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IMF Managing Director Dominique Strauss-Kahn Calls G-20 Action Plan Significant Step toward Stronger International Cooperation

Mr. Dominique Strauss-Kahn, Managing Director of the International Monetary Fund (IMF), today welcomed the outcome of the G-20 Summit on Financial Markets and the World Economy, calling the agreed action plan a significant step by the international community toward stronger cooperation aimed at resolving the global financial crisis, and supporting the IMF's capacity to contribute to these efforts.

"Today's Summit was significant because of the people present. A new world economic order is developing that is more dynamic and more inclusive than any we have yet seen," Mr. Strauss-Kahn said. "The meetings are also significant because of what was agreed. The most important outcome of this weekend's meeting is agreement on an action plan and the commitment of all participants to implement the plan vigorously and fully. The IMF will give strong support to these efforts, as called for by the G-20."

"I am very pleased about the G-20 leaders' strong support for the important role of the Fund in crisis management and the reform of the international financial architecture," Mr. Strauss-Kahn said. "In addition to helping some member countries that are facing difficult circumstances with rapid and effective support, we have also created a new short-term liquidity facility and continue to review our instruments and facilities."

Mr. Strauss-Kahn noted the G-20 leaders' commitment to act together to meet global macroeconomic challenges, using both monetary and fiscal policy. Lower inflation risks provide room to ease monetary policy, he said, adding that this will be important, but will not be enough.

"I welcome the emphasis on fiscal stimulus, which I believe is now essential to restore global growth," Mr. Strauss-Kahn said. "Each country's fiscal stimulus can be twice as effective in raising domestic output growth if its major trading partners also have a stimulus package."

He noted that the Summit Declaration recognizes that some countries have more room for maneuver than others. "We believe that those countries—advanced and emerging

economies—with the strongest fiscal policy frameworks, the best ability to finance fiscal expansion, and the most clearly sustainable debt should take the lead,” he said.

Mr. Strauss-Kahn also welcomed the leaders’ commitment to strengthen the IMF’s resources and capacity. In this connection, he again thanked Prime Minister Aso for Japan’s generous offer to provide US\$100 billion to the IMF to support lending to countries hit by the crisis.

Mr. Strauss-Kahn noted the G-20’s endorsement of strengthening the IMF’s mandate in the areas of macroeconomic surveillance, lending to member countries in need, and providing assistance to build up capacity in emerging market and developing countries. “I am particularly pleased about the commitment of all G-20 members to undertake Financial Sector Assessment Programs,” he added. “The IMF is prepared to begin work immediately on such assessments for the G-20 countries that have not yet had an FSAP.”

Mr. Strauss-Kahn welcomed the agreement that the role of the IMF in providing macro-financial policy advice would be strengthened, including the request that the Fund and others develop recommendations to mitigate pro-cyclicality in regulatory regimes. “This is very important at this time,” he added.

He also noted the G-20’s commitment to refrain from raising new barriers to trade and investment during the next 12 months. “Open trade and investment is very important for growth,” he said.

“The Declaration also sends an important signal that the world is committed to ensuring that the IMF, World Bank, and other multilateral development banks have sufficient resources to help our members overcome the crisis,” Mr. Strauss-Kahn said.

Mr. Strauss-Kahn also noted that the action plan pointed to the role of the IMF in supporting its implementation, including some immediate actions by March 31, 2009. He praised the agreement on principles for reform of financial markets, and especially the commitments to reinforce international cooperation. “The IMF’s role in reform of financial markets is based on our responsibility for surveillance of the global financial system, which was part of the original Bretton Woods agreement,” he said. “It is also based on our capacity to analyze the relationships between financial markets and the real economy. We have already seen how important these relationships can be. The world must understand them better, and the IMF will do its part to make this happen.”

“I am very happy that we now have many countries engaged in the discussions, both directly and through international organizations, including the IMF, which represents almost every country in the world. And I am very pleased with how the first round of discussions has gone,” Mr. Strauss-Kahn said.