
Speech by Mr Ronald Waas, Deputy Governor of Bank Indonesia, at an event entitled “Dissemination of Mandatory Use of Rupiah within the Republic of Indonesia”, Bank Indonesia, Jakarta, 15 June 2015.

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Distinguished:

- Heads of banks in Indonesia;
- Chairs or representatives of banking associations or organizations in Indonesia;
- Heads of Departments of Bank Indonesia;
- Ladies and gentlemen.

Good Morning and May God Bless Us All

1. To begin our event this morning, I would like to invite all of us to praise God the Almighty for giving us the opportunity to meet in this favorable occasion titled “Dissemination of Mandatory Use of Rupiah within the Republic of Indonesia”.

2. Today, we invite you to have a discussion to establish the same perception and improve our understanding on banking, as well as disseminate and educate on the implementation of mandatory use of Rupiah within the Republic of Indonesia. We are aware that the enforcement of the regulation on Mandatory Use of Rupiah within the Republic of Indonesia (BI Regulation No. 17/3/PBI/2015 dated 31 March 2015 and BI Circular No. 17/11/DKSP/2015 dated 1 June 2015) is of significant importance for today’s attendees and the community. The reason is the use of Rupiah closely relates to economic activities in general, primarily payment transactions in Indonesia.

Ladies and gentlemen,

3. I consider the awareness of mandatory use of Rupiah within the Republic of Indonesia is based on three significant main dimensions and determines our identity as a nation.

4. First, legal dimension. This is not a new regulation enforced by Bank Indonesia. Since 2011, we already have a Currency Law, regulating Rupiah as one of the symbols of state sovereignty which must be respected and honored by all Indonesian people. The establishment of Bank Indonesia regulation related thereon is expected to promote strengthening and purifying payment transactions within the Republic of Indonesia by the use of Rupiah.

5. Various other regulations have been established, such as Law on the Flow of Foreign Exchange, Law on Special Economic Zones, Presidential Regulation on the Blueprint of National Logistics System Development, Regulation of Minister of Trade on Inclusion of Prices and Tariffs of Goods and Services, and many other relevant regulations on rupiah, all of which provide a very strong foundation for the use of Rupiah in the country.

6. Such regulations, directly or indirectly, confirm the mandatory use of Rupiah in any payment transactions conducted within the Republic of Indonesia, either in cash or non-cash.

7. Second, nationhood dimension. Many parties see and believe that the main purpose for Bank Indonesia to implement mandatory use of Rupiah is solely to
support the stability of Rupiah exchange rate. It is not wrong, but other than economic aspect, one more basic and fundamental reason is to uphold the sovereignty of the Republic of Indonesia.

8. I would like to use an analogy to explain the nationhood dimension delivered by President Jokowi in his inauguration speech as the President of the Republic of Indonesia. He said “we have been ignoring the sea.” Indonesia must honor its own civilization, by returning to the position of Indonesia as a maritime country.

9. In relation to enforcing Rupiah, I would not wish that within the next 5 or 10 years or even longer, our president will say "we have been ignoring Rupiah."

10. It seems an irony because honestly, it is apparent that the tendency to use dollar has become increasingly dominant and a daily practice in certain economic activities.

11. We easily find that dollar is frequently used, starting from quotations, individual (customer) payment transactions, such as purchases of electronic devices and apartments, until non-cash payment transactions in a large amount.

12. One of the noteworthy historical records serving as a lesson for us is the release of Sipadan and Ligitan Islands from the Republic of Indonesia. One of the global considerations in releasing Sipadan Island is lack of economic transactions and activities using Rupiah therein.

13. Third, economic/business aspect. Foreign currency transactions within the country become one of the factors resulting in increasing foreign currency demand. Such high foreign currency demand in economic transactions will make our economy vulnerable to economic fluctuations. The trust of Indonesian people and the international world in Rupiah will strengthen national economic resilience in general, thereby resulting in the rising dignity of Rupiah, both within and outside the country.

14. In the excessive net demand for foreign currency within the country, such use of foreign currency will increase the pressure against Rupiah exchange rate depreciation. It will potentially disrupt Rupiah stability and add to the complexity of monetary and exchange rate policies.

15. Bank Indonesia as the central bank realizes that the use of Rupiah as a lawful means of payment in any payment transactions is a very fundamental element and serves as a pillar of successful and robust national economy. In the long run, the mandatory use of Rupiah may also prevent the increasingly spreading dollarization in our economy, which in turn will support a more sound economic structure.

Ladies and gentlemen,

16. Bank Indonesia realizes that enforcement of mandatory use of Rupiah will not be easy. Therefore, Bank Indonesia and the government will cooperate with the law enforcement and state institutions and also collaborate with the private sector.

17. In this regard, we have also cooperated and agreed with the Indonesian Airline Ticketing Association (ASTINDO) and the Indonesian Hotel and Restaurant Association (PHRI) to uphold the mandatory use of Rupiah within the Republic of Indonesia in any transactions related to the business fields of the two associations.

18. We also consider that law enforcement efforts must be balanced with an intense dissemination and education to the community. Such community awareness is the first line of defence we must consistently embed to the whole community. Only in that way will Rupiah become "host" in its own country.
Ladies and gentlemen,

19. We expect that the series of dissemination on mandatory use of Rupiah will strengthen our commitment to realize the sovereignty of Rupiah within the Republic of Indonesia and support to achieve stability of Rupiah exchange rate.

20. To conclude, may God will always accompany, guide, and facilitate our steps towards a better future. Thank you.