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## Finance ministers poised to resurrect Asia fund

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IT WAS buried at the Asian vice finance ministers and Central Banks' deputy governors meeting in Manila two weeks ago. Today, in Kuala Lumpur at the two-day Association of South-East Asian Nations (Asean) Finance Ministers meeting, it will be resurrected.

The US\$100 billion (US\$1 = RM3.48) Asian Fund, proposed by Japan and Asean at the Asia-Europe Finance Ministers' meeting in Bangkok last September, lost its name and structure at the Manila meeting. It was watered down to a mere "cooperative financing arrangement" and heavily linked to the International Monetary Fund (IMF).

According to Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim, the fund - aimed at resuscitating the economies of countries facing problems due to speculative attacks on their respective currencies - was "deferred due to circumstances in the region."

"We can put it on hold but 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 (of Asean finance ministers)," he said.

The Asean Finance Ministers are also expected to discuss another fund called the Asean Fund.

On Thursday, Treasury secretary-general Tan Sri Clifford Herbert said that the proposal was made by the grouping "in the spirit of Asean cohesiveness and economic cooperation." It would be smaller in size but its mechanism would not differ from that of the "cooperative financing arrangement."

However, delegates at the Asean senior finance officials meeting yesterday did not seem to give much support to the more structured fund but instead called for a "stronger commitment towards a facility to help each other."

They also gave their support to efforts aimed at stopping the contagion effect of the region's currency turmoil from spreading.

Yesterday's meeting was said to have achieved "great progress" in providing input for the ministers' meeting and achieving the common objectives needed to put the region's finances back on its feet.

Out of the nine Asean countries, four - Thailand, Indonesia, Philippines and Malaysia - have come under the heavy artillery fire of currency traders since the July 2 attack on the Thai baht.

The IMF has already set foot in Thailand, Indonesia and the Philippines as a result.

The IMF extended a US\$17.2 billion credit package to Thailand while Indonesia could receive up to US\$40 billion in financial aid provided the republic adheres to strict reforms laid down by the institution.

The Philippines, which is expected to graduate from a 35-year tutelage under the IMF at the end of the year, has asked for an "extended fund facility" from the IMF. This will enable Manila to draw money from the Fund in order to help finance the country's import-export trade and stabilise foreign exchange rates.

South Korea is in the midst of negotiating a bailout package with the IMF.

As for Malaysia, Prime Minister Datuk Seri Dr Mahathir Mohamad has adamantly said that the government will not seek IMF assistance to overcome whatever problems it may face. "... I pray to God that we

(Malaysia) would not require the IMF (for any bailout)," he said in Vancouver last week.

The finance ministers and deputy/vice ministers of the nine Asean nations will also look into the region's existing currency swap arrangement which involves the Central Banks and monetary authorities.

"The existing arrangement is minimal (if you compare it) with the present requirements. We will be looking at enhancing this facility. It will be within the field of competence of the Central Banks. They will deliberate on the matter. The ministers will discuss this, too," Anwar said.

The reciprocal currency swap arrangement was first established by the Asean central banks and monetary authorities in Kuala Lumpur in 1977 in line with their common objective to promote monetary cooperation among member countries.

Under the arrangement, member countries with temporary international liquidity problems are provided with immediate short-term swap facilities. The maximum total amount of US dollars available for swap transactions under the arrangement then, was US\$100 million. The maximum total outstanding amount provided by each participant under the arrangement was US\$20 million.

Under the arrangement, US dollars are exchanged against the domestic currency of a requesting participant.

A swap is reflected through the sale of US dollars against the domestic currency of the requesting participant accompanied by a forward purchase of the same amount of domestic currency by that participant against US dollars.

The amount of US dollars in the swap will be credited to the account of the requesting participant in accordance with its instructions. The amount of the domestic currency involved will be credited to the respective non interest-bearing accounts maintained with the Central Bank or Monetary Authority of the requesting participant, and will not be used except for the reversal of the swap.

In Washington in 1992, the Asean Central Banks and monetary authorities entered into their fifth supplementary agreement of the swap arrangement where the outstanding amount of greenbacks provided by each participant under the arrangement was increased to US\$40 million.

The maximum outstanding amount of US dollars received by any participant under the arrangement should not, at any point in time, exceed US\$80 million (on the basis of a gearing ratio of 1:2).

The arrangement has remained in force for five years since the date of its enforcement in 1992.

Malaysia will be represented by Anwar. The others attending the meeting are Indonesian Finance Minister Mar'ie Muhamad, Myanmar Finance and Revenue Minister Brigadier General Win Tin, Singapore Finance Minister Dr Richard Hu, Philippines Finance Secretary Roberto de Ocampo, Thai Finance Minister Tarrin Nimmanahaeminda, Brunei Deputy Finance Minister Pehin Datuk Ahmad Wally Skinner, Laos Vice Finance Minister Bounlith Khennavong and Vietnam Deputy Finance Minister Le Thi Bang Tam.

The Asean + 6 meeting will see the grouping's finance ministers and vice/deputy ministers in a discussion with Australia's Treasurer Peter Costello, China's First Vice Finance Minister Liu Jibin, Hong Kong Financial Secretary Donald Tsang, Japanese Vice Finance Minister Dr Eisuke Sakakibara, South Korea's Deputy Finance and Economy Minister Duck Koo Chung and US Treasury Deputy Secretary Lawrence H Summers.

The five-member IMF team at the Asean meeting is being led by none other than its managing director Mr Michel Camdessus. A Malaysian, Datuk Zamani Abdul Ghani, is on the IMF team in his capacity as the SEA Group executive

director.

The three-man World Bank team is led by senior vice president Mr Joseph E Stiglitz.

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