



ANNUAL MEETINGS  
**2018 | indonesia**  
INTERNATIONAL MONETARY FUND  
WORLD BANK GROUP

Governor's Statement No. 07

October 12, 2018

Statement by the Hon. **APISAK TANTIVORAWONG**,  
Governor of the Bank for **THAILAND**

**Statement by the Hon. H.E. Apisak Tantivorawong,**  
Governor of the Bank for Thailand

Mr. Chairman, fellow Governors, President of the World Bank Group Ladies and Gentlemen

First and foremost, on behalf of the Ministry of Finance, I would like to express my heartfelt condolences to Indonesian people for the loss of their beloved family members and friends as a result of recent Sulawesi earthquake and tsunami. My sincerest sympathy also extends to all those who have suffered owing to this tragedy.

**Global Economy**

A decade after the global financial crisis, the global growth in 2018 is resilient at 3.9% as projected by the Bank and the Fund. Asia, in particular, remains the fastest growing region with projected growth at 5.5%, accounting for two-third of the global growth. The strong regional economic growth corresponds with resilient economic coherence among our trading partners. Needless to say, Asia remains the world's most dynamic and fastest growing region.

Possible challenges that could derail the sustained global economic growth include rising trade tensions and high level of debt in emerging countries. Escalating trade tensions among the world's major economies and fear from further retaliation could undermine trust, dampen the global trade, and affect investment sentiment worldwide. In addition, rises in interest rate as result of monetary normalization policy in advanced economies could cause rapid capital outflow, increase debt service costs and put pressure on currency for emerging economies especially those with large portion of external debts, low level of foreign exchange reserves, and vulnerable economic fundamental. Therefore, to maintain strong global growth momentum, we urge fellow Governors to refrain from inward-looking policy measures and support more harmonized trade openness policy.

**Thailand**

For Thailand, our economic growth is projected to grow by 4.5% in 2018, the highest growth in the last 5 years. Our economic stability remains promising and resilient with low level of inflation at 1.33%, current account surplus at 8.9% of GDP, abundant international reserve at 204.5 billion USD, while our public debt to GDP remains at 41.32% ,which is well below our fiscal sustainable threshold of 60% and comprised of only 3.9% of external debt.

Over the past years, Thailand has committed to improve our competitiveness by continuing to invest in both physical and digital infrastructures. Our most notable project is the Eastern Economic Corridor (EEC), which is Thailand's flagship special economic zone to facilitate and house 10 targeted S-Curved industries to serve as ASEAN production hub. Our recently approved high speed rail project that connects three major airports and the upgrade of Map Ta Phut port will greatly benefit the EEC development. Moreover, a recently enforced EEC Act will allow investors to enjoy shortening approval process and many BOI benefits. On Digital Infrastructure, our National e-Payment scheme already had over 44.3 million ID registrants with over 2.8 trillion baht in cash

transfer, reducing cash handling and transaction cost while enhancing efficiency and transparency. To finance for physical infrastructure sustainably, our government has launched the 'Thailand Future Fund (TFF)' to mobilize capitals from private sectors to fund for infrastructure projects within this year.

Apart from our commitment to increase competitiveness, our government enthusiastically promote inclusive growth by making sure that no one gets left behind, especially the poor and vulnerable. In 2017, we have provided 11.47 million Thais, identified through the Low-Income Earners Registration Project, with state welfare benefit to alleviate their cost of living by subsidizing their household expenditure and public transportation cost. In 2018, we aim to bring over 4 million Thais out of low-income status permanently by providing them with occupational training and job matching services.

### **The World Bank Group**

On World Development Report 2019 – The Changing Nature of Work, we appreciate the Bank's effort in analyzing possible impacts and lay out policy implications that could result from the rising of digital technology, GIG economies and platform marketplaces. Thailand has put human capital development as our policy due to its critical foundation of Thailand's long term competitiveness. We also welcome the launch of Human Capital Project to assist member countries to deliver better human capital outcome. However, we urge the Bank to review the appropriateness of using international standardized score like PISA as a sole measurement for quality of education in Human Capital Index. We also would like to see how HCI reflect country's long term trend of human capital development.

On social protection, we share the view that social protection needs to be strengthened to safeguard the poor and vulnerable to ensure inclusiveness of the system and that no one is left behind. However, it must be implemented in the way that does not have significant impact on fiscal sustainability. On revenue mobilization, we agree that there is much to be gained from reducing tax avoidance of multinational corporations that operate large digital marketplace platforms. Hence, we urge further studies by the Bank and the Fund on plausible solutions.

On Financial technology, we welcome 12 policies consideration presented in the paper. While Fintech promises to deliver much welfare benefits, especially to the underserved, we must find a well-balanced approach to regulate. There have been concerns over the risks stemming from a rapid development of Fintech as witnessed in the price volatility of crypto-assets and unpermitted access on financial information. Therefore, it is vital to re-evaluate our existing legal and regulatory frameworks in order to ensure financial safety nets within a country and across borders, and to prohibit any illegal usage.

On debt vulnerabilities in emerging and low-income economies, we welcome the Bank's approach to assist countries with high level of public debt with limited fiscal capacity to mitigate the effects of an increase in global interest rate and increase their capacity to better manage public debt through asset and liability management operations. Unsustainable levels of debt will pose a greater risk to economic stability and hinder countries from stepping up the ladder of development. While we agree that member countries should strengthen macroeconomic frameworks, increase debt transparency

and maintain manageable level of debt, immediate threats from capital volatility as a result of monetary policy divergence and escalating trade dispute should be addressed to avoid severe impacts on developing countries.

On disruptive technology, we support the Bank's Build-Boost-Broker strategies to seize opportunities and, at the same time, mitigate risks arising from technological advancement. To support for inclusive and sustainable development, digital infrastructures must be secured, affordable, and accessible to all. Hence, we urge the Bank to support for development of digital infrastructures of member countries to deal practically with the upcoming digital economy. In addition, we urge developed countries to provide technical assistance to smaller less developed countries like technology transfer to help SMEs, in order to ensure inclusive development for all.

### **The International Monetary Fund**

At this current juncture, emerging market economies face important challenges from rising trade tensions and tightening global financial conditions. Against this backdrop, the Fund could play crucial roles in helping member countries deal with challenges through surveillance activities and its role in reinforcing the global financial safety net.

On surveillance, we welcome the Fund's close engagement with country authorities to develop a deeper and more comprehensive understanding of country-specific contexts in order to formulate policy advices that are practical and appropriate for the prevailing circumstances. Experiences of emerging market economies have also proven that flexibility in a country's policy mix is crucial to appropriately calibrate available policy tools in the face of global uncertainties, and to strengthen both domestic and external stability over the medium term. In this connection, we remain of the view that the Fund's policy advices to its members should welcome greater flexibility for countries to tailor responses that are best suited to their circumstances and idiosyncrasies.

On the Fund's role in strengthening the global financial safety net, Thailand remains supportive of the Fund's continued efforts to bolster financial resources available to members in need, and have been a contributor to temporary resources such as the bilateral borrowing arrangements post-GFC. Going forward, we reiterate our call to reinforce the Fund's permanent resources in the form of quotas increase in order to ensure adequacy of Fund resources. The 15<sup>th</sup> General Review of Quotas (GRQ) presents a key opportunity to realign quota shares to reflect the greater roles of emerging markets in the global economy, and to also protect the voice of smaller members in shaping the Fund's policy direction. Hence, we call for timely completion of the 15<sup>th</sup> GRQ, by the 2019 Spring Meetings or no later than the 2019 Annual Meetings in line with the proposed timeline.

Notwithstanding, the Fund's role on this front also extends to the Fund's work with regional financing arrangements (RFAs) which supplements the timely and effective crisis mitigation at the regional level. As such, we welcome the Fund's ongoing effort to enhance the collaboration between the Fund and RFAs, including the Chiang Mai Initiative Multilateralization (CMIM), to ensure the effectiveness of these mutually-benefiting arrangements. To this end, we would like to, once again, stress the importance of flexibility in the Fund's collaboration with RFAs to achieve a truly stronger global financial safety net