



International Monetary and Financial Committee

Thirty-First Meeting
April 18, 2015

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

On behalf of Bahrain, Arab Republic of Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya,
Maldives, Oman, Qatar, Syrian Arab Republic, United Arab Emirates,
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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1. The global recovery is picking up in most large economies, but it remains moderate and uneven across major economies and regions. The Fund's outlook for advanced economies (AE) is improving while growth in emerging market and developing economies (EMDCs), even though downgraded, remains the driver of global growth. The Fund's outlook is clouded by a number of forces, including weak investment and below target inflation in AE, rising market volatility, and some lingering crisis legacies. Upside risks include the positive impact of lower oil and other commodity prices, lower cost of financing, and changes in the exchange rates of major currencies.

2. The decline in oil prices is having a positive impact on global growth, reducing inflation, helping to create fiscal space, and improving the balance of payments of oil importing countries. This decline in oil prices, combined with moderate fiscal consolidation and monetary accommodation, are supporting growth in the three major economies and in many EMDCs. However, a prolonged period of low growth, or disinflation, remains of concern and underscores the need for policy actions to support productivity and aggregate supply. A protracted period of low demand could erode labor supply and investment and thus potential growth. Actions are needed to address the downward shift in potential output growth in virtually all economies. Infrastructure investment and structural reforms are prime policy priorities to revive and sustain growth. In countries with aging populations, there is a need to strengthen labor force participation and trend employment. Fund analysis that probes the impact of structural reforms on total factor productivity would therefore be welcome and we see merit in further work that would take account of recent structural reforms in future estimates of potential growth.

3. Emerging market economies (EMEs) face a number of risks. These risks include higher interest rates, a stronger dollar, and more volatile capital markets. Geopolitical tensions in some parts of the world are an added factor. It will be important for the asynchronous normalization of monetary policies in AE to be carefully managed in order to limit market volatility. EMEs could be better prepared for higher volatility through stronger external current account positions and more resilient financial sectors. Our central banks are aware of the need to respond quickly in the case of market volatility, and we expect the impact on our economies to be limited.

4. We appreciate the key messages of the Managing Director's Global Policy Agenda which gives prominence to actions that support durable growth by improving the effectiveness of demand stimulus, implementing structural reforms, and ensuring financial stability. Without concerted policies in major economies, the pick-up in growth may again fall short of expectations in spite of the easing of both financial conditions and the pace of fiscal consolidation. In this regard, we agree that fiscal policy needs to be carefully calibrated so it appropriately balances growth and fiscal sustainability. We support the continuation of monetary accommodation by the ECB and in Japan, and the authorities should remain vigilant to the build-up of financial risks and deploy macroprudential tools, as needed.

5. For the countries in our constituency, we broadly concur with the assessment of a pick up in overall growth during the current year. The GCC countries continue to exhibit robust growth in the non-oil sector, while oil GDP growth has tapered in line with modest increases in global demand and rising supply in North America. These countries are pursuing strategies to rebalance growth towards more productive public spending and to strengthen the non-oil fiscal balances to preserve the oil wealth for future generations. Meanwhile, continued progress is being achieved in diversifying these economies away from oil and in promoting the employment of nationals in the private sector. For the non-GCC oil producing countries in our constituency (Iraq, Libya, Yemen), domestic strife has adversely affected both oil and non-oil production, but activity is expected to rebound as domestic frictions dissipate.

6. For oil importers in our constituency, average growth is projected to rise in 2015 on the back of confidence gains, higher demand from trading partners, and structural reforms that are nurturing competitiveness and foreign direct investment. Ambitious energy subsidy reforms, recently initiated in several countries, have not only contributed to improving the fiscal position but also had a positive impact on business confidence and investment. Further steps in subsidy reforms and revenue mobilization are planned to strengthen the fiscal positions and create space for enhancing social safety nets.

7. Future Fund analysis and policy advice could provide deeper country-specific analysis of policy options that balance fiscal sustainability and job-creating growth. Quantitative analysis of the distributional and growth impact of fiscal measures would be welcome, in collaboration with country authorities. We agree with the Fund's view that domestic reform efforts can be supported by the international community through financing, investments, and enhanced access to markets. For countries experiencing domestic strife, the Fund should stand ready to upscale technical support on policy priorities once domestic stability is restored and to support international reconstruction efforts as soon as feasible.

8. We welcome the Fund's support for Arab Countries in Transition (ACTs) and substantial donor support from the region. We value the timely and up-scaled provision of technical assistance which helps underpin crucial policy reforms. Given the importance of financial deepening for inclusive growth, we encourage Fund support of domestic efforts to achieve more financial integration, deepen domestic financial markets, and develop non-

banking financial institutions. Fund training programs, particular those located in the region, are valuable for preparing future policy makers while building goodwill toward the Fund. We appreciate the IMF's strengthened collaboration with the Arab Monetary Fund, including on the ArabStat initiative, which will enhance the provision of statistics in the region to underpin sound policy formulation. We reiterate the call for a balanced policy dialogue that takes account of country perspectives as highlighted in the Triennial Surveillance Review. We also call on the Fund to work closely with other international institutions to support the countries that are affected by the humanitarian crisis in the Middle East in order to mitigate the adverse effects on the economies of the region and spillovers to the global economy.

9. Quota reforms, including any interim steps, should ensure a fair representation of Arab countries. In particular, shifts in quota shares in favor of dynamic emerging and developing countries should not come at the expense of other emerging markets and developing countries. Future work on the 15th quota review and reassessment of the quota formula needs to carefully assess any biases in the formula that favor maintaining the status quo.

10. We look forward to the Fund's continued contribution to the post-2015 development agenda. However, it is essential that the Fund's role be limited to its core mandate. The Fund should contribute to the initiative through its effect on macroeconomic and financial stability issues.

11. Finally, we take note of improvements in staff diversity and call for intensified efforts to address the underrepresentation of Arab nationalities, particularly at the level of managers and high level professionals.