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Statement by Mr. Kim
Republic of Korea

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, Republic of Uzbekistan, and Vanuatu

STATEMENT BY THE HON. DONG-YEON KIM
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(REPUBLIC OF KOREA)
ON BEHALF OF THE ASIA AND THE PACIFIC CONSTITUENCY

1. Global Outlook and Risks

When the IMFC met in April, global growth was the fastest since 2011. Now, growth is more uneven, some downside risks are strengthening, and others have materialized. Escalating trade tensions are clearly one issue of concern.

An acceleration of monetary policy normalization by major central banks, in part due to an unexpected rise in inflation driven by the procyclical fiscal policy of some countries, is another risk, particularly to emerging market economies with unhedged foreign currency borrowing. The countries in our constituency are exposed, in varying degrees, to these risks and this is reflected in the IMF's recent revisions to growth forecasts. Our smaller islands countries remain vulnerable to natural disasters and climate change, and face issues to maintain financial linkages and achieve economic diversification. Mongolia, which is implementing an IMF-supported program, made significant progress in reducing public debt, but faces challenges in preserving recent gains.

2. Policy Priorities

We broadly agree with the IMF's overall policy prescription. Good communication with the market and data-dependent interest rate hikes are essential to contain inflation pressures where they are arising. Exchange rate flexibility is an important shock absorber and a first line of defense for those countries with the ability to use it. Fiscal policy should focus on building buffers and supporting inclusive long-term growth, with existing stimulus unwound at the appropriate time. We would highlight the importance of social safety nets, including policies to help individuals and communities adjust to trade-induced and other structural shifts in the economy and to share in the benefits of higher growth. Structural reforms should focus on enhancing inclusive growth. For many countries, these could include labor market and education reforms to boost participation and reduce skill mismatches, as well as policies to increase R&D investment. The financial regulatory reform agenda should be completed, and rollback pressures resisted to preserve the progress made since the GFC. We support an assessment of the efficiency costs of the post-crisis regulatory changes and look forward to results from the work in this area planned by the IMF and the FSB.

3. Role of the IMF in Supporting Members

The IMF should continue to be a strong advocate for the multilateral, rule-based trading system and the benefits that open trade has delivered and can deliver in the future. An important part of this is identifying ways forward, and the IMF's work with the World Bank and WTO on ways to reinvigorate global trade is welcome. We appreciate the continued efforts of the Fund to assist small and fragile states. We support the ongoing integration of natural disaster and climate change issues into surveillance and look forward to the upcoming proposals for more effective support to countries hit by large natural disasters. We encourage the IMF's ongoing efforts in working with other international institutions, the private sector, and regulatory authorities to address issues with correspondent banking relationships. We strongly support the Fund's work to help countries maintain sustainable debt positions and welcome the increased focus on improving debt management capacity and transparency. The IMF can support the Sustainable Development Goals by monitoring the fiscal implications of necessary investments, providing assistance to support countries' access to financing resources and to deliver infrastructure and other government spending programs efficiently.

The IMF is a trusted advisor to the countries in our constituency, and one of the key benefits of regular bilateral surveillance is the opportunity for staff and authorities to have a candid discussion of economic policies. This can be further enhanced through the comprehensive surveillance review scheduled for 2019. We are looking forward to further discussion on the refinement of the external balance assessment model. We continue to support the Fund's institutional view on capital flow management but maintain our reservations about the rigid way it is sometimes implemented in surveillance. We are also looking forward to the outcomes from the review of the capacity development strategy.

We continue to stress the importance of further strengthening the global financial safety net. This includes ensuring that the Fund is adequately resourced to fulfil its role at the center of these arrangements. We look forward to concrete progress on the 15th General Review of Quotas, ahead of the 2019 deadline set by Governors. We consider that quota should be the main way of securing resources for the IMF and are concerned with the level of out-of-lineness that currently exists with quota shares. We therefore think there is a strong case for an increase and rebalancing in quota to ensure that resourcing is secure, and the Fund's governance remains credible. We look forward to delivering on the changes to Board seats that remain outstanding from the 2010 governance reforms. We are also keen to see the next steps in the collaboration between Regional Financing Arrangements and the IMF.

As a leading global institution, the IMF needs to be agile and adaptive in responding to the needs of its membership, and reflect its members' own commitment to efficiency and effectiveness. The Fund's human resources have a direct impact on the membership and have the potential to influence country policy actions and ultimately outcomes. We look forward to the update of the HR Strategy and engagement on the comprehensive compensation and benefits review. We hope to see firm progress towards the achievement of the Fund's diversity objectives and urge the Board itself to continue to work towards achieving greater gender diversity.