

Indonesian minister: IMF remains a sore point till today

But he's quick to point out that the region still works closely with the global body

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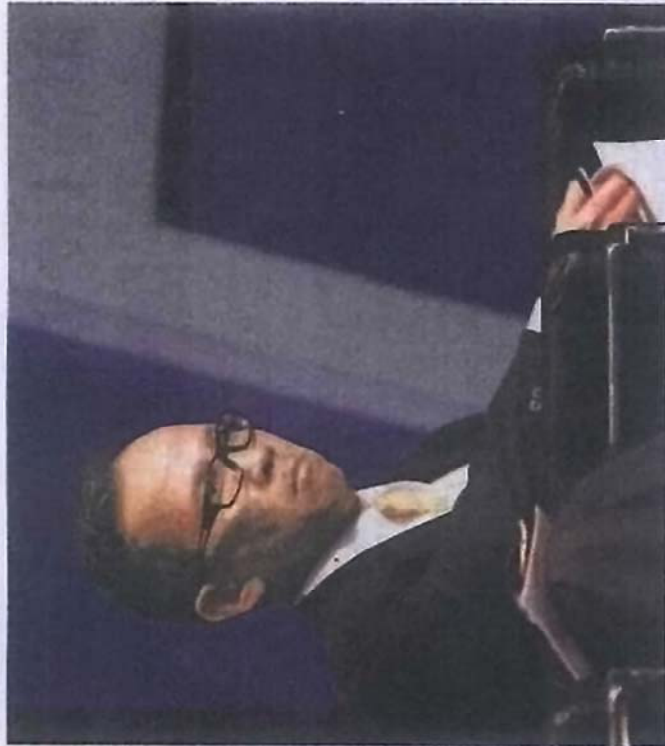
ASIA has learnt its lessons from the Asian financial crisis of the 1990s but many may still not fully trust the International Monetary Fund (IMF) for its handling of that crisis, according to Indonesia's vice-minister for finance, Mahendra Siregar.

Some observers, economists and government leaders criticised the IMF's reaction to the Asian financial crisis of 1997-1998, for prescribing incorrect measures and reforms on borrowing countries, including Indonesia. They were asked to cut government expenditure and

increase rates, when their budget deficits were actually due to declining revenues and not excessive spending, and the fundamental problem faced by these countries was a capital account crisis and not a capital account one. These criticisms point a finger at the IMF for worsening the crisis in these countries and causing even more social problems.

For these reasons, the IMF is considered a sore point in some segments of Asia until today, even though the region has since moved on from those troubled times, according to Mr Siregar.

"Politically, it is still very much deep in the hearts and minds of the people in this region," he told BT on the sidelines



MR SIREGAR

"We are now more prudent and have improved governance in the overall financial sector."
PHOTO: REUTERS

that it is one of the reasons now why we are performing better and are more resilient," said Mr Siregar, who also serves as Indonesia's Sherpa to the G-20 summits.

He argues that the region should continue to strengthen crisis prevention platforms, including multilateral ones such as the Chiang Mai Initiative Multilateralisation (CMIM) and the Asean+3 Macroeconomic Research Office (AMRO).

"Although CMIM funding was doubled to US\$240 billion, effective since May 2012, the swap amount has frequently been criticised as insufficient. Another fundamental issue that still needs to be agreed upon is the CMIM's role and how it fits in among existing regional and global financing facilities," he added.

Nevertheless, he acknowledged that the CMIM could still be a good complement to the IMF in the region, and is not aimed at replacing it, and that AMRO's surveillance work is seen as vital to the overall success of the CMIM in regional financial cooperation.

lations; it is two different things. Both are realities and that should not be a problem."

Overall, the lessons learnt from the capital account crisis 15 years ago are positive and has strengthened the region to be more resilient and pre-emptive to such shocks within the international system.

"The region experienced the Asian monetary crisis of 1997-98 and as a lesson learnt, we are now of course more prudent and have improved governance in the overall financial sector, so

of the Pacific Economic Cooperation Council (PECC)-Singapore National Committee for Pacific Economic Cooperation (SIN-CPEC)-Indonesian National Committee for Pacific Economic Cooperation Council (INCPEC) conference in Singapore yesterday.

Despite these sentiments, Mr Siregar was quick to point out though that the region still works closely with the IMF.

"We have to be frank about these sentiments, but that does not mean that we cannot have good and productive working re-