

**FOR
INFORMATION**

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To: Members of the Executive Board

From: The Secretary

Subject: **Managing Director's Report to the Executive Board on Her Visits to
Switzerland, Belgium, and the Vatican—January 20–February 5, 2020**

Board Action: Executive Directors' **information**

Report on the Managing Director's Travel to Davos, Switzerland; Brussels, Belgium; and the Vatican

(January 20–February 5, 2020)

World Economic Forum Meetings in Davos, Switzerland (January 20-24)

Following the tradition of the past few years, RES Director Gita Gopinath, Deputy Director Gian Maria Milesi-Ferretti, and I released the World Economic Outlook Update in Davos the day before the start of the World Economic Forum (WEF) meetings. Launching it in Davos offers the opportunity to leverage the presence of the international press and help frame the WEF Annual Meeting. Indeed, the WEO garnered significant press coverage, including an impressive increase in social media mentions, and guided the narrative on the short-term economic outlook while surfacing long-term challenges including low growth, low productivity growth, rising inequalities, and climate-related risks.

Throughout the week, our messaging revolved around the tentative signs of stabilization in the global economy amid the prevalence of uncertainties and risks, the role played by supportive macroeconomic policies, and the forecast of a modest pickup in growth. I highlighted the risks posed by climate change, but also the opportunity that climate action offers for growth, investment, and jobs. There were already signals that the Coronavirus could have an impact on the outlook and I reflected this in my media interviews. I also spoke about our new research on inequality and the financial sector, explaining that while a well-functioning financial sector can create new opportunities, a poorly managed financial sector can amplify inequality. Finally, I also spoke about gender and the importance of women's economic empowerment.

Following the WEO launch, I spoke in four public sessions including the opening press conference for the WEF Annual Meeting, an interview on Building a More Inclusive Financial System, a panel debate on the Future of the Financial System, and the concluding Global Economic Outlook panel.

I also moderated an informal, off-the-record session called an Informal Gathering of World Economic Leaders (IGWEL) with 50 participants, including ministers of finance, central bank governors, CEOs from the private sector, and representatives from civil society and academia. The discussion was candid and wide-ranging and covered the global outlook, the role of monetary and fiscal policies, trade, and climate change, as well as current political economy issues such as the decline of trust in institutions, social unrest, and stakeholder capitalism.

Davos also provided an excellent opportunity for interaction, and I held 27 bilateral meetings with heads of state, finance ministers, civil society leaders, academics and CEOs. These included meetings with President Moreno of Ecuador, President Zelenskyi of Ukraine, Prime Minister Imran Khan of Pakistan, Prime Minister Sophie Wilmes of Belgium, Prime Minister Omar Al-Razzaz of Jordan, and Chancellor Sebastian Kurz of Austria.

Many participants in Davos this year spoke about their pledges to take action on climate. These included Larry Fink and BlackRock's commitment to rotate away from investments in carbon-

heavy industry, and the Forum's invitation to businesses to set a net-zero emissions target by 2050. I talked about the Fund's forthcoming efforts on climate, including considering the pricing of risk in FSAPs and coverage in Article IVs.

Overall, the visit to Davos provided an excellent opportunity to convey key messages, meet stakeholders, including world leaders, and hear about topics and trends to help inform us for the year ahead.

Brussels, Belgium (January 27-29)

During my visit to Brussels, I held bilateral meetings with more than 15 representatives of the European Union, including European Commission (EC) President Ursula von der Leyen, EU Council President Charles Michel, and members of the new Commission. We exchanged views about the economy as well as priorities for the EU, and President von der Leyen and I were proud to sign a new Financial Framework Partnership Agreement on capacity development. The EU is seeking to tackle pressing challenges: implementing its ambitious Green Deal, securing a post-Brexit trade agreement, and further deepening the Economic and Monetary Union (EMU). I conveyed that the IMF stands ready to provide its expertise.

Leaders of EU institutions noted persistent and multifaceted uncertainties, and were keen to see more global cooperation on numerous fronts (trade, climate, digital taxation). The EU remains strongly committed to a rules-based international trade system and will continue to make proposals to reform and to strengthen it. On Brexit, risks have diminished somewhat but securing a trade deal with the U.K. in just 11 months may be challenging.

The EU has significantly elevated its climate goals and is aware of implementation challenges. It is the first major economy to commit to climate neutrality by 2050, and counterparts are mulling various options to achieve this objective such as the strengthening of the Emission Trading System to ensure that carbon prices rise further, a possible carbon-border adjustment mechanism to protect EU industries, and additional flexibility in EU fiscal rules to accommodate green investments. I emphasized the need to carefully assess the domestic and international repercussions of the implementation of the Green Deal and reiterated that the IMF stands ready to further contribute to this debate.

The deepening of the Economic and Monetary Union remains on the agenda. The European Commission will take a more pragmatic approach, focusing on key deliverables. It envisions to further advance discussions towards an agreement on a pan-European Deposit Insurance Scheme (EDIS), including by re-launching the debate on a possible euro area safe asset to make it easier for some member states that find it difficult to back an EDIS with risk weights on banks' exposure to their sovereigns as a price tag. The Capital Market Union will also remain high on the agenda, and I will share with President von der Leyen the main conclusions from Fund staff's recent publication on the subject.

The signing of the new agreement with the EU on capacity development is a landmark outcome. I expressed my gratitude to President von der Leyen for reinforcing the strong bonds

between our two institutions, which would significantly help our membership. I was pleased to note that alongside climate change, digitalization, jobs, and youth, Africa is a central priority for the EC, which will take a more integrated and ambitious approach in its development policy, focusing on countries' specificities. Together with the EC, we have agreed to hold an annual high-level dialogue on development challenges.

Around this visit, I engaged with media to disseminate IMF views on pressing issues. I held an off-the-record briefing with 10 Brussels-based journalists and correspondents and conducted a televised interview with *France24*. On both occasions, I emphasized the key messages from our World Economic Outlook Update and the urgency for the international community to tackle shared challenges in a cooperative fashion.

Vatican City (February 4-5)

I traveled to Vatican City to participate in a conference organized by the Pontifical Academy of Social Sciences: "New Forms of Solidarity Towards fraternal Inclusion, Integration and Innovation." The conference offered an opportunity to connect with a number of finance ministers from Latin America (Argentina, El Salvador, Mexico, and Paraguay), as well as finance ministers from France and Spain. The conference also included participation by prominent economists such as Jeff Sachs and Joseph Stiglitz, and representatives from the World Bank and the Economic Commission for Latin America and the Caribbean.

In my remarks, which have been posted, I discussed how in recent decades global integration and cooperation, technological advances, and sound economic policies have contributed to unprecedented advancements in human well-being, but that this is not enough given the hundreds of millions who are still in extreme poverty or are jobless. New priorities for the global economy should put greater emphasis on inclusive growth, fair global integration, and climate action to—as the Pope said in his remarks—put the economy at the service of people.

I also took advantage of the event for a productive meeting with Argentine Economy Minister Guzman, and reiterated the Fund's readiness to continue to support the authorities in their efforts.