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European Commission

Statement of Commissioner Valdis Dombrovskis to the International Monetary and Financial Committee on behalf of the European Commission

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1. The rules-based multilateral system continues to be the most effective means to govern global relations in a way that benefits all. We continue to be firmly committed to a strong, quota-based and adequately resourced IMF at the centre of the Global Financial Safety Net (GFSN) and to preserve its core functions to promote international macroeconomic and financial stability, whilst recognising the need to address macro-critical challenges. It is crucial to uphold the IMF's role as an independent adviser and reliable truth-teller on economic and financial risks, thereby promoting sound macroeconomic policies, growth-enhancing reforms, open, fair and free markets, and stable financial markets. The European Commission supports the work on the Fund for the Future initiative as a medium-term strategy to provide guidance on the IMF's priorities on surveillance, lending, and capacity building.

2. At a time of sluggish growth, the intensification of trade tensions is a major blow to the world economy. Increased protectionism, unfair trade practices, disruption of value chains, high inflationary pressures and unrest in financial markets exacerbate uncertainty for businesses, workers and consumers and should be a source of collective concern. The US tariffs on steel and aluminium and on the automobile sector, would be aggravated by the so-called reciprocal universal tariffs initially announced by the US on 2 April 2025, and we thus welcome that the latter have been paused partially. We are also deeply concerned about China's non-market policies and practices that lead to market distortions and overcapacity with negative spillovers around the globe. Tariffs cannot solve global imbalances. The solution requires an adjustment in domestic policies to rebalance saving and investment, and international cooperation to mitigate negative spillovers. Against this background, the EU will prioritise dialogue, defend its interests and values and continue to build bridges with countries that care about fair and rules-based trade as the basis for shared prosperity. Likewise, we will continue to play a leading role in the reform of the WTO with a view to make the global trading system fit for purpose.

3. In the face of Russia's ongoing unprovoked and unjustified war of aggression against Ukraine, the EU is determined to continue providing military, financial and political support to Ukraine and its people until a just, comprehensive and lasting peace is reached. It is for Ukraine to decide of the conditions for peace. The European Union will fully assume its responsibilities in this process. The EU is also deeply alarmed by the dramatic escalation in the Middle East. The EU calls for the resumption of unhindered humanitarian aid into Gaza and for a permanent ceasefire. We call for the release of all hostages and for the hostages still held by Hamas in Gaza to be returned. International humanitarian law must be respected by all parties. The EU is fully committed to reviving a political horizon towards peace in the Middle East, based on the two-state solution.

4. The uncertainty over the end of Russia's war in Ukraine and broader security risks in Europe pose challenges to the European economy. The EU is stepping up action to strengthen EU defence capabilities and our industrial and technological base. The ReArm Europe Plan, announced by President von der Leyen on 4 March 2025, will help Europe to step up its defence capabilities by mobilising close to EUR 800 billion in defence spending. This will be achieved by activating the national escape clause of the Stability and Growth Pact, launching the EUR 150 billion Security Action for Europe (SAFE) loan instrument, supporting the European Investment Bank Group in expanding its lending to defence and security projects, and accelerating the Savings and Investment Union to mobilise private capital.

5. We commend the IMF's close engagement with Ukraine and its continued support. We welcome the successful completion of the seventh review of the Extended Fund Facility (EFF),

and we commend the Ukrainian authorities for the continued strong programme performance despite challenging conditions. So far, over USD 10 billion has been disbursed under the EFF, which aims to support the Ukrainian authorities in anchoring policies that sustain fiscal, external, price and financial stability, while promoting long-term growth in the context of post-war reconstruction and Ukraine's EU accession negotiations.

6. The EU is Ukraine's largest international donor, with EUR 144 billion provided so far in assistance to Ukraine and its people, together with the bilateral support provided by EU Member States, including through hosting those fleeing Russia's war of aggression. The EU's budget support to Ukraine takes the form of grants and highly concessional loans with long grace periods and repayment maturities up to 35 years. This support will continue, ensuring Ukraine can meet its financing needs. Following the establishment of the EUR 50 billion Ukraine Facility in March 2024, EUR 16.1 billion has already been disbursed, with an additional EUR 12.5 billion expected in 2025, subject to the successful implementation of policy conditions under the Ukraine Plan. In response to the European Council conclusions of 27 June 2024 and the G7 summit communiqué of 15 June 2024, the EU adopted a Regulation in October 2024 establishing the Ukraine Loan Cooperation Mechanism, enabling up to EUR 45 billion in loans to Ukraine under the G7 'Extraordinary Revenue Acceleration Loans for Ukraine' initiative, to be repaid using the windfall profits stemming from Russia's immobilised central bank assets. As part of this initiative, the EU is providing an exceptional macro-financial assistance loan of EUR 18.1 billion, to be disbursed throughout 2025. In total, the EU will provide Ukraine in 2025 with EUR 30.6 billion through both the Ukraine Facility and the G7 ERA initiative.

7. The EU is taking bold action to boost economic resilience, and make Europe more competitive. In this regard, we have launched the Competitiveness Compass, a new roadmap to restore Europe's dynamism and boost our economic growth. Simplification and lowering barriers to the Single market is a key priority. We will considerably reduce regulatory and reporting burdens for businesses and public administrations.

8. Economic activity in the EU in 2024 is estimated to have expanded by 1.0%. Private consumption expanded at moderate pace, supported by continued strength in the labour market. Headwinds to economic growth have intensified since our autumn forecast. Elevated trade uncertainty is already exerting a drag on economic activity, in particular business investment, and new tariffs on US imports will inevitably weigh on global trade and economy, affecting also the EU economy. Still, as the labour market is expected to remain resilient, the conditions for a gradual pick-up in momentum for the EU economy remain in place. Continued recovery in real wages should support further increases in disposable income, while the EU cohesion funds and the Recovery and Resilience Facility (RRF) is set to continue supporting investment, particularly in infrastructure. Meanwhile, the disinflationary process remains on track. Overall, the fundamentals for the EU economy remain solid. The increasingly challenging international context may lead to slightly lower growth than anticipated in autumn, but the announced strong boost to investment in Germany may offset part of these effects.

9. Strong fiscal policy coordination is key to ensuring a consistent fiscal and monetary policy mix. Fiscal policies should remain prudent, focusing on medium-term debt sustainability while raising potential growth. In April 2024, a reformed economic governance framework entered into force in the EU with the objective of strengthening Member States' debt sustainability and promoting growth through growth-enhancing reforms and priority investments. The first medium-term fiscal-structural plans were endorsed by the EU Council for 22 Member States. They set out medium-term adjustment paths, extendable up to seven years if they commit to implementing reforms and investments that enhance debt sustainability and sustainable growth and are consistent with the EU priorities. Moreover, the transition to

necessary higher levels of defence expenditure can be accommodated, in the immediate future, through the temporary and limited flexibility provided within the EU fiscal rules framework, in the form of coordinated National Escape Clauses.

10. The Recovery and Resilience Facility (RRF) continues to support Member States reforms and investments, with EUR 308 billion disbursed so far in grants and loans to Member States, out of a total EUR 650 billion allocated. In synergy with other EU programmes, national plans contribute to strengthening the EU's economic and social resilience and dedicate more than 40% and 20% of their expenditure to climate and digital-related measures, respectively. Since the RRF expires at the end of 2026, national authorities are focused on accelerating implementation and, where necessary, on adjusting their plans to address bottlenecks and new policy priorities.

11. We welcome the IMF's increased focus on carbon pricing, which is one of the most effective tools to bring emissions down. The EU strongly supports initiatives that encourage further development of carbon pricing policies and stand ready to work with partners willing to develop such policies in their jurisdiction. The EU is continuing the decarbonisation of its economy and is fully committed to becoming by 2050 a climate neutral continent. The EU has adopted a comprehensive legislative package to reduce greenhouse gas emission by 55% by 2030, with carbon pricing and regulatory measures on road transport and buildings, hydrogen, energy efficiency, renewables, sustainable fuels, methane, and land use. The EU continues to actively support decarbonisation efforts worldwide, especially by providing technical and financial assistance to developing and least developed countries to this end.

10. The EU considers its internal energy market as the best protection against country-specific shocks, as the recent crisis has demonstrated, and its completion will be instrumental to further strengthen energy security and achieve our ambitious decarbonisation goals while at the same time decreasing price volatility and ensuring affordability. The EU welcomes the IMF background note on the EU energy market integration, which underlines the value of market integration and the need to remove obstacles to market integration. The Commission supports Member States in their implementation of the electricity market design reform adopted in 2024 and issued an action plan for affordable energy in February 2025 as part of the Clean Industrial Deal, with concerted action by the Commission, Member States and industry.

11. The political agreement on the Two-Pillar Solution to address the tax challenges arising from the digitalisation of the economy is a major achievement. Finalising the work on both pillars continues to be a priority for the EU. We need to provide the necessary technical assistance to developing countries to encourage global implementation of agreed international tax standards. The EU also supports the G20 Presidency's broader agenda on domestic resource mobilisation.

13. The EU welcomes the conclusion of the IMF 16th General Review of Quotas which will maintain the Fund's current resource envelope and strengthen the quota-based nature of the Fund. The priority now is for IMF members to finalise domestic procedures and provide national consent to the respective quota increases and NAB rollback by the new extended deadline of 15 May 2025, as well as for Bilateral Borrowing Agreement creditors to sign its extension. We call on all IMF members to provide consent to the quota increase as soon as possible. We will continue to work constructively on possible approaches for guiding an IMF quota share realignment, as agreed in the IMFC Chair Statement in October 2024, under the 17th General Review of Quotas. We reiterate that an ad hoc approach would also be useful to consider, noting that fair burden sharing among all major advanced economies and protecting the quota shares of the poorest members are essential. We recall that the relevant IMF bodies remain the primary forum for discussion and decision making on the 17th GRQ.

14. The EU welcomes the achievement of the global ambition of USD 100 billion of voluntary channelling of Special Drawing Rights (SDRs) to support vulnerable countries. EU Member States so far pledged around USD 37 billion for voluntary channelling of SDRs (or equivalent contributions) to the Resilience and Sustainability Trust (RST) and the Poverty Reduction and Growth Trust (PRGT). We call on countries to consider new voluntary contributions to bolster both Trusts, and to deliver on their pledges, so that resources are effectively available for vulnerable countries.

15. We need to step up the implementation of the G20 Common Framework for Debt Treatment and call for additional efforts for more predictable, timely, orderly, and coordinated debt restructurings. We welcome the completion of the debt treatment for Chad, the agreements for Zambia and Ghana, and the progress in negotiations on a debt treatment for Ethiopia. We support the efforts to draw lessons learnt from ongoing country cases under the Common Framework and encourage G20 and Paris Club members, the IMF and the World Bank to develop guidelines with indicative timelines to provide clarity to borrowing countries. We encourage further effective multilateral coordination of debt treatment in middle-income countries and support exploring how to extend the Common Framework to them. We firmly consider that the role of MDBs in the Common Framework consists of ensuring net positive concessional financing flows. We welcome the ongoing IMF and World Bank work to support countries faced with liquidity challenges based on three pillars: (i) structural reforms and domestic resource mobilisation; (ii) external financial support; and (iii) where relevant, actions to reduce debt servicing burdens. We stress the need to strengthen international efforts aimed at enhancing debt transparency.