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Statement by Mr. Albayrak
Turkey

On behalf of
Austria, Republic of Belarus, Czech Republic, Hungary, Republic of Kosovo,
Slovak Republic, Republic of Slovenia, and Turkey

IMFC Statement by Berat Albayrak,
Minister of Treasury and Finance
on Behalf of Austria, Belarus, Czech Republic, Hungary, Republic of Kosovo, Slovak Republic, Slovenia, and Turkey
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Global Outlook

As we are convening on the occasion of the Annual Meetings, the global economy is faced with a broad-based slowdown amidst escalating trade disputes, policy uncertainties, and geopolitical tensions. The Fund forecast global growth to decline to its lowest level since the Global Financial Crisis on account of sluggish trade and investment, while the outlook is precarious and downside risks are significant. Against this backdrop, we consider the overall policy line striking a delicate balance between promoting growth and enhancing resilience, as well as between the role of national policies and international coordination. Above all, we reiterate our call for a clear and credible commitment to an upgraded rules-based global trade system, without which the uncertainties clouding the global outlook will not dispel. We therefore welcome the Fund's continued advocacy for free trade and multilateralism as well as analytical contributions that should better inform the current debate and help make the benefits of trade more visible.

We note that the outlook for advanced economies has broadly remained the same, projecting a broad-based softening in growth this year and next. While the US economy maintained its pace in the first half of the year, the concerns about the durability of the expansion mounted. We agree that the renewed monetary easing cycle could support short-term economic activity in the US, whereas the risk of a more pronounced slowdown in 2020 - reflecting elevated policy uncertainty and weaker investment appetite – is growing. We also believe that while the marginal benefits of accommodative monetary policies are diminishing, the concomitant risks to financial stability are on the rise. Therefore, it is critical for the US to preserve the rigor on financial regulation and supervision, including through strengthening the oversight on non-bank financial institutions and addressing the concerns on growing corporate debt. Further, public debt which is on a clear upward trend, warrants a credible fiscal consolidation plan to reverse the debt trajectory and underpin confidence.

While growth in the euro area has slowed down this year, the projected recovery in the external trade partners and the fading of the temporary drags on growth herald a modest pickup in activity next year. We nevertheless see significant risks to this outlook, as the region is very much exposed to a possible intensification of trade disputes as well as to a distant possibility of a no-deal Brexit. Against this backdrop a timely, adequately differentiated, and well-calibrated policy mix is required, regarding both monetary as well as fiscal policies. Furthermore, we stress the importance of structural policies to facilitate the necessary transformation of economies to adapt to the global challenges, such as in the automotive industry. We welcome the Fund's analytical work on the automotive sector and would call for an extension of the analysis also as part of the bilateral surveillance efforts. Fiscal policies should stand ready to respond to a more severe cyclical downturn in countries where there is fiscal space and debt sustainability is firmly anchored.

Notwithstanding the significant heterogeneity across countries, the emerging market economies (EMEs) continue to be the main engine of global growth. We concur that growth in the EMEs, as a group, has likely bottomed out in 2019 and should gradually accelerate in 2020. We agree that the Fund's policy line vis-à-vis EMEs should be calibrated to individual circumstances, and aim to buttress growth while ensuring domestic and external sustainability. To that effect, it remains critical for the EMEs to replenish their policy buffers and address possible sources of vulnerabilities. We are concerned about the relative decrease in the reform momentum across the EMEs and see a strong case for a renewed push to advance the structural reform agenda. Specifically, we note the slowdown in China, which reflects both cyclical and structural factors against a very challenging external backdrop epitomized by rising trade conflicts. We therefore support a well-calibrated policy mix that would avoid an excessive slowdown while continuing to strengthen the regulatory framework to address complex financial vulnerabilities.

On Turkey, we take positive note of the substantive upgrades to staff's forecasts which reflect the strong recovery in the economy coupled with a sharp retreat in headline and core inflation, as well as a remarkable turnaround in external balances – on account of the authorities' supportive policies as well as a relatively more favorable external environment. Going forward, we expect the authorities to continue with their supportive policies as outlined in the recently announced New Economic Programme to cement the rebalancing process as well as to uplift growth toward its potential aided by a structural transformation of the economy.

We reiterate our concern about the bleak prospects of income convergence for a sizable group of economies, particularly in the Sub-Saharan Africa and broader MENA regions. We continue to support the Fund's engagement with these economies in support of their macroeconomic stabilization efforts as well as broader institutional improvement.

Fund Issues

The Fund continues to review its major policies and undertake key modernization initiatives to help adapt and respond to the evolving needs and challenges of its membership. While strongly supporting these key processes, we underscore the importance of preserving the Fund's edge on its core macro-financial competencies to effectively design programs, conduct surveillance, and provide technical assistance. We therefore reiterate our call for selectivity on emerging topics, where the Fund should rely primarily on the expertise of specialized institutions and agencies such as the BIS, World Bank or OECD and maintain the focus of its resources on priorities within its mandate.

We look forward to the completion of the key reviews on the Fund's surveillance function – the Comprehensive Surveillance Review, and the Review of the Financial Sector Assessment Program. The lessons from these reviews should help upgrade the Fund's surveillance operations, including by integrating longer-term trends and enhancing traction. We see the planned workstreams on financial risks, central bank governance, and central bank transparency framework critical for strengthening the Fund's institutional understanding of monetary and macro-financial policies. We welcome the analytical works to develop new tools to better detect systemic risks, including from corporate and real estate sectors and large credit expansions. We also look forward to the development of the Integrated Policy Framework which will provide a more systematic assessment of an effective policy mix to achieve growth and stability, which should be underpinned by rigorous analysis and a thorough debate.

We reiterate our concern about the elevated levels of debt across many economies, in particular Low-Income Countries. We therefore support the work on strengthening debt transparency and sustainability through the implementation of the multipronged approach for addressing rising debt vulnerabilities, jointly with the World Bank, which should be complemented by increased capacity development efforts on debt management and creditor outreach in partnership with Multilateral Development Banks (MDBs). The changing landscape of official financing for Low-Income Countries requires a rethinking of mechanisms to coordinate official creditors, and the Fund is well-positioned to play a central role in facilitating the dialogue and sharing information between debtors and creditors. We also look forward to the reviews of the Debt Sustainability Analysis for Market Access Countries and the Debt Limits Policy.

We take note of the progress on modernizing the Fund's human resource policies and practices, including through the HR Strategy, and the 1 HR Program and look forward to concluding the comprehensive compensation and benefits review (CCBR). We reiterate that the CCBR should better align the compensation system and benefit programs with the unique business model and the international character of the Fund and ensure that the Fund remains a competitive employer that attracts and retains a strong and diverse international talent. As regards procedure, we do not believe that linking the CCBR with the separate workstream on the Fund's resources and governance could help to deliver the CCBR's objectives nor the conclusion of the 15th General Review of Quotas (GRQ). We support the institutional reforms to upgrade the internal processes and systems for core outputs, capacity development management, data analysis, and human resource and knowledge management. We appreciate the improvements in the Fund's risk management framework and the incorporation of risk considerations in strategic and core functions.

We reaffirm our commitment to a strong, quota-based, and adequately resourced IMF at the center of the Global Financial Safety Net. We regret that the 15th GRQ has failed to deliver its intended outcomes, particularly in facilitating a quota alignment that would better reflect countries' relative weights and positions in the global economy. In the interim, it is critical to maintain the IMF's current resource envelope - including through a doubling of the New Arrangements to Borrow. We concur that the 16th GRQ should be completed by December 15, 2023 at the latest and deliver on the governance commitments stipulated under the 14th and 15th GRQs.

We express our deep gratitude to former Managing Director Ms. Christine Lagarde for her outstanding leadership of the IMF and distinguished service to member countries and the global community over the past eight years. We warmly welcome Ms. Kristalina Georgieva as Managing Director, we wish her all the best and look forward to working closely with her throughout her term.