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Statement by the Hon. **ØYSTEIN OLSEN**,
Governor of the Fund for **NORWAY**
on behalf of the IMF Nordic-Baltic Constituency

Statement by the Hon. Øystein Olsen,
Governor of the Fund for Norway

I am honored to make this statement on behalf of the Nordic-Baltic IMF Constituency, consisting of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Sweden, and Norway.

The global economy and support of the IMF

The global economy has experienced a cyclical upswing over the past few years. Risks are, however, increasingly on the downside, with *rising trade tensions and mounting policy uncertainty*. Looking ahead, the key policy challenges are to boost longer-term growth potential, ensure broad-based prosperity, and to mitigate risks. This requires the pursuit of an evidence-based approach, i.e. economic policies based on reliable knowledge of what works.

Trusted multilateral institutions communicating candidly are important for the international policy-shaping processes. The IMF plays a crucial role in this endeavor by providing economic analysis and policy advice, assisting vulnerable countries facing adverse developments, and strengthening technical capacity in countries to implement sound policies. My Constituency strongly supports this work of the IMF based on its mandate. This includes fostering a policy dialogue to address unsustainable policies. It also relates to revitalizing and maintaining multilateral cooperation to address undesirable spillovers and contagion.

Sound policies crucial for stability and sustainability

The realities of global economic policies are changing. To continue the trend of decades with rising prosperity, it is imperative to pursue sound policies by learning from past failures and adverse developments. It is the responsibility of every country to put its own economic house in order. Let me briefly review policy areas of key importance to the IMF and for global economic prosperity and progress.

On the domestic macro policy front, the basic objective of monetary policy is to maintain trust in money and preserve price stability. Proper accountability and transparency will lay the ground for a credible and effective monetary policy. Fiscal policy consists of many policy elements. At the macro level, fiscal policy must promote stability, and ensure the long-term sustainability of public finances, including by reducing high debt levels. The fiscal area must also consider how issues related to inequality, employment and social cohesion can best be addressed, both for their own sake and to maintain trust in policy frameworks and institutions.

Resilient financial and economic structures are crucial for stability and adaptability. The global financial regulatory agenda, strengthening capital and liquidity buffers, has demonstrated the importance of international cooperation and multilateral institutions. This endeavor has enhanced financial soundness, and thus improved the ability of banks and other institutions to fulfill their role in facilitating savings and financing productive investments. Structural policies facilitate fruitful economic change, being crucial for increasing efficiency and raising economies' long-term growth potential and ensuring that economic gains are more broadly shared. The IMF should continue to play an active role in promoting and giving advice on structural reforms. Experience shows that transparency, accountability and trust in institutions improve the political economy of implementing reforms successfully.

The aim of open economies is to reap longer-term benefits of trade and economic integration, while avoiding excessive global imbalances. Both stability-oriented domestic policies and exchange rate arrangements appropriate to the economic policy framework are essential. Countries open to trade, with few or low barriers, including tariffs, have benefitted from faster economic growth and higher incomes. Countries with more protectionist policies have overall done worse. We believe that this clear empirical experience observed over decades needs to be widely communicated to the public by all supporters of free trade and a predictable, rules-based multilateral order.

The critical role of the IMF in the multilateral system

International cooperation to help strengthen international adjustment mechanisms includes addressing risks emanating from capital flows. Overall, open capital markets are beneficial for economic developments, but excessive and volatile flows are damaging to stability. While an open and rules-based multilateral trade system combined with free movement of international capital flows has served the global economy well, a strong global financial safety net with the IMF at its center is essential to provide confidence. At the same time, confidence has to be underpinned by necessary adjustments in economic policies. The purpose of IMF programs is to assist exposed countries in reorienting their economic policies to restore external balance and conditions conducive for sustainable growth. Recent developments and volatility in certain emerging markets testify to the institution's critical role.

This demonstrates the importance of the membership coming to a satisfactory conclusion of the ongoing review of the size of IMF financial resources. We strongly believe in the importance of a global economic and financial system with the IMF being a strong, quota-based, adequately resourced, and representative institution at its center. We urge all members to intensify efforts to achieve a balanced compromise on the IMF quota and resource issue, including to resolve the most obvious misalignments of quota shares. This is crucial for the legitimacy and predictability of global economic governance. The current quota formula delivers the desired results in these respects. Reaching agreement on IMF resources is essential for the continued role of the institution to assist countries in navigating a changing global economy.

Predictability and trust

The global order underpinning globalization and the benefits of economic integration faces challenges. As a Bretton Woods institution, the IMF forms a key part of the multilateral order in the economic and financial field. Over the past decade, governments and central banks have struggled to address vulnerabilities revealed by the global financial crisis. Changes in economic structures and policies have provided the IMF with new challenges. Looking ahead, adaptability in tackling emerging issues is required, without weakening the focus on the IMF's core mandate of promoting stability and openness.

To conclude, the message from my Constituency to the membership is to revitalize efforts to embrace the multilateral approach to strengthen the foundations of free trade and the rules-based international order. Proper enforcement of agreed multilateral arrangements fostering open markets, and preventing fragmentation, is crucial to ensure a high degree of predictability on a level playing field. This rule of law would enhance trust in policies and well-functioning institutions, which is of utmost importance to open societies.