Asia and the IMF

As Asia grows in economic importance, relations between it and the IMF are also being revitalized. Both the Fund and the countries of the region have drawn lessons from past experience and are strengthening a partnership that will build on the region’s economic success and resilience.

Asia’s growing influence

Asia emerged from the global financial crisis with its standing strengthened, and is expected to become the largest economic region within the next two decades. This reflects its high degree of integration into global trading and financial systems, and a growing internal momentum.

Given its rise, it is natural that Asia should increase its influence in global economic and financial discourse. This trend is already well underway. Six of the Group of Twenty (G-20) economies are from the Asia-Pacific region. Once the 2010 IMF quota and voice reforms are implemented, Asia will hold well over 20 percent of the Fund’s voting shares. This will bring Asia’s representation at the Fund more closely into line with its position in the world economy.

Asia’s increasing influence is also being reflected in the composition of the IMF management team. Two of its four Deputy Managing Directors are from Asia: Naoyuki Shinohara from Japan, and Min Zhu from China. In addition, the 2012 Annual Meetings of the IMF/World Bank Group were held in Tokyo, in recognition of the economic importance of Asia, and on the 60th anniversary of Japan’s membership of the IMF and World Bank.

Key aspects of the Fund’s engagement

The recent global financial crisis and reforms underway at the IMF suggest that the Fund has much to offer in the region. Benefits include:

Economic monitoring and advice: The Fund’s surveillance work is being enhanced to strengthen its regional focus, including on Asia. This includes an annual report on the regional economic outlook for Asia. With its global perspective and enhanced focus on vulnerabilities and potential spillovers, Fund surveillance can deepen the analysis of individual countries and regions. In addition, by working in cooperation with Asia and other regional groupings, the Fund can help inform peer group assessments such as those undertaken by the APEC (Asia-Pacific Economic Cooperation) and the ASEAN+3 (Association of Southeast Asian Nations plus China, Japan, and Korea). Asian countries also participate in the Fund’s Financial Sector Assessment Program, established in 1999, to provide a comprehensive analysis of a country’s financial sector.

Technical assistance and training: The Fund has increasingly adopted a regional approach to the delivery of technical assistance (TA) and training. As well as providing technical assistance to individual countries, it operates eight regional technical assistance centers, including one in the Pacific—the Pacific Financial Technical Assistance Center—that delivers technical assistance and training to 16 Pacific Island countries. In addition, the establishment, in 2012, of the Thailand Technical Assistance Office for Lao P.D.R. and Myanmar (TAOLAM),
will help tailor the Fund’s TA for these countries. The Fund also runs regional training programs in China and Singapore.

**Strengthening safety nets**: As part of its efforts to support countries during the global financial crisis, the Fund expanded its lending capacity and is continuing to seek ways to further enhance its lending facilities. Also, building on the recent experience of lending in cooperation with partners in Europe, the Fund is exploring the scope for greater collaboration with other regional financing arrangements, including the Chiang Mai Initiative in Asia.

**Sharing of knowledge**: Asia will need to build on its robust structural foundations and policy frameworks to address near and long-term challenges. Leveraging the know-how acquired from many countries and regions, the Fund can assist Asia in the process of transformation and smooth integration into the global economy. In return, the Fund benefits from its dialogue with Asian member countries, including on how best to work with regional institutions.

**Lessons from the Asian crisis**

Many people in the region experienced considerable hardship during the 1997–98 Asian Financial Crisis. At the time, the Fund and others extended large financing arrangements to provide breathing room for implementation of deep but necessary reforms. Since then, many of the economies that suffered from the crisis have performed remarkably well. Asia’s resilience during the recent global financial crisis is testament to the enduring benefits of the often-difficult reforms undertaken during the past 15 years.

The Fund learned important lessons from the Asian crisis. In particular, the Fund recognized that while deep economic problems require substantial measures, the conditions accompanying its programs should be more selective and focus more narrowly on the problems at hand. Moreover, the Fund has become more attuned to the social impact of its programs. It has sought to apply these and other lessons to its more recent lending programs around the world.

**The future for Asia and the IMF**

**Asia’s contribution to the Fund**: The commitment of major Asian countries to the Fund was highlighted during the global financial crisis. Several Asian countries agreed to bolster the Fund’s lending capacity. Japan was the first, providing US$100 billion in bilateral borrowing. China, India, Korea, and Singapore also agreed to increase their contributions to the New Arrangements to Borrow (NAB), and the Central Banks of Malaysia, the Philippines, and Thailand also agreed to join the NAB. In the context of the 2009 Low-Income-Country Financing Package to boost the Fund’s concessional lending capacity, a number of Asian countries provided loan resources and subsidy resources to the Poverty Reduction and Growth Trust.

**IMF’s presence in the region**: The Fund is committed to fostering a closer dialogue and two-way engagement with Asia to develop a shared vision that will promote sustained economic growth in Asia and the world. As part of that commitment, the Fund’s Asia and Pacific Department established a regional advisory group comprising renowned economic experts from Asia. Another dimension of that engagement involves the greater presence of the Fund in the region, through a major regional office in Tokyo and local Resident Representative offices (a new Resident Representative office will be opened in Myanmar in 2013), as well as through the co-hosting of conferences with regional partners.