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Statement by Mr. Taleb
Algeria

On behalf of
Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

Statement by Honorable Salah-Eddine Taleb Governor of the Bank of Algeria on behalf of Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

The world economy is at a critical juncture and in a state of flux. The prevailing unprecedentedly elevated levels of policy uncertainty and the abrupt major "rewiring" of global trade and capital flows are precipitated by massive trade restrictions (and retaliatory response) imposed by leading economies that have been traditionally the major engines of global growth. The world economy, which was emerging for a soft landing after the recent crises, and global disinflation, that was broadly on track, are now at risk. We are witnessing—at a pace unimaginable only a few months ago—the dismantling of multilateralism that we have known and nurtured for decades. We have all benefitted—albeit at varying degrees—from the ruled-based multilateral trade system in the past but, to be clear, there are no winners in the race to the bottom in the ongoing trade war that is further widening the global geoeconomic and geopolitical divides. We emerged from a once-in-a-century pandemic and the subsequent shocks through international cooperation propelled by a broad sense of common purpose and interest. We can only overcome the latest crisis in the same fashion applying the same rigor, although the damage may not be fully reparable as it may prove difficult to fully restore the lost confidence. In this highly uncertain global environment fraught with risks, we would expect the Fund to remain—as it has always been—the champion of free trade and a vocal voice for multilateralism.

The tariff and trade crisis, and the lack of policy clarity more broadly, have already spilled over into other markets and are reflected in an usually high financial market volatility and loss of confidence in some of traditional safe havens. While the countries directly impacted by the trade and financial turmoil will shoulder most of the cost (and that could be significant), no country will be immune in our highly integrated global economic and financial networks and supply chains. The impact on the MENAP region will be predominately felt through weaker external demand for goods and services and a hardening of global financial conditions notably affecting the region's large borrowers.

- For the MENA oil and gas exporters, including those in our constituency, where oil production is likely to be subdued in a volatile international oil market, the robust non-oil sector should help maintain the growth momentum, albeit in conjunction with weaker external positions and lower external buffers. The policy imperative for these countries is to adjust to lower hydrocarbon income by aiming to secure and maintain fiscal and debt sustainability through targeted fiscal reforms, while pressing ahead with their ongoing economic diversification through structural reforms.
- For the MENAP oil importers, including those in our constituency, some in the midst of policy adjustment and reforms with the technical and financial support from the Fund, the lower oil prices, while providing some respite, should not distract them from fiscal

consolidation and building buffers in the face of growing global uncertainty and the threat of high tariffs.

- All our constituency members will continue to rely on Fund's policy advice; however, given their cyclical positions, structural characteristics, and the extent of their exposure to the current shocks, tailored policy advice is essential. Some countries in our constituency were unjustifiably subjected to high (temporarily suspended) US tariffs, which in the event of enforcement would have a significant negative impact on their economies.

The Emerging Market and Developing Economies (EMDEs) and especially the Low-Income Countries (LICs), many burdened by high debt as they emerged from the recent crises, are highly vulnerable to a new global round of slow growth, sluggish trade, rising financing costs and declining Official Development Assistance (ODA). We are already on track to help the EMDEs address their debt challenges (including in the context of debt treatment under the Common Framework), but the efforts would need to be broadened and strengthened given the depth and complexities of the EMDE's debt overhang. With this in mind, we look forward to the progress on the Global Sovereign Roundtable to address debt vulnerabilities and restructuring challenges, as well as to the IMF-World Bank's proposed 3-pillar approach to address debt service pressures in countries with sustainable debt but facing liquidity challenges to finance their development needs. Many LICs have already fallen well short of meeting their 2030 Sustainable Development Goals (SDGs) in part because of the declining concessional external financial support. The ODA has been on a declining trend for a while, but the recent abrupt stoppage of humanitarian aid, particularly targeting healthcare, child mortality, hunger and malnutrition, will cost millions of lives in vulnerable countries.

In view of the significant uncertainty and downside risks to the global economy, the IMF should further sharpen its focus on surveillance, fortify its lending toolkit and the Global Financial Safety Net (GFSN), and enhance capacity development. The Fund would need to maintain its strong and agile policy response to crisis witnessed during the recent global crises. There are a number of important policy reviews in the pipeline to ensure that the Fund remains ahead of the curve. In this context, we look forward to the Comprehensive Surveillance Review, the Review of Financial Sector Assessment Programs, and the Review of Program Design and Conditionality to further strengthen the effectiveness of IMF-supported programs. The IMF has made impressive inroads over the years in firmly establishing the macro-criticality of such issues as climate change, gender equality and fair income distribution, and skillfully integrating them into its policy advice and technical and financial support. We expect the Fund to continue upholding its analytical and policy vigor in all these areas going forward.

Finally, we reaffirm our commitment to a strong, quota-based, and adequately resourced IMF at the center of the GFSN. We encourage members who have yet to finalize internal approvals for the quota increase as part of the 16th General Review of Quotas (GRQ) to complete the process promptly for the higher quotas to become operational at this critical time of elevated global uncertainty. We also reaffirm our belief that the IMF should be a representative institution, steadfastly committed for evenhanded treatment of all members across all issues and dimensions. The work on the 17th GRQ should proceed in that spirit and with that intention.