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More rounds of meetings to discuss region's currency problems

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THE flurry of meetings induced by the region's currency problems continues in Kuala Lumpur today.

The two-day meeting of Asean Finance Ministers and Asean plus 6, comes 11 days after the meeting of Asian Finance and Central Bank Deputies in Manila which ended in an unexpected manner.

In Manila, instead of drawing out details for the proposed Asian Fund as it had meant to do, the deputies pushed what some saw as a watered-down "co-operative financing arrangement".

Being part of a broad framework to bring financial stability, the arrangement would be mobilised only during crises and as a second-line financing to International Monetary Fund loans.

While it is not completely clear whether the Kuala Lumpur meetings are a follow-up to Manila - the Manila framework will be deliberated further in Japan early next year - officials have wondered whether there would be 'adjustments' to some of the earlier decisions being made in Kuala Lumpur.

At the outset of the Kuala Lumpur meetings yesterday, Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim, said the proposed Asian Fund warranted 'very serious consideration' by the Finance Ministers.

While some delegates - Hong Kong Financial Secretary Donald Tsang, included - expected the framework to be 'brought forward' here, Anwar said the fund was one of the other topics that needed to be deliberated here.

Another is the reciprocal currency swap mechanism involving Asean Central Banks, meant for members with temporary liquidity problems. It was introduced in Kuala Lumpur 20 years ago, and Anwar said the amount dealt with by this mechanism could now be enhanced.

Officially, the Kuala Lumpur meetings would discuss the current economic situation faced by member countries and exchange views on the causes and extent of the problem and policy responses to restore stability.

In particular it will discuss three key issues - the importance of enhancing transparency in currency trading; the need for developing prudential and disclosure standards in financial markets; and recent initiatives towards the establishment of a regional surveillance and financing arrangement.

Yesterday, Anwar explained the proposed rules for currency trading, saying that it had always been misconstrued to run contrary to the spirit of liberalisation.

Officials said this was pertinent as some participating countries seemed to view any proposed regulations as 'restrictive'.

If there are diverging contentions ahead of the meetings, there have also been indications that the lines separating the arguments are narrowing.

For instance, even countries against restrictive measures thought the nature of today's currency trading needed to be analysed.

And Anwar in defending the proposed fund yesterday, acknowledged the fact that countries in the region do not have adequate surveillance mechanism. The question of surveillance was central in the statements by IMF managing-director Michel Camdessus during a recent tour of the region.

Signifying the importance of the Kuala Lumpur meetings, Camdessus is due to arrive here early today.

He will brief the Finance Ministers on the initial findings by an IMF

task-force into currency trading. Camdessus had said that the reactions from the Ministers would be important in drawing up the final conclusions.

Besides the IMF, the US and Australia are strongly represented here. Australia's Treasurer, Peter Costello is here, so is US Deputy Treasury Secretary, Lawrence Summers.

The World Bank is represented by its senior vice president Joseph E. Stiglitz, which is significant as Asean members like Laos and Cambodia are still dependent on loans from World Bank.

As anticipation for the two-day meetings grew, officials who attended yesterday's preparatory Asean Senior Finance Officials meetings were tight-lipped.

"We have achieved consensus on all issues," said Treasury secretary-general Tan Sri Clifford Herbert, adding in a light-hearted manner : "except commas."

The Ministers too are not saying much, yet. On arrival, Hong Kong's Tsang said: "I am here to talk, to listen, to discuss."

The real action begins today with the two and a half hours meeting of the Asean Finance Ministers followed by the Asean-Japan; Asean-US; Asean-IMF and World Bank meetings. In between, Prime Minister Datuk Seri Dr Mahathir Mohamad will open the meetings with a speech titled 'Asean Financial Initiatives for the 21st Century'.

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