



International Monetary and Financial Committee

Thirtieth Meeting
October 11, 2014

**Statement by Dr. Prasarn Trairatvorakul
Governor, Bank of Thailand**

On behalf of
Brunei Darussalam, Cambodia, Republic of Fiji, Indonesia, Lao People's
Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand,
Tonga, Vietnam

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Governor, Bank of Thailand**

**International Monetary and Financial Committee (IMFC)
Saturday, October 11, 2014**

On behalf of the Constituency representing Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao P.D.R., Malaysia, Myanmar, Nepal, the Philippines, Singapore, Thailand, Tonga, and Vietnam

Introduction

- The global economy is gradually getting back on its feet and is expected to expand at a moderate pace. While growth in the advanced economies is likely to remain uneven, several key economies are expected to continue to show broader signs of improvement. Improving external demand will support steady growth in the emerging economies, particularly Asia. While monetary policy normalization in some advanced economies and heightened geopolitical concerns could accentuate volatility in global financial markets and pose broader risks to global growth, emerging market economies (EMEs) in Asia are better placed to manage these risks. To this end, the Fund, through its key activities, remains vital in facilitating orderly global monetary adjustment and in supporting members' policies to better assess risks, build resilience against shocks and sustain growth.

Global and Regional Economy: Developments, Challenges and Risks

- Recent developments in the global economy paint a mixed picture. Despite the broad-based pickup in economic activities, growth and policies among major advanced economies (AEs) have become more divergent over the past six months. Downside risks to the ongoing recovery have also increased from heightened geopolitical tensions, possible decompression of risk premium, and the uncertainty over the pace of monetary normalization.
- Economic performance in the Asian economies diverged in the first half of 2014 due to domestic-specific factors. Going forward, overall growth in the region is expected to improve towards a steady path. Economic activities will be supported by a continued expansion in domestic demand and improving external environment. Domestic demand, led by private sector investment activity and consumption, will remain the main driver of growth. Externally, Asia's export performance should improve further with higher external demand in the advanced economies and continued support from regional demand.
- The impending monetary policy normalization in the AEs and the consequent shifts in global liquidity will pose challenges for policymakers in EMEs. Nevertheless, such normalization, in so far as it is premised on economic recovery being entrenched and is well

communicated, is a welcome development as it reflects the strengthening of global demand. The Asian region is also now better placed to withstand the risks. EMEs have taken steps to strengthen economic fundamentals, increase resilience of the financial system, build policy buffers and enhance regional cooperation. As such, the impact will more likely be confined to the financial markets and is not expected to have significant spillovers to the real economy.

- Nevertheless, we agree with the Fund's emphasis on structural policies. Structural policies will be central in uplifting the potential and sustainability of growth by overcoming supply-side constraints as well as structural inefficiencies. It is however a continuous process, of which the benefits of more balanced growth and increased potential, will be more apparent in the longer term.

Surveillance and the 2014 Triennial Surveillance Review (TSR)

- Under the growing complexity of the global economic and financial landscape and the grim legacy of the Global Financial Crisis (GFC), achieving the common goal of maintaining macroeconomic stability and promoting sustainable, balanced, and inclusive growth has become more challenging. In this context, the Fund has crucial roles to play in safeguarding global economic and financial stability to pave a robust recovery path going forward.
- We welcome the result of the 2014 surveillance review and look forward to the implementation plan. The Fund's continuous efforts to improve its surveillance mechanisms are deemed vital in coping with emerging threats to the stability of the international monetary system. While we strongly encourage the Fund to conduct more in-depth and wide-ranging surveillance to catch up with the evolving nature of the global economy, the Fund must retain and strengthen its *'forward-looking element'* across all surveillance products. In addition, worsening income inequality and changing demographic structure, may warrant closer monitoring by the Fund.
- We agree that the Fund should deepen its work on risk and spillover analyses given the increasing integration of the world economy. Further analyses on macro-financial linkages including transmission channels of risks among countries and across sectors could enhance the quality of Fund surveillance and improve the relevance of policy advice. At the same time, we support efforts to place more focus on cross-cutting issues, while continuing to conduct *in-depth country analyses*.
- To further enhance and strengthen the Fund's surveillance frameworks, we view that some surveillance infrastructure and fundamental adjustments for the Fund are needed. In this context, the Fund's collaboration with other partners on closing data gaps is important for risk and spillover analyses and future work on the national balance sheet approach. Some factors including deeper knowledge of country specificities, as well as enhancing expertise and profile of the Fund's staff would support the implementation of surveillance priorities.

Establishing regular policy dialogues between the Fund and authorities at different levels would also lend support to the coordination process between both parties. Towards this direction, we believe that the Fund could better deliver cohesive and well-tailored package of analysis and advice, including those on key structural policy issues.

Quota and Governance

- We stress the importance for the Fund to have adequate resources to cope with uncertainties and volatilities surrounding the policy normalization in some advanced economies in the near term, help secure a stable global recovery, and maintain order in the international monetary system going forward. Permanent resources would benefit the Fund in maintaining its crucial and unique role as a global lender of last resort, and the preservation of global financial stability. Meanwhile, to maintain the efficacy, legitimacy, and credibility of the Fund as the quota-based institution, we reiterate that the Fund's quotas and governance structure should reflect the growing importance of EMEs in the evolving global economy.
- In this regard, we look forward to the ratification of the 2010 Reform Package before the end of the year to avoid any unnecessary complications in pushing forth an interim shift in member's representation at the Fund.

Coordination with Regional Financing Arrangements (RFAs) and Regional Surveillance Units

- The Fund's continuous work on improving and strengthening safety nets at the global level remains crucial. We find merit in enhancing engagement with Regional Financing Arrangements (RFAs) and Regional Surveillance Units as they could complement and support the Fund's roles in preserving stability in the region. In the context of crisis prevention, the Fund could lend its expertise in surveillance to the regional counterparts, while benefiting from their stock of local knowledge. RFAs could have complementary roles alongside the Fund in providing financial safety nets for both crisis prevention and resolution.

Technical Assistance and capacity building

- The Fund's technical assistance (TA) and capacity building programs not only buttress its surveillance activities, but also act as a catalyst for development processes in our region. Thus, we encourage the Fund to ensure the adequacy of resources to deliver TA and capacity building programs that are tailored to the members' needs. In addition, the Fund's work in these areas remains crucial to complement the authorities' policy calibration to help weather the growing complexity and interconnections of the global economy. Our constituency stands ready to support the Fund's presence and continuous work on capacity building in the region.

Support for Small States and Low-Income Countries

- We welcome the Fund's work stream related to small states and low income countries. We share the Fund's assessment that upgrading macroeconomic policy frameworks and strengthening market institutions are necessary adjustments to sustain the strong growth momentum. Re-prioritizing public spending to achieve social objectives and improving essential infrastructures remain the key to uplift long-term productivity. Related to this, we look forward to the conclusion of the ongoing review of debt limits policy that should allow LICs greater flexibility in securing financing for infrastructure developments, while ensuring the sustainability of public debt levels.