



## INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

### **Forty-First Meeting April 16, 2020**

Statement No. 41-8

#### **Statement by Mr. Frydenberg 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. JOSH FRYDENBERG MP**  
**TREASURER**  
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**ON BEHALF OF THE ASIA AND THE PACIFIC CONSTITUENCY**

**Outlook**

We are in the middle of a crisis like no other. This pandemic is leading to the most challenging economic and financial circumstances since the Great Depression.

Our first priority is to fight the virus and minimize the tragic loss of life. Quick, strong and coordinated action now will minimize the permanent human and economic damage.

The global economy will contract sharply this year, as a result of the severe disruptions in economic activity and stressed financial conditions. Emerging market and low-income countries are particularly vulnerable as they are coping with unprepared health systems, unparalleled capital outflows, foreign exchange shortages and a high debt burden.

Global growth is expected to recover in 2021. But there are a number of risks to the outlook regarding the significant uncertainty about the path of the virus, the effectiveness of containment measures and the timing of treatments and vaccines.

There is also uncertainty about the potential for lasting effects on supply, or through financial disruption, trade spillovers, confidence effects and extended risk aversion. Under such an adverse scenario the impact on global growth could be significantly worse.

**Policy response**

It is vital that all policy tools are deployed as rapidly as possible to protect the global economy from lasting damage from the pandemic. Strong international cooperation will be critical.

The priority is to continue to focus on financing the global health response, maintaining financial stability, minimizing job losses, keeping businesses going, and ensuring the basic needs of the global population are met.

There have been significant fiscal actions from many countries to support health systems and affected households and firms.

Central banks globally have taken bold and decisive actions by easing monetary policy, purchasing a range of assets and providing liquidity to the financial system in an effort to lean against the stressed financial conditions and to maintain the flow of credit to the economy.

As we move out of the immediacy of the crisis, the lifting of travel, transport and production restrictions should be coordinated when the time is right. Countries should embrace fiscal actions that will stimulate a rebound in business activity and get people back to work. We must support low-income countries, including in the Pacific, to do the same so that the recovery is shared equally. Monetary policy should remain accommodative as long as necessary. Acting together means that the global economy and individual countries will recover more strongly and more quickly.

We need a robust long-term recovery plan to address new and pre-existing vulnerabilities and inefficiencies. Fiscal stimulus, while essential to respond to the crisis, will mean greater debt and more vulnerabilities. In time we will need credible and ambitious structural reform plans that lift productivity and participation and support a return to global economic prosperity.

Coordinated and sustained multilateral action is key to restoring global growth. Global supply chains must be kept open, particularly for vital medical supplies, and restrictions on trade and investment due to necessary health measures need to be temporary, targeted and consistent with WTO rules.

### **Role of the Fund in Supporting Members**

We support further strengthening of the global financial safety net to promote a resilient international monetary and financial system, including by enhancing the Fund's lending toolkit and continuing collaboration with regional financing arrangements.

The Fund must ensure that it is in a position to provide quick and effective balance of payments support to all members. We welcome the Fund's swift decision to temporarily double access limits to emergency financing through the Rapid Credit Facility and Rapid Financing Instrument. We also welcome the coordinated efforts on debt service relief to the poorest and most vulnerable countries.

We also need to support all countries that are particularly vulnerable. The unprecedented capital outflows from emerging markets highlights the importance of liquidity. We strongly support the addition of a short-term liquidity facility to the Fund's toolkit and welcome the possibility of a general Special Drawing Rights allocation.

In addition to providing financial support to members facing balance of payments problems, the Fund has an important role to play in advising members through ongoing surveillance, policy advice and capacity development. The Fund should stand ready to revise and publish its forecasts more frequently than usual, based on material changes in the global outlook. The policy tracker is a useful tool that enables sharing of information, and the Fund should continue to provide practical and tailored policy advice on the macroeconomic implications of the outbreak and policy options to stabilize economies, taking into account members' absorptive capacity. We look forward to a renewed capacity development strategy as the Fund navigates the changing global landscape and potential for reduced international travel.

We welcome the Fund focusing its efforts on the crisis at this time. As we move beyond the immediate health crisis from the pandemic, the Fund should continue to work toward a global recovery, resilience and sustainability. Member countries will be facing various challenges as a result of the crisis, including debt vulnerabilities, unemployment and low interest rates, and the Fund should be at the forefront of providing advice and assistance to the membership to deal with these issues. We look forward to the Fund finalizing the review of debt sustainability analysis for market access countries and analysing debt sustainability more generally given the important role this plays in Fund lending. The Fund needs to continue to learn from lessons from past crises, including the implications of 'lower for longer', analyze potential new monetary policy tools, and consider how and when to unwind fiscal stimulus measures.

As global risks and vulnerabilities are elevated, it is important that we ensure an adequately resourced global financial safety net with a strong and credible Fund at the center. We are committed to revisiting the adequacy of quotas and continuing the process of Fund governance reform under the 16th General Review of Quotas.

The decision to double the New Arrangements to Borrow and secure a further round of Bilateral Borrowing Agreements beyond 2020 is welcome and will ensure that the Fund's current resource envelope will be maintained.

We also support an urgent assessment of the adequacy of the Fund's resources, given the potential demands in the current crisis. If more resources are required, the Fund should explore all options and approach Governors quickly.