International Monetary and Financial Committee

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Statement by Mr. Warjiyo
Indonesia

On behalf of
Brunei Darussalam, Cambodia, Republic of Fiji, Indonesia,
Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore,
Thailand, Tonga, and Vietnam

IMFC Statement by Mr. Perry Warjiyo
Governor of Bank Indonesia

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Introduction

We support the Managing Director's Global Policy Agenda (GPA). While global growth remains strong, the balance of risks has tilted decisively to the downside since we last met. The current economic conjuncture accentuates the urgency of strengthening international policy coordination to address challenges and policy uncertainty. Given such conditions, the IMF needs to remain agile and continue to support the international community through its lending, surveillance and capacity development mandates. In turn, the membership needs to play its part by building domestic resilience and strengthening the multilateral framework, including enhancing the resources and governance of the Fund. As we gather in Bali for the Annual Meetings, our constituency looks forward to further deepening our close and constructive engagement with the Fund.

Regional Prospects

After a very strong 2017, growth of economies in the Southeast Asian Voting Group (SEAVG) tapered but remained robust in the first half of 2018. Growth drivers varied across individual economies but healthy private consumption, public investment and tourism generally supported economic activity. Headline inflation reflected higher oil prices while core inflation remained moderate in most countries.

The near-term outlook in SEAVG remains positive, although momentum is likely to moderate with the maturing global expansion. We are vigilant to prominent near-term risks – notably escalating trade tensions and sharper than expected tightening of financial conditions – which could interact to exacerbate financial volatility and dampen confidence and investment. Our region has not been immune from recent currency volatility in emerging markets, although to a milder extent than other. Nonetheless, economic fundamentals and financial buffers in SEAVG are strong, and policymakers have demonstrated that they are equipped to respond decisively to shocks. SEAVG remains well-placed to weather what is likely to be an extended period of more challenging conditions ahead. Amid global uncertainty, we are continuing to deepen international trade and strengthen financial sector as a platform for resilient growth.

Making the Global Financial Safety Net Stronger and More Inclusive

The changing global economic landscape underscores the importance of the Global Financial Safety Net (GFSN) to address potential adverse impact of global shocks. We see the 15th General Review of Quotas (GRQ) as an opportunity for the membership to signal our collective commitment to an open and integrated global economy. We welcome the efforts to further strengthen the GFSN with a strong, quota-based, and adequatelyresourced IMF at its center, and to realign members' quota shares in line with their relative positions in the world economy, while protecting the voice and representation of the poorest members. Thus, we continue to support the completion of the 15th General Review on Quota (GRQ) as scheduled. With the 2019 deadlines approaching, we call on fellow members to engage constructively to advance discussions. A meaningful conclusion to the 15th GRQ would augment the permanent resources of the Fund and the voice of its underrepresented members.

Meanwhile, it is important that we continue to explore ways to make the GFSN stronger and more cohesive. The Fund should regularly take stock of whether its toolkit can effectively support members' needs in both crisis prevention and crisis resolution, particularly in an environment surrounded by uncertainty and volatility. We strongly support the Fund's efforts to strengthen coordination with regional financing arrangements, in particular to improve operational modalities for surveillance and crisis management.

Enhancing Surveillance and Policy Advice

The GPA rightly calls for countries to take action to manage risks and resolve policy uncertainties. At this stage of the cycle and with downside risks amplified, all countries must focus on avoiding procyclicality and rebuilding policy buffers. The Fund should continue to be candid, evenhanded and rigorous in its bilateral policy advice, while recognizing that policymakers may need to act flexibly should economic and financial conditions change rapidly. In the midst of fast-paced changes, we believe the IMF/FSB Early Warning Exercise (EWE) has been an excellent tool to anticipate tail risk scenarios. To this end, we view that the EWE can be expanded beyond considering merely monetary, fiscal and macroeconomic conditions, and thus to also include macro financial as well as micro prudential factors. This would entail the Fund to continuously coordinate with other relevant institutions.

Furthermore, efforts to mitigate risk must be balanced and consistent with the overall picture. On the one hand, with current market volatility, it is important for countries to continue improving resiliency by implementing structural reforms. On the other hand, it is equally important to equip recipient countries (EMEs) with all available policy options to address the problem at hand. One such example is on how EMEs should be equipped with all available policy options including capital flow management measures (CFM) and macroprudential policy measures (MPM) to address capital flow volatility and the risks it poses on domestic financial stability. Moreover, source countries (AEs) must also be considerate of the impact of their policies on the rest of the world and thus must continuously improve and also exercise effective policy communication to help mitigate spillovers to the rest of the world. In this context, we support continued work to understand the role of CFMs and MPMs. The Fund should continue to refine the implementation of the Institutional View and its CFM/MPM framework as it gains experience in their application. We look forward to the 2020 Comprehensive Surveillance Review to conduct a thorough assessment of the traction of Fund advice.

Equally important is the Fund's multilateral surveillance. With trade conflict growing, the Fund's work on the macroeconomic consequences of tariffs and potential benefits of liberalization will remain a key priority. This will need to be complemented with well-tailored policy advice to promote the inclusivity of growth and the adaptability of the workforce. We underscore that an effective strategy for addressing external imbalances must center on the structural causes of savings-investment gaps; trade restrictions are not a durable solution.

Technology is reshaping the world economy and we encourage the Fund to continue to analyze the digital economy and assess the implications of technological innovation for the benefit and awareness of the membership. In this vein, we strongly welcome the Bali Fintech Agenda. There is broad consensus that fintech developments could be transformative, but policymakers are still exploring its opportunities and assessing the risks. The Agenda offers an excellent guide for further knowledge sharing and policy collaboration. We also welcome the Agenda's reference to Islamic financial instruments and products given growing global interest on fintech in the context of Sharia-compliant financial instruments and services. In line with its mandate, the Fund should continue to work with the World Bank, international standard-setters and national authorities to analyze the implications of financial innovation.

Strengthening Support for the Membership

We welcome the Fund's work to support members towards meeting the 2030 sustainable development goals (SDG) through its analysis of SDG spending needs. Going forward, we encourage the Fund to provide continued support for small and fragile segments of the membership, including those exposed to geopolitical, security, and climate-related shocks. We welcome the review of facilities for low-income countries (LIC), which should also consider how to assist small states facing climate risks. The Fund should continue to strengthen its collaboration with development partners to help vulnerable members build resilience, including by promoting debt sustainability and economic diversification.

Our constituency greatly values the Fund's technical assistance and capacity development (CD) efforts. We have benefited from capacity development and training initiatives offered both at IMF HQ and through regional centers such as the IMF Capacity Development Office in Thailand (CDOT) and IMF-Singapore Regional Training Institute (STI). We look forward to the upcoming review of the Fund's CD strategy and the results-based monitoring framework. We encourage the Fund to continue to maximize donor resources to augment CD activities, while closely engaging members to prioritize, implement and evaluate CD services. In doing so, it is important that the Fund focus on its core areas of competence and coordinate with other partners to address areas outside of its expertise. We also encourage continued exploration of innovative delivery mechanisms to support members' CD needs.