

Who's Afraid of the IMF?

Camdessus on Asia, Russia and politics



Michel Camdessus, managing director of the International Monetary Fund, must have felt vindicated last week. Mexico announced it was making an early \$1 billion repayment on the \$17-billion loan the IMF made available last year after an ill-timed devaluation brought down the country's economy. Some observers had accused Camdessus, 63, of bowing to pressure from the U.S., Mexico's partner in the North American Free Trade Agreement. The former French senior finance official recently spoke with Asiaweek's Steven K.C. Poh and Roger Mitton in Kuala Lumpur.

What problems face Asian economies?

There's the risk of overheating. If we learned anything from the Mexican crisis, it is that even the best performers can lose the trust of the international private financial market. We recommend particularly attentive management of macro-economic variables to allow Asian economies to continue growing fast and to enjoy financing support and low inflation.

How are India and the Philippines?

In India, there had been a phase of less activist changes during the period prior to elections [in May]. Now we're seeing the [new] government reconsidering economic policy. I believe the trend of reform will continue. In the Philippines, we have been directly involved in the structural adjustment of the economy. The country has been making outstanding progress recently. It will soon graduate from IMF direct financial support.

What are the IMF's priorities in China?

Very much the strengthening of the economy, broadening of the [currency] exchange market and [implementation of] macroeconomic policies, in particular the reform of the public sector. The Chinese have a remarkable ability to keep their economy under control and reduce the risk of overheating.

What about Russia? You seem happy to give President Boris Yeltsin leeway.

No, no. We apply the same standard to Russia. If anything, we're tougher with them. We have tied conditions to our financing, something we very rarely do. Overall, Russia's micro-economic control has been good. The electoral rhetoric has possibly misled people. But commentators should know that many of the things President Yeltsin promised [during the campaign] were part of the three-year arrangement we negotiated last February.

Some accuse the IMF of being a tool of Western governments.

They should document their criticism and we would be delighted to demonstrate that there is nothing political in what we do. At the time of the Mexican crisis, I was severely criticized. In Asia, it was said that because it was Mexico, we were doing a good job for the U.S. I must tell you that if the crisis had taken place in this part of the world, we would have been here with the same

speed and strength. We now have 90 countries of a total membership of 180 that have or are negotiating programs with us. You will not see many countries excluded from this list for any political reason.

What about Myanmar?

We're involved there. We had discussions, then we proceeded with surveillance of the country. But there are areas on how to manage the economy where we disagree [with the military government]. As long as we cannot agree on macroeconomic strategies, we cannot intervene directly. It will be important to ascertain that the rest of the world trusts Myanmar enough to provide complementary financing. Most importantly, we would need to agree first about the political environment there.

Do you see the possibility of a common currency in Asia?

What I have observed is that there are closer and closer relations among central banks in this region and closer monitoring of economies through formal and informal contacts. We support all this. It's important for each economy to be well-connected and develop a peer pressure system that can provide discipline and an early warning system.