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Statement by Mr. Al Tayer
United Arab Emirates

On behalf of
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

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While global growth remains strong, it is moderating and there are further downside risks amid tightening financial conditions, rising policy uncertainty, and higher oil import bills. Some risks that had been identified in April have partly materialized. Compared to our last meeting, trade tensions are more elevated, interest rates are higher, and global liquidity conditions are tighter rendering more elevated risks to global financial stability. We note the downward revision of the near-term growth outlook for the United States and several advanced economies, while inflation remains below targets in Japan and the EU. There are also concerns over possible unexpected market reactions to the normalization of monetary policies, even if these continue to be well-communicated. Global growth continues to be at risk also from geopolitical tensions. Beyond the near-term, the global economy continues to face challenges related to low productivity growth, the impact of technological advances on jobs, an aging workforce, and low labor market participation. Moreover, medium-term risks remain high because of financial vulnerabilities related to high debt levels and stretched asset valuations. Against this background, we see a vital role for domestic and multilateral policies to sustain the global expansion and enhance prospects for strong inclusive growth. We believe that strengthening resilience and tackling long-standing challenges have become more urgent; and coordinated efforts have become essential.

We expect **macroeconomic policies in advanced economies** to be tailored to their cyclical position, and the major central banks should continue with data-dependent and well-communicated monetary normalization. Meanwhile, all countries should continue with efforts to rebuild fiscal buffers, improve debt sustainability where public debt levels are high, mitigate attendant vulnerabilities from high leverage, enhance inclusiveness, and accelerate structural reforms to increase productivity, including by raising investment in physical and digital infrastructure. Increased risks to global financial stability highlights the greater urgency for macro- and micro-prudential policies to build financial buffers and limit excessive risk-taking. We emphasize the need to fortify financial systems and to avoid a rollback of the post-crisis regulatory reforms. The Fund should carefully monitor liquidity conditions, which are seen as fragmented. Containing threats to financial stability stemming from new risks, including cybersecurity and financial technology, also warrant continued vigilance from regulators and supervisors.

We underscore the paramount importance at this time of **collective action, which is urgently needed to address rising trade tensions** and other areas of multilateral policies. The IMF should continue to highlight the risks from further escalation of trade protectionism, and advocate for the benefits of open trade, while also recognizing the costs borne by some groups. We support continued analytical work and communication of the impact of tariffs that have been imposed so far, which have increased markedly since the United States imposed 25 percent tariffs on $200 billion in Chinese imports. Continued evaluation of the spillover effects on other countries is warranted. Persistent efforts are also needed in other areas of cooperation, including 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.

Emerging market and developing economies (EMDEs) face a more challenging environment overall in recent months—while activity is strengthening for oil exporters, oil importers face higher import bills, and all countries face a stronger dollar and generally tighter global financial market conditions. A sub-group of EMDEs has also seen significant currency pressures, which required adjusting policies. All EMDEs need to be prepared for a more volatile environment, and to carefully apply monetary, fiscal and structural policies that enhance resilience and strengthen the credibility of their frameworks to maintain financial stability and debt sustainability. It is all the more important as markets increasingly distinguish countries with credible policies. This includes keeping inflation expectations anchored as commodity prices rise and, in some cases, currencies depreciate. High levels of external debt and foreign currency debt are a source of vulnerability in some EMDCs, but these vulnerabilities are ameliorated by strong official reserve positions in some countries. We see value in using the balance sheet approach to identify fiscal risks, such as mismatches, and to mitigate against different fragilities, and we support efforts to improve data availability and quality for this purpose. We encourage the Fund to continue its focus on improving convergence prospects for EMDCs and LIDCs. There is a strong case for countries to accelerate reforms that invest more in workforce skills, improve access to credit, enhance the business environment to encourage investment, reduce infrastructure gaps to promote diversification, and generate job opportunities.

Rising debt vulnerabilities remain an area of concern, in particular for **LIDCs,** many of which have a high risk of debt distress. The Managing Director has pointed to the high financing needs of these countries to meet development goals, and the Fund should be an active participant in facilitating the acquisition of needed financing which will have positive global spillovers. 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. Technical assistance with debt management should also be up-scaled. We also see merit in strengthening the joint responsibilities of debtors and creditors.

Growth in the **Middle East region** as a whole remains subpar, due to structural constraints and continued fragility, partly due to political turmoil—although several countries are experiencing a pick-up in growth this year. Countries in our region continue to strengthen macroeconomic policy frameworks, address imbalances, build buffers, and implement policies to transform their economies. These reforms leave them better positioned to face increased market volatility as they face a lowering of risk appetite and widening of spreads, but nevertheless they face a more challenging environment for fiscal financing. With oil prices at their highest level since 2014, **oil exporters** are seeing a marked improvement in external and fiscal balances with the recent rise in oil prices, but medium-term growth will remain constrained by the need to continue with their initiated fiscal consolidation and diversification plans. Looking toward the longer term, as total energy demand remains stable, the primary energy mix may shift toward renewable energy technologies, which further underscores the need for countries to accelerate structural reforms and diversification policies. Conversely, for **oil importers**, higher oil prices, although expected to be temporary, may hinder improvements in fiscal and external balances. This can render macroeconomic adjustments and structural reforms even more costly in the short-term but still hold the promise of raising potential growth and providing job opportunities. Despite sustained reform efforts of many of our counties in creating a more enabling environment for the private sector, attracting investments and job creation remain a challenge. The momentum of reforms needs to continue in order to place the countries on a sustainable path of higher and more inclusive growth.

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, the Fund can support country efforts to create greater confidence in economic policy frameworks, which is critical for a sound investment environment conducive to generating more jobs. We support the greater priority the Fund is placing on the inclusive growth agenda in the MENA region. Fund insights in areas like financial inclusion, tapping into global value chains, leveraging the benefits of digitalization and promoting fin-tech, and improving 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, as highlighted by the valuable work of the IEO. Technical assistance and desk work by Fund staff are valued in countries, including where Fund visits are currently not possible. We continue to call for cooperation to address the economic implications of the **refugee crisis**. A greater coordinated effort is needed to address the consequences of refugees on neighboring countries' economies, with continued emphasis by the IMFC and adequate support from Fund staff.

The Fund's continued work in the areas of **digitalization, fin-tech, and cybersecurity** is useful to provide guidance and share experiences. We also appreciate the Fund's involvement in identifying challenges posed by the withdrawal of **correspondent banking**

relationships (CBRs), which has pointed to continued regional pockets of pressure even though the global value of cross-border payments has not been affected. Concentration through fewer CBRs accentuates financial fragilities in some countries, which could affect these countries' long-term growth and financial inclusion. We support ongoing efforts 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.

We support the **IMF work program priorities** as outlined in the Managing Directors' concise 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 given the ever-increasing share of externally financed capacity development.

Regarding the **15th General Quota Review**, a key priority is to safeguard the Fund's current lending capacity, and ensure it is 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 to be well prepared with adequate buffers in order to play its role in the global financial safety net. The composition of resources should be rebalanced toward the historical ratio of quota to borrowed finds 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 would support completing the review without a change in the current quota formula.

We appreciate the Managing Director's efforts to improve the diversity of Fund staff and look forward to more concerted efforts. Our region remains under-represented and far below agreed-upon benchmarks for staff diversity.