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Statement by the Hon. **DAO MINH TU**,
Governor of the Fund for **VIETNAM**

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Ladies and gentlemen,

We have passed through three quarters of the year 2019, economic activities are slowing down in advanced, developing and emerging markets. Risks have accumulated rapidly as a result of trade uncertainty worldwide. The escalating and expanding trade tension has had profound impacts on each economy. Trade growth, thereby, has been experiencing slower pace, with World Trade Outlook (WTO) Indicator being 96.3¹, the lowest since 2010 and may even be lower if the trade tension is not cooled down and countries do not timely adjust macroeconomic policies in facing challenges and difficulties from the world economy. At the same time, modest growth and falling commodity prices in many countries have shown the gloomy prospects of the world economy this year and next.

Global financial markets have been experiencing a period of much volatility. Interest rate was cut in major markets, reflecting central banks' endeavors to support economies to overcome the difficulties deriving from global economic uncertainty. Nevertheless, applying post crisis already-low-interest rates to support the market has revealed a tight room left for this tool. Prolonged financial market fragmentation and global current account imbalances amplified with increasing trade risks, loosening monetary policy in many countries, all those implied larger risks profile for all economies.

In today's world, we are witnessing intensive and extensive penetration of advanced technologies in economic and financial activities. Digital economy and financial technology have been bringing about big changes to financial transactions between countries, territories as well as customers. With the development of blockchain technology, economic and financial transaction methods become increasingly diverse, providing more options for users on one hand, and bringing about regulatory and risk management challenges to authorities and countries on the other. In particular, the participation of giant technology groups (bigtech) in the financial market has helped enhance access to financial services but also stirred up regulatory questions and challenges, particularly those relating to cross-border transactions.

Meanwhile, risks accumulated from recent economic recovery efforts coupled with limited policy space and global geopolitical uncertainty are expected to put pressure on small, developing economies. In addition, the risk of being left behind in the digital age shall become increasingly apparent if countries, especially developing ones, have no policy to effectively take advantage of the achievements of the fourth industrial revolution. All of these factors have been accumulating, thus creating potential uncertainties that every country must recognize and actively prevent.

¹ World Trade Outlook Report, WTO, May 2019

Ladies and gentlemen,

In the context of contradictory developments in the global economy, thanks to drastic implementation of a series of reforms and measures to support economic development, economic performance still showed positive results. GDP growth in the first nine months was estimated at 6.98 percent y-o-y, CPI increased by 2.5 percent, and core inflation increased by 1.91 percent y-o-y. The Government has stepped up the implementation of policies to restructure the economy, renew the growth model, prioritize private sector development into a driving force of development, strengthen fiscal consolidation, improve public investment efficiency, accelerate financial and banking reforms, improve infrastructure, promote innovations, apply the achievements of the 4.0 industry into socio-economic fields and enhance international integration to join its hands with regional and international efforts aiming at the goal of comprehensive economic development and maintenance of macroeconomic stability.

As one of the countries with good digital growth rate in the ASEAN region, Viet Nam has noted the trend of digitalization in many economic fields and sectors, ranging from trade and payment to transportation, education, healthcare, etc. The Government and authorities have been actively developing the Digital Transformation Strategy, which is expected to be issued in late 2019, to supplement the country's growth momentum, helping increase labor productivity and change employment structure, hence create more values to the society. In parallel with the development of the National Digital Transformation Strategy, industries and fields have been actively developing their own digital transformation subjects of each industry and field with the focus on technology infrastructure, telecommunication, finance and banking. Digitalization helps not only to boost financial inclusion and support socio-economic development in remote and rural areas but also support financial technology solutions, contributing to developing a regulatory framework for new technologies and services for the benefit of consumers and the society.

It is obvious that in the context of global and regional complicated developments, Viet Nam has been facing various endogenous and exogenous challenges. The escalating trade tension in today's world has been putting high pressure on its open and small developing economy. Policy reaction by major economies in the context of escalating tension may result in reversing flows of direct, indirect investment in and out of emerging markets, thus creating great challenges for the authorities.

Among others, climate change has been an enormous challenge for Viet Nam. With a long coastline and adjacent granaries, particularly in the Southern part, the impact from saline intrusion become increasingly serious where rice growing areas narrowed in recent years and adversely affected agricultural production. Demographically, Viet Nam is in a period of golden population and will soon fall into population aging. Thus, it is necessary to conduct research and develop necessary frameworks on pertinent policies, regulations, remuneration and public services in order to prolong the elderly's participation in the labor force which helps to continue to build efficiency and productivity, and support sustainable economic development.

Ladies and gentlemen,

Viet Nam supports the increasingly flexible approach of the IMF and the WB towards economies with consideration of characteristics of individual country when developing policies and action plans. Where the 4.0 industry has been penetrating intensively into economic activities, Viet Nam welcomes the Fintech Bali Agenda launched at 2018 IMF/WB Annual Meeting as a manifesto of appropriate frameworks for the development of banking and financial services in the digital age. Viet Nam highly appreciates the initiative on the new Multilateralism that former IMF Managing Director Christine Lagarde strived to develop and communicate to create new multi-dimensional and extensive cooperation frameworks among country members.

At the G20 forum, the participation of the IMF and the WB in the G20 finance track has received special acknowledgement and high appreciation, especially in their analysis of global current account imbalances, demographics and strategies to population aging, and consolidation of global financial stability network. We welcome the WB's efforts in establishing a framework for high-quality infrastructure investment, which lays an important basis for the activities of Multilateral Development Banks (MDBs) in supporting the developing countries in the process of building necessary infrastructure for sustainable economic development.

Taking this opportunity, we call for greater solidarity and cooperation between member countries in strengthening, accelerating governance reform and quota reform at the IMF and the WB as approved by Governors in Resolutions. This will be a prerequisite for further enhancing the role and voice of the IMF and the WB, strengthening the capacity of the IMF/WB to assist countries to overcome current and future challenges.

In dealing with widespread climate change with adverse affects on global economic activities, we look forward the IMF/WB to continue to join their hands with the G20 and other countries and international organizations in the development of programs, initiatives, measures to cope with climate change and relating financial risk management. In addition, it is necessary to further improve policies and programs for newly graduated countries from concessional financial resources where continuous supports to be extended in the post-graduate periods when their access to international capital sources and endogenous are limited with an aim to help these economies to maintain development achievements and build on sustainable development.

We wish the Meeting a great success.

Thank you,