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Review strategies, Asean urges IMF (HL)

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IN THEIR first formal joint statement on the currency issue, the Association of South-East Asian Nations (Asean) leaders yesterday called on the International Monetary Fund (IMF) to act immediately to stabilise the region's currencies.

They said despite the economic fundamentals of the regional economies being corrected and improved through the support and advice of the IMF, the depreciation of the region's currencies has continued unabated.

This has resulted in serious regression in the economic well-being of the affected countries, their businesses and their peoples, said the three-page joint statement issued by the leaders at their second informal meeting in Kuala Lumpur.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who chaired the meeting of Asean leaders, said the thinking of some of the leaders is that the IMF must review some of the strategies and conditionalities it has been imposing on countries that have come to seek bailouts.

Sultan Hasanal Bolkiah of Brunei, Laos Prime Minister Khamtay Siphandone, Myanmar Prime Minister Senior General Than Swee, Philippines President Fidel Ramos, Singapore Prime Minister Goh Chok Tong, Thailand Prime Minister Chuan Leekpai and Vietnam Prime Minister Phan Van Khai attended the three-hour meeting. Indonesia was represented by Foreign Minister Ali Alatas.

He said the leaders felt that some IMF strategies and conditionalities only aggravate the economies of its client states.

Dr Mahathir was asked, during a press conference after the meeting, if Asean felt that the IMF conditionalities were too harsh on the countries which have sought rescue packages to revive their economies.

He said some of the leaders of the nine-member grouping had raised the issue at the meeting.

"The IMF is looking purely at the macro-economic picture and not at the impact (of its conditionalities) on its client states. Increasing taxes and rates can cause companies, even good companies, to fold. This will further aggravate the situation."

"With the depreciation of the currency, they would need much more in local currency to pay for loans taken in the US dollar. In a situation where economies are not doing well, it is impossible to raise funds to pay for the loans," he said.

The financial assistance extended to the countries, too, cannot meet the losses of the countries concerned.

In South Korea's case, for example, IMF aid amounted to only US\$57 billion (US\$1 = RM3.86) when the country must have lost more than US\$150 billion which Malaysia had lost due to the currency turmoil.

"This does not cover the entire amount of losses. Furthermore, the money is to boost the reserves of the countries concerned. It is aimed at establishing confidence ... to give confidence to foreign investors and others.

"Neither the governments nor the private sector can have access to these funds for the loans they have raised in the US dollar prior to the currency turmoil," he added.

Meanwhile, at a press conference after the three-hour Asean Plus Three meeting between the nine leaders of Asean and the leaders of China, Japan and South Korea, Dr Mahathir said the leaders discussed the primacy of the

US dollar in international dealings.

"Some of us were of the view that there should not be one international currency. There is a need to fully understand the implication of having more than one international currency for trading.

"We will be asking the finance ministers of Asean to study the possibility of having some other currencies for international trading," he said.

There is also a need for a study on the impact of the Euro on the region.

"We know so little of the euro. We know that there are those in Europe who also oppose to the euro. We want our academics and our economists to do a real study ... how it would affect us."

Dr Mahathir also said the finance ministers will also have to look into some kind of a working arrangement or association of other banks in the region with a view of giving financial strengths to national banks in the region.

"We don't know yet how we are going to do this but we will look into it," he said.

He was also persistently asked if Asean has asked its Northeast Asian neighbours for financial assistance in the light of the present economic turmoil in the region or whether China, Japan and South Korea have made any offer of assistance at the meeting.

"No offers were made, nothing was asked," he added.