An AMF could focus on *crisis prevention*, leaving the tasks of *crisis management and resolution* to the IMF. An AMF could protect regional currencies under attack from speculators. To be an effective deterrent, the AMF must provide its members access to a large pool of funds, built through appropriate donations from the regional states. The ability to access these funds:

...ought to be conditional on/tied to member economies maintaining some pre-determined standards of macroeconomic and financial stability...if and when necessary, the members must be willing to subject themselves to regional peer pressure to undertake necessary policy adjustments...promotion of policy dialogue will be a key function of such a facility.⁴³

Rajan notes that there are difficulties in clearly demarcating the respective roles of the IMF and the AMF in times of crisis. Nonetheless, he sees the AMF as the coordinating regional body that would work with the IMF and other institutions to coordinate bilateral aid, ensure speedy disbursements of aid, and suggest "the appropriateness of various policies/conditionalities, given its knowledge of regional circumstances".⁴⁴ Conditions attached to the loans would be set by the IMF, though the AMF could lend funds separately, in order to bypass the IMF's system of quotas for individual economies. Rajan sees the IMF as lending its experience and expertise to the AMF to help it fulfill its crisis prevention function. However, he also notes that any regional facility must have the ability to force members to "take appropriate actions if domestic weaknesses and imbalances are apparent".⁴⁵

Questions surrounding conditionality and its enforcement are the source of the ideological and political tensions around the AMF idea. Moreover, the primary role assigned to the IMF assumes that the goals of the IMF and AMF would be the same. Supporters of the argument that the AMF should complement the IMF privilege a view of the world economy as a unified whole, with the IMF as the necessary and appropriate shepherd of monetary and economic cohesion. This vision is, in some ways, being challenged by some Asian states.

The political and ideological issues aside, it is not clear that this vision of the AMF could ever work. Even if the institution started out as an adjunct of the IMF, it is unlikely it would remain so, given its financial independence. An Asian-funded AMF would not likely stay under the IMF thumb for long, especially if the IMF advocated policies that most AMF members opposed. Thus, from this perspective,

any effective version of an AMF would become a threat to US and IMF-domination of the structures of the world economy.

The AMF and "Asian Capitalism":

When Eisuke Sakakibara proposed an AMF in 1997, he explicitly argued that the AMF would defend the "Asian model" of economic development by quickly providing emergency funds to Asian states without IMF-like conditionality. Earlier, Sakakibara had argued that the "Asian model" was more favourable to development than the liberal Anglo-Saxon model supported by international financial institutions.⁴⁶ The AMF may, therefore, be a vehicle that could support and further an "Asian" conception of the regional economy. As such, it would be a direct competitor to the IMF and the American vision of the world economy.

There is, in fact, no clear "Asian model" of economic development that is followed by all Asian states. Indeed, only a few Asian states have possessed the proper mixture of state capacity and social cohesion necessary to successfully emulate the Japanese development model.⁴⁷ Nonetheless, there may be a broadly identifiable "Asian approach" to the relationship between the state, the economy and society.⁴⁸

Robert Wade notes characteristics of an "Asian financial system" that are common to most East Asian states. Foremost among these is a high rate of domestic household savings, most of which is deposited in banks.⁴⁹ Most Asian corporate investment is financed by bank loans, forming a "credit-based" or dedicated capital system.⁵⁰ In the US, corporations finance their production through depreciation and profits, with less reliance on bank debt. Investment capital is provided mainly by stock and bond markets. In the developmental Asian states, the high levels of corporate debt are buffered by long-term financial commitments between firms, banks and the state. The government is ready to support banks or firms and protect them from sudden economic shocks. Without the long-term commitments of the main actors, lenders would call in loans and liquidate firms in response to sudden economic shocks. This financial rationale is the basis of "alliance capitalism", now commonly disparaged as "crony capitalism".⁵¹

In Anglo-American business regimes, competition and the maximizing of short-term profit make high-debt structures unsustainable. Economic shocks cause lenders to call in loans and liquidate firms. Banks may be subject to "runs" from depositors if they are too exposed to defaults. This behaviour causes the financial system to shrink. To deal with this, Anglo-American countries have created "lenders of last resort" and regulatory bodies that place limits on the levels of acceptable indebtedness for private firms and banks. In Asia, the limits of "prudent indebtedness" are set far higher. In Anglo-American capitalism, the failure of a firm results in its immediate liquidation and the unemployment of its workers. In the East Asian/Japanese model, governments try to negotiate adjustments with the affected social parties, including workers. Business and labour, to varying degrees, are part of a larger attempt to socialize economic risks.⁵²

Alliance capitalism appears to invite corruption. In many Asian countries, it does. Nonetheless, this approach was the source of rapid economic growth for countries such as Japan, South Korea, Taiwan and Singapore.⁵³ Thailand and Indonesia - and to a lesser extent, Malaysia - are examples of weak states where crony capitalism and corruption have lessened the prospects of development. Throughout the 1990s, Asian states have moved more towards an Anglo-American liberal model of business. However, governments continue to accept the principle that the state has a legitimate role to play in managing economic and social relations. If there is an enduring "Asian model" of development, it is represented by this commitment. It is this flexibility that an AMF may act to preserve.⁵⁴

Many Asians conceptualize an Asian Monetary Fund as a buffer against future currency crises. It should shield Asian economies from the vagaries of the international market by providing emergency funds to threatened economies. In doing this it would, implicitly, protect these economies from being forced into structural adjustments that would run contrary to the political and social goals of the state government.

The activities of the IMF and the US Treasury during the Crisis were based, in part, on the belief that Western financial markets need to be involved in regional resource allocation. The failures of Western financial institutions in allocating resources in Asia helped fuel the speculative bubble; their panicked rush to the exits, even when Asian economic fundamentals remained strong, further undermines their claim to any special economic insights or privilege. According to Wade, "the economic performance of the emerging Asian economies prior to the crisis suggests that Asian governments and their financial institutions can allocate resources more efficiently" than Western actors.⁵⁵

An AMF that acted to protect Asian economies might well preserve economic inefficiencies and, more importantly, the political and social dominance of existing - and often corrupt - domestic elites. Thus, the call for an AMF may be an attempt by these elites to preserve themselves against the forces of change. However, an AMF independent of the IMF might prevent the catastrophic effects of a future investor panic or the other kinds of economic instability that might be produced by the volatile world financial system. If so, it could serve the positive social purpose of protecting the weakest members of Asian society from social and economic disaster. For states which are dependent upon "performance legitimacy" - i.e., economic success - in order to preserve political stability, this is a fundamental concern.⁵⁶ Ideally, an AMF would preserve an alternative approach to capitalism and economic development which could evolve at its own pace. It would protect the Asian development model and Asian economies from the domination of wealthy Western interests. Asian elites argue that their developmental model can bring about the best kind of political and economic systems for their countries with far less unnecessary social pain and destruction. Before we dismiss these claims as the rationalizations of entrenched elites, we should acknowledge, again, that the Asian developmental model has led to economic success and political evolution in states like Taiwan and South Korea.

Many Asian states are pursuing economic solutions to the effects of the Crisis that lead to greater government involvement in their economies. Bank restructuring in Japan, South Korea, and the affected Southeast Asian states, is extending government control and ownership of the financial sector. Malaysia's

capital controls have elicited considerable regional support and have not prevented the country from undergoing a dramatic economic recovery. Throughout all of Asia, recovery and restructuring are being fuelled by government resources. Asian governments have agreed that they need to radically restructure their countries' financial systems and promote economic transparency, but restructuring has been proceeding very slowly in most of the Crisis-affected states.⁵⁷

The preceding analysis indicates that, regardless of whether it is initially constructed to complement or compete with the IMF, an AMF will ultimately be at odds with the established international global architecture. This does not mean that an intractable struggle will develop between the East and the West; the global economy is too interdependent, and the political realities are too complex for easy predictions of conflict. However, reaching some kind of accommodation with Asian aspirations and ideas is a necessary - and long neglected - part of future institution-building.⁵⁸

The Obstacles to the AMF:

The first problem for the AMF is the question of leadership. The obvious leader of an Asian Monetary Fund is Japan. Japan possesses enormous reserves of wealth and foreign exchange. Japan would be the primary source of funds for an AMF. Japan has also quietly and persistently pursued the idea since its initial rejection by the West. However, despite these measures, it is still unlikely that Japan is prepared to exercise regional leadership, or that its leadership would be accepted by other Asian states.

The question of Japanese leadership is first complicated by the uncertainty of Japan's commitment. Leading an AMF would, probably, lead it into conflict with the US. Little in the post-WWII record suggests that Japan is truly willing to seriously antagonize the United States. Japan's continuing reluctance to move decisively towards an AMF underlines this point. Moreover, so long as the region remains dependent upon the US market to absorb its exports, its relationship with the US remains key to its economic health. Again, the AMF may be the first step towards creating a more dynamic and internally-focused Asian economic region. If there is an East Asian region emerging, however, it is still in a very nascent stage and is complicated by historical distrust and uneven economic interdependence between the Asian countries. Moreover, the American military presence helps to maintain regional stability. This makes possible economic cooperation between the Asian states, and also makes it possible for the regional powers to work around their own tensions. Asia must be prepared to deal with the uncertainty of an American withdrawal, if it is prepared to challenge American economic power.

The leadership of an AMF also requires some resolution of the rivalry between Japan and China. When the US first rejected Japan's proposal for an AMF, it was supported by China. China was unprepared to accept a Japanese-dominated economic institution that would cement Japanese influence in the Asia Pacific and might, conceivably, be the first step towards creating a "yen bloc". It is important - and telling - that China is now an active supporter of the AMF idea. Apparently, it now feels that curbing American

economic influence is more important than containing Japan. Nonetheless, China remains wary of Japan, reflecting the historical animosities and mutual suspicion that the two great powers share. The nature of the China-Japan relationship remains unclear. China's concerns about Japanese power will remain a source of tension within Asia and have the potential to sabotage any efforts at creating effective regional institutions. Japan's uncertainty about China's regional intentions and influence are also relevant factors, and will become more pronounced if and when China becomes more assertive in the Asia Pacific. Continuing regional anxiety about China's intentions in relation to Taiwan and the Spratly Islands underline these concerns.

The tensions between China and Japan provide ASEAN with an opportunity to play a fundamentally important role in the creation of the new regional institution. The "ASEAN Plus Three" meetings have resulted in the signing of currency swap agreements that may be enough to combat future currency crises. The May 2000 meeting of "ASEAN Plus Three" was initially billed as an effort to discuss an AMF. In the end, a lack of support from the major economic powers - indicating, again, the complex implications of pursuing an AMF - forced the AMF onto the regional backburner. Yet, the swap agreement may be the first step towards an AMF.

ASEAN gets considerable credit for playing an intermediary role between China and Japan. While neither country would be willing to accept the dominance of the other in an AMF, both can accept ASEAN as a compromise leader.⁵⁹ As in the ARF, ASEAN's relative weakness makes it a suitable foundation on which to build a new institution. This role has profound implications for ASEAN. Its intermediary position provides it with, potentially, considerable political influence within whatever institution may emerge. As noted, ASEAN's viability as an institution is in serious jeopardy, due to the Crisis. It is extremely unlikely that the organization can be reformed sufficiently to play a major role in future economic crises. However, the great power realities of the Asia Pacific are creating a new and important role for ASEAN in the larger region.

Nonetheless, the boost that ASEAN can gain from its position in the AMF would only be temporary. First, in the case of an actual crisis that demanded action from the AMF, the new institution would create deep strains within ASEAN itself. There were significant differences between the ASEAN states on how to handle the Asian Crisis. Singaporean leaders were fairly unsympathetic to the travails of their ASEAN neighbours. Their general attitude was that the Crisis revealed important structural deficiencies and inefficiencies (such as rampant corruption) in the neighbouring states, and they were reluctant to offer assistance outside of the confines of an IMF-approved bailout.⁶⁰ By contrast, Malaysia has pushed for an AMF that would provide unconditional loans to Asian countries. As Singapore is one of the states in a position to make a significant contribution to an AMF, it is unlikely that it would agree to what it might see as a waste of its resources. ASEAN is likely to break down along the lines of borrowers and lenders within an AMF.

The possibility of such divisions within a prospective AMF underlines another crucial consideration: how would the AMF operate? As noted above, some Asian states envision a mechanism that

lends without conditionality. However, it has been clear from the outset that an AMF would attach some conditions to its loans - the conditions would just be less onerous than the IMF, more sensitive to Asian realities and stages of development, and more likely to allow greater periods of adjustment. The issues of how these terms are defined however - and who defines them - remain open, and are potential time-bombs within the AMF structure. Singaporean Senior Minister Lee Kuan Yew has argued that any Asian fund would need the backing of the IMF simply because the IMF is able and willing to deliver the hard medicine to its "patients":

...when you go into a country and impose discipline, it is going to be painful, whether it is in Thailand, in Indonesia or in Korea. Interest groups will rebel. Governments will be accused of having caved in. I do not see any Asian group in the ASEAN Regional Forum (ARF) strong enough to tell President Suharto, "You will do this or we will not support you." If you don't say that and do support him, that's money down the drain. So, we have to face the awful fact that in order to fix something wrong, bitter medicine has to be administered. If you ask me, I think you'd better get a doctor that is accustomed to administering bitter medicine. So, I'm not against the idea of an Asian Monetary Fund. But if you're gonna have one, we have to be very careful deciding on what terms it will be extended and who is administering the conditionalities."⁶¹

Once Asian members accept that some kind of conditionality must be attached to the AMF, the question of leadership comes, again, to the fore. ASEAN cannot define the terms of conditionality - ASEAN itself is too divided in the nature, economic outlooks and political conditions of its members. As a group, ASEAN lacks the economic clout to legitimately dominate the decisions of an AMF. But if not ASEAN, then the original problem of leadership returns: China vs. Japan. Even if these two states could agree on a sharing of leadership, would the smaller, weaker regional states accept the dictates of the powerful regional players? Would Asians prefer the dictates of local powers over the IMF? Or would historical tensions make such a situation even more unpalatable than taking the IMF's medicine?

The second way in which ASEAN's limitations are made bare by the issue of leadership is in the inapplicability of ASEAN's methods of interaction to the proposed AMF. One of ASEAN's greatest contributions to institution-building in the Asia Pacific has been the "ASEAN way" - its method of consensus decision-making. The ASEAN way has been extended to APEC. Nonetheless, ASEAN's impotence during the Crisis caused some members to call for reform of the ASEAN way. However, ASEAN's attempts to reform itself have floundered on the need to adopt more intrusive methods and binding decision mechanisms vs. the hardcore resistance to such reforms from most of its member states. The Crisis demonstrated the considerable divisions within Southeast Asia, and the inability of ASEAN to speak with one voice or to coordinate a common response to a common problem. APEC, similarly, proved ineffective during the Crisis.⁶²

It is clear that the Asian model of institution-building, as exemplified in ASEAN, has considerable limitations. Jeffrey Lewis argues that Asian proposals for the AMF imply an institution based around ASEAN-like methods of interaction. In his view:

An Asian Monetary Fund would eschew conflict with Asian governments, while its offers of aid would undercut the IMF's ability to pressure intransigent economies into mounting difficult but essential economic reforms...the appeal of an AMF largely appears to be a desire to avoid difficult reforms required by the IMF.⁶³

However, the creation of an AMF that tried to function along the lines of ASEAN is unlikely. A critical difference between the AMF idea and ASEAN or APEC is that the AMF will be dependent upon wealthier members to provide emergency funds to members in more dire straits. This imbalance automatically creates an imbalance in power and resources that greatly complicates the dynamic of an AMF.

In the final assessment, the prospects that an AMF will take form are quite good. However, how effective it will be is a different matter. Its chances of becoming a meaningful regional institution hinge on how Asia Pacific states see the future. Are external financial shocks sufficiently threatening to their stability and independence that they would unite within an organization that would require them to sacrifice a certain amount of sovereignty to larger regional actors? This is unclear. The Asian states are very jealous of their sovereignty. For many of these states, this is an understandable product of their colonial histories. Moreover, most of the states of East Asia, are also still deeply engaged in the process of state-building, and feel too unstable to sacrifice sovereign capacity.⁶⁴ However, these same concerns with sovereignty, state-building and security could be what draws East Asia together, and teaches it to cooperate; all of these fundamental qualities are at risk if these states remain vulnerable to the international financial system.

It is important to emphasize that the creation of an AMF does not mean that Asia will come into conflict with the economic vision of the United States and the West. The levels of interdependence and cooperation between the regions are very great. However, tensions between the regions and a greater push towards various kinds of regionalism would probably increase. To offset the AMF, the West must be more accommodating and willing to compromise on the diversities of capitalism and culture that it considers acceptable. East Asia and its perspectives will need to be accepted within the structures of the international system.⁶⁵ If existing structures, such as the IMF, prove willing to incorporate East Asian ideas and concerns, then the drive for Asian institutions may be deflated. However, this seems unlikely. The IMF represents an ideological position which has been at the root of the United States' perceptions about its own interests. In many ways, it is not an exaggeration to say that the US fought the Cold War for the sake of its economic model. It may be unwilling to compromise on what it considers as core principles, especially at a time when it sees itself as the sole and ascendent world power.

The consequences of an AMF for ASEAN are more complex. During its formative period, the AMF needs an acceptable compromise candidate to serve as its foundation. ASEAN is ideal for this purpose, and this is a role that would greatly enhance ASEAN's faltering prestige and utility. Over time, however, ASEAN would have to be supplanted by other actors. Ultimately, an AMF will work if the largest and wealthiest powers in the region can reach an acceptable understanding regarding their own roles in the AMF. If they cannot, the AMF will not amount to an effective organization. If they can, they will no longer need ASEAN's good offices to alleviate tensions. In addition, the different levels of development within

ASEAN are likely to cause further friction within the institution between the have and have-not Southeast Asian states. Ultimately, the AMF would supplant many of ASEAN's functions as an economic organization, particularly if it becomes the basis for a larger East Asian Economic Region and the foundation for a common Asian currency. ASEAN, the organization, would become lost within such a structure.

Final Analysis: A Constructivist Interpretation

The tensions that presently characterize the Asia Pacific reflect issues of identity and uncertainty around the normative structures that can and should govern regional relations. To some analysts, the events of the Asian Crisis have strengthened the impetus towards an East Asian regional identity. Interaction between the Asian states, combined with a common external threat, may be pushing them towards greater cooperation and identification with each other. However, historical and political tensions remain as issues. East Asia is caught in a crisis of identity that must be resolved before the region can move in any definite direction.

This situation is complicated by the crucial political and economic relationship that Asian countries have with the United States. In the post-Crisis world, they no longer see the US as a reliable or necessarily beneficent ally. Yet, the Asian countries remain dependent upon the American economy for their own development. The Asian states are still deciding how these new perceptions can and should shape their relationship with the Americans.

The rules and norms of interaction in the Asia Pacific are uncertain. Identities such as "friend", "ally", and "enemy" no longer have clear definitions and relationships attached to them. The Cold War era provided a relatively simple structure to regional relations. In the post-Cold War, potential friends and allies in one area of interaction may be enemies in others. Dealing with this complex environment will tax the resources and ingenuity of policymakers for the foreseeable future. Regular interaction will, eventually, shape new identities and help create new rules and norms to structure regional relations. These new rules, however, will reflect the greater complexity of the region.

In this milieu, ASEAN can play an important role if it can present consistent approaches to regional issues. However, ASEAN's uncertainty about its own rules and procedures compromise its ability to play an influential regional role. As for the AMF, it can only emerge as an effective organization once clear structures of interaction are in place. The AMF may help shape those structures but, initially, only in a very peripheral way.

Conclusion:

It is still not certain that East Asia will create an AMF. Numerous obstacles remain in the way, including many not mentioned here. (For example, who would be the members of an AMF?) Nonetheless, the push for a regional economic mechanism seems to be gathering momentum. Asians want regional institutions

that reflect their interests in the global economy. If an effective AMF does emerge, it will be at odds with the established international financial architecture, but it may be able to protect Asian societies from the volatility of the international economy. Less ideally, it may also preserve the dominance of entrenched Asian elites.

The AMF idea is seriously compromised by the many unresolved divisions within the Asia Pacific, the lack of a true consensus on the nature of "Asian capitalism", and the essential ties to the global (and especially the American) economy that make the region's prosperity possible. Some of these factors may alter with time. If East Asia turns inward and forms a viable economic community, its reliance on the global economy will lessen, and the possibilities for regional institutions increase. These factors are contingent on each other, however, and it is impossible to predict what will happen. All we can say with certainty is that, however compelling the logic for an AMF may appear, the desire for the institution cannot override the many problems that stand in the way of its realization.

ASEAN can play an important part in facilitating the creation of an AMF. Ultimately, however, it will run into its own limitations and be overtaken by the actions and interests of larger powers. In many ways, ASEAN may have reached the end of its road. It was created at a time when defining friends and enemies, inside and outside the region, was relatively simple. In the modern era, this is no longer the case, and the ties drawing ASEAN together are too weak, in themselves, to motivate the organization.

¹ Michael Wesley, "The Asian Crisis and the Adequacy of Regional Institutions." *Contemporary Southeast Asia* Vol. 21, no.1 (April 1999), pp. 54-73; Mark Beeson, "Reshaping regional institutions: APEC and the IMF in East Asia." *The Pacific Review* Vol.12, no.1 (1999),pp.1-24;Chang Li Lin and Ramkishen S. Rajan, "Regional Responses to the Southeast Asian Financial Crisis: A Case of Self-Help or No Help?" *Australian Journal of International Affairs*, Vol.53 no.3 (1999),pp.261-281.

²Alexander Wendt, "Collective Identity Formation and the International State." *American Political Science Review* Vol.88 (June 1994),p.385. For the purposes of this paper, I rely on Wendt's version of constructivism. See: Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999).

³ *Ibid.*

⁴ Wendt, "Collective," 385-386; Alexander Wendt, "Anarchy is what states make of it: the social construction of power politics." *International Organization* Vol.46, no.2 (Spring 1992),pp.397-398;

Alexander Wendt, "Constructing International Politics." *International Security*, Vol.20, no.1 (Summer 1995),p.74.

⁵ Wendt, "Anarchy," p.399.

⁶ Wendt, "Constructing," pp.72-74; Wendt, "Anarchy," pp.398-399.

⁷ ASEAN's founding states are: Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei joined the organization in 1984, Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999.

⁸ For a discussion of *Konfrontasi*, see: J.A.C Mackie, *Konfrontasi: The Indonesia-Malaysia Dispute 1963-1966* (London: Oxford University Press, 1974).

⁹ Frank Frost, "Introduction: ASEAN since 1967 - Origins, Evolution and Recent Developments," in Alison Broinowski, ed. *ASEAN Into the 1990s* (London: Macmillan, 1990),pp.1-31.

¹⁰ The Philippines and Thailand had security agreements with the United States; Singapore and Malaysia relied upon the United Kingdom.

¹¹ Amitav Acharya, *The Quest for Regional Identity* (Singapore: Oxford University Press, 2000),pp.127-128.

¹² Kusumu Snitwongse, "Thirty Years of ASEAN: achievements through political cooperation." *The Pacific Review* Vol.11, no. 2 (1998),pp.183-194.

¹³ Malcolm Chalmers, "ASEAN and Confidence Building: Continuity and Change after the Cold War." *Contemporary Security Policy* Vol.18, no. 1 (April 1997),pp.36-38.

¹⁴ Carlyle Thayer, "ASEAN and Indochina: the Dialogue," in Alison Broinowski, ed. *ASEAN Into the 1990s* (London: Macmillan, 1990),pp.138-161.

¹⁵ Shaun Narine, "ASEAN and the Management of Regional Security." *Pacific Affairs* Vol.71, no.2 (Summer 1998),pp. 195-214.

¹⁶ Michael Haas, "ASEAN's Pivotal Role in Asian-Pacific Regional Cooperation." *Global Governance* no.3,(1997),p.329; Amitav Acharya, "Ideas, identity, and institution-building: from the 'ASEAN way' to the 'Asia-Pacific way'?" *The Pacific Review* Vol.10, no.3 (1997),pp.319-346.

¹⁷ Jurgen Haacke, "The concept of flexible engagement and the practice of enhanced interaction: intramural challenges to the 'ASEAN way'." *The Pacific Review* Vol.12, no.4 (1999),pp.581-611; Robin Ramcharan, "ASEAN and Non-interference: A Principle Maintained." *Contemporary Southeast Asia* Vol.22, no. 1 (April 2000),pp.60-88.

¹⁸ G. Pierre Goad, "Asian Monetary Fund Reborn." *Far Eastern Economic Review* (May 18, 2000),p.54. Henceforth, *Far Eastern Economic Review* is *FEER*.

¹⁹ This analysis of the East Asian Economic Crisis is based primarily upon: Bank for International Settlements, *68th Annual Report, Chapter VII: Financial Intermediation and the Asian Crisis*, <http://www.bis.org/publ>; Paul Dibb, David D. Hale and Peter Prince, "The Strategic Implications of Asia's Economic Crisis." *Survival* Vol.40, no. 2 (Summer 1998),pp.7-11; Walden Bello, "The End of a Miracle." *Multinational Monitor* (January/February 1998),pp.10-16; Jomo K.S., "Introduction: Financial Governance, Liberalisation and Crises in East Asia," in Jomo K.S., ed. *Tigers in Trouble* (London: Zed Books Ltd. 1998),pp.1-32; Jeffrey A. Winters, "The Determinant of Financial Crisis in Asia," in T.J. Pempel, ed. *The Politics of the Asian Economic Crisis* (Ithaca: Cornell University Press, 1999),pp.79-97; Manuel F. Montes, *The Currency Crisis in Southeast Asia* (Singapore: Institute of Southeast Asian Studies, 1998); H.W. Arndt and Hal Hill, eds. *Southeast Asia's Economic Crisis: Origins, Lessons, and the Way Forward* (Singapore: Institute of Southeast Asian Studies, 1999).

²⁰ "Rebuilding Asia," *FEER* (February 12, 1998),pp.46-47; "Asia's Economic Crisis: How Far is Down?," *The Economist* (November 15, 1997),p.20.

²¹ "On the rocks," *The Economist* (March 7, 1998), <http://www.economist.com>.

²² "Rebuilding Asia," 47.

²³ "On the Rocks"; "Rebuilding Asia," 47.

²⁴ Douglas Sikorski, "The Asian Financial Crisis: Explanations, Controversies, Responses." (<http://www.fba.nus.edu.sg/depart/bp/fbads/crisis.htm>): 4.

²⁵ *Ibid.*

²⁶ See: Richard Higgott, *The Asian Economic Crisis: A Study in the Politics of Resentment*, CSGR Working Paper No. 02/98 (March 1998),p.3.

²⁷ Jeffrey Sachs, "The Wrong Medicine for Asia," (<http://www.stern.nyu.edu/~nroubini/asia/AsiaSachsOp-EdNYT1197.html>).

²⁸ The IMF approach to Asia was actually formulated by the American Treasury Department's Treasury Secretary, Robert Rubin, and his Deputy, Lawrence Summers. They looked at Thailand, imagined that its problems were the same as Mexico's, and imposed the same solutions. See: David Wessel and Bob Davis, "Limits of Power." *The Wall Street Journal*, <http://www.eco.utexas.edu/faculty/Wolitz/wsj-2.htm>; Nicholas D. Kristof and Sheryl WuDunn, "World's Markets, None of them an Island," *New York Times* (February 17, 1999), <http://www.mgt.buffalo.edu/courses/mgf/685/s1/contagio.htm>.

²⁹ Robert Wade and Frank Veneroso, "The resources lie within," *The Economist* (November 7-13, 1998),pp.19-21.

³⁰ Joseph Stiglitz, "The Insider," *The New Republic* (April 17, 2000),

<http://www.tnr.com/041700/stiglitz041700.html>; Paul Krugman, "The Confidence Game," *The New Republic* (November 5, 1998), <http://www.tnr.com/archive/1098/1000598/krugman100598.html>.

³¹ Wade and Veneroso, pp.19-21.

³² Bruce Cumings, "The Asian Crisis, Democracy, and the End of 'Late' Development," in T.J. Pempel, ed. *The Politics of the Asian Economic Crisis* (London: Cornell University Press, 1999), pp.25-30; "Limits of Power," <http://www.eco.utexas.edu/faculty/Wolitz/wsj-2.htm>)

³³ *Testimony of Walden Bello before Banking Oversight Subcommittee, Banking and Financial Services Committee, US House of Representatives, April 21, 1998*, <http://www.citizen.org/pctrade/IMF/bello.htm>; Kristof and WuDunn.

³⁴ Kristen Nordhaug, "Asian monetary fund revival?" *Focus on Trade*, no. 51 (June 2000), <http://www.focusweb.org/focus/pd/apec/fot/fot51.htm>.

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⁴⁰ Sikorski, pp.22-23.

⁴¹ Fred Bergsten, "Reviving the 'Asian Monetary Fund'." *International Economics Policy Brief*, Institute for International Economics (December 1998), <http://www.iie.com/NEWSLETR/news98-8.htm>;

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⁴² Ramkishan S. Rajan, *Examining the Case for an Asian Monetary Fund*. ISEAS Working Papers, no. 3 (Singapore: Institute of Southeast Asian Studies, 2000), pp.2-4.

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⁴⁷ Cumings,p.18.

⁴⁸ Richard Stubbs, "Asia-Pacific Regionalization and the Global Economy." *Asian Survey* Vol.35, no.9 (September 1995),pp.785-797.

⁴⁹ Wade and Veneroso,p.19.

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⁵⁶ Muthiah Alagappa, ed. *Political Legitimacy in Southeast Asia* (Stanford: Stanford University Press, 1995); Muthiah Alagappa, ed. *Asian Security Practice* (Stanford: Stanford University Press, 1998).

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⁶¹ Lee Kuan Yew, quoted in: Amando Doronila, "An Asian Fund Needs IMF backing." *Philippine Daily Inquirer Interactive* (June 14, 2000),<http://www.inquirer.net/issues/jun2000/jun14/opinion/doro.htm>.

⁶² Robin Ramcharan, "ASEAN and Non-interference: A Principle Maintained." *Contemporary Southeast Asia* Vol.22, no. 1 (April 2000), Jurgen Haake, "The concept of flexible engagement and the practice of enhanced interaction: intramural challenges to the 'ASEAN way'." *The Pacific Review* Vol.12, no.4

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⁶³ Lewis,5.

⁶⁴ Mohammed Ayoob, *The Third World Security Predicament* (Boulder: Lynne Rienner Publishers, 1995); Peter Dauvergne, ed. *Weak and Strong States in Asia-Pacific Societies* (Canberra: Allen and Unwin, 1998).

⁶⁵ Bergsten, "East Asian Regionalism," pp.23-24, 26; Preston, pp.241-260.

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