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Asean on its own to face forex market turmoil?

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IF there was a single, clear-cut agreement among the delegates of the 180-odd countries participating in the International Monetary Fund-World Bank annual meeting last week, it was that the gathering was the most interesting they had ever attended.

From the series of seminars preceding the joint meeting, to the addresses and press conferences given by leading personalities - Prime Minister Datuk Seri Dr Mahathir Mohamad and American financier George Soros included - there was certainly no shortage of material for the army of media people covering the event.

In a packed conference room, Dr Mahathir delivered his keynote address which was punctuated by applause and laughter. Focusing on an issue pertinent and close to the heart of Asia, he called for foreign exchange speculation to be stopped, describing it as "unnecessary, unproductive and immoral."

He was fully aware that he was taking a big risk in making the suggestion. After all, the ultra-rich traders who make millions with each transaction certainly have the financial clout to impoverish others, especially the poor countries, in their pursuit of quick profits.

A day later, Soros offered his views in a speech on global integration, and to the disappointment of many, skirted the issue of market speculation in the region.

Only at a press conference later was he cornered on the issue, when he suggested that domestic financial markets are inherently unstable and international financial markets even more so.

The presence of the two men, if nothing else, had served as catalyst for the debate on how to tackle the currency crisis faced by most of South-East Asia.

Dr Mahathir, as his deputy put it, was simply expressing the region's concern. Soros' response, on the other hand, was not entirely out of synch with sentiments among the developed countries.

So, just how beneficial was the meeting for Asia? The political and diplomatic rhetorics and sidestepping aside, in the final analysis Asia's push for certain initiatives to prevent a recurrence of the problems brought about by massive speculation and manipulation of the markets in recent months did not make much of a dent.

From the setting up of an US\$100 billion (US\$1 = RM3.11) Asian emergency fund to a mechanism to curb excessive speculation through prudential regulations, the IMF reaction was standard, that "follow-up discussions are needed."

In the case of the emergency fund, Mr Michel Camdessus, the IMF chief, could not even decide what to call it, having referred to the proposal as a crisis fund, a standby facility, or simply a scheme on separate occasions.

While Japan emerged as the leading voice in support of the plan, it ran into opposition from the US and several European countries which insisted that the funds might be disbursed without sufficient guarantees for long-term reform.

Despite repeated assurance by Deputy Prime Minister Datuk Seri Anwar Ibrahim that the Asian fund would fall under the sphere of IMF's existing international rules and conditionalities, Camdessus in wrapping up the meeting had to report that a general consensus could not be reached on

the issue.

It was no consolation that he commended the Asean countries for working in solidarity in times of need.

As for Anwar's strong argument that emerging economies need to feel protected before they can commit to further liberalisation, immediate response came not from the IMF or the World Bank, but from the World Trade Organisation (WTO); its director-general, Mr Renato Ruggeiro, flying here to talk it over with the Deputy Prime Minister.

Anwar had voiced the region's sentiment that multilateral institutions such as the IMF should play a more aggressive role to help member countries regulate the financial sector and prevent excesses by filling market information gaps and containing the consequences through prompt assistance.

The WTO financial services agreement has been found wanting since it was signed in 1995, and participating countries have been asked to come up with better offers by December 12 1997.

So far there have been 33 new offers, but none from Malaysia and Thailand, with Indonesia having by word of mouth promised to renew its offer.

In calling for prudential regulations on investment houses and hedge funds, similar to the existing IMF rules on the banking industry, Anwar was stressing that the emerging economies' faith in globalisation and liberalisation needs a lift.

The best that Camdessus could do, however, was noting in his concluding remarks that the root of the problem was weakness and frigidity that exists in the countries' own macroeconomic policies.

Asian countries, he said, should establish effective monitoring mechanisms and strive to put their own macroeconomics in order, thus making their markets less speculator-friendly.

It is good that IMF, World Bank and many others agreed that the financial woes confronting most of Asia now are merely a "temporary setback".

Camdessus said Asia will emerge much stronger and the region's long-term prospects will remain strong; while US Treasury Secretary Robert Rubin was convinced that the South-East Asian nations' will soon get their economies back on track. But in the meantime, does it mean that Asia, especially South-East Asia, is on its own?

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