



# 2012 TOKYO ANNUAL MEETINGS

INTERNATIONAL MONETARY FUND  
WORLD BANK GROUP

Governor's Statement No. 37

October 12, 2012

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



**Statement by the Hon. Wayne Swan,  
Governor of the Fund and the Bank for Australia**

It was my pleasure to represent Australia at the 2012 IMF and World Bank Annual Meetings. I would like to thank the Government of Japan for hosting this year's meetings. The kind hospitality and excellent arrangements contributed to the positive outcomes at these meetings.

We met in Tokyo at a critical time for the global economy. Recovery continues to be highly uncertain. Our global economic environment continues to be dominated by sluggish growth, fragile market confidence and a pervasive sense of uncertainty. Expectations regarding growth continue to be revised down. Policy responses have bought time, but seem to consistently fall short of allowing us to get ahead of the crisis. A more ambitious approach is needed.

When the global financial crisis hit in 2008, we were able to collectively galvanise ourselves to take the bold and coordinated policy actions needed to deal with the crisis. We brought with us the capacity, resolve and sense of urgency to tackle the challenges at hand. We need to bring the same energy and determination to tackling the challenges that are now confronting us. And we need a reinvigorated focus on jobs and growth.

The European sovereign debt crisis remains the key risk to the global economy, and there is a long way to go before that crisis is resolved. At the same time, the United States faces being pushed into recession if the fiscal cliff eventuates.

While these developments are not new, the easing in growth in some major emerging economies is more unexpected. The potential for a rise in oil prices due to escalating tensions lingers as an additional risk to the global recovery.

In order to achieve a sustained and balanced recovery, we need fiscal sustainability in advanced economies, as well as actions that boost domestic demand and consumption in emerging economies with policy room. With the global recovery still dependent on growth in emerging markets, it is crucial that such reforms be implemented to help secure the long-term growth prospects of these economies.

These challenges facing the world economy will require major policy actions, including long-term reforms, which are never easy to achieve. But it is only by staying the course and delivering on such measures that a self-sustaining global recovery can finally be set in motion.

While Australia is not immune from global economic turbulence, the Australian economy and our people have shown themselves to be resilient. Our resilience is built on strong economic fundamentals and our willingness to meet the challenges head on.

We have solid economic growth, low unemployment, contained inflation, healthy consumption and strong growth in business investment. Contributing to this was our stimulus response to the global financial crisis, which protected hundreds of thousands of jobs, as well as the Government's policies that spread opportunity.

Australia has had our AAA credit rating recently reaffirmed, which is important because it reflects our nation's status as a safe and reliable place to invest in these uncertain global times. At the same time, the strength of the Asian region continues to generate strong demand for Australia's exports.

## **IMF**

As we tackle these global challenges, it is vital that we are supported by a strong and effective IMF. This is crucial to building a more stable international monetary system and to promoting strong, sustainable and balanced growth. This not only demands a Fund that is highly capable and well resourced, but that operates under governance arrangements that reflect current global economic realities.

The 2010 IMF Quota and Governance Reform is a step towards addressing shortcomings in Fund governance. It is critical that these reforms be fully implemented as soon as possible. But this will not be enough. The Fund's ongoing effectiveness and legitimacy, particularly at a time of heightened global uncertainty, depend on governance arrangements that reflect, and can flexibly adapt to, current global economic realities.

We must redouble our efforts to ensure that a comprehensive review of the quota formula is completed by January 2013. Crucially, we are at a point in the review where our discussions must lead us to narrow our differences and build on areas of emerging consensus. While these are difficult reforms, we must be willing to put aside self-interest and pursue outcomes in the interest of the membership as a whole.

Regarding surveillance, the Fund has taken a number of steps to strengthen its toolkit, particularly in the areas of real and financial sector linkages, cross-country linkages and spillovers. The IMF's work on spillovers has emphasised that more decisive action to address the current crisis in Europe will have benefits far beyond Europe's borders. Much has been achieved but more can be done to strengthen surveillance. The Fund can do

more to help governments gain support for difficult policy measures, and governments can work on being more receptive to Fund advice.

Looking forward, we must also address the funding shortfall in the IMF's concessional lending beyond 2014. The Fund's Poverty Reduction and Growth Trust must be strengthened so that we can protect access to financial support for our poorest members. I look forward to positive outcomes in this regard, so we can ensure that the Fund works for the benefit of all its members.

### **World Bank**

I would like to sincerely thank Robert Zoellick for his stewardship of the World Bank over the last five years. Mr Zoellick led the Bank through recent global economic challenges and championed the delivery of substantial organisational reforms that have made the Bank more open and effective. I would also like to welcome Dr Jim Yong Kim to the Presidency. Dr Kim brings a wealth of development experience to the role and Australia looks forward to working with him.

The Bank should be commended for the progress it has made in implementing its reform agenda. However, there is still room for further improvement. Now, more than ever, there is a need for the Bank to be responsive to the ever-changing global economic landscape, with developing and emerging economies playing an increasingly important role. Policies and reforms to support growth and jobs in lower and middle income countries will not only contribute to alleviating poverty, but also strengthen the global economy. Together with this, to ensure the relevance of the Bank to all its membership, voice and other reforms need to continue.

The current economic environment presents challenges to traditional growth models. High food prices, slower growth in developed consumer markets, and persistent uncertainty in global financial markets may threaten recent gains. The World Bank is well positioned to assist in responding to these challenges.

Australia looks forward to ongoing productive dialogue with both the IMF and the World Bank to promote global stability and sustainable development.