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Special Asean fund a good idea: PM (HL)

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MALAYSIA supports the setting up an Asean financial assistance scheme that could come to the aid of members in the event of a financial crisis like the one that crippled the Mexican economy in 1994.

"It's a good idea," Datuk Seri Dr Mahathir Mohamad said. "We don't want any Asean country to face financial problems and if we can have a fund to help them during emergencies, we should have one."

The Prime Minister was asked at a press conference in Kuala Lumpur yesterday to comment on the proposal by International Monetary Fund managing director Michael Camdessus to set up an Asean fund during the first Asean Finance Ministers' Meeting in Phuket at the weekend.

It is envisaged as a fund similar to the IMF's own New Arrangements to Borrow (NAB) scheme which offers emergency credit of up to US\$48 billion and has been put in place for its 25 members to tap in overcoming financial problems.

Although the special Asean fund was not mentioned in the 17-paragraph press communique issued at the end of the meeting on Saturday, the finance ministers were said to be keen on the idea.

Asked what role Malaysia could play to set up the proposed fund, Dr Mahathir said: "You have to ask the experts about that ... ask the Minister of Finance."

Deputy Prime Minister Datuk Seri Anwar Ibrahim, who attended the Phuket meeting in his capacity as the Finance Minister, had told Malaysian reporters in Phuket that the finance ministers had agreed that such a fund should be established.

However, Anwar stressed that the final decision would have to come from the heads of government.

According to a Bernama report quoting officials who attended the meeting, Camdessus had told the ministers that the IMF wants to encourage middle-income countries, like those in Asean, to strengthen financial cooperation among themselves.

Camdessus also said that the IMF thought the Asean countries had reached an appropriate level of economic and social development for such a move.

Anwar said the proposed Asean fund would be smaller than the economic bailout fund created by the Group of 10 industrialised countries - Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the UK and the US.

The Mexican crisis was triggered by a massive capital outflow from the country following its decision to devalue the peso.

The IMF also administers the credit instruments for G-10 nations to coordinate monetary and fiscal policies aimed at creating a more stable global economic system.

The proposed scheme for Asean would not only allow them to help themselves during emergencies but also give them more bargaining power when negotiating with other powerful IMF members.

The scheme, some officials said in Phuket, would represent a natural progression of economic cooperation and integration of the Asean Seven.

Anwar said the fund would act as a buffer against possible disruptions in Asean's financial system and "we have to prepare for any eventuality".

He added that the wisdom of the Phuket meeting was that Asean is not waiting for the situation to turn chaotic before taking action.

A Thai official said the IMF, in pressing its case, had cited as example

the Mexican crisis which would not have been resolved as expeditiously if not for the assistance extended by the other two members of the North America Free Trade Association (Nafta) - the US and Canada.

With the proposed scheme in place, Asean members would be able to access emergency funds under similar circumstances, he added.

The official said the IMF would in fact like to see emerging-market countries set up funds to prevent regional financial crises from spreading to other parts of the world.

In Phuket, the Asean finance ministers also stressed the importance of pragmatic financial cooperation to serve as a building block towards realising Asean's goal of greater economic integration and the proposed fund would be an integral part of such efforts.

In another development, commenting on a foreign news report referring to a "Group of Six" meeting of senior finance and central bank officials today as involving "five Asian economies" and the US, with Australia being considered one of the Asian participants, Dr Mahathir said Malaysia has no right to question the US decision to view Australia as "Asian".

"It is their right... they can also consider us as European and when there is a European meeting, they can invite us to attend."

Officials from the US, Japan, Australia, China, Singapore and Hong Kong gather in Tokyo today for a day of talks on cooperation in financial markets, macroeconomic policy and other matters of common concern.