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Divergent views emerging on proposed fund

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IN Manila last month, Asian vice finance ministers and central bank deputy governors junked the idea of the US\$100 billion (US\$1 = RM3.64) Asia Fund.

They watered it down to a commitment they labelled as a "currency financing arrangement" modelled after the assistance package put together for Indonesia, under which the International Monetary Fund (IMF) sponsored a financial package which was supported by other countries in the region.

Assistance from other countries is on an "as need" basis.

There will not be a permanent pool of funds or an institution to operate the fund.

It was a decision largely dictated by the West, as the IMF - which has the US as its largest shareholder - had laid down from the start the condition that any currency support arrangement in the region would have to be linked to it.

And to get any arrangement going, the region has no choice but to comply with the demand.

This week in Kuala Lumpur at the Asean Finance Ministers' meeting, however, the idea of the Asia Fund was "revived". Although Prime Minister Datuk Seri Dr Mahathir Mohamad said at a press conference that the US\$100 billion figure sounded "too good to be true", he was happy that the concept was not quite "buried".

His deputy, Datuk Seri Anwar Ibrahim, speaking before the start of the meeting, said there was still keen interest among members to see the proposed fund, mooted by Japan at the Asia-Europe Finance Ministers Meeting in Bangkok last September, established.

"There is enthusiasm (on the Asia Fund)... we must allow member countries to further discuss and see when we can operationalise the setting up of this facility. It warrants very serious consideration by ministers attending the meeting," he had said.

There is the unfounded fear that countries in the region would not be able to manage the proposed fund by themselves, but Dr Mahathir differed. Asean countries are responsible enough and fully capable of managing the fund, he said.

Unfortunately, Asean members failed to speak in one voice on the issue.

Each had its own interpretation of the Asia fund and of the cooperative financing arrangement. It is not surprising that divergent views had emerged, considering some member countries are already receiving IMF assistance.

Philippine Finance Secretary Roberto de Ocampo was against referring to it as a "fund". He said: "Stop calling it a fund. When you talk of a fund, it is a permanent pool of funds and a permanent secretariat to handle it." The arrangement has neither.

He also said the currency financing arrangement, which will be further discussed by the region's finance officials in Japan early next year, is not part of a structure within IMF and "as such, it is not attached to the IMF".

However, operationally, there will be a link. This is because a country seeking financing under the arrangement, must first turn to the IMF for assistance.

The idea is the cooperative financing arrangement will provide the difference between the required amount and the sum the IMF comes up with, he said.

Dr Mahathir argued, however, that the Asia Fund "could be triggered by the IMF" but it need not be supplemental to the resources of the multilateral financing institution and be subjected to the same conditionalities.

He also pointed out that the decision made in Manila was "non-binding" as it was discussed and decided upon by only vice finance ministers and central bank deputy governors.

The Prime Minister also said Japan had indicated that it is willing to assist in the setting up the fund, but the US remains adamant that the resources should be channelled through the IMF.

There were also fears that Japan, because of its own economic problems, would no longer be as keen to extend assistance to countries in the region.

It is understood that Japan Vice Finance Minister Eisuke Sakakibara reassured Asean that assistance, albeit possibly scaled back, would continue to be offered. In fact, he was said to have indicated that Japan may present Asean with "a souvenir" at the Asean commemorative summit in Kuala Lumpur on December 14-16. Whether this materialises and in what form remains to be seen.

Japanese Prime Minister Ryutaro Hashimoto is expected to make some kind of announcement at the summit which will also be attended by the leaders of China and South Korea.

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