



ANNUAL MEETINGS
2018 | indonesia
INTERNATIONAL MONETARY FUND
WORLD BANK GROUP

October 12, 2018

Address by **CHRISTINE LAGARDE**,
Chairman of the Executive Board and
Managing Director of the International Monetary Fund,
to the Board of Governors of the Fund,
at the Joint Annual Discussion

New Economic Landscape, New Multilateralism

By Christine Lagarde,
Managing Director, International Monetary Fund
Annual Meetings Speech 2018
Bali, October 12, 2018

Good morning—*selamat pagi*. Excellencies, Governors, Guests, Colleagues, and Friends: on behalf of the IMF, let me warmly welcome you to our 2018 Annual Meetings.

Let me acknowledge Petteri Orpo, our new Chair of the IMF Board of Governors; and my good friend Jim Kim, who is leading our sister institution with such great success.

I want to pay special tribute to our Indonesian hosts—especially President Jokowi, Minister Luhut, Minister Sri Mulyani, and Governor Perry—and to the leaders of the ASEAN countries with us this morning.

We are all aware of Indonesia's remarkable performance over the last generation—reducing poverty, raising incomes, and integrating rapidly within the global economy.

In recent days, I have been even more impressed by Indonesia's courage and resilience in the face of the natural disasters in Lombok and Sulawesi. On behalf of the IMF, let me offer once again my sympathy and condolences to all who have lost loved ones.

Indonesia's leaders have been working day and night to alleviate the suffering brought about by those tragedies. And yet, they have continued to show everyone here their kindness, hospitality, and gracious spirit.

It is the spirit that I saw on the faces of the people of Lombok when I visited a few days ago. It is the spirit of Indonesia.

From the bottom of my heart, I thank you. We all thank you.

There is a wonderful tradition in Bali called *canang sari*, whereby people offer something of value to the gods to give thanks and to ask for continued blessings. I think we are doing something similar here.

We have come to Bali from all corners of the globe to “make an offering” of our work together—the 189 member countries of the Bretton Woods institutions. It could hardly be more timely.

Yes, the global economy continues to grow strongly. But this growth is spread unevenly across regions and people—and it is plateauing. Some risks are beginning to materialize—risks to economic stability and prosperity. Risks to the principles and institutions that underpin international cooperation, which has delivered so many benefits for so many people for so many years.

Even more recently, it was this cooperation that helped bring the world back from the brink of the great financial crisis. And it continues to drive the amazing success of the ASEAN region today.

Indeed, the cooperative approach taken by ASEAN offers important lessons for us now. Why? Because as we look at the world today, we face the challenge of a new economic landscape—in two dimensions.

The first dimension, more familiar, includes the monetary, fiscal, and financial layers of our economic interactions. The second dimension, more challenging, comprises inequality, technology, and sustainability. Both dimensions are macro-critical.

In tackling these problems, sound domestic policies are, of course, essential. But navigating this new landscape requires international cooperation—cooperation that is different from the past.

I call it the “new multilateralism.” It is more inclusive, more people-centered, and more results-oriented.

Let me explain what I mean.

1. Macroeconomic Challenges and the New Multilateralism

First, the more familiar macroeconomic challenges. Think of trade, the very lifeblood of our economies.

Even though trade cooperation has driven an unprecedented period of growth and prosperity over the last 70-plus years, today it faces a backlash—partly because too many people have been left out. We estimate that escalation of current trade tensions could reduce global GDP by almost one percent over the next two years.

Clearly, we need to de-escalate these disputes. But also, clearly, we need to reform the global trade system to make it even better, fairer, and stronger for all nations and all people.

That means fixing the system, together, not tearing it apart.

The same is true for global imbalances. We know that large current account deficits mirror large current account surpluses. So protecting economic stability requires that excess deficit and surplus countries work in a cooperative way. The IMF’s most recent External Sector Report underscored this point.

A related challenge is rising vulnerability to debt. We noted recently that public and private debt has hit a record \$182 trillion—224 percent of global GDP, about 60 percent higher than 2007. As financial conditions tighten, the wind could shift—especially for emerging

markets—causing a reversal of capital flows. And this could easily accelerate and spill across borders—with real impact on people.

To prevent this, countries' domestic policies need to be complemented by a global financial safety net. Some of the resources for that could come from regional financing arrangements—the Chiang Mai Initiative, for example. And they could come together with the institution that is often called upon to help—the IMF. Ensuring that the Fund has the needed resources requires international cooperation.

This principle of cooperation runs through all the Fund's work—lending, surveillance, capacity development. It runs through all the policy advice and support we provide to you, our members—from financial regulatory reform to public debt transparency; from capital flow management to anti-money laundering.

In today's hyper-connected world, no country can manage these issues alone. We need cooperation.

And cooperation is in the Fund's DNA.

2. 21st Century Challenges and the New Multilateralism

Let me turn to the second dimension of the changing economic landscape—inequality, technology, and sustainability. They are not new issues, but they are more interwoven and fast-moving than ever.

Responding to this dimension is vital for economic stability and prosperity. But again, responding to it effectively can only be done through cooperation.

Take inequality: IMF research tells us that less inequality is associated with stronger, more sustainable growth. At the same time, excessive inequality is associated with marginalized people, damaged communities, and eroded trust. It is no wonder that so many feel anger and frustration.

Tackling inequality requires partnership. It requires governments, the private sector, and civil society working together: to eradicate discrimination against women; design the right labor market reforms; and strengthen education, training, and social protection systems—to include people, not exclude them, and prepare them for the coming technological transformation.

Take technology: We know that the digital revolution presents both great promise and great peril. Biotech, robotics, and artificial intelligence will create new industries and jobs. But this transition will also disrupt and disenfranchise.

We must be attentive to the effects on people.

Fintech certainly has the potential to unleash economic dynamism and reduce poverty, especially by providing financial services to the 1.7 billion people who currently have no banking access.¹ But again, it needs to be managed carefully—to protect financial stability and safety.

And since digital means global, this will require a multilateral effort. I am encouraged that at these Meetings—together with the World Bank and other partners—we have launched the *Bali Fintech Agenda* to help guide our joint endeavors.

Take sustainability: Addressing the increasingly negative effects of climate change is a common priority that can only be met through common action.

The same applies to the broader agenda of the Sustainable Development Goals (SDGs), our common aspiration for a better world for all. We recently estimated that the additional spending needed by low-income countries to achieve the SDGs—in key sectors such as health, education, water, and infrastructure—is about \$520 billion per year by 2030.

There is no way that gap can be filled without partnership—by countries themselves, the private sector, donors, international institutions, and philanthropists. This partnership must extend to more efficient resource use; strengthening revenue collection, including by curbing tax avoidance and evasion; and stamping out corruption.

This kind of partnership is integral to the new multilateralism—not least because tensions arising from exclusion and climate change do not respect national borders. In that sense, solidarity is self-interest.

The new multilateralism must also be more inclusive—open to diverse views and voices. It must be more people-oriented—putting human needs first. And it must be more effective and accountable—delivering results for all.

The IMF is at the heart of this new multilateralism.

I want to take this opportunity to thank my exceptional Management colleagues; our esteemed Executive Directors; and our incredible staff, who work so tirelessly on your behalf.

I want to say thank you in particular to our retiring Economic Counsellor, Maury Obstfeld. He has been an intellectual leader, wise advisor, and dear friend. No-one is more committed to multilateralism. Thank you, Maury.

Conclusion: Consider the Common Good

Let me conclude:

¹ Global Findex Database, 2018.

I have spoken today about the new economic landscape and the need for a new multilateralism. But I want to finish with some ancient wisdom found in the *Bhagavad-Gita*.

It says: “In all actions, consider the common good.”²

If we do this, if we commit to this common good, the blessing from our work together—from our “offering”—will be returned to benefit not only our generation, but generations to come.

Speaking of future generations, I want to acknowledge a few other special people. You will have seen some beautiful images as I spoke. These are the winning photos of an Instagram contest that we held among ASEAN youth. Every picture tells a story—of the anxieties and hopes of this region’s rising generation.

So let us recognize these very talented young people. Hira, Kevin, Muhammad, Rexor—please stand up....

And let us remember that the new multilateralism is about their future.

Thank you—*terima kasih*.

² *Bhagavad-Gita*, 3:20.