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Statement by Mr. Choi 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, and Vanuatu

STATEMENT BY THE HON. SANGMOK CHOI
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ON BEHALF OF ASIA AND THE PACIFIC CONSTITUENCY

GLOBAL OUTLOOK AND RISK

The global economic outlook has become increasingly precarious amid escalating trade tensions and policy uncertainty. The recent tariff measures have triggered sharp reactions in financial markets and will likely see a sharp decline and reorientation in global trade. While the immediate growth impact is being captured through the revised forecasts, broader second-round effects—ranging from inefficient resource allocation at both the domestic and global levels, further disruption to supply chains, and the fragmentation of global markets, to rising volatility in financial markets and exchange rates—are likely to unfold over time.

The ongoing effects of geopolitical instability across multiple regions, including Russia’s war in Ukraine and the situation in the Middle East, continue to pose downside risks to the outlook. We continue to condemn Russia’s illegal invasion of Ukraine, and we acknowledge current negotiations and encourage parties to agree to a comprehensive, just, and lasting peace in Ukraine, in line with the UN Charter. We urge all parties to fully adhere to international humanitarian law and support ongoing international efforts towards a resumption of the ceasefire in Gaza. We emphasize the need for global cooperation to address our shared challenges and to safeguard global peace and security.

Meanwhile, persistent inflation pressures in some economies and elevated public debt burdens are narrowing policy space. The compounded impact of these developments poses a significant risk to global macroeconomic stability, particularly for low-income and highly trade-dependent economies. Increasing debt distress, weak productivity growth, continued vulnerability to the effects of climate change and risks of natural disasters, and demographic headwinds continue to weigh on long-term potential, while divergence in growth paths across countries risks reversing decades of gradual convergence.

POLICY RESPONSE

Policymakers are navigating an exceptionally complex environment shaped by elevated global uncertainty, narrowing policy space with growing debt burdens, and deep-rooted and emerging structural issues. These challenges are interacting in ways that complicate efforts to preserve macroeconomic stability, rebuild buffers, and promote inclusive growth.

The IMF’s balanced policy advice—grounded in country-specific contexts—remains essential in this environment. Fiscal policy should be anchored in credible medium-term consolidation plans, while pursuing inclusive and growth-friendly adjustment paths that protect the vulnerable and enable priority investments—including in infrastructure, human capital, and climate resilience. Central banks will remain strongly committed to maintaining price stability, in line with their respective mandates, and will continue to adjust their policies in a data-dependent manner and with clear communication. Continued vigilance over the financial system is needed to preserve financial stability, consistent with many central bank’s mandates, and essential to mitigate market volatility and spillovers from tightening global financial conditions.

Recent tariff actions and rising economic fragmentation underscore the importance of the IMF's role in fostering open global dialogue and supporting a rules-based multilateral framework. Most economies remain heavily reliant on expanding and predictable global trade flows, which continue to underpin economic prosperity—particularly countries in the Asia and the Pacific constituency.

Structural reforms remain crucial to boosting productivity, expanding labor force participation, and improving resource allocation efficiency. Equally important will be leveraging transformative forces—such as digitalization, including artificial intelligence, energy transition, and demographic shifts—to revitalize growth prospects. As the Fund's analytical work highlights, population aging can present opportunities, which policymakers can harness through targeted labor market and health policies. At the same time, we recognize that maintaining financial integrity alongside the leveraging of digitalization for inclusive growth requires a managed and balanced approach to safeguard financial systems. For the smaller members of our constituency, the impacts of climate change are already clearly present, and are building. Coordinated global efforts are urgently needed to provide small developing countries with access to reliable climate change adaptation advice and financing. We also stress the importance of ensuring debt sustainability, particularly for vulnerable economies, and welcome efforts to enhance the international debt resolution framework.

ROLE OF THE IMF IN SUPPORTING MEMBERS

The IMF continues to play a critical role in helping members navigate a volatile global environment shaped by policy uncertainty, geo-economic fragmentation, and far-reaching structural transformation. We welcome the Fund's ongoing efforts to deliver high-quality and responsive support across its core mandates. Capacity development (CD) remains particularly important for low-income and small developing members, where limited institutional capacity continues to constrain effective policy implementation. The Fund's progress in scaling up CD delivery—particularly through better integration with surveillance and program work—is commendable. Ongoing efforts to diversify and sustain CD funding will help ensure the IMF remains responsive to growing demand while maintaining flexibility.

Looking ahead, we underscore the importance of completing the Comprehensive Surveillance Review and the Review of Program Design and Conditionality in a timely and rigorous manner. These reviews provide an important opportunity to strengthen the Fund's engagement by ensuring its advice is practical, well-prioritized, and tailored to diverse country contexts, while supporting durable reform strategies that are socially sustainable. In particular, we urge that they fully reflect the needs of small developing states (SDS), including many in our constituency, which face unique capacity constraints, limited access to global markets, disproportionate exposure to a fragmented trade landscape, and heightened vulnerability to climate shocks.

Deepening the Fund's analysis of trade fragmentation and its long-term spillovers—including through future flagship reports and planned analytical work—remains a key institutional priority, informing both multilateral dialogue and domestic policymaking. We welcome ongoing efforts to enhance the debt sustainability framework for low-income countries, which is essential for sound program design and restoring market access. Continued collaboration with the World Bank and other stakeholders will be key to strengthening the framework's operational relevance and transparency. In parallel, the review of the Financial Sector Assessment Program (FSAP) provides an opportunity to ensure that the FSAP remains fit for purpose amid ongoing structural transformation and heightened uncertainty that are reshaping financial market dynamics, thereby strengthening the Fund's

ability to detect and respond to evolving financial stability risks. The smaller members of our constituency will also be looking to the Fund for advice on how to manage financial sector risks that arise from their ongoing vulnerability to climate events and natural disasters.

We also emphasize the need to further strengthen the global financial safety net (GFSN). Despite notable progress, access to resources across the GFSN layers remains uneven, especially for emerging and developing economies and smaller members. We support greater coordination with Regional Financing Arrangements and steps toward a more coherent and adequately sized GFSN. In particular, SDS face challenges in accessing IMF resources due to limited capacity and quota shares that remain disproportionately low relative to their needs and vulnerabilities. Ensuring that the IMF is adequately resourced and accessible to all its members is essential.

We remain strongly committed to ensuring a strong and robust Fund governance. Implementation of the agreed outcomes of the 16th General Review of Quotas (GRQ) should be pursued in a timely manner. This will help ensure a strong, quota-based, and adequately resourced IMF at the center of the GFSN. We support members' quota shares better reflecting their position in the world economy and encourage the membership to support work to identify options for a quota formula that can guide a realignment to successfully conclude the 17th GRQ. An important supporting principle will be protecting the quota shares of PRGT-eligible and small developing members.