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Market turmoil steals the limelight

UNLIKE previous years, the joint annual meetings of the International Monetary Fund and World Bank in Hong Kong this week are drawing more than a passing interest from Asian countries.

In particular, those countries which have come under pressure from currency speculation appear to be turning to the event for some clues on how to defend their currency and stock markets while improving their balance of payment positions.

Since the beginning of the 1990s, current account imbalances in a number of Asean countries have widened, generating concern that policy measures may be required to avoid costly and destabilising shifts in market sentiment.

According to a recent IMF working paper, even when the external position of a country appears sustainable, there is a need to reduce current account deficits over time in order to minimise risks that may arise from such factors.

The analysis highlights the roles of the level and composition of external liabilities; the flexibility of macroeconomic policies; the efficiency with which investment is used; and the health of banking and financial systems.

These issues, given its significance in most Asian economies presently, is expected to be touched on at length in some of the 3,000 plenary sessions scheduled to be held at the meetings.

Its significance of course lies in the fact that wide gaps in the current account renders currencies vulnerable to speculative attacks as has been witnessed in recent months in Thailand, Indonesia, Philippine and Malaysia.

Asian countries, specifically the seven-member Asean is expected to come up with a joint position on the issue and recommend measures to curb such an incident from recurring at the IMF-World Bank meetings.

Malaysia's Prime Minister Datuk Seri Dr Mahathir Mohamad has pointed his accusing finger at American financier George Soros for manipulating and "sweeping out 40 years of nation building."

It is understood that the IMF authorities are keen to arrange for a meeting between Prime Minister Datuk Seri Dr Mahathir Mohamad and Mr George Soros with the intention that they should clear the air once and for all.

Dr Mahathir, holding staunchly to his beliefs, is adamant however that he is not willing to meet with Soros.

At the meetings, Boards of Governors will consider how current international monetary issues should be addressed at the meetings.

In addition, the annual meetings programme of seminars is designed to foster creative dialogue among the private sector, government delegates and senior World Bank Group and International Monetary Fund officials.

With emphasis on this, this year's seminars will focus on Asia and the World: Capital, Competitiveness, and Community.

A one-day seminar will also be held by the IMF at the Hong Kong Convention and Exhibition Centre (HKCEC) on September 19, 1997 on the subject "Asia and the IMF."

Current perspectives on the Asian growth miracle, the experience of recent years, and the areas where strains on macroeconomic stability are being experienced will be touched on.

The future challenges facing Asia, the sustainability of the growth performance of Asian countries, and implications for the future role of the IMF.

The World Bank and IMF's annual meetings from September 23-25 with their board of governors will see the attendance of more than 13,000 people including central bank governors, finance ministers, international bankers and media representatives.

The staging of the event so soon after the transfer of sovereignty is also a timely affirmation of Hong Kong's continuing status as an international financial centre.

The annual meetings will see both the Bretton Woods Institutions release their annual reports ended April 1997 which envelopes a global view of the markets in industrial and developing or emerging economies.

The Annual Meetings will include 2 1/2 days of plenary sessions, during which Governors take up matters of business, consult with one another, and address the assembled delegates to present their countries' views on current issues in international economics and finance.

Annual Meetings, outside the US, have been held in London, Paris, Mexico City, Istanbul, New Delhi, Vienna, Tokyo, Rio de Janeiro, Copenhagen, Nairobi, Manila, Belgrade, Toronto, Seoul, Bangkok and Madrid.

The Inaugural Meeting of the Boards of Governors was held in Savannah, Georgia, USA in March 1946. The first Annual Meetings were held in Washington in 1946.

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