

15 DEC 1997

Summit-Currency

ASEAN CALLS ON IMF TO IMMEDIATELY STABILISE CURRENCIES

KUALA LUMPUR, Dec 15 (Bernama) -- Asean leaders, making their first joint statement on the financial crisis in Asia, today urged the International Monetary Fund (IMF) to act immediately to stabilise currencies.

They said it was also urgent that global efforts, including the central role of the IMF, be undertaken to arrest the currency slide and restore stability in the currency markets.

They said depreciation of the currencies had continued unabated despite "the economic fundamentals of the regional economies being corrected and improved through the support and advice of the IMF".

"This has resulted in the serious regression in the economic well-being of the countries, their businesses and their peoples," summit chairman Datuk Seri Dr Mahathir Mohamad said after the second Asean informal summit, here.

The leaders wanted the IMF to expedite the ongoing study of the operations of hedge funds and their impact on financial market activities and to "propose solutions to immediately stabilise the currencies", he said when reading out the joint statement at a news conference.

Underlining the concern of the leaders over the financial situation, the Malaysian Prime Minister read out portions of the statement twice before the leaders proceeded with the inaugural East Asia summit, dubbed the Asean Plus 3 Summit, with China, Japan and South Korea.

The study on hedge funds is being undertaken by the IMF as part of an in-depth analysis of the structure of global financial markets and short-term capital flows.

The leaders called for greater national, regional and international efforts, including major economies like the European Union, Japan, the United States and international financial institutions, "to overcome the situation as soon as possible and address the systemic issues underlying it."

They also stressed that Asean countries must remain united and show resolve in responding to the challenge posed by the currency situation.

The financial crisis had caused Thailand, Indonesia and South Korea to seek financial packages totalling US\$100 billion from the IMF but there is rising concern over the worsening scenario and that the bailouts may not be enough to stabilise the situation.

The leaders at the same time strongly endorsed the Asean finance ministers agreement on the early implementation of the Manila Framework to enhance regional surveillance and support measures to strengthen the IMF's capacity to respond to financial crises.

They also strongly supported the finance ministers' commitment to ensure sound economic fundamentals and strengthen the financial sector.

They backed the finance ministers' decision to form a Select Committee with a permanent secretariat, assisted by the Asian Development Bank, to cooperate closely with international financial agencies to develop a regional surveillance mechanism.

This would emphasise preventive efforts to avoid the emergence of risks that would precipitate a crisis.

The leaders agreed on the importance of sound economic and financial policies and reforms to strengthen Asean's ability to cope effectively with the challenges of liberalisation.

They also reaffirmed their commitment to open trade and investment through the Asean Free Trade Area, Asean Investment Area and the Asean Industrial Cooperation scheme.

"They agreed that in view of the present situation, every effort should be made to remove barriers to trade and to promote greater intra-Asean trade and investment," the statement said.

The leaders also called on Asean capital market authorities to expeditiously draw up measures to encourage the financing of infrastructure projects in Asean through the Asean capital markets.

-- BERNAMA

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