Annex B

"Sidebar" Issues Raised During the Roundtable Discussion

Labour market conditions

One outcome of the crisis is sure to be unemployment, a problem which many Asian economies have not dealt with in years. The repatriation of foreign labourers back to Indonesia and the Philippines might affect the political and economic stability of both the source and host economies. Participants also wondered about potential changes in corporate investment and production decisions, with a return to more labour-intensive production processes, and the effects this would have on the composition of trade flows and regional competitiveness.

Reserve currency issues

Will the rise of the European Monetary Union (EMU)'s Euro threaten the dominant role of the US dollar in international trade and as a reserve currency? If so, what are the impacts of this on the US economy? Will a successful Euro affect the ability of the US economy to help pull Asia out of crisis?

Nationalisation of debt

In contrast to the Latin American debt crisis of the early 1980s and the Mexican peso crisis in 1994, both of which were characterised by sovereign debt problems, the bulk of Asia's debt is corporate in origin. In the absence of clearly defined bankruptcy law, how will Asian financial systems deal with widespread corporate default? Will debt and real estate securitisation emerge? Will an active corporate bond market evolve? Will much of the corporate debt be effectively nationalised, as is happening in Korea? Is nationalisation of corporate debt a superior alternative to the development of a financial system capable of debt renegotiation or ownership changes? Will nationalisation of corporate debt thus mitigate the need for greater transparency in Asian financial systems?

Reinvention of international organisations

Rather than fixating on the problems of Asian debtor countries (with the attendant moral hazard and risk of global deflation), would the IMF would have done better to focus its attention on Japan from the late 80s onward? This option was of course not available to the IMF, which has virtually no leverage over creditor nations such as Japan. This issue and the broader question of who has international responsibility and authority on matters such as bank regulation, supervision, and transparency of the financial sector, are at the heart of the question on the reform of the IMF. If more effective surveillance and information gathering and dissemination are the keys to averting future crises, who will perform this monitoring function? Will the IMF become an international auditor? Is the recent (and unprecedented) criticism of the IMF by the World Bank a sign of things to come? What about the role of the Asian Development Bank (ADB)?

Association of South East Asian Nations (ASEAN)

In what was to be ASEAN's year of triumph, the coup and subsequent abandonment of Cambodian accession in 1997 only added to the challenges posed by the financial problems in the region. At stake is the potential need to compromise on one of the