



## INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

### **Fortieth Meeting October 18–19, 2019**

Statement No. 40-10

#### **Statement by Mr. Santiprabhob Thailand**

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



**IMFC Statement by Mr. Veerathai Santiprabhob  
Governor, Bank of Thailand**

**International Monetary and Financial Committee  
October 2019**

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**

Global growth momentum weakened further from the first half of the year and inflationary pressure softened from waning demand and falling commodity prices. The outlook is increasingly worrisome from prolonged trade tensions and trade uncertainties, as well as financial vulnerabilities that may be exacerbated by the low global interest rate environment. Risks tilted further to the downside as trade tensions have intensified and spread into other areas such as technology, dampening investor and consumer confidence. Heightened uncertainties, including policy and geo-political uncertainties, have also sparked a new bout of capital flow volatility. Prevailing circumstances demand timely policy actions to sustain growth momentum and safeguard external stability. Domestic policies may help shore up growth in the near-term, but policy space is limited for most countries, especially as further monetary easing may also raise financial stability risks. The longer-term impact of trade tensions on global value chains and productivity growth are also particularly concerning. The imperative is therefore to resolve cross border tensions, reinvigorate trade, and strengthen the rule-based multilateral trade system. The Fund, with its broad membership and strong analytical capabilities, is well-positioned to promote free trade and multilateral cooperation, and to assist member countries in strengthening domestic resilience in preparation for the challenging conditions ahead. These are tasks that should be undertaken with utmost urgency so as to mitigate the adverse impact on growth prospects.

### **Regional Prospects**

Economies in Southeast Asia Voting Group (SEAVG) constituency remain among the world's faster growing and most dynamic regions with abundant resources and a relatively young labor force. However, the deteriorating external environment continues to weigh down on both the short- and medium-term outlook, especially for our member countries that have high degrees of economic and financial openness and are deeply integrated in global value chains.

To enhance domestic resilience, our authorities have employed a mix of accommodative macroeconomic policies and prudent regulatory measures. Many central banks in the region have adopted more accommodative monetary policy stances and maintained a cautious and data-dependent approach to policy formulation. At the same time, we remain vigilant against financial stability risks from the prolonged low interest rate environment and spillover effects

from recent monetary easing by central banks in advanced economies. To this end, microprudential and macroprudential policies have been instrumental in addressing pockets of vulnerabilities and containing further risk buildup in many SEAVG countries. Fiscal policy continues to provide support to growth in many countries while ensuring debt sustainability. In this regard, our authorities are also fully committed to implementing structural reforms to uplift medium-term growth prospects, and tackle longer-term challenges including infrastructure gaps, slowing productivity growth, demographic shifts, and climate change. These policy efforts are complemented by the close engagement between our authorities and their continued commitment to further strengthen regional integration.

### **The Fund's Surveillance and Policy Advice**

Safeguarding global macroeconomic and financial stability at this juncture requires concerted efforts from the Fund and its membership. We endorse the Managing Director's Global Policy Agenda (GPA) which rightly retains the call for timely and appropriate policy actions at both the international and domestic levels, and further builds on the foundation laid by the Spring GPA. The Fund plays an important role in promoting global cooperation to tackle shared challenges and in providing well-tailored and actionable policy advice to domestic policymakers in pursuit of growth and stability objectives.

The Fund must remain nimble and continue refining its analytical toolkit to deliver its advisory role effectively. In this connection, we look forward to progress on the Comprehensive Surveillance Review and the Financial Sector Assessment Program (FSAP) Review to realign the Fund's surveillance priorities and to strengthen its analytical framework, especially on macro-financial linkages and analysis of policy spillovers, which would help enhance the relevance of the Fund's policy advice to the membership. Heightened global uncertainty and increased spillovers from monetary easing by AEs continue to raise concerns among emerging economies on how to best cope with risks associated with surges in short-term capital inflows and possible abrupt reversals. We strongly encourage the Fund to continue sharpening its analysis and policy advice on spillovers, and to strive for a more balanced focus between the recipient and source countries.

We support the Fund's ongoing work on Integrated Policy Framework (IPF) to better assist members in assessing the different policy options to achieve growth and stability objectives in the face of rising spillovers and uncertainties. To effectively help members determine the appropriate policy mix within the country context, the Fund must develop a deeper understanding on the nature of prevailing risks, complementarities and trade-offs among different policy instruments, and the country-specific characteristics including the extent of trade openness, depth of financial markets and degree of dominant currency invoicing. The Fund must also develop a better understanding of foreign exchange market dynamics. In emerging markets, the large size of capital flows relative to domestic foreign exchange markets coupled with trading behavior of non-resident investors and significant offshore trading activities could, at times, transform the exchange rate into a shock amplifier. In this regard, we appreciate the Fund's close engagement with policymakers from emerging economies on the IPF, including those from our constituency, to learn from their experiences in using a combination of various policy tools to navigate the multi-faceted challenges. We stress the

importance of completing work on the IPF in a timely manner, taking into account the role of monetary, exchange rate, macroprudential, and capital flow management policies, and their interactions. We welcome the comprehensive and measured approach to develop the IPF and encourage the Fund to consider significant preliminary insights from the exercise in its ongoing policy discussion with members.

We support the Fund's agenda in promoting international cooperation on the macro-critical areas, especially in trade, climate change, financial technology and diversity.

- We support international cooperation to resolve trade tensions and to modernize the rule-based multilateral trade system, with the Fund providing impartial and rigorous analysis on the impact of trade tensions to support its role in advocating for multilateral solutions. The system should strive to make the benefits from globalization shared more inclusively while ensuring the level-playing field and protecting the vulnerable groups.
- On climate change, we welcome the Fund's call on promoting environmental resilience and sustainability by setting the right incentive and regulatory framework to combat climate change. This resonates well with our constituency and is in line with the Association of Southeast Asian Nations (ASEAN) agenda on sustainable finance and banking, which aims to embed social, environmental and governance considerations into decisions made by different players across the industry.
- We encourage the Fund to further build upon the Bali Fintech Agenda and continue its work on cyber resilience. This includes response and recovery plans in case of widespread systemic breakdown that could arise from cyber security and data risks as the financial sector continues further on its digitalization path.
- With relatively well-balanced gender diversity among the members of our constituency, we recognize the benefits of inclusiveness on economic welfare and productivity over the long term, and fully support the Fund's continuing work in this area.

### **Fund Resources and Governance Reform**

We reiterate our disappointment with the outcome of 15<sup>th</sup> General Review of Quota (GRQ) and continue to call for cooperation among members to ensure the Fund will remain an adequately resourced quota-based institution. Notwithstanding, we recognize the need to maintain the Fund's overall lending capacity so as to uphold its credibility at the center of the global financial safety net (GFSN). We support efforts to maintain the Fund's current resource envelope through the use of temporary supplement to quota resources as an interim step towards a quota increase in the near future. This firm commitment is demonstrated by our creditors to the 2016 Bilateral Borrowing Agreements (BBAs) who have extended their arrangements through to end-2020 and by our participants in the New Arrangement to Borrow (NAB) who stand ready to double their current contributions, subject to domestic approval process.

Going forward, we strongly encourage the Fund to establish clear goals and timeline for the 16<sup>th</sup> GRQ. The 16<sup>th</sup> GRQ should revisit the adequacy of quotas with a view to restoring the primary role of quotas and put Fund resources on a more permanent footing, as well as to agree

on a realignment of quota shares through a review of the quota formula. The realignment should result in increased quota shares for dynamic economies in line with their relative positions in the world economy, and hence, a likely increase in the share of emerging market and developing countries as a whole, while protecting the voice and representation of the poorest members. We also call for full implementation of the 2010 governance reforms without further delay.

Concurrently, we also encourage the Fund to consider ways to enhance its lending toolkit to address gaps in the GFSN, including by exploring new facilities that could help members cope with short-term liquidity pressures. We appreciate the Fund's work towards harmonizing operational guidelines of the Chiang Mai Initiative Multilateralization (CMIM) with the Fund's facilities, which will improve the CMIM's readiness for crisis prevention and resolution.

### **Strengthening Support for Member Countries**

We welcome the Fund's continued support for small states as well as fragile and conflict-affected states (FCS), particularly those facing difficulties from climate- and security-related shocks. We welcome the completion of the Fund's review of its concessional lending facilities to better meet the needs of disaster-prone and FCS countries. The Fund's policy advice is rightly focused on improving fiscal management and building resilience to climate-related risks. We support the integration of climate change issues in the Fund's surveillance on a risk-based approach tailored to country priorities. We also recognize the importance of strengthened collaboration between the Fund and development partners in promoting resilience-building efforts for self-sustenance over the long-run. We also support the Fund's work in assisting member countries in dealing with the issues arising from the withdrawal of correspondent banking relationships, particularly given their implications on remittances. We also encourage the Fund to assist members in developing credible and affordable solutions to this issue, as well as in building capacity, particularly of small states, to better manage risks associated with Fintech and promote financial inclusion.

Our constituency appreciates the Fund's technical assistance and capacity development (CD) programs, and ongoing efforts to deepen their integration with surveillance activities. SEAVG members have benefited greatly from CD and training initiatives especially through regional centers such as the IMF Capacity Development Office in Thailand, the Pacific Financial Technical Assistance Centre, the IMF-Singapore Regional Training Institute, the IMF Regional Office for Asia and the Pacific, as well as the IMF Headquarters.

We also welcome the appointment of the new IMF Managing Director, Ms. Kristalina Georgieva and look forward to a fruitful collaboration with the Fund under her leadership.