



International Monetary and Financial Committee

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**IMFC Statement by Steven Mnuchin
Secretary of the Treasury
United States**

On behalf of United States

Mr. Mnuchin – United States

I welcome my colleagues to Washington this week, where I am happy to participate in the IMF and World Bank spring meetings. I look forward to collegial and fruitful discussions on the global economy. In particular, our discussions should address ways in which members can support the recent pick-up in global growth through structural reforms that address underlying economic deficiencies.

The United States economy continues to expand, and underlying fundamentals remain supportive of continued solid growth in the years ahead. Real GDP growth has averaged 3.1 percent over the past three quarters. Importantly, the underpinnings of growth remain sound. Consumer confidence measures remain at or near multi-year highs. Labor markets are strong. Household balance sheets are healthy due to home price growth, equity price gains, and considerable progress on deleveraging. And the business outlook is upbeat. While headline inflation has accelerated recently, core inflation remains stable.

In December 2017, the United States enacted the first major re-write of the U.S. tax code in three decades. The new tax code is designed to strengthen incentives for business investment and to deliver tax relief to middle income households. The new tax package, alongside ongoing regulatory reforms, will also help boost productivity growth as well as small business formation and expansion. The Administration believes these structural improvements will increase labor force participation, improve worker skills, and boost private sector dynamism – leading to sustained, higher growth levels. Our hope is that U.S. tax reform success will lead to similar growth-oriented structural policy reforms in other countries, catalyzing stronger global growth.

Strong growth in the United States, Europe, and elsewhere contributed to a broad-based global economic rebound in 2017. Expanding and boosting this growth momentum throughout the world requires concerted structural reform across the membership. Each of us should comprehensively evaluate our tax and spending policies and regulatory frameworks to ensure they actively promote business investment, facilitate productive lending, encourage employment, and support real median income growth.

In this vein, we strongly believe that unfair global trade practices impede stronger U.S. and global growth, acting as a persistent drag on the global economy. Ensuring that trade is free, fair, and reciprocal will boost global trade and support stronger, more sustainable growth. To help advance these objectives, the IMF should be a strong voice for its members to dismantle trade and non-tariff barriers and to protect intellectual property rights.

At this time, global imbalances are roughly a third larger than they were in the 1980s and 1990s, and there is no indication they are narrowing. The persistence of large global current account and trade imbalances suggests that the global adjustment process is not working to facilitate more balanced global growth. Achieving a more symmetric rebalancing requires economies that have large and persistent external surpluses to carry their share of the adjustment. The IMF must step up to the plate on this issue, providing a more robust voice and consistently noting when members maintain macroeconomic, foreign exchange, and trade policies that facilitate unfair competitive advantage or lead to imbalanced growth. We welcome the IMF's efforts to improve

the External Balance Assessment model and look forward to the inclusion of the upgraded methodology in the next External Sector Report (ESR). At the same time, we urge the IMF to speak out more forcefully on the issue of external imbalances, including by providing clear policy recommendations for countries with large surpluses, in support of more balanced global growth. We also urge the IMF to elevate the ESR to a flagship report and to press for greater external sector transparency amongst all members, including with regard to foreign exchange intervention and reserves.

Founding members established the IMF in part to promote employment, real income, and productivity by facilitating international monetary stability and international trade. The IMF does not drive growth; rather, robust private sector activity, resilient financial systems, and worker dynamism fuel economic expansion and wealth generation. The institution does, however, play a valuable role in helping governments identify which policies will raise growth and boost real median incomes, and incorporating these policies into surveillance and program conditionality. We encourage the IMF to continually evaluate how it can best deliver on this goal while remaining within the bounds of its core mandate.

To that end, we strongly support IMF efforts underway to review program conditions, and we look forward to a robust discussion on conditionality later this year. IMF programs should incorporate streamlined, focused, and country-relevant conditions aimed at supporting macroeconomic stability, which is essential to lay a foundation for private sector-led economic growth and median income growth. More focused conditionality should enable governments to tackle critical macroeconomic, structural, and other policy reforms and ideally lead to fewer waiver requests. We believe that by targeting the key one or two macroeconomic impediments to growth in program conditions and coordinating with the multilateral development institutions on other structural reforms, IMF programs will be more effective.

In support of sustained and inclusive growth, we also welcome the IMF's reinvigorated focus on addressing corruption – and other governance weaknesses -- in surveillance and program countries. Rooting out corruption, both on the demand and supply sides, will help ensure that the fruits of economic growth flow to all of the population. By addressing corruption directly and consistently across the membership, the IMF can play a crucial role in improving economic management and supporting sustainable growth.

Debt and debt service burdens, including from non-concessional, poorly coordinated, and non-transparent debt arrangements, are rising in low-income countries (LICs). These growing debt burdens are heightening concerns about fiscal sustainability and the diversion of scarce budget resources to service debt. International financial institutions, debtor countries, and both sovereign and private creditors all have a role in enhancing LIC debt sustainability. The IMF can be instrumental in enhancing debt transparency and sustainability in member countries.

The IMF and World Bank have shed light on the risks of rising LIC debt burdens and highlighted the need for greater debt transparency. Moving forward, both institutions should play a lead role in addressing this issue. We call on IMF and World Bank management to develop a joint “action plan” on debt transparency and sustainability to guide future work, ensure strong coordination between institutions, and boost visibility around these efforts. The action plan should include

concrete steps to obtain more comprehensive debt data from member countries, to more clearly flag data deficiencies in debt sustainability analyses, and to enhance debt sustainability through strengthened use of debt limits and non-concessional borrowing policies.

The rise of official bilateral, “plurilateral,” and private creditor lending, especially to countries at high risk of debt distress, is complicating debt resolution processes necessary to re-establish debt sustainability. Increasingly we see instances where LICs have borrowed excessively, and unsustainably, from large, often non-transparent emerging sovereign creditors like China and/or private creditors. Clear restructuring rules do not exist for these cases, creating the risk of a complicated restructuring process, creditor losses, and a decline in real median incomes in the debtor country. The IMF can play a crucial role in these cases, by engaging more regularly and robustly with these actors; promoting the use of debt sustainability frameworks by LIC governments; enforcing the Debt Limits Policy in applicable country programs and explaining the limits to creditors; and fostering best practices around lending, including transparency and responsible burden sharing with non-traditional creditors.

In this current period of improving global growth, greater financial resilience, and stronger safety nets, we need to carefully consider the necessary level of IMF resources and operations. We welcome that the IMF has effectively managed within a flat real budget over the past several years, and it should continue adhering to this fiscal discipline, particularly as large lending operations wind down post-crisis. Like other organizations the IMF must continually reprioritize and become more efficient, while remaining focused on delivering its core mandate. The upcoming comprehensive salary and benefits review will provide opportunities for budget streamlining, which will help preserve the IMF’s reputation as an international public sector institution. Similarly, we believe that the IMF currently has sufficient resources to meet post-crisis demands. We should continue to focus on improving the IMF’s effectiveness and maintaining a resilient global financial safety net.