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Asean to discuss standby facility (HL)

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THE nine-member Association of South-East Asian nations (Asean) will discuss setting up standby fund to shore up confidence in the region's economies at the two-day meeting of its finance ministers in Kuala Lumpur beginning Monday.

Treasury secretary-general Tan Sri Clifford Herbert said the proposed standby facility, or Asean Fund, is a confidence-building initiative of Asean.

"The Asean vice finance ministers and central bank deputy governors, who attended the meeting on the Asian Fund in Manila last week, felt that there should be an arrangement among ourselves... (given that) we have a long-standing working relationship, cohesiveness and economic cooperation.

"The US and Japan are fully aware of it (the proposed Asean Fund)," he said yesterday when briefing the media on the finance ministers' meeting.

The mechanism for the Asean Fund, Herbert said, would not differ much from the "cooperative financing arrangement" agreed upon in Manila.

It will be IMF-linked and will not involve a large amount of money as it will be principally for confidence-building, he added.

In Manila, the Asean vice finance ministers and central bank deputy governors and their counterparts from Australia, Canada, China, Hong Kong, Japan, South Korea and New Zealand agreed that any nation facing a crisis will first have to seek assistance from the International Monetary Fund (IMF) before drawing funds under the "cooperative financing arrangement".

They also agreed that the arrangement will supplement the resources of IMF and other international financing institutions. Participants of the arrangement can provide - in consultation with the IMF and on a case-by-case basis - supplemental financial resources for IMF-supported programmes.

The Kuala Lumpur meeting next week, which will be opened by Prime Minister Datuk Seri Dr Mahathir Mohamad, will be attended by the finance ministers of Indonesia, Philippines, Singapore, Thailand, Malaysia and Myanmar, and vice finance ministers from Brunei, Laos and Vietnam.

Also scheduled is an Asean-plus-Six meeting involving the finance ministers of Australia and Hong Kong and vice finance ministers of China, Japan, South Korea and the US. IMF and the World Bank will also send representatives.

A G-15 finance ministers' meeting, which had been scheduled to be held concurrently with the Asean ministers' meeting, has been postponed to next year due to a lack of response. "We have been informed that South America is having its own meeting of finance ministers. We did not want the two meetings to clash and agreed to a postponement," Herbert said.

Besides the proposed Asean Fund, the finance ministers will discuss the current economic situation faced by member countries and exchange views on the causes and extent of the currency crisis, as well as policy responses to restore stability in the region.

IMF will report to the ministers on the progress of its study on the activities of hedge funds and their effects on market dynamics while the World Bank will brief the ministers on initiatives towards strengthening the financial system in the region.

At its bilateral meetings, Asean is expected to be briefed by the Japanese on its domestic economic situation while the US will present their views on the current situation in the region and what role

Washington could play to restore stability.