

WORLD BANK GROUP

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INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
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Statement by the Hon. **VARATHEP RATANAKORN**,
Governor of the Bank for **THAILAND**,
at the Joint Annual Discussion

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Governor of the Bank for Thailand,
at the Joint Annual Discussion**

Mr. Chairman: President Wolfensohn, Managing Director Koehler

Fellow Governors,

Distinguished Delegates,

Ladies and Gentlemen,

I have the honor and pleasure to address the 2003 World Bank and the IMF Annual Meeting. At the outset, permit me to express Thailand appreciation to both the Bank and the Fund management and staff for their hard work in the past year with regards to key development issues and poverty reduction.

Mr. Chairman,

In light of an improved outlook for world economic growth especially the United States and Japan, I am pleased to note that developing countries in Asia continue to be resilient and register a steady economic growth. Asia is ready to capitalize on this positive upward year-end outlook. However, we continue to be subjected to many underlying downside risks, particularly the new non-traditional threats such as terrorism and new epidemic diseases like SARS. These new non-traditional threats have the potential to disrupt economic confidence of a nation, a region, and indeed the world in an instant.

Coping with such threats beyond the normal development issues will require closer international cooperation. As we all have worked hard to eradicate poverty and generate sustainable economic growth, we have to re-double our efforts to fight these new challenges to maintain financial and economic stability.

A more broad base international cooperation and timely financial support particularly from the Bank and the Fund will help eliminate these threats at its core.

Mr. Chairman,

These issues should be of immediate and major concerns for the Bank and the Fund in concert with the traditional development and financial stability issues. In addition, we wish to urge the Bank and the Fund to continue to support the development of new regional funding initiatives such as the Asian Bond, which will enable a more balanced access to international and regional capital flows based on the resources and savings of each region. Promoting the capability of developing countries to save, invest, and utilize their own international reserves to support their own regional financial requirements will improve a greater and more balance free flow of funds and improve financial cooperation and liberalization between the developed and developing economies.

Toward this end, we hope that at the next annual meeting both the Bank and the Fund will be able to demonstrate their support and more active and concrete measures to assist in developing regional bond initiatives as well as to strengthen financial architecture required for the future.

Mr. Chairman,

Thailand welcomes the initiative to reform the governance structure of the Bank and the Fund proposed by the Monterrey Consensus. We believe that the Bank and the Fund are proceeding in a more democratic governance structure by increasing the voice and participation of the developing members. Much more remains to be done and we are awaiting further positive developments in the 13th Quota Review of the Fund, especially the review of the formulas and specific quota increases for the developing countries. These actions will be the first meaningful step towards a fairer and more balance governance of the Fund. The

developing world needs to have a greater say in the affairs and policy of the Bank and the Fund.

We welcome the progress on the effectiveness of the Fund surveillance activities especially on the diagnosis of risks and strengthening the assessment and development of standards and codes. We however wish to underline that such codes must strike a good balance between the socio-economic needs and requirements of member countries as well as fiscal and financial conditionalities. It is no one single set of policy requirements is applicable to all countries at any given time. One size does not fit all. Thailand is a real case in point.

In Future, the Fund programmes must be flexible, well-balance and consistent with the pace and position of the member concerned. We look forward to further progress of these difficult but relevant issues in moving forward to developing a sovereign debt structuring mechanism as well as the design of effective voluntary code of conduct across the spectrum of fund membership.

Mr. Chairman,

Permit me to briefly report on Thailand's recent economic progress and future prospects. The Thai economy has grown faster than forecasted in the first half of this year despite external economic uncertainties and global slowdown. The Thai economy expanded by more than six percent, the highest growth rate since the crisis of 1997. The strong growth momentum was achieved by both domestic and external components.

On the domestic front, the fiscal outlook continues extremely strong with high revenue collection and declining deficits. Private consumption continues to expand along with increased productivity. Despite the temporary impact of SARS, private investment is expected to expand due to a continuing accommodative monetary policy with low interest rate and a higher capacity

utilization rate. Inflation remains low at 1.8 percent. The unemployment rate has peaked at 1.4 percent of the total labor force. Our “Dual Track” development policy has been the key to Thai economic success – in the past two years. The Dual Track Policy strengthening domestic growth foundations as well as a strong external export drive by maintaining competitiveness and diversification of our export markets combined to move the economy. Moreover, Thailand has been able to achieve new market opportunities which have reduced external export volatility. As a result, Thailand has been able to pre-pay our IMF obligation two years earlier than scheduled and yet maintain high reserves with fiscal and monetary stability. Permit me to express Thailand deep appreciation to the Fund and our true friends for their full supports during our time of need. We shall always remember and treasure your friendship.

Mr. Chairman,

On the external front, Thailand expects to record another year of trade surplus with strong export growth, increasing at around 13.2 percent as well as a continuing current account surplus of 7.95 billion USD (5.7 percent of our GDP) Our foreign reserve stood at 39.26 billion USD, reflecting strong export growth of over 18 percent on a year on year basis and confidence from the international financial community.

Accordingly, international rating agencies have underlined our achievements by recent upgradings because of clear signs of economic recovery, strong and sustain economic growth, fiscal and monetary stability, as well as strong external prospects.

Much more remains to be done, but we are confident that Thailand will continue on this strong, stable, and equitable development path based on firm foundation of domestic growth and competitive export sector.

Mr. Chairman,

In conclusion, on behalf of the Thai delegation, I would like to express our sincere appreciation to our host, the Government and the people of the United Arab Emirates for their warm welcome and hospitality during this meeting. We reaffirm our support to the Bank and the Fund in moving towards the achievement of the Millennium Development Goals by 2015. We strongly support the improvement of the role and voice of developing member countries and we shall urge the Bank and the Fund to continue to improve the quality of services in promoting sustainable economic and equitable socio-economic development in the world.

Thank you