



INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement No. 47-22

Statement by Mr. Chalmers Australia

On behalf of
Australia, Kiribati, Republic of Korea, Republic of the Marshall Islands,
Federated States of Micronesia, Mongolia, Republic of Nauru,
New Zealand, Republic of Palau, Papua New Guinea, Samoa,
Seychelles, Solomon Islands, Tuvalu, and Vanuatu

**STATEMENT BY THE HON. JIM CHALMERS
TREASURER (AUSTRALIA)**

ON BEHALF OF ASIA AND THE PACIFIC CONSTITUENCY

We condemn Russia's invasion of Ukraine as a violation of international law and the principles of the UN Charter. Russia's aggression has led not only to a direct humanitarian toll but has also contributed to food and energy insecurity and to economic instability in poor and vulnerable countries. We express our sympathy for the loss of life from this unprovoked and unjustified war and full solidarity with the people of Ukraine. We reiterate our call for a comprehensive, just, and lasting peace in Ukraine through diplomatic efforts and for greater international cooperation and strengthened multilateralism to prevent fragmentation and safeguard global peace and prosperity.

GLOBAL OUTLOOK AND RISK

While for many economies the outcomes for 2022 and the near-term outlook are stronger than projected in October 2022, the overall outlook remains dominated by risks to the downside. The current baseline projections for global output anticipate lower medium-term growth rates and levels than in pre-pandemic forecasts. This outlook takes account of China's economy reopening, tight labour markets and historic low rates of unemployment around the world, and supply chain pressures easing. Yet core inflation remains high and central banks are generally not projected to achieve inflation targets within the next two years. Risks associated with geoeconomic fragmentation, debt vulnerabilities and Russia's ongoing aggression in Ukraine persist and in some cases are further deteriorating. Recent bank failures in the USA and Europe have raised concerns about global financial sector stability and risks to the global non-banking financial sector remain.

POLICY RESPONSE

Policy-makers must navigate an increasingly narrow and uncertain path through recovery while also addressing structural challenges to support sustained growth. In the near term, achieving price stability remains the clear priority. The IMF has emphasized the need for central banks to continue to maintain data dependent and clearly communicated monetary policy adjustments to ease inflationary pressures and to keep expectations anchored around inflation targets. Balancing considerations between price and financial market stability can and should be managed through the appropriate uses of macroprudential measures and emergency liquidity provision, and by urgently addressing supervisory and regulatory lapses. Fiscal policy should complement monetary policy and reflect the need to target protection to vulnerable households and to rebuild fiscal buffers. Creating fiscal space will be necessary to respond to future shocks, and to facilitate the implementation of longer-term structural reforms aimed at improving productivity and lifting labor force participation. Over the medium-term, fiscal actions also need to focus on restoring debt sustainability.

Most economies will continue to rely heavily on a rules-based system of open, free and transparent international trade; and this is particularly true for countries in the Asia and the Pacific constituency. Considered and consistent multilateral cooperation will be needed to reduce the risks associated with further geoeconomic fragmentation and to sustain the transition towards an inclusive, green, and

resilient global economy. The WTO's dispute settlement system needs to be restored and its rules need to be strengthened. Continued global cooperation through the Paris Club, the Common Framework and the new Global Sovereign Debt Roundtable will be critical to formalizing and standardizing debt-restructuring mechanisms and improving sovereign debt transparency. Decarbonization efforts will be more effective with greater international policy and research coordination. For many members of the Asia and the Pacific constituency, the impacts of climate change are already clearly present, and are building. Coordinated global efforts to address the significant challenges of achieving net zero carbon emissions targets by 2050, while adapting to the ongoing impacts of changes already in process, has an outsized relevance to the smaller members of our constituency.

ROLE OF THE IMF IN SUPPORTING MEMBERS

We support the Fund's efforts to support vulnerable countries and sustain future prosperity while safeguarding global economic stability. Continued confidence in the Fund's ability to safeguard the International Monetary System and ongoing ability to fulfill its role at the center of the Global Financial Safety Net requires that the Fund prioritizes its work program to match the needs of the membership; continues to be adequately resourced; and ensures that its internal governance is well-established and trusted.

Members of the Asia and the Pacific constituency have different needs to one another as our constituency includes advanced economies, emerging market and developing economies, small developing states, micro-states and fragile and conflict-affected states. It is crucial that the Fund provides well-tailored support to all members in the context of their specific challenges. Small developing states, including many Pacific countries, must also contend with limited technical and administrative capacity and experience, and their vulnerability to external shocks and natural disasters, including the building effects of climate change. The policy tools they have available are often also more limited, as they face greater challenges in managing sovereign debt levels, monetary policy transmission, and targeting social security support.

The Fund's implementation of its response to the Independent Evaluation Office recommendations regarding engagement with small developing states will better support our members as in-person bilateral surveillance resumes. We greatly value the Fund's provision of capacity development, reflected in strong demand for technical assistance from many of our members. Contributions to the Fund's capacity development resources from other development partners remain important, and we will engage constructively on the coming review of the Fund's Capacity Development Strategy. We look forward to the Fund's upcoming work with partners on options to mobilize additional financing to support climate change related initiatives. The need for strong integration between the Fund's surveillance, lending and capacity development activities for small developing states cannot be overstated.

The Fund continues to excel in its core analytical and surveillance work on monetary, fiscal and macroprudential policies, which is critical to help members navigate these difficult times. The Fund's analytical work on macrocritical elements of trade and financial digitization also supports multilateral

cooperation. Here we welcome the Fund's updated analysis of the role of trade and on elements of effective policies for crypto assets and look forward to the coming reviews of the Fund's Climate Macroeconomic Assessment Program and of the implications of digital money for the International Monetary System.

The Fund has adapted its lending toolkit to better support the membership including through timely changes to General Reserve Account access limits and to the financing assurances policy for members facing exceptionally high uncertainty. We also welcome the operationalization of the Resilience and Sustainability Trust to support members in enhancing their resilience to climate-related shocks and pandemic preparedness. We urge the Fund to now include analysis of how the toolkit and related policies may be adapted to better suit the specific circumstances and capacity constraints of small island developing states in upcoming reviews of different elements of the lending toolkit.

We remain committed to the successful completion of the 16th General Review of Quota by the end of the year. We will engage constructively as we seek an outcome where the Fund is largely quota-based, its resources are adequate, and its lending capacity meets reasonable expectations of the potential challenges ahead. We also support members' quota shares better reflecting their position in the global economy, and representation of the poorest and most vulnerable members being protected in any changes to quota arrangements. Two of our members have pledged contributions to both the Poverty Reduction and Growth Trust and the Resilience Sustainability Trust. We call on all countries that are well placed to do so to pledge contributions and make good on existing pledges so that estimated funding shortfalls can be met as soon as possible, especially given the critical role of these programs and the rapidly building demand to access them.

We strongly support the Fund's efforts to ensure that its governance structure remains robust. To this end, we welcome the implementation of agreed recommendations from the Institutional Safeguards Review and the implementation of an Enterprise Risk Management framework, and we look forward to the upcoming reviews of the Fund's Transparency Policy and of members' use of SDRs. We urge further progress in fostering diversity, equity and inclusion at the Fund, including gender diversity on the Executive Board.