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Statement by the Hon. **WAYNE SWAN**,
Governor of the Fund and the Bank for **AUSTRALIA**

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Governor of the Fund and the Bank for Australia**

It is my pleasure to deliver this statement on behalf of Australia for the 2010 IMF and World Bank Annual Meetings.

These meetings come at an important time for the world economy.

While we are starting to see global growth rebound from the crisis, this recovery remains patchy and is surrounded by uncertainty.

Questions are being raised about the durability and strength of the economic upturn in some advanced economies, as the temporary support of policy stimulus and inventory rebuilding fade.

It is for this reason that we need to continue harnessing the resolve that saw major countries act to defend their economies against the crisis.

This resolve can be equally as effective in rebalancing and sustaining global growth, and putting in place necessary reforms.

All countries should establish policies to sustain global output and employment.

In order to help rebalance global growth, it is important that major advanced economies commit to medium term fiscal consolidation plans that are credible and which do not exacerbate current weaknesses in demand.

And at the same time many emerging markets need to reorient their growth away from over reliance on exports and lift their domestic demand.

We must all deliver on the financial and structural reforms that will underpin stronger and more sustainable global growth into the future.

And the international community must continue to work towards further trade liberalisation, which will support growth right across the world.

I am proud to say that Australia has emerged from the global recession in a strong position.

Three decades of structural reform, a strong and stable financial system and well-timed and well-targeted policy stimulus provided crucial support for the Australian economy.

Australia was one of only two advanced economies to avoid a technical recession.

Our economy is now growing strongly, unemployment is low, and our public finances are strong.

Importantly, the transition from public to private sector demand is underway and we're seeing a broadening in the drivers of growth.

Private consumption is gaining pace, despite continued caution amongst households, and there is a strong pipeline of private business investment that is about to get underway.

At the same time, the strength of the Asian region continues to generate strong demand for Australia's commodities.

But there is no time for complacency.

We – Australia and others – need to build on our successful defence against the crisis to secure our future economic prospects.

In committing to stimulus to support the economy, the Australian Government also committed to a clear strategy to return the budget to surplus as rapidly as economic circumstances allowed.

This is notwithstanding our already low levels of public debt.

We are engaging in a major fiscal consolidation task that will restore the budget to surplus by 2012-13, comfortably ahead of all major advanced economies.

The Australian Government is also building Australia's productive capacity through investments in skills and infrastructure and boosting private retirement savings.

And we have announced a tax reform package that will make Australia's tax system fairer and more efficient to help build a stronger and broader economy in the years ahead.

But we live in an integrated global economy which faces many challenges. Linked to this, Australia recognises the importance of having effective, efficient and credible International Financial Institutions.

The IMF and World Bank played a significant role through out the crisis and it is important to recognise this, including the leadership shown by Managing Director Strauss-Kahn and President Zoellick.

The Bank provided an impressive increase in lending to support the needs of Middle Income and IDA Countries.

And it has begun a broader reform process – refreshing financial tools and reforming their service delivery model.

Importantly, the Bank and the International Finance Corporation have agreed on a package of reforms which will enhance the ‘voice’ of developing countries.

This is essential to increasing their legitimacy.

Australia recognises the importance of ensuring that these institutions are appropriately resourced.

We were strong supporters of the US\$86.2 billion capital increase for the International Bank for Reconstruction and Development.

In line with G20 Leaders' commitments, Australia made a A\$30 million grant to the IMF's Poverty Reduction Growth Trust to support concessional financing to low income countries.

And we passed legislation in June allowing us to join with other countries to increase our credit line under the expanded New Arrangements to Borrow.

We also welcome the moves to strengthen the IMF's precautionary lending capacity through the enhanced Flexible Credit Line and the new Precautionary Credit Line.

Together with an enhanced surveillance tool kit, this will help limit the spread of any future financial contagion.

But we also understand that the most effective financial safety net continues to be sound domestic economic management and financial regulation – tailored so that they are appropriate for domestic conditions. Much has been achieved but more needs to be done.

The IMF and World Bank demonstrated flexibility, responsiveness and greater engagement with their members in responding to the crisis.

But it is essential that these attributes are not only maintained, but also extended so they can meet any global challenges that lie ahead.

We must continue to review the role and mandate of the International Financial Institutions to ensure that their activities and lending instruments are responsive to the needs of members.

And in particular, it is vital that the international community delivers its commitments on IMF quota and governance reform.

Australia has long been a strong advocate of reforming arrangements at the IMF to reflect developments in the world economy.

We need to ensure that dynamic emerging markets and developing economies are fairly represented.

The deadline to complete these reforms is just around the corner and the time has come for political decision-making if we are to honour our commitments.

Short-term self interest must be put aside in favour of the long-term common global good of achieving an efficient, credible and legitimate IMF.

Australia will continue to do its part to ensure that these reforms are completed so that we can face our economic future with confidence.

Thank you.