



# **International Monetary and Financial Committee**

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**Statement by Mr. Al Tayer  
United Arab Emirates**

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**

**International Monetary and Financial Committee  
Washington, April 21, 2018**

We welcome the continued upswing in global investment, trade, and overall growth as well as the favorable outlook for the next two years, relative to last October. We also welcome the continued strengthening of growth rates for EMDCs as a whole, and the respite for commodity exporters after several years of dampened growth. We share the risks and challenges as presented by Fund staff. We are particularly concerned about risks to the global economy from growing trade disputes and a movement away from economic integration and toward protectionist policies. In addition, the buildup in financial vulnerabilities and debt over the years has increased risks from a more rapid tightening of global financial conditions and a potential reversal of capital flows. These risks, together persistent geopolitical strains, and related spillovers should be carefully monitored.

For many **advanced economies** that are now growing at above potential, and benefiting from supportive policies, growth rates are likely to be constrained by sluggish productivity growth and aging populations. Fund analytical work on trends in labor force participation and the structural drivers of productivity and inequality is therefore important and should continue. While **EMDCs** prospects are favorable overall, and they continue to be the main contributor to global growth, the outlook for some remains challenging. It is sobering that about one third of EMDCs are projected to grow by less than advanced economies in per capita income over the next five years, and hence would fall further behind in terms of living standards. Emerging Asia and Europe will benefit from the global pick up in trade and fiscal stimulus in the U.S. India's high growth rates approaching 8 percent next year is noteworthy, reflecting consistently sound policies. With respect to China, we commend the ongoing rein-in of credit growth and measures to address financial risks while continuing to rebalance growth. We take note of recent announcements of further opening Chinese markets to foreign investors, and encourage continued dialogue to settle trade tensions.

**Policies** therefore need to be geared toward securing the current upswing and addressing the weak growth prospects over the medium-term. Policies should focus on enhancing the potential for higher and more inclusive growth, building fiscal buffers and financial resilience, and supporting international cooperation. As technological change affects the labor market, it is important to facilitate the reallocation of labor to the most dynamic sectors through workforce skill development, and reducing barriers to entry and trade in services. Public spending will also need to increasingly shift toward infrastructure gaps and boosting labor force participation, and reducing poverty. Accordingly, the Fund's work should

continue to support members to achieve these goals, with deeper and more granular analytical work to underpin more tailored and well-sequenced policy advice.

In our **Middle East region**, only a few countries are expected to reach or exceed their average growth rate in the previous decade, and, for the majority, growth will not reach that level in the next five years. Economic prospects are improving for **oil exporters** in the near term, but medium-term growth will remain constrained by the need to continue with their initiated fiscal consolidation and diversification plans. Many countries, including **oil importers**, have embarked on macroeconomic adjustments and structural reforms, that can be costly in the short-term but hold the promise of raising potential growth and providing job opportunities. Notwithstanding important progress achieved across a wide range of reforms, the momentum of reforms needs to continue in order to place the countries on a sustainable path of higher and more inclusive growth. This objective is highly relevant for our region given high unemployment rates, especially youth unemployment, the large share of youth in the population, and the relatively rapid population growth rates. We underscore the need for the Fund to further hone its skills in identifying and prioritizing those structural reforms that would yield the most growth outcomes and address inequalities. In particular, we need Fund support to create a stable and sound investment environment conducive to generating more jobs. Fund insights in areas like financial inclusion and gender diversity will be of great benefit to our countries. We welcome the Fund's work on fragile and conflict-affected countries, as well as countries affected by refugee crises, and call for continued flexibility in dealing with these countries, particularly in the context of programs. Technical assistance and desk work by Fund staff are valued in countries, including where Fund visits are currently not possible.

Rising debt vulnerabilities remains an area of concern, in particular for **LIDCs**. We note that the number of LIDCs in debt distress or that have a high risk of debt distress has increased significantly in the past two years. We welcome the Fund's efforts to prepare countries to implement the revised Debt Sustainability Frameworks for LICs, and encourage further work to develop a comprehensive and transparent debt reporting system, together with the World Bank. We also see merit in strengthening the joint responsibilities of debtors and creditors. Technical assistance with debt management should also be up-scaled.

It is also critical for the Fund to focus on improving convergence prospects for EMDCs and LIDCs. There is scope for countries to invest more in workforce skills, improve access to credit, reduce infrastructure gaps to promote diversification, and generate job opportunities.

To preserve living standards, it is important to continue to foster **cooperation** in the areas of financial regulation, open trade, and the diffusion of innovation across borders. Shared knowledge will help identify best ways to reap the benefits and deal with potential challenges from **digitalization and fin-tech**, crypto-currencies and cybersecurity. The Fund's continued work in this area will be useful and should assess the impact of advances in technology on

member countries and to provide guidance and share experiences where possible. We appreciate the Fund's involvement in identifying challenges posed by the withdrawal of **correspondent banking relationships**, and we look forward to working together with Fund staff to address these and newly emerging financial sector issues.

Persistent efforts are needed in other areas of cooperation, including preserving the global benefits from trade, continued progress in areas of **trade reform** in agriculture, services, and digital trade with potential for significant contributions to cross-order flows. Continued coordinated efforts are needed to decrease **tax avoidance and profit shifting** by firms which contribute to higher taxes on income.

We continue to call for cooperation to address the ongoing economic and humanitarian **refugee crisis**. A greater coordinated effort is needed to address the consequences of refugees on neighboring countries' economies and the impact of displaced populations, with continued emphasis by the IMFC and adequate support from Fund staff.

We support the **IMF work priorities** as outlined in the Managing Directors' concise Global Policy Agenda Update and the emphasis it places on members to rebuild buffers and advance structural reforms while conditions remain favorable. The Fund needs to keep pace with challenges of **technological progress and digitalization**, including on productivity, labor and financial markets, fiscal policy, and the effectiveness of monetary policy. The membership is looking to the Fund for continued valuable guidance in this area.

We look forward to the **2019 Comprehensive Surveillance Review** and appreciate the opportunity to share our views with staff. While we recognize the progress made to date in assessing risks, integrating macro-financial analysis, and deepening macrostructural work focused on productivity growth and addressing inequality, there is scope to do more going forward. We see scope for further improving external sector assessment methodologies and presenting staff adjustments in a more transparent manner. Outward spillover analysis needs to be further strengthened, including with respect to changes in tax and trade policies. The impact of technological changes on Fund surveillance should be considered. Structural policy advice has taken on greater prominence in Fund work, and we note the efforts to build in-house expertise in this area and continue to collaborate with others. While we see signs of greater depth and granularity when covering structural issues, we see a need for more analytical rigor, more country-tailored advice, more lessons from successful experiences, and clear prioritization and sequencing of Fund advice. We reiterate our call for more effective and balanced communications.

The Fund can play a positive role in assisting member countries to improve **governance**, including tackling corruption, in the areas of key state functions that are within the Fund's mandate and expertise. The Fund's work in this area should be guided by sound evidence-based analysis to establish the existence of systemic vulnerabilities that are of a macro-

critical nature. Fund assessment should be discussed with the authorities and avoid reliance on perception-based indicators and other less reliable sources of information.

The Fund's **capacity development** activities should be further enhanced, with the benefit of strategic partnerships with a wide group of donor countries. Additional efforts are needed to better integrate this work with surveillance work and to address Fund work in emerging issues. The Fund may need to expand its technical assistance to support improving governance in the areas of the Fund's expertise, while recognizing that the pace of recommended reforms needs to be calibrated to country capacities.

We value the role of the Independent Evaluation office (IEO) which is critical for the credibility and effectiveness of the Fund. We would encourage more outreach and strengthened feedback mechanisms from member countries.

Regarding the **15<sup>th</sup> General Quota Review**, a key priority is to safeguard the Fund's current lending capacity, which should be seen as a minimum as we move into the next decade, especially with the expected greater volatility and tightening of financial conditions. The composition of resources should be rebalanced toward the historical ratio of quota to borrowed funds of around 85/15 prior to the global financial crisis. We emphasize the importance of continuing to move toward a meaningful shift of quota shares from advanced economies to emerging and developing countries, and this shift should not come at the expense of other EMDCs as was the case in past quota reforms.

We appreciate the Managing Director's efforts to improve the diversity of Fund staff. Our region remains under-represented and far below agreed-upon benchmarks for staff diversity. We therefore look forward to concerted efforts to address this long-standing concern. We also support efforts to improve gender diversity at the Executive Board.