INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

Forty-Seventh Meeting
April 13–14, 2023

Statement No. 47-28

Statement by Mr. Ramirez de la O
Mexico

On behalf of
Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Spain

Statement by Mr. Rogelio Ramírez de la O

Secretary of Finance of México

On behalf of

Colombia, Costa Rica, El Salvador, Guatemala, Honduras, México and Spain

In the context of additional challenges to the world economy, such as the historically high levels of public and private debt, the increasing geopolitical tensions, or the recent developments in the banking systems of some advanced economies, macroeconomic policies must work decisively together to fight inflation, maintain fiscal sustainability and financial stability, and ensure social cohesion.

The IMF should persist in strongly advocating international cooperation to address global challenges and avoid the negative consequences of increasing geopolitical fragmentation. The Fund should also stand ready to support its member countries with their financial needs, including a more proactive use of precautionary facilities, well-tailored policy advice, and capacity development. We are jointly responsible for ensuring that the IMF remains the global financial safety net pillar. The challenges to the international monetary system will not diminish, and the role of the IMF will be even more relevant. The IMF needs to retain at least the current financing envelope when risks to the international monetary system are increasing with one shock after another. Our constituency will continue to contribute its part through quota resources, the New Agreements to Borrow, and the Bilateral Agreements. We reiterate our call for pragmatism to reach a consensus on the different elements of the 16th General Review of Quotas in a timely manner. We will support a quota increase that allows the IMF to remain a quota-based institution.

The IMF has to adequate its lending toolkit to recognize the changing financial landscape and its membership´s demand for a more inclusive social agenda. Since its inception, our constituency has supported the Resilience and Sustainability Trust (RST). Costa Rica was the first user of the instrument, and Spain was the first to contribute to the Trust. Undoubtedly, the RST has been a significant and timely addition, and we need to complement its green objective with a social agenda, including by supporting the gender equality policy objectives. Also, the IMF needs to give more prominence to its precautionary instruments. Therefore, we encourage strengthening the precautionary facilities toolkit, including increasing the access limit of the SLL. We look forward to the review of these instruments to further expand their supportive role within our membership.

We join the Managing Director in the call to ensure that the PRGT is adequately resourced to continue to meet the needs of low-income countries and support a multi-pronged strategy to increase resources. Given the high demand for the instrument, we also call for an increased effort to complete the financing of the RST. We must recognize that the inability to help members in need represents a reputational risk to the Fund.

The historical debt burden levels represent one of the most urgent challenges. An effective strategy for debt sustainability requires an active approach through liability management. The IMF should further emphasize reducing financing rollover risks in developing economies in a timelier manner. A continued policy strategy through active liability management can lower the impact on debt servicing costs in increasingly tight global financial conditions. We must build more resilience to financial shocks by developing domestic financial markets in low-income and middle-income economies. The IMF's integrated policy framework (IPF) should always include this domestic development dimension in its recommendations.

The economic analysis presented during these meetings points to the need to act on a broad set of policy fronts. In Mexico, we have built resilience by taking a prudent fiscal and monetary stance. These policies have paid dividends during these uncertain times of cumulative shocks. On the fiscal front, we have been increasing revenues without augmenting taxes, keeping public debt under control and public finances healthy. This has allowed for additional budgetary space to keep social spending and investment in public infrastructure up.

We must stay focused on combating inflation because it has a pervasive effect on the well-being of the most vulnerable population. The Bank of Mexico, like other Latin American central banks, began increasing interest rates in an orderly and timely manner, thus anchoring inflationary expectations. Our financial stability framework is resilient, and we apply state-of-the-art stress tests to our banking system, as reported in our recent FSAP. We have made important updates to our regulatory and supervisory frameworks. An additional policy is to keep markets open and flexible. We have to let the exchange rate play its part and be the first line of defense against these more frequent swings in global liquidity.

Even before the COVID-19 pandemic, there was a clear trend toward a weakened multilateral trading system, so our constituency had been calling for increased attention from the IMF on the worsened trade policy landscape. The IMF should step up its analysis of the costs of trade restrictions on growth and prosperity. A strong multilateral system is central to open, stable, and transparent trade policies. The IMF can be essential in bringing analytical work to major global trade policy debates. The analysis should also include the effects that open markets can have in supporting growth in middle-income and low-income countries and their impact on reducing migration and social pressures. In this regard, Mexico and other Latin American countries recently reached an agreement in a new initiative to secure access to food and basic products at better prices for the most vulnerable population by removing import tariffs and other trade barriers. These concerted policy actions will complement supply measures to increase agricultural productivity by securing access to fertilizers and facilitating access to credit.

Given the reduced medium-term prospects for global growth, we have to invest in setting the basis for a more flexible, green, and socially responsible economic structure. In coordination with the private sector, Mexico is developing a strategy to take advantage of changes in global trade and production patterns. These investments, including in public infrastructure, will potentially significantly increase our production capacity. In this regard, of strategic importance is our recently announced Sustainable Finance Taxonomy. In addition to the mitigation and adaptation climate objectives, the Taxonomy is a first by including in an integral manner social development objectives with a major focus on gender equality. The green financing agenda can only be compelling if it considers the social dimension.

Finally, we express our full appreciation to the management and staff of the IMF for their effective support to our constituency during these challenging times.