



International Monetary and Financial Committee

Thirty-Second Meeting
October 9, 2015

**IMFC Statement by Tharman Shanmugaratnam
Deputy Prime Minister & Coordinating Minister
for Economic and Social Policies**

On behalf of Brunei Darussalam, Cambodia, Republic of Fiji, Indonesia,
Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines,
Singapore, Thailand, Tonga, Vietnam

**Statement by Mr. Tharman Shanmugaratnam
Deputy Prime Minister and Chairman, Monetary Authority of Singapore**

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On behalf of the Constituency representing Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao P.D.R., Malaysia, Myanmar, Nepal, the Philippines, Singapore, Thailand, Tonga, and Vietnam

Introduction

- Growth prospects remain differentiated across the global economy, as markets adjust to concerns about growth in emerging economies, and expected interest rate normalisation in the US. Stronger fundamentals and policy buffers across SEAVG economies position the region to weather the current uncertainties. The Fund's adaptive efforts to become more agile in supporting the membership's transition towards sustained inclusive growth are critical. In particular, we welcome the Fund's renewed commitment to improve engagement with countries in post-conflict and fragile situations, small states and low-income countries.

Global and Regional Prospects

- Against a backdrop of generally heightened risks, prospects for growth continue to be uneven across regions. Advanced economies (AEs) are expected to stay on a path of modest expansion while the headwinds buffeting emerging markets and developing countries (EMDCs) have intensified. The recent rise in global risk aversion reflects to a large extent uncertainty over the timing of the policy rate increase in the US and concerns about the near-term growth outlook in EMDCs. Commodity exporters are facing severe terms-of-trade reversals, precipitated in part by the economic slowdown in China, which is undergoing an important transition to consumption and services-driven growth. The concomitant pullback in investment amid a slowdown in export activity has in turn resulted in a decline in the region's trade flows, accentuated by the ongoing consolidation of supply chains. At the same time, the lack of clarity on the advent of interest rate normalisation in the US, alongside greater volatility in capital flows and exchange rates, have constrained policy responses in the region. Nevertheless, inflation remains low across the region, driven in part by the lower commodity prices.
- The SEAVG economies will generally remain on a moderate growth trajectory, with support from domestic demand and a modest improvement in exports, although

individual country outturns could vary. Increased public investment would also provide a boost to economic activity in some countries. On the whole, the region has built up stronger fundamentals, larger policy buffers and more robust financial systems since the Asian Financial Crisis. These improved fundamentals and the continued strengthening of prudential regulation and supervision will help the region to better weather the current uncertainties.

- In the medium term, the growth outlook for SEAVG economies remains positive, with urbanisation and regional integration proceeding apace. There is however potential to do much better; for example, by providing a compelling narrative of reform and acting decisively on the implementation of such reforms. This will help to reshape expectations, lengthen the horizons of markets, and boost investor confidence. In the short term, the emphasis is on addressing the confidence deficit in markets with clear communication and measured policy interventions, including maintaining orderly conditions and undertaking appropriate fiscal measures. In the medium-to-long term, governments should continue to pursue prudent fiscal and monetary policies, domestic structural reforms and deeper regional integration, which can spur new investment, raise human capital, enhance productive capabilities and underwrite sustainable growth.

IMF Surveillance and Policy Priorities

Surveillance and Financial Stability

- We welcome the Managing Director's Global Policy Agenda and in particular the emphasis on refining the Fund's core activities to deliver better support to the membership. The Managing Director's Action Plan appropriately highlights the need for the Fund to become more agile, achieve greater integration of its policy advice across sectors and deepen its engagement with its members and regional bodies to more effectively support the membership in their transition to a new era of sustainable inclusive growth. We support these efforts and particularly welcome greater Fund engagement at both the bilateral level as well as through regional bodies such as ASEAN.
- We also welcome the strengthening of the Fund's surveillance capacity to better support its membership through more robust assessments of the global economy and risks to financial stability. We are supportive of the Fund's initiatives to develop and disseminate analytical frameworks for macro-financial linkages, macro-structural analysis, and management of capital flows. In this regard, we note positively the successful completion of several pilot Article IV consultations, including the Philippines, where macro-financial analysis was more fully integrated into staff

projections and policy advice, and we look forward to an action plan for similar analysis to be gradually incorporated into other Article IV reports.

International Monetary System

- As a steward of the international monetary system, the Fund – through its multilateral and bilateral surveillance – can play a meaningful role in facilitating policy coordination at the global level. With economic growth remaining uneven across regions and greater uncertainty in the global economy, we welcome the Fund’s plans to review the adequacy of the global financial safety net architecture and encourage the Fund to continue to intensify its cooperation with regional financing arrangements and regional surveillance units. In addition, we are encouraged by the progress in the Fund’s quinquennial review of the Special Drawing Rights (SDR) currency basket and look forward to the strengthening of the SDR’s role and attractiveness as an international reserve asset.

Financing for Development

- We welcome the Fund’s active involvement in the post-2015 global development agenda. With a universal membership and its mandate to promote economic growth and stability at both the national and global level, the Fund is in a unique position to contribute to the collective global vision of sustainable economic development. Given the range of issues involved, we note that the Fund has focused on issues deemed macro-critical to achieving growth sustainability and on topics where it has strong policy expertise, including fostering economic diversification, strengthening domestic revenue mobilisation, closing infrastructure gaps and financial deepening and inclusion. We also look forward to greater collaboration between the Fund and other development partners to exploit synergies, build international consensus and garner support for these global goals.

Support for Countries in Post-Conflict and Fragile Situations, Small States, and Low-Income Countries

- We are heartened by the Fund’s commitment to improve engagement with countries in post-conflict and fragile situations, small states and low-income countries. The Fund can play a critical role in building institutional capacity, supporting effective reforms and enhancing macroeconomic management in these countries. Myanmar and Nepal, two members of our constituency, have benefitted significantly from these efforts. The recent scaling up of the Fund’s technical assistance for Myanmar and prompt efforts to provide urgent support for Nepal following the recent earthquakes,

underscore the Fund's relevance and vital contributions that are valued by its membership.

- We encourage the Fund to build on these commendable efforts to further strengthen the effectiveness of its engagement with small states and low-income countries by tailoring its surveillance and policy advice, and improving its delivery of capacity building initiatives. In this regard, we urge the Fund to continue leveraging on its regional technical assistance centres (RTACs) as well as training institutes. Two pilot capacity building workshops organised by the Asia and Pacific Department in collaboration with RTACs in Thailand and Fiji, as well as the Singapore Regional Training Institute, were well-received by participating member countries and we look forward to more of such targeted capacity-building efforts by the Fund.

Quota and Governance

- Finally, we would like to reiterate our deep disappointment with the lack of progress toward the full implementation of the 2010 IMF Quota and Governance Reforms. Our constituents reaffirm our commitment to maintaining a strong, well-resourced, and quota-based IMF. In light of the delays, we urge the Fund to undertake the necessary steps to secure an interim solution that will make meaningful progress towards the objectives of the 2010 reforms while ensuring that the Fund remains capable of meeting members' needs and supporting the stability of the international monetary and financial system.