

GMA: WB pledges \$10-B standby fund for Asia

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The World Bank has committed to initially provide \$10 billion to help establish a fund being readied by Southeast Asian nations – plus Japan, China and South Korea – to buy toxic debts and support banks in the region hit by the global financial crisis, President Arroyo said yesterday.

“The facility can be used to purchase what the bankers call toxic assets and recapitalize troubled financial institutions and private companies,” she said in a speech during the oath taking of officials of the Union of Local Authorities of the Philippines (ULAP) at Malacang.

Governments around the world have pledged around \$3.2 trillion in a variety of schemes to combat the worst global financial crisis in decades that has toppled financial institutions globally.

The crisis has provided plenty of reminders to Asia of its own financial crisis a decade ago, when currencies in several countries crashed and foreign investors pulled capital out of the region.

Arroyo said the 10-member Association of Southeast Asian

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Nations (ASEAN), its so-called dialogue partners Japan, China and South Korea, the Asian Development Bank and the International Monetary Fund could also contribute to the fund.

Plans for the fund were drawn up at the WB/International Monetary Fund meetings in Washington last Oct. 11 among finance officials, she said, adding that some details were still being worked out.

"This (creation of fund) is a very important result (of the meetings). They (finance officials) reached an understanding to establish a standby facility to assist ASEAN countries that have severe liquidity problems. Thank God we're not one of them yet," the President said.

"When some governments were cutting taxes, we raised

them, and we couldn't do that without your support," she told ULAP officials.

"When some governments were deregulating, we were bringing more discipline and order to our financial regulatory environment," she said.

Representing the Philippines at the meetings were Finance Secretary Margarito Teves, Budget Secretary Rolando Andaya Jr., and Socio-economic Planning Secretary Ralph Recto. She stressed the move to put up the fund was a Philippine initiative.

The WB and the IMF, with the help of ASEAN finance ministers and central bank governors, would draft the implementing mechanism for disbursing funds, hopefully with minimal conditionalities, she said.

"The ASEAN plus three members and the multilaterals welcomed our initiative not only in providing access to financing but also, more importantly, in boosting confidence in ASEAN economies," Mrs. Arroyo said.

East Asian countries earlier this year proposed setting up an \$80-billion currency swap agreement, expanding a much more modest agreement that was set up in the wake of the Asian financial crisis to protect any country facing a balance of payments crisis.

Mrs. Arroyo also reiterated that the ASEAN plus 3 grouping would hold a meeting on the sidelines of the Asia-Europe summit in Beijing next week to discuss how the crisis was affecting the region.

Aside from the Philippines, ASEAN comprises Indonesia, Thailand, Malaysia, Sin-

gapore, Brunei, Vietnam, Myanmar, Cambodia and Laos.