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Draw-down facility for Asian fund seen (HL)

Fauziah Ismail in Manila

MANILA, Tues: The proposed US\$100 billion (US\$1 = RM3.39) Asian Monetary Fund may not be a permanent pool of funds managed by an International Monetary Fund (IMF)-like institution.

Instead, it may take the form of a draw-down mechanism with Association of South-East Asian Nations (Asean) countries as its core players and other countries such as the US and Japan taking participatory or contributory roles. Countries facing currency crises may draw-down resources from participating countries on a "as-needed" basis.

This was the indication given by Philippine Finance Secretary Roberto de Ocampo at a press conference after his opening remarks at the Finance and Central Bank Deputies' meeting on the Asian Fund Facility.

Treasury Secretary-General Tan Sri Clifford Herbert confirmed that the draw-down facility and the IMF conditionalities on the fund will be discussed at length tomorrow when finance and central bank deputies of 14 countries and officials of the World Bank, IMF and Asian Development Bank (ADB) meet for the second round of discussions.

The draw-down mechanism concept evolved after a wave of attacks on South-East Asian currencies in July and a slump in equity markets from Hong Kong to South Korea, which rattled financial markets around the world.

De Ocampo said initial reservations especially from Malaysia on the possible linkage between the proposed Asian Monetary Fund and the IMF were on the fund being "a permanent pool deposited somewhere and it would grow into an IMF-like Asian fund.

"Concerns were raised on whether the fund would lead to a permanent bureaucracy and how it should relate to the IMF," he added.

He said he had not heard of any serious reservations regarding the draw-down mechanism.

Prime Minister Datuk Seri Dr Mahathir Mohamad had indicated during the Group of 15 summit in Kuala Lumpur early this month that the proposed fund should be independent of the IMF.

De Ocampo said preliminary deliberations show that Asean nations should be the core players as the crisis started in the region with the contagion effect spreading to the rest of the world.

"We are looking at a supplemental financing mechanism on a 'quick-response, self-help, good neighbour policy' to augment IMF resources," he added.

The meeting, chaired by the Philippines Department of Finance Undersecretary Cecilia G. Soriano, is attended by vice-finance ministers, senior finance officials and central bank officials of Australia, Brunei, Canada, China, Hong Kong, Indonesia, Japan, South Korea, New Zealand, Philippines, Singapore, Thailand and the US.

The ADB, the IMF and World Bank also sent their representatives.

The US is being represented by Treasury Deputy Secretary Lawrence H. Summer and Federal Reserve Board Governor Laurence H. Meyer while Japan has sent the Finance Ministry's Vice-Minister (international affairs) Eisuke Sakakibara and Bank of Japan senior adviser (international department) Yoshiharu Oritani.

Besides Herbert, Malaysia was represented at the meeting by Bank Negara deputy governor Datuk Fong Weng Phak.

Asked if the meeting will also consider the ADB suggestion that it be

given the task of overseeing the proposed fund since most of the countries at the meeting are already its members, de Ocampo said it will be considered as the ADB is already a regional multilateral financial institution.

There will be two other closed sessions tomorrow, one in the morning and the other in the afternoon. This will be followed by a press conference.

"This meeting will draw up specific recommendations for the proposed fund. It will be further deliberated at the Asia-Pacific Economic Cooperation summit in Vancouver next week and then at the, what we call, 'expanded' Asian finance ministers' meeting in Kuala Lumpur on December 1 and 2 to be chaired by my colleague, (Finance Minister Datuk Seri) Anwar Ibrahim," he said.