

SUPPLEMENTARY SUBMISSION

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AT THE PUBLIC HEARING IN

SYDNEY ON 9 FEBRUARY 2000

TABLE I
Supra Financial Regulators
REGIONAL REGULATORS

INTERNATIONAL FINANCIAL REGULATORS

- **The World Bank** (formerly the International Bank for Reconstruction and Development (IBRD)), was established in 1946 and is owned by the governments of 150 countries. Its origin at the conference at Bretton Woods in 1944 with the war still in progress, meant that its articles were flexible and geared to prevent another breakdown of trade and financial relations that had led to the collapse of the international economic order in the 1930s and the outbreak of World War II (Kraske, 1996, p.2). Its main function became the financing of economic development in third world countries, as the Marshall Plan left the World Bank free to devote itself to the financing of development, in order to raise productivity, the standard of living and conditions of labour in its member countries.

- **The Group of Ten** comprising the USA, the U.K., Canada, France, Germany, Italy, the Netherlands, Belgium, Sweden and Japan, supplied further standby credits to the IMF and thereby gained a position of power in relation to the workings of the IMF. Since then the Group of Ten plus Switzerland has meet regularly to discuss problems relating to the international financial system.

- **The International Monetary Fund (IMF)**, was created in 1971 under the Bretton Woods system, and was formed to, “establish a code of exchange rate behaviour for member states, and, provide a ‘lender of last resort from a pool of member countries’ currencies to assist members with balance of payments difficulties. The proviso was that the countries concerned would adopt the pooling recommendations of the IMF” (Brown et al, 1989, p.5).

- **The Smithsonian Agreement** in August 1971 signalled not only the end of the convertibility of the US dollar to gold but also paved the way for the Japanese and major European industrialised countries to let their currencies float.

- **The Asian Development Bank (ADB)** was set up in 1966 to assist the economic growth and development of Asian and Pacific states. It is based in Manila and is the most prominent of regional supranationals with 47 member states.

- **The Inter-American Development Bank (IDB)** established in 1960, is based in Washington with its main function to provide financial assistance to Latin American countries.

- **The International Finance Corporation (IFC)** which like the IDA is a specialised agency of the United Nations and an affiliate of the World Bank, was established in 1956 to stimulate private capital flows into productive investment in less developed countries.

- **The African Development Bank** formed in 1964 only had African countries as members, as its charter was to lend for investment in agriculture and basic infrastructure in Africa.

- **The International Development Association (IDA)** was established in 1960 to finance on favourable terms, economic development in less developed countries which would not qualify for World Bank finance.

- **The European Monetary System (EMS)** was formed in 1979 to promote internal financial stability by requiring each participant to limit exchange rate fluctuations to within 2.25% around parity in bilateral rates between participants

Table 1

The Economy Meltdown in Asia - Chronology of a Crisis

July 2, 1997: Thailand devalues the baht: As rumours spread that Japan would raise interest rates, the first currency to be affected is the Thai baht which with limited reserves at the central bank, is devalued by 20% as IMF assistance is sought.

July 11, 1997: Philippine peso devalued: The IMF agrees to a rescue package of US\$1.1 billion.

July 24, 1997: Asian currencies collapse: The Thai baht the Malaysian ringgit, the Philippine peso and the Indonesian rupiah all come under renewed pressure.

August 14, 1997: Indonesian rupiah plunges: Indonesia abandons its fixed exchange rate.

October 8, 1997: Indonesia asks IMF for assistance: A package of US\$40 billion is proffered.

October 20-23, 1997: Hong Kong stock market panic: Loss of 25% value as fears for the currency's fixed US dollar peg.

October 27, 1997: Panic spreads to Western Stock markets: Dow Jones Industrial Average plunges 554 points, its largest one-day loss at that point of time.

November 17, 1997: Korean won collapses: As the won collapses to 1,000 to the dollar, the government calls for IMF assistance.

December 4, 1997: Korea gets IMF bail-out: The largest bail-out yet is granted by the IMF of US\$60 billion.

January 12, 1998: Peregrine goes bust: Hong Kong's largest independent investment bank goes bankrupt as a result of bad debts to Indonesian companies run by relatives of President Suharto. Stock markets in Hong Kong and China fall.

January 22, 1998: Rupiah falls to lowest level ever. The Indonesian currency reaches an alltime low against the dollar over scepticism about the commitment of the government to reform. The central bank intervenes to pull the currency back from 17,000 to 11,800 to the dollar, but Indonesia suspends debt repayments a few days later.

January 28, 1998: South Korea restructures debts: Seoul agrees with private foreign banks the roll-over of US\$24 billion in short-term credits into longer term loans of 1 - 3 years.

February 14, 1998: IMF and Indonesia clash: Indonesia's plan for a currency board to stabilise the rupiah at a fixed rate meets IMF disapproval, which threatens to end its financial support. One month's payments are eventually held back.

April 1, 1998: Japan begins liberalising financial markets: Japan begins its 'big bang' aimed at opening its financial markets to Western competition. Yen begins slide against dollar.

May 11, 1998: India nuclear blasts spook markets: India's nuclear tests, and subsequent ones by Pakistan, hit South Asian markets and currencies as the US and Japan impose sanctions.

May 21, 1998: Suharto resigns after riots: - Habibie replaces Suharto as President, and pledges economic -and political reform.

June 17, 1998: US intervenes to rescue the yen: The US government intervenes in foreign currency markets for the first time to boost the yen, which has fallen to an eight year low against the dollar at 146: 1.

June 26, 1998: Major Javanese bank merger: The Long Term Credit Bank of Japan, the 22nd largest in the world proposes merger with the Sumitomo Trust to stave off a collapse.

Source: BBC News, 1 July, 1998 - <http://lnews.bbc.co.uk/hi/english/...-economy/newsid-122000/122546.stm>. A fully version based on several news sources (Reuters, Wall Street Journal, New York Times, CNN, Financial Times, Bloomberg) can be found under "Chronology of the Asian Currency Crisis and its Global Contagion, 1997, 1.998" - <http://www.stem.nyu.edu>.

Table II

Spectrum of Deregulation Possibilities

Scenarios	I	II	III	IV
Formal Deregulation (Planned)	Guided or unguided Wind down	Disintegration with transfer of programs	Stripping	Catastrophic ending
Informal Deregulation (Evolutionary)	Non Enforcement or selective enforcement	Life cycle effects		

Source: Based on Mitnick (1980, Chapter 9).