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Asean may come up with own solutions (HL)

THE Association of South-East Asian Nations (Asean) may come up with "its own solutions to solve its economic problems" following the worsening economic situation in the region. This is because despite the International Monetary Fund (IMF) assistance to some of the battered Asean economies in the region, market confidence deteriorated and the currencies of the countries concerned continue to slide.

Foreign Minister Datuk Abdullah Ahmad Badawi said the leaders are expected to look into the next course of action to be taken.

"The situation has worsened. Thailand, Indonesia and also South Korea have all agreed to the IMF packages but their currencies weakened further. Leaders are also concerned that the IMF will take some time to disburse the financial assistance," he told reporters in Kuala Lumpur yesterday on the eve of the Second Asean Informal Summit.

He was briefing reporters on the outcome of Prime Minister Datuk Seri Dr Mahathir Mohamad's bilateral meetings with Myanmar Prime Minister and chairman of State Peace and Development Council Senior General Than Swee, Thai Prime Minister Chuan Leekpai, China President Jiang Zemin and Vietnam Prime Minister Phan Van Khai.

Abdullah also said the currency and economic situation in the region topped the discussions between the leaders at the bilateral meetings and are expected to set the pace of today's informal summit, which is also known as the Asean 30th anniversary commemorative summit.

Abdullah said the leaders observed that while the IMF had been successful in Mexico during the "tequila crisis" in 1994 and to a certain extent putting a package for the US, it has not been so in Asia.

"Usually when the IMF goes in, the situation improves. Not in this case ... things get difficult.

"The question now is whether the IMF is really helpful to these economies or is it giving it more problems," he said.

Abdullah said the leaders will be "putting their heads" together to come up with specific steps to overcome the problems.

"These countries, despite having agreed to IMF assistance, are not sitting idle doing nothing as the IMF is not doing any magic.

"The leaders will look into how best to deal with the situation. Let's hope something comes out of this," he said.

Asked if IMF is considered as part of the solution to the currency problems, he said the countries involved are to bring major structural financial reform to their economies.

Malaysia, he added, is concentrating on its own problems.

"We have to make sure that our economy stays robust and trading does not come into a standstill, our needs will have to be looked after and we do not want the situation to worsen," said Abdullah.

Meanwhile, Mr Hiroshi Hashimoto, the spokesman of Japanese Prime Minister Ryutaro Hashimoto, said there is "miraculous remedy to cure" the region's economic problems."

There is a need to strengthen the economic fundamentals of a country. "Markets can respond to sound macroeconomic policies better than the offer of financial packages."

Citing an example, he said, there is already some positive reaction to Thai's macroeconomic measures especially to clear up the smaller financial institutions.

Malaysia, he added, is also showing good signs following Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim's announcement of the government's austerity measures.

"When Malaysia introduces stringent measures, markets will start to understand the Malaysian Government's determination to go through the difficult period."

"We hope the present vicious circle will not deteriorate when the market opens on Monday," he said.

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