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IMF: Facility should stay as standby

INTERNATIONAL Monetary Fund managing director Michel Camdessus said yesterday that the Asian bailout fund, also known as the Manila Framework, should stay as it is - a standby facility to supplement IMF aids.

"If anything needs to be added to that, we will take the advice of the wise (leaders) in the region, including (Prime Minister Datuk Seri) Dr Mahathir (Mohamad)," Camdessus said at a Press conference in Kuala Lumpur after attending the concurrent two-day Asean Finance Ministers Meeting and the Asean Business Forum which ended yesterday.

He was asked to comment on the call by Dr Mahathir on Monday to revive the Asian Fund - of which Asean was its initial proponent - which was shot down by its opponents at the meeting of 14 Deputy Finance Ministers from Asean and the United States in Manila last month.

"Dr Mahathir, who is my friend, has independent views on all issues including this. (But) this issue has been settled in Manila and ratified in Vancouver last week at the Asia-Pacific Economic Co-operation summit," he said.

He added the consensus had been implemented as part of the IMF rescue package for Indonesia and would be extended to South Korea.

Camdessus said the idea of a large rescue fund independent of IMF would likely make its members "forget about regional surveillance ... they will see money and will not address their underlying (economic) problems".

Asean Finance Ministers on Monday had proposed the setting up of a mutual surveillance secretariat to act as a watchdog monitoring regional economic and financial developments to ensure a rapid response to any future problems.

Camdessus was also asked to comment on Dr Mahathir's suggestion that currency trading be placed under the purview of the World Trade Organisation and not the IMF.

"In currency trading, the important concept here is currency and not trading. And currency comes under our purview. IMF is very busy and (we are not) asking for more work."

Camdessus said the IMF expected to complete its study on hedge funds and Southeast Asian currency problems by the first week of next year, the conclusion of which would be shared with Asean whose members were some of the hardest hit.

"We have some preliminary findings. One of them is that it will be a mistake to attribute the misfortune of Asean countries to hedge funds and speculation."

He added that market situation was "no more than a symptom of the crisis of deeply-rooted problems that have to be addressed".

"Even if these problems were addressed, we have to analyse how the market works, what structural changes had taken place and see if there are changes in regulations of markets, particularly of hedge funds and we are already working on that."

However, he said if one wanted to regulate currency trading, one must ensure that regulations would not prevent hedge funds from doing a good job, "which they do from time to time".

Camdessus said when hedge funds pushed currency up or down it would help countries find new exchange rate equilibrium, "something that we don't want to prevent them from doing".

He, however, acknowledged that it would be a good move to strengthen

the large forex traders' reporting requirements.

"It is important to ensure offshore centres do not attract hedge funds and other market institutions as it would be difficult to enforce regulations on them."

He also said the herd mentality among market participants should be discouraged since hedge funds traders were in the market mainly for making money.

Camdessus, who left for Bangkok later, said he might to make a side trip to Seoul later.

IMF is in the midst of arranging a rescue package deal for South Korea, the latest Asian country to ask for IMF aid after Thailand and Indonesia.

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