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Proposed Asian Fund to be outside IMF ambit

ASEAN Finance Ministers yesterday said that the proposed Asian fund to bail out troubled member countries will not be under the jurisdiction of the International Monetary Fund, but will supplement existing aids by the agency.

The Philippines' Secretary of Finance Roberto de Ocampo said there had been some misunderstanding on the proposed set up of the Asian fund, in particular on the nature and amount set aside for its operations, and the derived proceeds associated with it.

"We reaffirm that it is not our intention that this be part of the IMF institutional framework mechanism and operational jurisdiction, but would supplement world funds and bring to bear on economies in need of IMF programme within our region," he added.

Ocampo was speaking at a joint Press conference after the morning session of the Special Asean Finance Ministers' Meeting in Kuala Lumpur.

He reiterated that the Manila framework, reached upon by Deputy Finance Ministers from 14 countries in Asia as well as from the US, who met in Manila last month, did not reach any conclusion concerning the nature of the fund and the amount.

The Asian Fund now officially known as a currency support arrangement, was first mooted by Asean and Japan at the Asia-Europe Finance Ministers Meeting in Bangkok last September.

Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday "Malaysia will be very happy" if the proposed Asian Fund can be revived, maintaining that such a facility will not be abused.

He said the fund should not be just an extension to the International Monetary Fund nor subject to any of its conditionalities although some quarters felt otherwise.

"But, I like to point out that the Governments of Southeast Asia spent all their time trying to develop their countries and trying to give their people a good life," he told a Press conference after opening the Asean Finance Ministers, Asean Plus 6 Meetings and conference on the "Financial Initiatives for the 21st Century" at the Putra World Trade Centre.

He added the fear that they (Southeast Asian countries) would be irresponsible was unfounded.

"I am sure the people who are asked to manage the fund would be very prudent," he said when replying to a question that the proposed fund, if not linked to the IMF, would not instil confidence among foreign investors.

Dr Mahathir said while he accepted there were some mistakes made by some countries "but by and large they have been focusing on development".

Asked whether it was true that the United States and Japan were not interested in contributing to the proposed fund, Dr Mahathir said that Japan had shown interest.

"But, I do not know about the US but it has always felt that it should be made through the IMF. The Finance Ministers will discuss this and Japan has indicated that it would be willing to contribute to the fund."

Asked when he would expect to see the rules on currency trading be enforced, the Prime Minister replied that he hoped it would not take too long.

However, he disagreed with a suggestion that a majority of the Apec members disagreed with the idea of regulating currency trading.

Dr Mahathir said the majority of the leaders were not against the idea and have even acknowledged the fact that the problem was not confined to Southeast Asian countries but also the rest of the world.

Asked to comment on the World Trade Organisation's role in formulating currency trading regulation, he said, the move would enable all countries to have a say in its formulation.

On his meeting with IMF managing director Michel Camdessus yesterday, Dr Mahathir said his discussion centred around regulation and making currency trading beneficial to the world.

However, he said there were no plans on Malaysia's part to seek IMF assistance.

Asked to elaborate on Malaysia's opposition to the IMF package, Dr Mahathir said that he was not against it.

He also disagreed with a suggestion that he wanted the issue on currency trading to be discussed by the WTO because the IMF was being dominated by the US and Europe.

"I think the IMF is quite independent. I spoke to Camdessus and he is very independent-minded. But, it is good to have the parties who are going to be affected by any rules to have a hand in the formulation. That's what I suggested."

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