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After picking up sharply in 2017, global growth is expected to remain robust in 2018 and 2019. We must not, however, let down our guard – commercial, political, geopolitical and financial tensions have sharpened and threaten the global outlook. Now more than ever we must uphold our commitment to strong multilateralism, which is the only means to deal with global challenges. Strong, sustainable, balanced and inclusive global economic growth must remain our priority.

I. Global economic growth remains strong, though subject to significant uncertainties.

1.1 The pace of global growth remains robust

After rising sharply in 2017 (3.7%), global growth is expected to remain robust in 2018 and 2019 (3.8%), driven by stepped-up economic activity in the United States and a number of emerging countries, whereas growth in the other major advanced countries is expected to slow.

In the US, economic activity is expected to pick up significantly in 2018, helped along by fiscal stimulus, and then fall off somewhat in 2019, partly due to protectionist measures. In the United Kingdom, on the other hand, activity should slow, held back by Brexit-related uncertainties that are expected to curtail investment and trade. In Japan, growth is expected to decline significantly, reflecting the slowdown in exports, which are likely to suffer from a slowdown in sales to Asia in early 2018, as well as a decline in residential investment in response to poorer credit conditions.

In the euro area, growth is expected to remain robust in 2018 and 2019, although hampered somewhat by increasing trade and political uncertainties, a less favourable international context than in 2017 (due to the appreciation of the euro and rising oil prices) and increased tensions on the labour market. It should be fuelled by dynamic world trade and the strong domestic demand, which is still receiving a boost from high levels of household and business confidence. Among the largest economies in the euro area, growth is expected to decline in Germany, France, Spain and Italy.

In emerging economies, growth is expected to increase in Brazil and India by 2019, remain broadly stable in Russia and decline sharply in Turkey. China, on the other hand, is expected to undergo a gradual slowdown, reflecting a progressive rollback of monetary and fiscal stimuli.

World trade is expected to remain strong but to lose some steam (5.2% in 2018 and then 4.6% in 2019, compared with 5.5% in 2017). This can be attributed to a falloff in European imports and a gradual slowdown in Asian imports.

1.2 However, uncertainties surrounding the global economy's short- and medium-term growth prospects have increased in recent months.

For the time being, protectionist measures are making little impact on global activity, but there is a risk of escalation. On the other hand, world trade is expected to benefit from a reduction in tensions.

The extent of the effects of Brexit, which will depend on how negotiations progress as well as on the reaction of the markets and the policy mix, **remains uncertain and could be significant**.

Emerging economies are exposed to significant uncertainties. In China, the high level of fiscal and financial imbalances could contribute to a sharper slowdown, but growth could be higher if the authorities provide greater fiscal and monetary support. More generally, some emerging countries remain vulnerable to the Federal Reserve raising rates and to increasing risk aversion due to difficulties in Turkey. Political and geopolitical uncertainties are also a major source of risk.

Finally, there are still significant uncertainties about financial risks. There is a high risk of overvalued equities in the United States, although volatility remains low.

II. In this context, strong multilateral institutions are vital, and the IMF must continue its preventive actions and focus on correcting imbalances.

2.1. The Fund's prevention and surveillance efforts must be carried forward

A decade on, retrospective analyses of the 2008 global financial crisis have emphasised the shortcomings of the surveillance and prevention mechanisms of both countries and international organisations. The IMF's efforts concerning bilateral and multilateral surveillance must therefore continue in order to best anticipate emerging vulnerabilities, both in advanced economies and in developing countries.

The IMF's work is particularly welcome with regard to analysing global imbalances. Further efforts are needed to shrink excessive external imbalances and to enhance global rebalancing, as global rebalancing efforts has been insufficient and asymmetrical.

The IMF's surveillance role is also important with respect to combating money laundering and terrorist financing. We welcome the quality and importance of the Fund's AML/CFT efforts, in line with the commitments made by the IMF and the countries represented at the "No Money for Terror" conference held in Paris in April 2018. This global, cross-cutting challenge is completely critical, and we must all join forces to act effectively and to contain these threats.

2.2. The IMF’s core actions must remain focused on correcting imbalances

Correcting macroeconomic imbalances must remain the centrepiece of the IMF’s policies, especially with regard to debt sustainability in developing or low-income countries.

The rapid, sustained increase in these countries' debt levels, together with the development of opaque and unsustainable financing practices, calls for stronger international cooperation. In particular, we must reaffirm the Paris Club's role as the primary international forum for restructuring official bilateral debt and extend its mandate to include emerging creditors, while also establishing and implementing the principles of transparency and sustainable financing for public and private stakeholders alike.

Under these circumstances, we should commend the IMF's instruments for low-income countries. At a time when many of these countries are facing stagnant budgetary resources and sizeable institutional weaknesses, the IMF must continue its work to tailor its intervention methods to the specific features and needs of low-income countries. The ongoing review of facilities for low-income countries should serve as an opportunity to set ambitious goals, such as ensuring that macro-structural reforms are implemented and making it easier to harness domestic resources. This requires better financing for IMF programmes, which must cover longer periods of time so that reform implementation can be monitored over the long run.

These macroeconomic imbalances are not just financial in nature; there are also trade and fiscal imbalances. In both cases, the IMF has a role to play. The Fund's work on international taxation, and the corporate tax base in particular, is especially welcome given the current risks of a tax "race to the bottom". A fairer, more balanced tax system can help build globalisation based on clear rules and no freeriding. Also on trade, we must reiterate that all stakeholders have to abide by a common set of rules, and unfair practices have to be tackled. France would like to restate its support for stronger collective discipline and for an effective multilateral trade system. Only in such a framework can everyone reap the benefits of global trade.

More broadly, on the subject of imbalances, the IMF should include inclusive economic and social development as a goal for its programmes. The conditionality and monitoring framework for the Fund's programmes must include the fight against economic inequality and the issue of effective social protection. In the past, the Fund has not given sufficient emphasis to this dimension, which determines the success of crisis exit scenarios for certain countries and is a factor for boosting economic resilience in general.

3 – The response to the current economic uncertainties must involve a continued strong multilateral approach and stronger international financial institutions

These goals can only be achieved through the building of strong institutions.

The IMF must remain the cornerstone of the international financial architecture and at the centre of the Global Financial Safety Net (GFSN). The Fifteenth General Review of Quotas should, at the very least, maintain the IMF's resources at their current level. Against a backdrop of growing vulnerabilities, in which several crises are unfolding in emerging economies, any reduction in the Fund's resources would jeopardise its capacity to intervene and to do so rapidly. This responsiveness is necessary for the Fund to take action in the event of a crisis.

Strong institutions are a prerequisite for continuing financial regulation efforts and for understanding new risks, notably in the digital sector. In this respect, we commend the Bali Fintech Agenda, which has addressed the issue of new technologies and the digital revolution. While creating new opportunities (such as the development of new means of payment), this trend must be handled with caution due to the increased cyber risks that could undermine financial stability.

<u>Conclusion: We must draw lessons from a decade of crisis</u>

In this favourable but delicate context, ten years after the crisis began, France calls for the lessons of the economic and financial turbulence of the past decade not to be forgotten. Genuine progress has been achieved, but we must not move backwards or stop halfway.

Substantial progress has been made in international coordination, with the G20 rising to meet the challenges and reacting rapidly when international financial tensions were at their peak. Progress on financial regulation has also been considerable, with prudential and banking standards being strengthened in developing countries, but first and foremost in the advanced economies (and the euro area in particular).

Finally, the last major lesson from this crisis is the role of the IMF. Over the past ten years, the Fund has proven its effectiveness and its expertise in crisis management. To enable it to fulfil this role, the IMF's resources were scaled up substantially and its governance modernised in 2014.

By building on these lessons, we will be able to deal with the economic and financial risks that we are facing. We must take on this challenge collectively. The only effective way to counter economic headwinds is by working together to address them. Now is not the time for countries to turn their backs on cooperation.