



International Monetary and Financial Committee

Thirty-Ninth Meeting
April 12–13, 2019

Statement No. 39-30

**Statement by Ms. Andersson
Sweden**

On behalf of
Denmark, Republic of Estonia, Finland, Iceland, Republic of Latvia, Republic of
Lithuania, Norway, and Sweden

IMFC Statement by Ms. Magdalena Andersson

Finance Minister

Sweden

On behalf of Denmark, Republic of Estonia, Finland, Iceland, Republic of Latvia,

Republic of Lithuania, Norway, and Sweden

The Nordic-Baltic countries welcome the Managing Director's call for a "new multilateralism" to ensure that the benefits from globalization are shared more broadly. The primary downside risk to the global economy stems from trade tensions and associated policy uncertainty. We reiterate that a rules-based and multilateral approach has served us well, and will continue to do so. We believe that the IMF should be adequately resourced and are committed to working towards maintaining the current level of IMF resources. Therefore, we deeply regret the current insufficient support for a quota increase as part of the 15th General Review of Quotas. The Nordic-Baltic constituency has always supported IMF's lending capacity when needed and it is our intention to continue to do so, in the context of satisfactory burden sharing and a link between financial contributions and representation.

Global challenges require strengthened international cooperation and multilateral solutions

- The globalized economy has resulted in great benefits during the past decades, contributing to increased prosperity and decreased poverty. At the same time, we also need to address income inequality and tendencies of protectionism. In light of this, the Nordic-Baltic countries welcome the Managing Director's call for a "**new multilateralism**" to ensure an open, resilient and inclusive world economy. On the 75-year anniversary of the Bretton Woods conference we underline the importance of the IMF to enhance cooperation and strive towards a stable and well-functioning international monetary and financial system.
- The current trade tensions between key economies are deeply concerning and add to global economic uncertainty. Renewed joint efforts are needed to steer towards a more sustainable and growth-oriented trajectory of the global economy. To this end, a continuous promotion of an **open and rules-based global trading system** is of utmost importance. We welcome ongoing discussions to reach collaborative solutions to existing trade disputes and encourage continued work on modernizing the WTO. Further, we emphasize that an open, rules- and market-based financial system is also an important building block of the multilateral international economic order.
- The global economic, social and environmental challenges we face today require effective efforts by the international community, in line with **Agenda 2030 and the Sustainable Development Goals**.

Domestic action coupled with international collaboration are key for financial stability and sustainable growth

- Since the last meeting of the IMFC, the expansion of the **global economy** has continued but weakened, downside risks have become more pronounced, and market participants have become more uncertain about economic prospects. Moreover, trade tensions are impacting market sentiments. Countries should prepare for the risk of a sudden sharp tightening of market conditions possibly related to inter alia Brexit and trade tensions. In sum, given the weakened outlook, countries should stand ready in the event of a downturn – the Fund can provide valuable policy advice in this regard.

- The current circumstances of a weakened global growth outlook call for patience in the process towards **monetary policy** normalization, ensuring that the economy is supported while inflation expectations remain anchored. Clear and timely communication is essential to help minimize potential adverse consequences. Countries should pursue well-targeted reforms that support inclusive and sustainable growth while building resilience in the economic and financial systems. **Fiscal buffers** should be strengthened, especially in countries with high levels of public debt. Sound public finances, among other things, lay the foundation for investment in the education, training, and social protection systems that support inclusion and help individuals adjust to **structural changes** in the labor market. Challenges from aging populations further highlight the necessity of reforms to promote long-term growth and ensure the sustainability of pensions systems and public spending on other age-related areas, while keeping equity and adequacy concerns in mind. Pro-cyclical fiscal policies that increase risks and imbalances should be avoided.
- In a globalized and digitalized economy, well-functioning and fair **tax systems** require global cooperation. We welcome the important international progress achieved in recent years on fighting tax evasion and tax avoidance and to strengthen automatic exchange of tax information. We note the current momentum in OECD discussions to reach a global consensus on further initiatives including with regard to **taxation of the digital economy**. It is important to conduct thorough analyses and to reach consensus-based solutions that maintain the existing principle of aligning taxation with value creation. We note that minimum tax schemes can be powerful in countering profit shifting and dampening tax competition without attempting to ring-fence the digital economy or thoroughly reshape the international tax order. Further, we support the work of the Platform for Collaboration on Tax (PCT), which has for example developed toolkits to assist developing countries address issues in relation to taxation of MNEs.
- Progress in **financial sector regulation** to date must be safeguarded by ensuring full, timely, and consistent implementation of agreed reforms. We welcome the agreement on finalization of Basel III. Now is the time to make sure that regulatory frameworks are in place to shield against the impact of a future crisis.
- The key issue for future regulatory action on **FinTech** will be addressing the trade-off between regulation based on national boundaries and pursuing a more unified global or regional cooperation, based on international standards. The Bali FinTech Agenda serves as an important reference point in this work. Attention should also be brought to the competition challenges arising from digitalization.
- Recent examples in our region show that effective **anti-money laundering** frameworks are crucial, and enforcement needs to be strengthened urgently. Strong domestic regulation and supervision, as well as international cooperation, must be ensured. In addressing this challenge, domestic authorities, with input from international expertise, will ensure that best practices are applied in both regulation and supervision. The Fund should work closely with the Financial Action Task Force (FATF) to advise and support members in their efforts and cooperation in this field.
- **Climate change** is one of the most urgent global challenges of our time and international cooperation is vital to meet the Paris goals. Carbon pricing is a cost-effective way to reduce emission by stimulating the necessary innovation and diffusion of energy-efficient and renewable technologies. International cooperation is crucial in achieving this. Furthermore, large-scale investment will be needed to combat climate change, which will be especially challenging for LICs. The Fund has an important role in analyzing the fiscal implications of

Paris mitigation pledges and that they can be reached in the most cost-effective manner. In cases where distributional aspects give rise to concern, they may be countered by tax and social policies. To create aligned incentives for financial market actors, climate risks must be integrated into the general risk management framework and financial market supervision.

The Fund's role at the centre of the Global Financial Safety Net should be reinforced

- The Nordic-Baltic countries believe that the IMF should have adequate lending capacity and are committed to working towards **maintaining the current level of IMF resources**. We reiterate that the IMF should be a quota-based institution and are ready to support a quota increase. Therefore, we deeply regret the current insufficient support for such an increase as part of the 15th General Review of Quotas. The Nordic-Baltic constituency has always supported IMF's lending capacity when needed and it is our intention to continue to do so, as long as there is satisfactory burden sharing and a link between financial contributions and representation.
- Identifying **macro-financial linkages** and vulnerabilities should be a key surveillance priority for the IMF going forward. The Fund is the only international organization with a global reach and mandate to identify and advise on risks that can spread between the real economy and financial sector, and across national borders. We look forward to further improvements of Fund surveillance and policy advice based on the forthcoming Integrated Policy Framework and the 2020 reviews of surveillance and FSAP, respectively. In this regard, the Fund should take appropriate action in response to the key findings in the **Independent Evaluations Office's** recent report on Financial Surveillance. As regards FSAP country selection, we find it important that the country-level FSAPs continue to be conducted at reasonable intervals, while also keeping the regional dimension in mind.
- The ongoing **Review of Conditionality and Design of IMF Supported Programs** should aim to further improve the effectiveness of Fund lending through strong national ownership and an appropriate assessment of public debt developments, helping member countries solve their balance of payment problems while safeguarding the revolving nature of the Fund's financial resources. The mandate of the Fund sets the perimeter for its work. In light of this, we concur that the IMF has a role to play in issues related to social spending. **Safeguarding social spending** is important to protect the most vulnerable parts of society during adjustment, as well as to underpin public support for IMF programs. We also reiterate our support for the IMF's ongoing work on themes such as income and gender inequality, and on combating corruption.
- Both borrowers and creditors, public as well as private, must take responsibility to ensure sustainable lending and borrowing for **low-income and developing countries**, and provide data in a transparent and comprehensive way. We support the implementation of the joint IMF and World Bank Group multipronged approach. The IMF should focus on debt issues in surveillance, policy advice, and capacity development. We urge the IMF to support initiatives by the private sector regarding debt sustainability and transparency. The ongoing **IMF review of its facilities for low-income countries** provides an opportunity for further strengthening and targeting of the Fund's support to LICs.
- We look forward to concluding the **Comprehensive Compensation and Benefits Review (CCBR)** with a view to achieving an overall IMF remuneration system that is transparent, cost-effective and performance-based and results in reasonable remuneration levels, taking into account the importance of the IMF being able to recruit and retain diverse and highly-skilled staff.