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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,
Maldives, Oman, Qatar, 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,
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The growth upswing has decelerated and uncertainty has increased since our last meeting. The outlook has been slightly revised down for 2019 reflecting a maturing business cycle in most advanced economies (AEs), and some common and idiosyncratic factors. We see the negative impact of **rising trade tensions** between the U.S. and China on business confidence and financial market sentiment. There are also other country-specific factors that weigh on the global outlook in China, Germany, Italy, the U.K., and Japan. The projected pickup in 2020, while driven mostly by emerging market economies (EMEs), depends on the improvements in global financial sentiment. This sentiment has been strengthened by the shift in stance by the US Federal Reserve as well as policy stimulus in China, and expected stabilization in a number of other large EMEs. However, it remains unclear whether the recent slowdown is part of a deeper and broader slowdown or is transitory.

In addition to the downward revision in global growth, downside risks seem to have increased. Importantly, policy space remains limited amid high debt levels and elevated financial vulnerabilities. Besides the risk of a further escalation of trade tensions, there is a possibility of a no-deal Brexit, and perhaps a rapid tightening of financial conditions. Over the longer term, key challenges include climate change, shifting demographics, the impact of rapid digitalization, political discord in the context of rising inequality, and geopolitical developments. The Fund's advice needs to be geared toward addressing these near term and longer term challenges.

We agree that macroeconomic policies need to support growth, while building resilience and economic inclusion. Central banks should continue with data-dependent and well-communicated monetary normalization, and all countries should continue with efforts to rebuild fiscal buffers, mitigate attendant vulnerabilities from high leverage, enhance inclusiveness, and accelerate structural reforms. If the current slowdown proves to be more severe and protracted, accommodative policies will be needed, particularly in countries where financial stability is not at risk and where there is policy space. At the multilateral level, policy makers should cooperate to resolve disagreements especially given their potentially destabilizing dynamics.

Volatile capital flows continue to represent a key source of risk especially for **emerging market and developing economies**, many of which rely on external financing for critical development needs. A sudden tightening of financial conditions is a key risk, and the Fund

should be prepared not only with advice but also financing in the case of a severe adverse scenario. Many countries are grappling with **creating enough jobs** for a growing youth population. Therefore, it is important for countries to pursue pro-growth fiscal policies, enhance labor force participation, and strengthen governance. The Fund should support country efforts to improve convergence prospects for EMDCs and LIDCs.

In the Middle East region, in the face of heightened global uncertainty, and persistent regional geopolitical tensions, sustained efforts to preserve macro stability and implement far-reaching structural reforms is key to realize growth potentials. **The outlook for oil exporters is for slower growth in 2019** in view of significantly lower oil prices compared with last fall and following agreed production cuts. Nevertheless, a pickup in growth is expected in some countries, namely Iraq, Kuwait, U.A.E. and Qatar. Policy makers continue to pursue reform agendas focused on building skills and increasing economic diversification.

For **Middle East oil importers**, the picture is quite differentiated and a pick up is expected in several countries in both 2019 and 2020, including Tunisia, Morocco, Jordan, Lebanon, and Egypt. In the case of Egypt, economic activity is expected to grow by around 5½ percent this year and approach 6 percent in 2020, which should allow unemployment to decline. The current account deficit of oil importers is expected to narrow in the coming two years, with Egypt having narrowed the deficit sharply from near 6 percent of GDP in 2017 to under 2½ percent in 2018, and is expecting a further decline to below 2 percent in 2020. Policy makers continue to focus efforts on reducing debt from elevated levels while preserving growth.

For some MENA countries, the focus of policies is shifting from macro stabilization to achieving higher sustainable and inclusive growth. In this regard, for the Fund to better support country efforts, we see a need to **further hone staff skills in identifying and prioritizing structural reforms** that are likely to yield desirable growth outcomes and address inequalities. We welcome the recent work on supporting access to finance by SMEs and the greater priority placed on the inclusive growth agenda in the MENA region. Fund insights in areas such as innovation, tapping into global value chains, leveraging the benefits of digitalization and promoting fin-tech, supporting the growth of startups, and improving labor participation and gender diversity will be of great benefit to our countries. A review of country experiences would be welcome.

We support the **IMF work program priorities** as outlined in the Managing Directors' Global Policy Agenda. The Fund needs to remain alert to changing financial conditions, and 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 Fund's **capacity development** activities should be further enhanced and particular attention should be given to the sustainability and effectiveness of this work, especially given the high share of externally financed capacity development.

We welcome recent analytical work on **widening income disparities**. We agree that persistent income disparities have political economy implications, reduce trust, and increase political polarization. We also welcome the work on rising **corporate market power**, which is mainly technology-driven, and has important macroeconomic consequences. A key policy challenge is how to maintain fair competition as digital technologies expand. We agree that competition agencies should have enough resources to investigate mergers and to examine the possible existence of barriers to entry when an industry's profits are large and persistent. We expect Fund staff to expand on their analytical work on the **determinants of bilateral trade balances** and on the benefits of open and fair trade, if the gains are not widely shared or those bearing the cost of adjustment are compensated or receive assistance.

The Fund's continued work in the areas of **digitalization, fin-tech, and cybersecurity** is useful to provide guidance and share experiences. Containing threats to financial stability stemming from new risks, including cybersecurity and financial technology, also warrant continued vigilance from regulators and supervisors. We also appreciate the Fund's involvement in identifying challenges posed by the withdrawal of **correspondent banking relationships (CBRs)** to limit the impact on some countries' long-term growth and financial inclusion. The Fund should continue to facilitate dialogue between regulators in home and host jurisdictions and among market participants, as well as capacity development programs to strengthen legal, regulatory, and supervisory frameworks, and assist supervisory agencies in addressing the causes of CBR withdrawal.

Persistent efforts are also needed in several areas of **global cooperation**, together with support from Fund staff work. This includes continued progress in areas of trade reform in agriculture, services, and digital trade with potential for significant contributions to cross-border flows. We support the Fund's continued work to advance coordinated efforts to decrease **tax avoidance and profit shifting** by firms which contribute to higher taxes on income. Technical assistance on debt management should also be up-scaled. We also see merit in strengthening the joint responsibilities of debtors and creditors.

We support continued Fund 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, as highlighted by the valuable work of the IEO. These countries value Fund technical assistance and policy advice. We call for a greater coordinated effort to address the economic implications of the **refugee crisis, especially on neighboring countries**.

We regret that it is not feasible to increase quota resources under the 15th General **Quota Review**. We emphasize the need to safeguard—and preferably increase—the Fund's lending capacity, to ensure it is sufficiently prepared for the coming period of expected greater volatility and tightening of financial conditions. Elevated downside risks, and the inevitability of a recession following a very long period of expansion and heightened

financial vulnerabilities all point to the necessity of a well-resourced Fund. The Fund needs adequate buffers to play its role at the center of the global financial safety net. We support the extension of interim borrowing, without losing sight of the need for the composition of resources to be rebalanced toward the historical ratio of quota to borrowed funds of around 85/15 prior to the global financial crisis. We call on large members to come together on an agreed pathway for achieving these goals as part of the 16th Quota Review, which should deliver a shift of quota shares from advanced economies to emerging and developing countries. This shift should not come at the expense of other EMDCs, as was the case in the 14th General Quota Review.

We appreciate the Managing Director's efforts to improve the diversity of Fund staff, although results remain below agreed benchmarks for our region. We look forward to more concerted efforts in this area and improved results in the coming year.