

# Transcript of a Press Briefing by Gerry Rice, Director, Communications Department, International Monetary Fund

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## Webcast of the press briefing



MR. RICE: Good morning, everyone, and welcome to this briefing on behalf of the International Monetary Fund. I'm Gerry Rice of the Communication Department, and as usual this media briefing will be embargoed until 10:30 a.m. and that's Washington time. Welcome to our colleagues in the room and to those of you online.

I want to depart a little bit from established practice just at the beginning of this briefing because I would like to start my remarks today with a note of solidarity to the people of Nepal. I know that we are all shocked by the dimension of the catastrophic earthquake that hit the country and I would like to reiterate what our Managing Director said a few days ago in terms of expressing the IMF's deepest sympathies to the people of Nepal for the loss of life and the devastation there.

We are encouraged by the outpouring of support from a number of countries. The international community must join forces to help the Nepalese people in this very difficult moment. Obviously, the priority right now is with the emergency and relief services to rescue those still trapped under the rubble and assist those that have been displaced.

In the next phase, after the immediate humanitarian crisis begins to subside, Nepal, of course, will be focusing on the medium and longer term reconstruction effort with the full support of the international community. This is typically the time when the IMF steps in to help with the emergency funding, for budget support and technical assistance whenever needed as we have done many times in cases of natural disasters.

So as soon as possible, an IMF team will be ready to visit Nepal, to work with the government and our development partners to assess the macro economic situation and determine any financing needs. So I know that's much on our minds and I wanted to make that statement up front.

So going back to our normal agenda, let me just take a few minutes to tell you about some upcoming events and communications to you in the coming period. It's been a heavy period of communication with the spring meetings finishing up less than two weeks ago. Let me tell you about a few other upcoming things.

There will be two eminent policymakers at the Fund over the next two weeks. On May the 6th, our Managing Director, Christine Lagarde, will welcome Jane Yellen, the Chair of the Federal Reserve Board to open the Finance and Society Conference which is being co-hosted here at the IMF with the Institute for New Economic Thinking. That's May the 6th, Janet Yellen. That will be open to the press.

Then about a week later on May the 14th, the Managing Director will welcome Mario Draghi, the President of the ECB for the 2015 Michel Camdessus Central Banking lecture. That will be open to the press and we will share more details with you a bit closer to the date. You recall this lecture last year was addressed by Janet Yellen. So this year we've very pleased to welcome the President of the European Central Bank.

On May 2nd and 3rd, that's a little bit closer, our Deputy Managing Director Mitsuhiro Furusawa will attend the annual meetings of the Asia Development Bank in Baku, Azerbaijan. Now, bear with me.

As you know, there's a lot of communication around our regional economic outlooks these days. So we just kicked off a few days ago with the regional economic outlook, the REO launched for Africa [and the Western Hemisphere]. That was in Ghana, Cameroon and Chile. And you've seen that report, those of you who are interested.

The next REO, regional economic outlook, will be on May the 5th for the Middle East and North Africa. That will be in Dubai with our director for that region, Masood Ahmed will be presenting that report which will, of course, be released to you.

Our Asia-Pacific and Department Director, Changyong Rhee, will launch that region's REO on May 7th in Singapore with an event and a press conference. And again, will be released to you.

One more. The regional economic issues report for emerging Europe will be launched on May 11th in Budapest with a presentation by Jorg Decressin. Jorg is our deputy director for the European Department and that will be at the central bank in Hungary that presentation. And this event will be preceded by a press briefing in Brussels on May the 8th for those of you who are interested. So I apologize for all of that but --

QUESTIONER: The May 8th press briefing is on the REO?

MR. RICE: Yes. That will be preceded by a press briefing in Brussels. So I guess it will be on the general issues surrounding that region with the report itself launched on May 11. We can get you more details on that straight away.

Okay, that's it. There are various other events. Again, we'll get all this to you under embargo. Hopefully, that's helpful and any questions? Heather, we'll take yours immediately after this briefing in terms of the details of how those things are working. That's it. Apologies for the longer than normal intro.

QUESTIONER: What is the status of the negotiations [with Greece] at this point and if you're optimistic that an agreement can be reached before the next repayment to the IMF is due? Thank you.

MR. RICE: So what I can tell you is that talks have been continuing and policy and technical meetings actually start today in Brussels. Beyond that, I don't want to speculate on the timing of a possible agreement but the talks are starting today in Brussels. Does that do it for you?

QUESTIONER: We need something more. Let's say that in terms of the agreement the IMF has said that it wants a comprehensive agreement but where do you stand on maybe a partial agreement that would lead to the release of some transfers of money so that the short-term liquidity problems could be addressed?

MR. RICE: Yes, so on your first point, you know, we've said, I think consistently, we need agreement with the Greek authorities and the European partners as well as the IMF on a comprehensive set of policies that could help achieve the program goals of stability and growth.

This is pretty much, as I said, consistent with the Managing Director's letter which we publicized in February and I think Poul Thomsen, our director for the European Department, spoke to this with you, with many of you, in his press conference a short time ago during the spring meetings. So, you know, to conclude the review with the IMF, we need a comprehensive package. We cannot conclude the review based on just a few measures.

On the financial situation, that's again, something that we'll be looking at in the context of these talks. We don't have the detailed information to project on the liquidity situation right now but again, that's information we'll be hoping to gather as the talks kick off today.

QUESTIONER: Gerry, I'm sure you know the report by Der Spiegel. They said that there is an IMF non-paper about a Greek exit. My question, is the IMF preparing for such a scenario?

MR. RICE: So again, our position on this, I think, has been very consistent and I think it was explained during the spring meetings by the Managing Director, by Poul Thomsen and others. On the risk of Greece exiting the Euro Zone, we do not expect this to happen as the Greek government has been clear that it wants to stay in the Euro

Zone and will take the necessary actions to prevent exit. So that's the outcome that is in our baseline.

QUESTIONER: Has Madam Lagarde send a letter to the Greek government along with the other institutions stressing the red lines of the IMF? Do you know if Madam Lagarde sent a letter recently to the Prime Minister of Greece?

MR. RICE: I am not aware of that letter. So I can't comment. And again, as we said, Michael, the comprehensive package is what we're looking for. I think the Managing Director and Poul Thomsen talked about what some of these main measures must include, should include. They're not new. You're very familiar with them but we can go over some of that again if you wish.

QUESTIONER: Yes. Just a quick clarification. The IMF payment from Greece that's due is that due on May Day? Or is the following Monday since it's May Day tomorrow? And then, just wondering if you had any comments about some of the concessions that Greece offered on some of the reforms including that in pension late last night, whether that changes the IMF's view and the assessment of those?

MR. RICE: Yes. On your last point, Anna, I'm not familiar with that. It will be part of the talks in Brussels I'm sure. On your first question, let me clarify. The payment due on May 6 is for about EUR 200 million and that's for interest charges and that will be on May 6. The next principal payment of about EUR 750 million is due on May 12th. The full schedule is online. You can look at it there. I hope that answers your question.

QUESTIONER: Firstly, just to follow-up on Michael's question. I think his question was whether the IMF had prepared a contingency plan for a Grexit. Respectfully, I don't believe you answered that question. You answered a different question. So can you say whether or not the IMF has prepared or is preparing a possible Greek exit from the Euro Zone or any other contingencies should there be a default?

MR. RICE: So, I mean, maybe just on the direct question that Michael and you asked which I think was reference to the Spiegel report of the paper –

QUESTIONER: No, I'm not referring to the Spiegel report.

MR. RICE: You're not?

QUESTIONER: I'm asking you directly whether the IMF... I have no idea what Spiegel is saying.

MR. RICE: Okay, so I would repeat just upfront that our baseline position is that we don't anticipate, expect a Greek exit and, you know, as with all other countries, we are always looking at different scenarios because that's part of the service that we provide to our members. So that's par for the course with the IMF. We're always looking at different scenarios for different countries. That's part of our job. We wouldn't be doing our job if we don't do that.

QUESTIONER: And just to follow-up on that. So are you saying that the IMF may have -- may be preparing other scenarios? I'm not sure how to interpret that response.

MR. RICE: I wouldn't go beyond what I've said, in that again, our baseline, our expectation is that there will be no Greek exit from the Euro Zone and that's what the Greek authorities have said and we very much respect that and are working with them toward that. And again, the IMF does its job in all countries and we look at different scenarios. And that's not unique to Greece.

QUESTIONER: Can I just follow-up on a second question?

MR. RICE: No, I'm going to take someone else.

QUESTIONER: I was going to ask about debt forgiveness. Ashoka Mody, a former deputy of the European --

MR. RICE: I'm going to take someone else, just for a bit.

QUESTIONER: Sure.

MR. RICE: And then, I'll come back to you.

QUESTIONER: It's on Greece.

MR. RICE: And then, I'll come back to you.

QUESTIONER: Sure, no problem.

MR. RICE: Is that fair?

QUESTIONER: Well, I don't think so but you're the boss.

MR. RICE: Okay. I will come back to you. I respect your question. Let's stay on Greece and then, I'll come back to you.

QUESTIONER: So just a follow-up on the previous question in the -- on the Web site it actually says that the next payment is due May 1st.

MR. RICE: Right.

QUESTIONER: The interest payment. So just for future reference, can you explain why it is actually not due till May 6th? Like is there some type of notification process? Like why if it's indicated on the Web site that it's May 1 do they not have to pay till May 6th?

MR. RICE: I think it's largely what was said. It's due to the holiday period and then, the notification [period]. So it's a technicality.

QUESTIONER: Okay. So the next time there is such a charge, say for example it's due, just arbitrarily picking a date, June 15th, so long as there's no public holiday or anything of that nature the payment is due on June 15th? Is that correct?

MR. RICE: The schedule is accurate, yeah.

QUESTIONER: Okay. And my last question is any particular reason that the discussions have shifted to Brussels? Is there any type of push on at a higher level to reach a deal by any particular time? Is Madam Lagarde getting involved at all in these discussions? I'm just wondering, you know, previously the technical discussions were happening in Greece and there were kind of more policy-related discussions happening in Brussels. Just wondering if anything has changed in that regard?

MR. RICE: My understanding is that the talks are consolidated at the moment in Brussels both the technical and the higher level talks. They are being consolidated in Brussels and that's what's happening. I don't have an explanation as to why that exactly is happening right now but that's the way the process is working right now.

QUESTIONER: So Ashoka Mody, the former Deputy Department --

MR. RICE: Thanks for your patience.

QUESTIONER: -- oh, no problem. The former Deputy Director of the European Department, Ashoka Mody, who also says himself he was one of the architects of the Ireland program, says in having failed its first Greece test, the IMF risks doing so again. It remains trapped by the priorities of shareholders including in recent years and to reassert its independence and redeem its lost credibility, it should write off a big chunk of Greece debt and force wealthy shareholders to bear the losses. Given what we know about, that the Greek program was not primarily designed specifically and exclusively for Greece but rather for also for the rest of the Eurozone, does the IMF and these many mistakes that it's admitted in the program, does the IMF not think that there's any validity to Mr. Modi's request?

MR. RICE: You know, without accepting the premises there in your question, I don't have much to offer beyond to say that, now that the talks have begun, we hope that they will lead to us being able to update our DSA, the Debt

Sustainability Analysis in the context of this review, and beyond that, again on the debt, as you know, when we discussed it here, many times, I'll say, ad nauseum, that there's an agreed framework in place for dealing with Greece's debt in the current program and there's been no discussion of a change in this framework. So we're moving as fast as we can, with the Greek authorities and our partners, to come to an agreement on the review and on the steps necessary to get Greece back on the path of growth and jobs and sustainability, and that's been the objective from the very beginning.

QUESTIONER: Can I jump in with one more question?

MR. RICE: Okay. Is it on Greece? One more after that. And then I'm going to -- because otherwise it will become known as the Greek press conference.

QUESTIONER: I'm not ascribing blame here, but I think people, investors -- an objective observer might be somewhat concerned to hear the IMF say that it doesn't know the liquidity situation with respect to Greece. Can you explain that? I mean are they just not giving you the numbers? Why is it that we don't know how much cash they have left?

MR. RICE: It's just as a function of what you say. We've not been able to have access to the granular information that the IMF needs to make that kind of assessment. So it's simply that, and hopefully with the discussions in Brussels today, and the process moving, hopefully at a faster pace now, we'll be to have access to that kind of information and do what we usually do. Heather.

QUESTIONER: Actually related to that, what's the IMF's view on the last possible date that Greece has to reach an agreement before they won't be able to make in a payment? I mean, are you confident that they can make the payments in May, the two that are due? And can they make the payments in June, or will they need an influx of some kind of cash?

MR. RICE: Two things. The Greek government has publicly expressed its intention to make good on all its commitments including the IMF repayments, so that's number one. Number two, up to this point, the Greek government has fulfilled that commitment. They have made all their repayments and we know they're making every effort to find the resources to meet their various obligations. So we are proceeding along those lines. You know the next sort of milestones, at least in terms of the IMF payments. We just talked about them, both the interest charges and the principle. Of course, reaching an agreement on the package of policy measures that could be supported by Greece's partners, both European and international, would undoubtedly facilitate this effort. So I'm going to move on from Greece and come to our colleague in the room. Thank you for your patience too.

QUESTIONER: My question is about the (inaudible) lift off and the IMF in the spring meeting, want the strong dollar and the Federal Reserve lift of the adverse impact of such kind of thing on the emerging market economy. And how about the possibility for the emerging economies to experience another round of financial crisis like in early 1980's and late 1990's? And is the IMF communicating with the Fed on this issue, or how about the communication? Thank you.

MR. RICE: We communicate with the central banks of all our shareholders on a regular and frequent basis, so just on your last point, that's something that's ongoing. The issue, one of the other issues, questions you raised about the possible effects of a Fed decision and tightening on emerging markets, this was something discussed really in, I won't say excruciating detail, but a lot of detail during the spring meetings, including in our global financial stability report. So you might want to take a look at that.

We believe the communication so far from the Federal Reserve has been prudent and good, effective. And we urge that that would continue, so that people are clearly reading the signals. And we also think that emerging markets, many of them have taken steps since the last so-called taper tantrum that you mentioned, took place in terms of strengthening their reserves and using the exchange rate and other measures to better prepare for the tightening that will come at some point. So we think these measures will help to mitigate the possibility of another episode, but of course we have to be vigilant, all of us on both sides of the equation. On the Fed, it's of course absolutely for the Fed to decide and it's a Fed decision when to make the change. They've said all along that it's going to be data dependent, that it's going to depend on the economic outlook. We will be -- our Article IV with the

United States is set to finish in June. So that's almost next month. And this is something we will be looking at and commenting on more explicitly in that context. Does that respond to you?

QUESTIONER: On another topic, on the SDR (special drawing rights) review, can you explain a little more in detail how that works, who is conducting reviews in a multi-departmental -- or one department, have they started, how long it usually takes. I know it's not announced until the end of the year but how long does it take and what factors are they looking at that feed into that two part criteria.

MR. RICE: We've talked about this a bit before here but I'm happy to go over some of the ground again. China has expressed its request to join the SDR basket via the (inaudible) and we have said we welcome and share this objective and we are now working closely with the Chinese authorities in this regard. So you asked broadly how does it work, the last review was concluded in 2010.

QUESTIONER: Not broadly, specifically how it works.

MR. RICE: I'm sorry?

QUESTIONER: I said not broadly, specifically, I know how it broadly works, I want to know more of the specifics and the mechanics -- who's doing it and how is it done.

MR. RICE: Okay, well let me not bore you with the broadly then. And try and answer your question. It's multi-departmental, okay. So I can mention some of the departments but it probably doesn't mean too much to the outside world, but obviously the Asia department is involved; also Finance; Strategy, Policy and Review; and Legal departments. And possibly others, it's a multi-departmental approach. Yes the work has begun and the expectation is that there will be a meeting with the board -- a review meeting with the board toward the end of the year which would be according to the schedule. And of course there will be -- the other key player beyond the departments is our executive board, who ultimately makes the decision. And so interactions with the board will begin to take place once we've had a chance to do some further detailed work. Again you tell me if you want more but we've talked before about criteria and the review. But you tell me if you need more.

QUESTIONER: Well just to clarify one thing, does that staff report make a recommendation or do they just present findings?

MR. RICE: The staff at the end of the process, we will make a recommendation. Staff will make a recommendation.

QUESTIONER: And on the criteria, this is what I really wanted to get at, what are the factors that determine -- for example, is central bank independence a part of the review of whether the currency is freely useable or not?

MR. RICE: Is the question, is the Chinese central bank part of that process?

QUESTIONER: No. Is the criteria that a central bank be independent, part of what goes into determining whether the currency is freely tradable?

MR. RICE: The two major criteria are: exports, and that the currency is what we call "freely useable" and then there are a number of conditions that go into what constitutes freely usable. At this point we are gathering the data, doing the research and then you can imagine it's a fairly complex --

QUESTIONER: Sorry to push back, but that's my question. Is something like central bank independence part of what goes into the equation of determining whether the currency is freely usable or not? The U.S. Treasury took that position. That's why I'm asking but that's not one of the headline criteria but --

MR. RICE: It's not one of the headline criteria. It's freely usable as the headline criteria.

QUESTIONER: Right, and so that's what I'm saying, so is it under that criteria or not? Will you look at central bank independence as part of the review process?

MR. RICE: I guess that's something that will be looked at, but it's not one of the headline criteria.

QUESTIONER: Just a few questions about other countries. A quick clarification on SDR, in January the managing director mentioned there would be an informal board briefing in May. Is that still happening, or has it been pushed back?

MR. RICE: On the -- sorry, I didn't catch the first part on the --

QUESTIONER: On the SDR.

MR. RICE: Yes.

QUESTIONER: Is May still the -- this month is still the timeline? Or has it been pushed back? And then one question, a couple quick questions on Ukraine. If you could just confirm the next mission to Ukraine, it is said to arrive May 12th, and then how likely do you think it is that Ukraine will be able to reach agreement with its creditors by the end of this next review? Thank you.

MR. RICE: On your first question, the board meeting has been deferred because the work is underway and we'll let you know as soon as that board meeting is scheduled again. On Ukraine, I can tell you that yes the mission for the first review will start working in Kiev on May the 12th and that the mission hopes to conclude in the usual timeframe, taking the usual two to three weeks is the expectation. Your second question was on the debt restructuring?

QUESTIONER: The IMF has said that it is essential for Ukraine to reach an agreement with its bond holders before the conclusion of the next review. So I was wondering if your assessment of that happening has changed and you think it's like to --

MR. RICE: You know I'd like to echo, or even repeat what our first deputy managing director said on this just a short time ago. And I think it answers your question, maybe you can let me know. The program is premised on full financing of the \$40 billion that Ukraine will need, as well as achieving sustainability of Ukraine's finances over time. Accordingly, we have explained the three criteria for the debt operation that we see necessary regarding the size of the operation, the impact on debt service, and the impact on debt to GDP.

It is vital that the Ukraine and the creditors reach an agreement in line with these criteria, and to do so before the scheduled June review. We want and expect that outcome. It will be an important consideration in the review.

QUESTIONER: I guess you won't say whether you expect to --

MR. RICE: I just did. I guess your question is on Greece.

QUESTIONER: (Inaudible)

MR. RICE: I just thought you might have a question on something else. There is one question on line I am going to take because it is on Nepal, and I think that is important. It is from Matthew Lee of Inner City Press. In Nepal, after the earthquake, will the IMF use the CCR Trust, and what of the \$54 million Nepal owes to the IMF with \$10 million due this year and \$16 million in 2016? Will there be any debt relief?

On that question, what I'd say is we are assessing the situation. We're seeing exactly what the needs are. We will be looking at all options and all instruments that are available to us to respond as effectively as possible to the situation facing the people of Nepal.

There are a number of different instruments that could be used, as you know. There is the rapid credit facility, for example, which is our zero interest rate facility, provides financing very quickly, limited conditionality, in low income countries facing urgent budget and balance of payment needs due to an external shock, including natural disasters. That is one option.

As I said, we will be looking at all options including potential availability under the new CCR Trust.

QUESTIONER: As you know, you have a lot of critics out there, Gerry.

MR. RICE: The IMF?

QUESTIONER: Yes, of course. Making an overview of recent months, many people argue that the intransigence that has been displayed by the Eurozone and the IMF regarding the policy nature of the sixth review of the program, these cripple the program in a period that the program has entered in a satisfactory orbit, and in the same context they accuse the IMF that you do not understand enough the reform fatigue of the Greek people.

I wanted to know what is your answer to these critics, and I'm not among them, you know.

MR. RICE: You know, I don't accept the intransigence descriptor. I think the record shows, if you go back to 2010 and the beginning of the IMF involvement with Greece, I think you will see a lot of evolution in the two different programs that have been initiated. I think there has been a great deal of flexibility in a number of the key areas, including on the fiscal side, for example. Again, I don't accept that descriptor. We continue to be flexible. We are open to alternative policy options and proposals provided they help to meet the program objectives. We have been, I think, consistent on that. I think flexibility is one of the things that the IMF demonstrates in its programs. It is why we have these quarterly reviews, so that as the situation evolves, the program can respond to that. Are we on Greece?

QUESTIONER: No, Ukraine. You all have made clear, to my understanding, that if there is no agreement meeting the parameters described by yourself and David Lipton for the debt operation, as so politely put, then my understanding is the review will not be approved. You said it was both vital and essential in the consideration. To me, that means if it does not meet those criteria described by yourself, then the review cannot go forward; is that correct?

MR. RICE: I don't want us to get ahead of ourselves. I think the debt operation, the discussions are ongoing. We should let that play out. I would want to stick to the characterization that I made in my previous response.

QUESTIONER: I'm sorry. Is that yes or no?

MR. RICE: I'm sticking to my characterization. I can repeat it if you like, but what I said was --

QUESTIONER: You don't need to repeat it. I was just wondering, first of all, you said you didn't get ahead of yourselves. I'm just simply trying to understand what your current policy is, not any future policy or speculative policy or scenario, but actual policy, that is written in the framework of the documents that you all have produced. I'm not talking about anything in the future. I'm talking about the existing documents, one. Secondly, I'm just wondering, since you are the head of Communications, I'm trying to understand if my understanding of your communications is correct. It is my interpretation by your comments that you are saying that if the debt operation does not meet those parameters, the review will not go ahead. Is my understanding correct or is it not correct?

MR. RICE: So, I'm going to try to answer it by saying that what we have said is it is vital that Ukraine and creditors reach an agreement within the three objectives, the criteria of the operation that as you say are stated in the program documents, to do so before our review. We want and expect that outcome. It will be a very important consideration in the upcoming review as we need the financing assurances for the program to be in place, and assurances that remain sustainable with high probability in order to proceed.

I'm going to leave it there.

QUESTIONER: You said the review will start May 12, so the debt restructuring you are hoping will be completed before the completion of the review; is that correct?

MR. RICE: It will be the progress on the debt operation along the lines I have just described, it obviously will be a major element, a very important consideration in the review itself.

I am going to take two more.

QUESTIONER: Considering the complexity of the Chinese currency, will the review take a longer time? Thank you.

MR. RICE: The work has just begun in many ways, and the schedule, as I mentioned earlier, is that there would be a Board meeting on the review, on the decision, later this year. That is the current timeline.

QUESTIONER: This is kind of random...

MR. RICE: I love your random questions.

QUESTIONER: We rarely talk about Syria.

MR. RICE: Syria?

QUESTIONER: Yes, the currency is at a record low, the setbacks, and since IMF is the guardian of its currency assessments, I was wondering if you have ever assessed Syria or if you have any concerns about its economic situation. I'm guessing you don't have an answer right now, but I wanted to just put it out there so you could tell me later if you have one.

MR. RICE: You are always so right. It's a random question and I don't have a random answer for you. We will get back to you immediately. It's an important point. Thank you for raising it, and we will get back to it straight away.

I'm going to leave it there.

MR. RICE: Thank you all very much, and we will see you in a couple of weeks if not before at some of the events I mentioned earlier. Thank you.

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