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IMFC Statement by Obaid Humaid Al Tayer
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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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We are still facing a tepid and fragile global recovery with heightened uncertainty and increasing financial turbulence. Deflation remains a concern in some advanced economies (AEs) while emerging market and developing countries (EMDCs) face multiple vulnerabilities from falling asset and commodity prices; while tightened financial conditions have increased risks to global financial stability. This calls for heightened vigilance in the Fund's surveillance and for country authorities to persist with previously identified policy priorities. The current confluence of factors increases the urgency of a broad-based policy response to manage vulnerabilities and boost confidence.

The highest **priority for AEs is to reduce risks of deflation** and raise growth prospects. The appropriate policy mix should be differentiated according to country circumstances. Fiscal measures with large short-term fiscal multipliers could support accommodative monetary policies and deliver a timely demand boost, while measures to support innovation and labor market policies would raise potential output. We support further work by the Fund to identify cases where fiscal policy can play a bigger role and to improve the estimated fiscal multipliers. Tackling unaddressed legacy in financial sector issues remains a priority in some European countries as well as continued reform of the government-sponsored enterprises in the U.S. Meanwhile, a better integration of migrants and reducing restrictions on refugees' geographical mobility would help deliver the economic benefits of refugee inflows.

EMDCs are expected to continue to deliver the largest contribution to global growth inspite of the downgrading of growth forecasts for a majority of countries. Lower commodity prices and uncertainty about the pace of U.S. monetary policy tightening, compounded by the continued weakness of demand in AEs, has put downward pressure on emerging market economies. The period of buoyant activity spurred by rapid credit expansion is giving way to rising corporate sector vulnerabilities as well as volatile capital flows and exchange rate pressures. We call on the Fund to carry out additional work to better understand the dynamics of capital outflows which can pose substantial risks in a more integrated world. EMDCs will need to manage vulnerabilities from volatile tightened conditions while building buffers and strengthening fundamentals. We commend China for the remarkable progress achieved so far in rebalancing the economy and welcome the authorities' readiness to adjust policies to support the rebalancing and address corporate sector vulnerabilities and market turbulences that emerged. We welcome the inclusion of the renminbi in the SDR basket which is a testimony to **China's prominent role in the world economy**.

Lower oil prices have delivered less of a boost to global activity than had been anticipated. The muted positive response reflects the extended weakness in global activity reinforced by expenditure cuts in oil-exporting countries that had previously used available buffers as well as reduced investments in energy and mining sectors worldwide. The ongoing transition away from fossil fuels reinforces the need for oil exporters, including in the Middle East region, to consider further spending restraint (further energy price reforms, constraining the public sector wage bill) and expanding non-oil revenue, within a well articulated medium term fiscal consolidation plan. We look forward to further deepening of the Fund's analytical work on the impact of protracted commodity price declines and potential for diversification.

The Middle East region is facing considerable challenges, including from non economic factors and spillovers from global market turbulences. **Oil exporting countries in the GCC are facing unprecedented fiscal pressures** from the protracted decline in oil prices. Thanks to the prudent building of large buffers, many countries are well positioned to pace their adjustment over several years and thus limit the impact on growth. Many GCC countries have already taken fiscal consolidation measures, notably by reforming fuel subsidies and reducing fiscal spending. Many **oil importing countries** have also initiated subsidy reforms and taken measures to broaden the tax base with a view to improving fiscal sustainability and creating space to meet rising social spending demands. Growth is projected to pick up in the region with the restoration of confidence and higher demand from trading partners. **Countries undergoing political transitions** have received financial support primarily from within the region that has been instrumental in supporting social cohesion. The Fund should stand ready to upscale technical support on policy priorities once domestic stability is restored and to support reconstruction efforts, where needed, as soon as possible. We call for greater flexibility in the design of programs that take account of socio-political realities.

A number of countries in our region are facing heightened demands for resources from the influx of **refugees** and internally displaced populations. In light of the global public good nature of the efforts of many of these countries that are shouldering the burden for others, there is a strong case for worldwide support. We join the Managing Director in calling on the international community to deliver a coordinated global initiative to provide financial support to countries that are bearing the brunt of geopolitical spillovers, and for the Fund to design a specific instrument for the help of the affected areas.

De-risking is a critical ongoing challenge for several countries in our constituency and for many other members. The pullback of correspondent banks is materially impeding access to financial services. We appreciate the prominence of this issue in the Managing Director's

Global Policy Agenda (GPA), and welcome the work on identifying the drivers, magnitude, and impact of de-risking to assist members in addressing its implications. In particular, we also appreciate the Fund's involvement in a regional workshop on the subject and look forward to identifying industry solutions and public sector support in this area.

The GPA proposes that a large enough and more **integrated global financial safety net (GFSN)** —with a well-resourced Fund—will be particularly important as risks continue to rise with further financial integration. We welcome the recent stocktaking of the international monetary system and of the GFSN and look forward to further discussion of possible reform areas in the coming year. Balanced and high-quality Fund surveillance, supported by a robust financial regulatory system, remains an essential foundation of a strong GFSN. Reserves are an effective element of the GFSN and the Fund should take into account the non-precautionary factors behind accumulating reserves when determining an "excessive reserve" level. However, there is a strong case for further strengthening the Fund and its instruments. We support revisiting the Fund's lending toolkit to address possible gaps, including consideration of the provision of quick liquidity support during systemic events. We support further work to broaden the use of the SDR and the consideration of a possible case for an SDR allocation.

We look forward to **strengthen policy advice** on migration, inequality, climate change and impact of technology. We encourage the Fund to focus on the macro-critical implications within its areas of expertise and to draw on the extensive experience of other IFI's, particularly the World Bank, in these areas. We welcome continued Fund support of domestic efforts to achieve more financial inclusion. We value the timely provision of **technical assistance** to our countries which helps underpin crucial policy reforms. We welcome the plan for technical assistance to be more geared toward member's evolving priorities.

We welcome the entry into force of the 2010 IMF Reforms and look forward to work on the 15th General **Review of Quotas** that would ensure an adequately resourced Fund and ensure a fair representation of EMDCs. We are disappointed by the lack of progress toward the diversity benchmarks in the Middle East region and call for intensified efforts to address the underrepresentation of Arab nationals.