

18/11/1997

KL to oppose Asian fund link to IMF during meet

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MANILA, Mon: Malaysia is expected to "oppose" the linking of the proposed Asian fund to the International Monetary Fund (IMF) when the vice finance ministers and central bank deputy governors meet on the Asian Fund Facility here tomorrow afternoon.

It is understood that there is already a wide agreement that the proposed fund to resolve the financial crisis in South-East Asia will be in coordination with the IMF, so that there will not be a conflict on the conditionalities of the proposed fund.

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

News reports quoted Philippines Finance Secretary Roberto de Ocampo as saying that the proposed fund should be in coordination with the IMF to ensure that countries drawing up on the fund could not avoid making "the hard decisions needed to strengthen the economy" which would be required under an IMF programme.

The agreement on the linking of the proposed Asian fund to the IMF is seen as a "pacifier" to the IMF, for rapid support and response to the establishment of the Asian currency support fund.

IMF managing director Michel Camdessus, speaking at a press conference here during his brief 11-hour visit during the weekend, had said that "whatever financing mechanism is put in place, it should not compete, alter or reduce quality and strength of IMF policies and conditionalities".

Its disbursement, he said, should be linked to IMF.

Malaysia's delegation to the meeting will be led by Treasury secretary-general Tan Sri Clifford Herbert.

Some 80 officials from the IMF, World Bank, the US, Asian Development Bank, Singapore, Thailand, New Zealand, Philippines, South Korea, Indonesia, Japan, Italy, France, Germany, the UK, Hong Kong, Canada, China, Australia and Brunei will be attending the two-day meeting.

It will be chaired by Philippines undersecretary for international finance Maria Cecilia Soliano. Officials here have described the meeting as a "dialogue" between finance officials of the respective countries.

This will be the first scheduled meeting on the currency support fund since it was proposed at the IMF/World Bank annual meetings in Hong Kong last September. The fund was proposed to bolster the economies of Asian countries hit by financial problems such as the currency crisis now hitting South-East Asia.

Japan is said to be aggressively campaigning for the creation of an Asian fund to help stabilise regional markets. Its Vice Finance Minister Eisuke Sakakibara is widely seen as a key architect of the idea.

Officials said the meeting will also look into the circumstances under which there would be a need for a cooperative financing that could supplement IMF resources including the New Arrangements to Borrow.

There will also be some discussions on how to expedite the process of putting in place the required levels of supplemental financing include pre-arranged legislative authority.

Other key issues to be taken up include the nature of the fund, eligibility criteria and activation mechanism, guiding principles for the commitment and disbursement of funds including repayment terms,

coordination with the IMF in setting conditionalities and disbursing fund and institutional arrangements.

De Ocampo had also said that the meeting will also propose the imposition of strict conditions tied to drawdowns from the fund.

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