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IMFC Statement by Obaid Humaid Al Tayer
Minister of State for Financial Affairs
United Arab Emirates

On behalf of
Kingdom of Bahrain, Arab Republic of Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates, and Republic of Yemen

Statement by His Excellency Minister Obaid Humaid Al-Tayer
Minister of State for Financial Affairs for the United Arab Emirates

On Behalf of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates, and Yemen

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Washington, October 7, 2016

1. We appreciate the Fund's balanced assessment of the global outlook and the spotlight placed on the range of challenges facing the global economy. Global growth remains subdued, particularly for large advanced economies who still face the risks of deflation, despite signs of recovery in some economies. Debt overhangs and uncertain prospects of future demand still hinder investment and slow growth has exposed underlying weaknesses in many countries. Nevertheless, it is reassuring that financial conditions have improved, boosted by continued monetary accommodation through quantitative easing and expanded use of negative interest rates. The growth outlook for EMEs, who continue to account for the bulk of global growth, has improved somewhat but with rising risks surrounding rapid credit growth and high debt related to demand-supporting policies and the search for yield.

2. In this regard, we concur with the need for an approach that compliments over-stretched monetary policies with growth-friendly fiscal stimulus where space exists, and well-targeted structural reforms to remove growth constraints. Greater efforts are needed on supply-side and structural reforms in both advanced economies and emerging market developing countries. Addressing private sector debt overhangs and balance sheet problems is also essential. The Fund should remain vigilant in its surveillance and continue to stress that countries use this time of favorable financial conditions to build resilience against shocks and prepare against possible capital flow reversals once monetary conditions normalize. Concurrently, there is a need to better understand the factors behind the global productivity slowdown, especially in the context of technological change, as well as the sluggish growth in trade. The Fund should continue to improve its analytical tools related to measuring fiscal space and prioritizing structural reforms in order to better tailor its advice. We look forward to the planned integration of the streams of work in the Fund on capital flow management and macroprudential policies to support countries in building resilience.

3. This year's focus on non-economic factors is well placed, as these not only influence the level of current and future activity, but more importantly, such trends constrain the environment for policy makers to introduce reforms. We share the Fund's concern with the rising tide of anti-globalization sentiment and inward-looking policies as reflected in the rhetoric associated with Brexit, political developments elsewhere in Europe, and the US election. The Managing Director's recent statements on the subject are constructive, recognizing the benefits of globalization need to be shared more broadly, and slow adjustment to technological change has reduced wage growth for middle and low-skilled workers. We support the intention of the IMF to carry out analysis on the impact of globalization and the factors underlying low global productivity growth and the global trade

slowdown. We also look forward to strengthening Fund analytical work on inequality and the impact of technology.

~~4.~~ With regard to the Fund advocating multilateralism that works for all, the upcoming 15th General Review of Quotas should be an opportunity to provide greater voice for medium and small sized countries.

5. A well-resourced Fund is particularly important. We look forward to further work on possible reform of the international monetary system and addressing gaps in the global financial safety net (GFSN). In this regard, we continue to see high-quality Fund surveillance, and well-regulated and supervised financial systems as the essential foundations of a strong GFSN. There is a strong case for further strengthening the Fund and its instruments. We look forward to consideration of the adequate size of the Fund as part of the 15th General Review of Quotas to ensure the Fund can play its role at the center of the GFSN, noting that the size of the Fund's quota resources has eroded relative to key financial indicators. We support further work to broaden the use of the SDR and, in this regard, we congratulate the Chinese authorities for the inclusion of the renminbi in the SDR basket.

6. In the Middle East region, growth has been constrained by the impact of prolonged low oil prices, long-lasting conflicts, and lingering security concerns. Oil exporting countries have introduced significant fiscal consolidation measures including domestic fuel price increases, and reducing public sector wage growth and benefits. They have also accelerated the already ongoing economic diversification away from the dependence on oil. This has included consideration of labor market reforms to raise employment and productivity. With reduced public revenues, public investment and infrastructure programs are under more scrutiny and prioritization is taking place. Some countries, including the U.A.E., introduced measures to improve the efficiency of public spending, monitor service delivery, promoting innovation, fostering competitiveness and SMEs' access to finance. We appreciate the engagement of staff with our authorities on adjustment and diversification, and welcome more country specific policies that take into account ongoing initiatives. Further analysis of ways to improve labor market policies would be welcome.

7. The oil importers in our constituency have continued their fiscal consolidation efforts to bring debt down to a sustainable path. The period of relatively low oil prices provided an opportunity to reduce public spending on electricity and fuel subsidies, but budgetary pressures returned with the partial rebound in global oil prices. Several countries in our group continue to be affected by lower inflows from tourism, remittances, and foreign direct investment due to the uncertain political and security situation. Addressing the aspirations of the rapidly growing youth populations is all the more challenging in the environment of fiscal consolidation and constrained public and private resources for investment. We would welcome further Fund work on sequencing of structural reforms and mechanisms to deepen financial markets and enhance financial inclusion.

8. In a number of our countries, geo-political conflicts have undermined economic stability and have had an immense human, economic, and social cost for displaced populations and refugees as well as an exceptional burden for host countries. Several million registered refugees live in precarious conditions in Jordan and Lebanon, notwithstanding the generosity of host governments, and represents a significant size, relative to the population, of these two countries. In Yemen and Iraq, millions are internally displaced, and many in the former live in the midst of the country's collapsing basic services and infrastructure and are in need of life saving assistance. The IMF staff work in this area has helped to assess the economic consequences of conflicts, and the World Bank introduced a financing initiative during the Spring meetings, and many countries in Europe and the Americas have expressed support and welcomed refugees. Given the magnitude and impact of the refugees' problem, much more international cooperation needs to be done. In particular, the Fund should continue to help inform donors, and participate in global initiatives, as well as provide financial relief by subsidizing charges related to Fund arrangements for neighboring countries shouldering this burden.

9. We appreciate the Fund's close engagement with Jordan and Iraq in the context of Fund arrangements, the staff level agreement reached with Egypt, and the continued engagement with Yemen and Libya. We call on the Fund to carefully tailor its advice, to work within the countries' political economy constraints, and to remain ready to provide prompt and up-scaled technical support. Fund staff interactions and documents should adequately recognize and integrate the authorities' home-grown initiatives and incorporate them into program design while avoiding rigid views on the ideal pace of specific reforms to further support ownership and trust.

10. The withdrawal of correspondent banking relationships is materially impeding access to financial services in our region and elsewhere. It has complicated the transfer of remittances and the conduct of trade and banking operations. We appreciate the collaborative work undertaken by several IMF departments, including within our region and with the participation of the Arab Monetary Fund to address this problem. The Managing Director has also contributed to raising the profile and urgency of addressing this challenging issue. We see a need for continued work on identifying the magnitude and impact of the problem and for efforts to facilitate a dialogue and further cooperation among country authorities, supervisors, international regulators and the financial industry until the problem is resolved.

11. We appreciate the Fund's collaborative work and its participation in our regional fora such as the Arab Fiscal Forum, and the meeting of the Council of Arab Finance Ministers, the Council of Arab Central Bank Governors, and conferences organized by the GCC and the Arab Monetary Fund on a range of time-relevant topics. Among the topics where the Fund engagement has been much appreciated is Islamic finance, promoting regional initiatives such as the ArabStat and a common VAT for the GCC, and addressing the withdrawal of correspondent banking relationships. We look forward to continued engagement and participation with our countries in support of our national priorities.