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Joint action to protect currencies (HL)

KUALA LUMPUR, Fri. - Asean Foreign Ministers agreed today to intensify co-operation to stabilise foreign exchange rates following plunges in regional currencies described as speculative attacks.

In a joint communique issued at the end of the two day 30th Asean Ministerial Meeting, the Foreign Ministers expressed concern over "well co-ordinated" efforts to destabilise Asean currencies for "self serving purposes, thus threatening the stability of all Asean economies".

They called for further intensification of co-operation to safeguard and promote Asean's interests.

Prime Minister Datuk Seri Dr Mahathir Mohamad, at a Press conference after opening the meeting yesterday, had called for Asean countries to take concerted efforts to thwart speculative attacks on their currencies.

Dr Mahathir urged them to improve co-operation and consider new approaches to counter attacks by anarchists bent on destroying Asean economies.

He described those trying to undermine Asean economies as "rogue speculators" and "anarchists".

The attack began four weeks ago with the Thai baht, given that Thailand was facing a financial crisis triggered by massive de faults on property loans.

Since then, other regional currencies have come under attack. The Philippine peso came under heavy attack while the Singapore dollar, Brunei dollar, Indonesian rupiah and the Malaysian ringgit depreciated in value.

Dr Mahathir was reported as saying that the attacks were motivated partly by foreign interests who were against Myanmar's admission into Asean.

In reaction to the attacks, Thailand, the Philippines and Indonesia widened the trading bands which their currencies are pegged to so as to induce stability.

However, Malaysia, Singapore and Brunei do not have such trading bands.

The central banks of the three respective countries had initially made some at tempts to smoothen the depreciation of their currencies, but have since stood on the sidelines while awaiting some stability in the exchange rates.

The communique coincided with an accord in Shanghai today extending existing currency swap arrangements among five Asean central banks. The accord was signed by governors of the central banks of Malaysia, Singapore, the Philippines, Thailand and Indonesia.

AFP reports that a statement from the meeting said the agreement was established on Aug 5, 1977 as a mechanism "for short-term liquidity financing to alleviate temporary balance of payments needs of member countries".

Under the deal, "a member country with liquidity needs can exchange its currency for US dollars provided by other member countries in accordance with an agreed procedure," it said.

The Shanghai meeting grouped the monetary authorities from five of Asean's nine members along with Australia, China, Hong Kong, South Korea, Japan and New Zealand.

In their joint communique, the Foreign Ministers hoped that the East Asia Economic Caucus would soon be formally instituted.

Other highlights of the communique:

- * emphasised the need to eliminate non-tariff barriers in Asean;
- * recognised Asean's growing role in the maintenance of peace and stability in the region;
- * recommended to Heads of Government of Asean to confer the Asean Citation on five signatories to the Asean (Bangkok) Declaration of 1967. The five were Tun Abdul Razak Hussein (Malaysia), Tun Adam Malik (Indonesia), Narcisco Ramas (Philippines), S. Jayaratnam (Singapore) and Tun Thanat Khoman (Thailand);
- * reaffirmed the importance of maintaining the 1953 Armistice Agreement until a permanent peace agreement in the Korean Peninsula was in place;
- * welcomed Hong Kong's return to Chinese sovereignty;
- * viewed with concern the current deadlock in the Middle East peace process;
- * demanded that Israel take steps for the immediate and full cessation of the construction of a new settlement at Jebel Abu Ghneim to the south of occupied East Jerusalem and other activities.

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