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IMFC Statement by Steven Mnuchin
Secretary of the Treasury
United States

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I welcome the opportunity to discuss with my counterparts the challenges facing the global economy. Recent signs of weakness in parts of the global economy underscore the need for countries to use all tools at their disposal to reignite growth. With space for monetary easing diminishing in many countries, fiscal policy paired with pro-growth structural reforms that will durably raise investment, job creation, and productivity will need to play a larger role. The IMF can support global growth by remaining focused on its core mission and delivering sound policy advice that will help countries advance necessary reforms.

Despite slowing global growth, the U.S. economy remains strong. In July, the United States marked its longest expansion in recorded history. The Administration's policies of regulatory reform and corporate tax reform have succeeded in lowering barriers to investment, thereby priming the economy for faster growth. American households have also experienced continued labor market strength and the highest sustained wage growth in a decade, both of which we expect will support strong consumption spending and the stabilization of residential investment.

We are preparing a foundation for future growth through fairer trade deals. To this end, the United States is working with other countries on agreements for free and fair trade, and the United States-Mexico-Canada Agreement (USMCA) is a major success in achieving that goal. The United States and Japan also recently reached agreement on an early outcome from negotiations on market access for agriculture and industrial goods, as well as an agreement on digital trade. Negotiations last week between the United States and China resulted in substantial progress on phase one of a trade deal between the two countries, which would address intellectual property protection, financial services, structural issues regarding agriculture, currency and foreign exchange, important aspects of forced technology transfer, and dispute resolution.

Outside of the United States, the current slowdown in growth among key economies, particularly China, Germany, and other parts of Europe, could prove longer or deeper than initially envisioned in the absence of policy action to raise actual and potential growth. Major economies need to take action to durably strengthen investment, job creation, and domestic demand. With weakened growth in many economies where sovereign borrowing costs are at historically low levels, there is ample space for tax cuts and other fiscal measures that would support near-term activity and medium-term growth prospects. These measures should be paired with continued efforts to address vulnerabilities from elevated leverage and with structural reforms that will boost private sector-led growth. Many countries continue to lean heavily on monetary policy; more proactive support from fiscal policy and structural reforms would help reignite stronger and more sustainable global growth.

Global trade and current account imbalances have been broadly unchanged in recent years, and their high degree of persistence across major economies is contributing to the build-up of future risks. Moreover, weak demand and subdued real interest rates across the global economy are symptoms of the substantial excess saving that is not being productively employed within the domestic economies of China, Germany, the Netherlands, and other major economies. To achieve stronger and more sustainable global growth—particularly at a juncture when global activity is flagging—countries that have maintained large and persistent external surpluses must pursue reforms that will revitalize domestically-driven growth.

An adequately-resourced IMF plays a valuable role in promoting international economic and financial stability and growth. With this in mind, we continue to support efforts to maintain the IMF's current resources so that the IMF is sufficiently equipped to respond to potential crises over the medium term. We welcome the work underway to reach agreement on a broad package of IMF resources, including closure of the 15th General Review of Quotas and a proposal to double the New Arrangements to Borrow (NAB).

Central to any review of IMF resources, and key to the IMF's future as an institution, is the trust we have in the IMF's commitment to budget restraint and institutional efficiency. The IMF's yearlong effort to closely examine its current compensation and benefits system is an important and necessary endeavor. As we head towards the conclusion of the review, we urge members to approve a robust set of proposals aimed at streamlining overall costs, modernizing salaries and benefits, restoring dynamism in the workforce, and increasing efficiency. These reforms are critical to enhance the ability of the IMF to better recruit, reward, and retain qualified staff and support the needs of today's working families. As a public institution, the IMF needs to lead by example on these issues. Many of the reforms under consideration have already been taken by other international financial institutions and by IMF members.

Addressing debt transparency and sustainability continues to rank as a top issue facing the global economy and, in particular, low-income countries. Today, nearly half of all low-income countries are at high risk of debt distress or are in debt distress, often due to non-concessional, low-quality, and non-transparent arrangements from emerging creditors. The IMF can play a leading role in supporting government efforts to address these risks to debt sustainability. For example, IMF programs in Angola and Ecuador support government reforms that will improve public financial management and promote debt transparency. We strongly support the IMF and World Bank's multi-pronged agenda, and we must work to build further momentum on reforms underway to enhance debt transparency and sustainability. Full publication of debt data must become the standard for member countries to promote better governance and accountability, which in turn will help to bolster investor confidence. The IMF should also continue to support countries with capacity limitations to move toward this standard of full debt transparency and to develop sound debt management frameworks. We should also leverage upcoming IMF policy reviews on the debt sustainability analysis of market access countries, provision of data for surveillance, and Special Data Dissemination Standards to broaden our definitions of public debt, increase transparency, and promote greater debt sustainability.

The IMF should continue to take steps to strengthen its execution of its core mandate. The recent Review of Conditionality found that lasting program success depends not just on resolving balance of payments programs but also on achieving external viability and fostering economic growth. We look forward to implementation of the review's recommendations through clear and specific guidelines for staff. The upcoming Comprehensive Surveillance Review provides an opportunity to reexamine the IMF's execution of its core areas of surveillance—exchange rates, fiscal, monetary, and financial sector policies—and identify ways in which the IMF can more effectively fulfill its mandate.

The complexity of the work the IMF does and the systems it uses to do the work has increased dramatically, and the IMF needs an updated approach to confront risks stemming from this complexity. It is imperative that the IMF modernize the organizational structure of its risk management and align itself with best practices. To mitigate these risks, the IMF should move towards a more independent, centralized risk management unit led by a fully empowered chief risk officer who can present a comprehensive and up-to-date view of overall enterprise risk.

An adequately-resourced and efficient IMF that is focused on its core mission is critical to boosting long-term sustainable global growth. We look forward to working with the IMF and other members on reforms and a broad resource package that will enable the IMF to maintain its status as a leading economic and financial institution.

Finally, I want to thank Madame Lagarde for her many years of service as Managing Director of the IMF. It has been a pleasure working with her, and I look forward to continuing our close relationship in her new role at the European Central Bank. She has steered the IMF through ebbs and flows in the global economy, and the European Central Bank will be in good hands as it faces challenges both new and old going forward. I would also like to welcome Dr. Kristalina Georgieva in her new role as Managing Director. We look forward to working with her in the same spirit of close cooperation as we did when she was Chief Executive Officer of the World Bank.

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