

Asia Joint Fund

Need for Regional Unity Is Greater Than Ever

The only complaint about Sunday's agreement on a \$120-billion currency swap scheme among Asian countries was that it should have come sooner.

For the 13 East Asian economies that joined, the creation of the Asia Joint Fund (AJF), a \$40-billion extension from the better-known Chiang Mai Initiative, not only meant they added another shield from possible currency crises but also symbolized a significant step forward in overall economic cooperation in the region.

What makes it even more meaningful was the AJF, which many hope will be a prelude to the Asian Monetary Fund (AMF), has overcome initial checks from the United States and a leadership struggle between China and Japan.

One of the biggest beneficiaries is Korea, which may be able to serve as a deciding vote between the two Asian giants that chipped in exactly the same amounts. Korea's contribution to the new fund is only half as much as either neighbor's, but larger than its actual economic might, considering the gap in economic size and foreign reserves. If Seoul fails to play the role of a good mediator, the nation might end up giving more than its bit.

East Asia's move toward greater economic unity should have come far earlier. The region's nations have been victims of global economic turbulence for too long, sometimes due to their own faults, sometimes not. Even when they deserve some penalties, the punishment, mainly from the U.S.-led International Monetary Fund, was far harsher than needed.

A case in point was their first currency crisis in the late 1990s. They have saved every single penny, endured severe economic restructuring and exported their way out of the crisis. The reward? Another crisis, this time born in the consumption bubble of the United States, is spilling all over the world, again hitting Asia hard, without its own economic or financial cooperative bodies. The IMF, which demanded prohibitive interest rates, putting many banks and companies into a fire sale, is turning a blind eye to the U.S. as it goes in the opposite direction.

Even some U.S. economists acknowledge that had the U.S. and IMF been a little more lenient toward East Asian blunders, the latter wouldn't have come back with the revenge of the housing bubble in America. If for no other purpose than rectifying this unfair, double standard and severing what has proved to be the harmful, one-way monetary flows between penny-pinching Asians and free-spending Americans, Asians need to expand regional trade and financial cooperation.

This is also why we welcome the launch of a \$500-million trust fund to guarantee local currency bond issues by Asian companies, a preliminary stage for reinvigorating the Asian bond market, which will hopefully provide at least a partial alternative to U.S. treasury bonds.

But East Asia has a long way to go before freeing itself from the Anglo-American way of economic management that still grips the world. One needs to look no further than the fact that the AJF can spend no more than 20 percent of the fund without the IMF's agreement.

One of the biggest stumbling blocks in the way to greater unity will be the historical nightmares among three Northeast Asian countries. And much depends on Japan, the past injurer, whether the region can go much further from here.