



# **International Monetary and Financial Committee**

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Statement No. 35-10

**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



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

**International Monetary and Financial Committee (IMFC)**  
**April 22, 2017**

<p>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</p>
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**Introduction**

- The global economy has improved and SEAVG economies continue to be resilient, with a positive near-to-medium-term outlook. However, global geopolitical risks remain elevated, and policy uncertainty persists. In this context, the Fund’s efforts to enhance its surveillance and to have more adaptive policy advice will be critical. This must be coupled with continued efforts to strengthen the international monetary system in support of the needs of both the collective membership and individual economies.

**Global and Regional Prospects**

- Conditions in the global economy have improved since the second half of last year, as the continued healing of labour markets in the major advanced economies underpinned a firm expansion in domestic demand. Forward-looking indicators such as purchasing managers’ indices (PMIs) suggest that the growth momentum is continuing into 2017. The prospect of significant tax cuts, deregulation and infrastructure spending in the US could further boost corporate investment, alongside stronger business sentiment. Sustained policy efforts have led to a stabilisation of growth in China, which in turn contributed to a bottoming out of global oil and commodity prices. At the same time, amid some depletion of inventories, an upswing in the global technology cycle has precipitated an ongoing recovery in production and trade across the major IT exporters in Asia.
- Growth prospects in SEAVG countries have likewise improved—primary producers in the region have benefited from the turnaround in commodity prices, while other economies that are plugged into regional supply chains have seen a pickup in trade driven in part by intermediate goods. Economic activity in the SEAVG countries in the past several years has been supported by robust domestic demand, and this is expected to continue alongside the trade recovery. Overall, SEAVG countries as a whole are expected to post slightly firmer growth outcomes in 2017. Over the medium

term, the region's policymakers should endeavour to push ahead with structural reforms that will raise economic efficiency, and increase labour productivity.

- While global and regional near-term economic indicators have generally turned positive, downside risks remain, reflecting uncertainties associated with geopolitical developments and possible policy shifts in the advanced economies. Given the extensive global value supply-chains in Asia, the region remains vulnerable to a scaling back of trade and investment flows. A faster-than-expected pace of interest rate hikes in the US could also pose a drag on economic activity, amid capital outflows and a destabilising tightening of financial market conditions.

## **IMF Surveillance and Policy Priorities**

### *Enhancing Surveillance and Policy Advice*

- We welcome the Managing Director's Global Policy Agenda which appropriately identifies the key challenges ahead as well as sets out concrete policy steps that can be pursued at both national and global levels. We also welcome its emphasis on the need to continue to promote multilateral cooperation. We strongly agree that a cooperative multilateral framework for trade and financial integration has led to large economic benefits, and the membership must jointly endeavour to safeguard existing mechanisms that facilitate free movement of goods, services and investments. In order to promote sustainable and inclusive global growth, more can be done to ensure that economic gains are shared more broadly, including by expanding economic opportunities for all. In this vein, we welcome the Fund's plans to support the membership by sharpening its understanding of the macroeconomic and distributional effects of technological advancements, trade and capital flows, as well as the role of macroeconomic policies to mitigate their side effects. The Fund's work will provide invaluable information as members consider appropriate policies to ensure equitable wealth distribution, and boost productivity and investment for long-term sustainable growth.
- We also welcome the Fund's ongoing efforts to strengthen surveillance to help members better identify risks and policies critical to ensuring resilient growth. In particular, we would highlight the progress made in integrating macrofinancial analysis into Article IV surveillance, specifically the pilot cases which included Cambodia, the Philippines, Singapore and Vietnam. We look forward to its expanded coverage as well as deeper analysis of outward spillovers. We are fully supportive of the 2017 Review of the Standards and Codes initiative, appreciating that such an initiative remains key in promoting international best practices and assisting members to strengthen economic resilience. We also welcome ongoing efforts to improve the

Fund's policy advice on how to deal with capital flows. Specifically, we see significant value in the Fund taking further steps to develop its understanding of how macroprudential measures may help to address financial stability risks associated with capital flows, consistent with the Fund's institutional view on capital flow management.

#### *Strengthening the International Monetary System*

- A robust global financial safety net is crucial to a well-functioning international monetary system. In this regard, the Fund has played a crucial role in improving the coverage and coordination across various layers of the safety net. We are strongly supportive of the Fund's ongoing work to help members better prepare for challenges that may arise from heightened volatility and uncertainty in the global financial markets. In particular, we look forward to the development of a new short-term liquidity instrument to provide strong members with a precautionary, rapid, renewable and reliable support in the event of unexpected liquidity shocks. In addition, we welcome complementary efforts to strengthen coordination with other regional financing arrangements, including the Chiang Mai Initiative Multilateralisation.

### **IMF Support for Member Countries**

#### *Ensuring Support for Small States and Low-Income Countries*

- We are heartened that the Fund is examining ways in which macroeconomic policies can help countries, especially small states, to build up resilience against natural disasters and climate change. The Fund is well-positioned to assist small states in adopting appropriate macroeconomic policies to facilitate risk reduction and enhance crisis preparedness. In addition, the Fund can provide important financing support, when necessary, through the Rapid Credit Facility and Rapid Financing Instrument. We would therefore urge that the Fund continues to ensure that the features of these instruments, including access levels and eligibility criteria, remain relevant and appropriate. We look forward to deliberating on these issues as part of the Fund's comprehensive review of facilities for low-income countries in 2018. We also support work by the Fund to highlight and address issues arising from the recent selective withdrawal of correspondent banking relationships that have affected certain segments of the membership, in particular, small and fragile states.

#### *Refining the Fund's Capacity Development Framework*

- More broadly, we welcome the ongoing review of the Fund's capacity development strategy. As one of the three core pillars of the Fund's work, capacity development is

an integral driver for fostering global economic stability. By providing tailored training and technical assistance to the membership, the Fund contributes meaningfully to strengthening members' institutional capacity and thereby their ability to achieve better economic and social outcomes. A significant portion of the membership, including several members in our constituency, have continued to benefit from the Fund's technical assistance and training. We therefore encourage the Fund to explore ways to enhance the delivery of capacity development through better integration of such activities into Fund surveillance and program work. Further, we are supportive of steps being considered to strengthen coordination within the Fund – i.e. between IMF headquarters, regional technical assistance centres and training institutes – as well as with other international development agencies.

### **IMF Resources and Representation**

- Given the protracted delays in completing the 15<sup>th</sup> General Review of Quotas, a number of our constituents have joined other members in supporting the Fund with temporary resources to maintain its overall lending capacity and ability to respond to members' needs. Nonetheless, in line with our commitment to a strong, quota-based and adequately-resourced IMF, we reiterate the importance of adhering to the new timetable for completing the 15<sup>th</sup> General Review of Quotas by the 2019 Spring Meetings and no later than the 2019 Annual Meetings. A timely conclusion of the review is vital given the importance of quota reforms in sustaining the Fund's ability to support international stability while strengthening its credibility and legitimacy. In this regard, we see merits in building on the key outcomes of the 2013 Quota Formula Review in order to avoid reversing hard-won progress. We also underscore the need for the entire membership to exercise flexibility and compromise to reach a meaningful conclusion.