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Malaysia still opposes IMF supervisory role in ASA

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PRIME Minister Datuk Seri Dr Mahathir Mohamad yesterday reiterated Malaysia's stance against the International Monetary Fund's (IMF) supervisory role in the Asian currency safety net but said it would have no choice if the majority of members in the Association of South-East Asian Nations (Asean) favour the proposal.

He said the Asian currency initiative will not benefit from the IMF's involvement as the agency's approaches in helping financially-troubled economies have not brought any good.

"This is our stand. If others are willing or unwilling to accept it, that's another matter.

"However, if the majority strongly insists on IMF's involvement, then we have no choice," he told a news conference after officiating the National Education Convention 2001 in Genting Highlands.

Dr Mahathir was asked to comment on a newsreport quoting Japanese officials as saying that opinions within Asean will gradually tilt against Malaysia's opposition towards IMF's surveillance role in the proposed Asean Swap Arrangement (ASA).

The report also said that Japan would not water down its insistence on IMF's conditional role even if Malaysia sticks to the agreement that the swap deals should take into account each country's specific circumstances.

Tokyo is sending senior officials to Malaysia this week "to try to bridge the differences", it said.

The Japanese-led currency swap plan, also known as the Chiangmai Initiative, aims at preventing a repeat of Asia's 1997 balance-of-payments crisis or currency falldown by linking the 10 Asean countries' international reserves via bilateral pacts with the regional powerhouse - China, Japan and South Korea.

The three northern Asean neighbours reportedly wanted a surveillance mechanism on the monies spent under the arrangement.

However, Asean Finance Ministers at the end of the fifth meeting in Kuala Lumpur early this month had agreed that the bilateral swap arrangement (BSA), which is part of the ASA, would only be complementary and supplementary to IMF facilities.

In a joint statement, they said the terms of the BSA should take into account the different economic fundamentals, specific circumstances and financing needs of individual countries to allow the facility to benefit individual Asean members.

Asked on the proposed Asian Monetary Fund (AMF), Dr Mahathir said Malaysia agrees to the setting up of the fund but does not see the need to refer to the IMF.

"But if everybody thinks it is important to refer to the IMF, then we are a lone voice ... but that is our stand," he added.

Asked again if Malaysia will yield to the majority voice, he said: "We don't yield very easily but if forced to, what to do, the money is not ours."

The AMF was proposed by Japan in August 1997 but was shot down by the US and Europe, who feared that a separate Asian financial facility could undermine the IMF role.

Some economists believed that developed countries will have the biggest say in the ASA if the IMF is allowed to oversee the arrangement as it would give the Washington-based agency opportunity to impose conditions.

Besides the risk of losing political sovereignty, they said bringing IMF into the picture means that the ASA is no longer exclusive to Asean + 3.

Malaysia is currently talking with Japan on the US\$2.5 billion (US\$1=RM3.80) Malaysia-Japan BSA under the Miyazawa Initiative. It was signed in 1998 and expires this August.

Asean groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

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