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Statement by Mr. Shanmugaratnam
Singapore

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

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

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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

We are encouraged that the global recovery is gaining momentum, although we remain watchful of risks that could disrupt the recovery, including heightened geopolitical risks, policy uncertainty, financial market vulnerabilities and capital flow volatility. As steward of the international monetary system, the Fund has the capacity to support members in addressing these risks and to promote robust, sustainable and inclusive growth within an open and integrated global economy. The Fund can do this by strengthening its efforts across all three pillars of its work – surveillance, lending, and capacity development.

Regional Prospects

The global recovery and trade revival have benefited countries in the SEAVG constituency. The more export-oriented economies have seen growth pick up, alongside improving external demand conditions and firmer commodity prices. Economic activity in most SEAVG countries has also been underpinned by resilient domestic demand, supplemented by a modest fiscal impulse from public infrastructure spending. Looking ahead, the near-term growth outlook for SEAVG will be bolstered by positive spillovers from the export industries to the non-tradable sectors of the economy, which should ensure continued sustainability in consumption and investment spending. To raise potential growth over the medium term, policymakers should seize the window of opportunity provided by the present conducive cyclical conditions to push ahead with economic reforms, invest more heavily in human capital, and deepen regional economic integration.

At the same time, we need to be vigilant of persistent downside risks that could have an outsized impact on Asia, in particular, inward-looking policies, an abrupt tightening of financial conditions, and elevated geopolitical tension in Northeast Asia. Despite concerted policy actions to strengthen financial systems since the Global Financial Crisis, financial stresses and capital flow volatility remain a policy concern.

Enhancing Surveillance and Policy Advice

We support the Managing Director's Global Policy Agenda and appreciate the GPA's call for members to redouble efforts to pursue necessary structural reforms, address medium-term headwinds, and enhance inclusive growth. The Fund can support these efforts by providing member-tailored advice while continuing to strengthen its multilateral surveillance activities. We encourage the Fund to direct its analytical capabilities toward shared challenges among the membership, including further analysis on the drivers of global productivity slowdown.

In the current climate, we feel it is important to recognise the immense potential for technology and economic integration to raise productivity, incomes and living standards around the world, even as it requires intensified efforts to help all segments of our people to make the most of new opportunities.

In this context, the Fund should continue to examine the potential benefits and risks of innovations in the financial sphere, including their potential to advance financial inclusion for the under-banked, which remains a key priority for many SEAVG countries. Meanwhile, the Fund should continue to support members in managing dislocations from technology and trade as part and parcel of its broader efforts in addressing inequality. In advancing this work, the Fund should remain mindful that all social policy involves trade-offs and there is no universally optimal system of taxes, transfers and social safety nets. The focus should therefore be on analysing concrete and practical policy options that promote equality of opportunity, enhance social mobility, and facilitate an adaptable workforce.

We continue to see a need for vigilance in the financial markets as the search for yield stretches asset valuations and compresses risk premia amid rising leverage. While the countries in our constituency have built resilience by strengthening macroeconomic policy frameworks, building external buffers, and enhancing regulatory and supervisory oversight, we remain cognisant that financial markets can be fluid and unpredictable. The Fund is well-placed to identify potential spillovers that may trigger capital flow surges, look holistically at the implications of policies introduced by source countries in addition to the policy responses of recipient countries, and promote a balanced, pragmatic approach to capital flow management taking due consideration of individual country context. We call on the Fund to further sharpen its understanding of the efficacy and limitations of macroprudential tools in addressing volatile capital flows, as well as financial stability risks through the cycle. The Fund should also work with international standard setting bodies to continue to evaluate and fine-tune the post-crisis financial regulatory framework, while guarding against rollbacks of progress in enhancing financial resilience.

Making the Global Financial Safety Net Stronger and More Inclusive

A well-functioning international monetary system must be underpinned by a robust global financial safety net (GFSN). We welcome the Fund's commitment to further strengthening the GFSN and look forward to further discussion of enhancements to the Fund's lending toolkit. We encourage the Fund to continue to strengthen coordination with regional financing arrangements, including the Chiang Mai Initiative Multilateralisation (CMIM), to help build coherence and complementarity across the GFSN.

The Fund sits at the heart of the GFSN and it is paramount to ensure that it is both adequately equipped and representative of its membership. As such, the Fund must stay on track to complete the 15th General Review of Quotas. This is vital not merely to ensure that the size and composition of the Fund's resource envelope are appropriate for the risks faced by its membership, but also to ensure that its quota and governance structure appropriately reflects the growing weight in the global economy of emerging markets and developing countries. We are encouraged by the universal commitment among the membership towards a strong, quota-based and well-resourced Fund, but underscore the importance of compromise and flexibility by all parties to build consensus on the way forward. We should build on the key outcomes of the 2013 Quota Formula Review to avoid reversing established principles and commitments. We view that a meaningful conclusion to the 15th General Review of Quotas is one that augments the permanent resources of the Fund and the voice of its underrepresented members. This would be a strong signal of the Fund's ability to evolve with its membership.

Strengthening Support for the Membership

Low-Income Countries and Small States

We are heartened by the Fund's continued efforts to support the poorer and more vulnerable segments of its membership. We particularly appreciate ongoing work to help countries, especially low-income countries (LIC) and small states, cope with the macroeconomic implications of climate change, natural disasters and other exogenous shocks, and look forward to further discussions as part of the LIC facilities review. We also encourage the Fund to continue to highlight and address the selective withdrawal of correspondent banking relationships, which has significantly affected segments of the membership.

Strengthening the Framework for Capacity Development

The Fund’s technical assistance and training activities are a core pillar of its work, and a large part of the Fund’s membership, including many in our constituency, have benefited from it. We welcome the Fund’s plans to review and strengthen its framework for capacity development in 2018 and underscore that capacity development activities must be demand-driven and well-calibrated to the country’s needs. We commend the Fund’s use of technology, including massive open online courses (MOOCs), to effectively and efficiently deliver training to a wider audience. We encourage the Fund to continue to explore innovative delivery mechanisms to support members’ capacity development needs.