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Statement by Mr. Ingves
Sweden

On behalf of
Denmark, Republic of Estonia, Finland, Iceland, Republic of Latvia,
Republic of Lithuania, Norway, and Sweden

IMFC Statement from Mr. Stefan Ingves

on behalf of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden

A decade after the global financial crisis, the world economy is stronger, supported by multilateral efforts. Economic growth continues to be steady, but risks are materializing in some areas. Multilateral institutions, open international trade, and a strengthening of the International Monetary System have been essential in supporting the post-crisis recovery. The Nordic-Baltic countries remain strongly committed to the multilateral approach to assist countries in strengthening potential growth, mitigating risks, and reaping the benefits of globalisation and technological innovation. We reiterate our firm support for the IMF as the key institution in the International Monetary System and the Global Financial Safety Net. We support the Managing Director's Global Policy Agenda.

Multilateral cooperation facilitated recovery from the crisis and remains essential

- Ten years after the outbreak of the global financial crisis, the global economy is stronger, supported by multilateral efforts to provide financing, to strengthen the global financial safety net, and to agree on and implement regulatory reforms. However, there are risks to the outlook. A rules-based **multilateral approach** has served the global economy well for over seventy years and will be crucial to prevent downside risks from becoming even more pronounced. We strongly reject unilateral trade restrictions and moves away from the rules-based multilateral trade order. We commit to reinforce and improve the rules and practises we share.

- Rapid **technological change**, digitalization, and fintech developments have the potential to boost productivity, growth, and living standards. International cooperation and trade openness can reinforce the long-term benefits of technological innovation. Sound and targeted structural policies that underpin market flexibility should be embraced, while we must be attentive to potential adjustment challenges and implement policies that allow the workforce to adapt successfully.

- Recent episodes of extreme weather events in many parts of the world are a reminder of the potentially macro-critical effects of **climate change**. Also in this area, standing by and further developing the agreed multilateral approach is vital.

We should all contribute to global stability and growth by keeping our own houses in order

- The gradual **global expansion** is expected to continue. However, threats to global trade and less synchronized growth prospects weigh on the outlook. The unwinding of accommodative monetary policy in key economies is welcome. The effects across borders and contribution to volatility in markets needs to be monitored.

- Now is the time to safeguard against future downturns by boosting **fiscal** buffers and building resilience in our economies and financial systems. Economic policies need to focus on structural reforms that improve long-term growth prospects and make growth more inclusive. Pro-cyclical fiscal policies that increase risks and imbalances should be avoided.

- For countries with improving inflation dynamics, steps towards **monetary policy** normalisation are appropriate. Monetary policy accommodation continues to play a key role in supporting the economy where inflationary pressures remain subdued. In order to facilitate macroeconomic and financial stability, policy normalisation should be gradual and well-communicated. Vigilance to potential financial stability risks, some of which are associated with the protracted low interest-rate environment, is warranted.

- Continued stretched asset valuations and high or increasing debt levels raise the risk of sudden market corrections which could threaten **financial stability**. Trade tensions can exacerbate these risks. Timely use of macro- and microprudential policies is needed to guard against systemic risks and financial vulnerabilities.

- Strengthened efforts and increased international coordination are needed to combat **money laundering**, as recent grave experience in the Nordic-Baltic region and other jurisdictions shows. In this vein, we look forward to the forthcoming review of the Fund's AML/CFT strategy.

- Progress in **financial sector regulation** to date must be safeguarded by ensuring full, timely, and consistent implementation of agreed reforms. We welcome the agreement on finalisation of Basel III. New business models and activities linked to fintech should be fitted into the existing regulatory framework in a way that is proportionate to the associated risks.

In a changing financial landscape, the Fund must stay attuned to emerging challenges

- We reiterate our strong support for the IMF as the key institution in the **International Monetary System and the Global Financial Safety Net**. The Fund, with decisions anchored in the IMFC and the Executive Board, should continue to play its unique role in diligently advising its global membership and assisting countries in meeting economic and financial challenges. This implies acquiring and sharing knowledge, promoting policy dialogue and international cooperation, as well as analysing the opportunities and risks associated with emerging global economic and financial trends.

- The Fund should continue to advocate the benefits of free trade and open markets, supported by relevant analysis and empirical work. Early detection of risks and possible spillover effects should remain central to the Fund's surveillance work. The upcoming **Comprehensive Surveillance Review** should cover the Fund's core tasks as well as evolving global macroeconomic challenges. It should also assess the implementation of the recommendations in the 2014 review. Furthermore, we support the continued effort of the Fund to draw lessons from experience with the Institutional View on capital flows.

- We welcome the Fund's work to cover structural themes, such as **income inequality, gender issues, youth unemployment, and climate change**, when macro-critical. We would like to see this work being further developed, within the Fund's mandate.

- We welcome the **Bali Fintech Agenda** which gives a broad descriptive framework of the fintech landscape and lays out key issues for policy makers to consider from both a national and an international perspective. The IMF could contribute to enhancing our understanding of the opportunities, challenges, and risks entailed by fintech developments. We welcome close cooperation between all relevant standard-setting bodies in this area, and see a supportive analytical role for the Fund.

- The increasing number of low-income and developing countries in **debt distress,** or with a high risk thereof, is a major concern. The IMF, together with the World Bank Group, plays a key role in addressing debt issues through surveillance activities and policy advice, technical assistance, and in designing lending programs. These institutions could contribute to developing the necessary toolbox to address emerging debt problems in low-income countries. It is important that the IMF assists member countries in building capacity for economic management, including debt recording and responsible debt management. The Fund also has a role to play in collecting, monitoring and disseminating debt information, as well as promoting consistency of borrowing and lending practices with debt limit policies as a shared responsibility of debtors and creditors.

- We welcome the Fund's intention to establish a clear strategic framework for the IMF's involvement in **social protection**. Clarity on the scope, objectives and boundaries of Fund engagement in social protection is essential for setting the appropriate expectations – internally and externally.

Global challenges require a strong and legitimate IMF

- The Nordic-Baltic Constituency is a large contributor to the IMF and remains committed to work towards the completion of the **15th Quota Review** within the agreed timetable. The current quota formula is a carefully calibrated mid-point, balancing the interests of countries of varying size, level of development, and openness. The general trend observed in recent data updates has confirmed its continued effectiveness in capturing countries' changing positions in the global economy, providing for significant shifts of quotas to dynamic economies, including emerging market and developing countries. One country, China, stands out in terms of a particular underrepresentation.

- We continue to support the Fund as a strong and **adequately resourced** institution, and are prepared to support an increase in quotas as part of the 15th Quota Review. Severe underrepresentation as measured by the current formula should be corrected in the review. Quota resources should be sufficient to cover IMF lending in most scenarios with the New Arrangement to Borrow (NAB) serving as the primary backstop to cover tail risks. Our constituency has supported the IMF's lending capacity when needed. It is our intention to continue to do so, as long as there is a sufficient link between financial contributions and representation.

- The **Independent Evaluation Office (IEO)** plays an important role in reinforcing the legitimacy, credibility, and transparency of the Fund. The recent External Evaluation of the IEO highlights scope to enhance the IEO's role as an effective change agent within the Fund, and we call on the IEO and IMF Executive Board and management to take swift action in implementing the Panel's recommendations endorsed by the Board.