

Statement by H.E. Korn Chatikavanij
Minister of Finance, Thailand
2009 Annual Meetings of the Boards of Governors of the World
Bank Group and the International Monetary Fund

Mr. Chairman, Distinguished Governors, Ladies and Gentlemen,

I would like first to express my sincere appreciation to the Government of Turkey for the excellent arrangements for these meetings. Istanbul also deserves our congratulations for being the only City outside Washington, D.C. that has been chosen twice as the venue for the Annual Meetings, reflecting its excellent facility, unique location and warm and generous hospitality of its people.

Global Economy

We have all heard today that economic recovery is still fragile and uncertain. We must continue to be vigilant and ensure that appropriate fiscal and monetary policies are in place, and that our respective economic stimulus programs are being maintained to secure sustained recovery.

The crisis also brought a new era of economic cooperation with more balanced and inclusive voice of developing and emerging countries. In this connection, we welcome the efforts by G20 to play a leading role in coordinating forceful response and setting the agenda for a more balanced and sustainable economic growth. We must also rebuild the financial system and reform the international financial architecture to meet the challenge of the 21st century. The International Financial Institutions (IFIs) must be equipped with sufficient resources to enable them to play a key role in supporting global economic stability and development. Only through international cooperation can this ambitious agenda succeed.

At the recent G20 meeting and other economic forums, there has been much talk of the need for the net-saving emerging economies of Asia to switch from their role as the supplier of goods to a role of the world's consumer and investor. Nonetheless, this is not an easy adjustment, especially since the Asian economies need to prepare for a rapidly aging society. The International Financial Institutions' role in advising and funding this economic shift is crucial and must be done in a way that do not create unsustainable fiscal burden on already tight budgets.

Thai Economy

Mr. Chairman,

Like many other countries, Thailand has also implemented expansionary fiscal and monetary policies. The current government has introduced two successive economic stimulus packages. From early 2009, we introduced the first package focusing on promoting domestic demand through private consumption and extending supports for the poor and low-income groups. We also recently launched the additional stimulus package equivalent to 42 billion USD or 16 percent of GDP on top of normal annual budgets over the next three years to invest in education, healthcare and infrastructure development in order to upgrade the country's competitiveness.

As a result of government action and a more stable global environment, the Thai economy in the second quarter of 2009 grew at an annualized rate of 9 percent compared with the first quarter. We believe that the recovery is gaining some traction. Together with the improvement in infrastructure, we are sure the Thai economy can return to its sustainable growth path in the medium term.

Regional Economic and Financial Cooperation

We recognize that regional cooperation remains critical. Indeed, Thailand is proud to be the Chair of ASEAN this year and we believe the ASEAN nations and its 550 million people can significantly contribute to the world economy. A good example is the enhancement of the effectiveness of the regional liquidity support mechanism, whereby Thailand, together with the ASEAN plus three regional partners, namely Japan, China, and South Korea, has agreed to strengthen the Chiang Mai Initiative Multilateralisation (CMIM) and enlarge the liquidity pool. We are now working towards completing a new and more effective framework with greater financing options by the end of this year that would enable the ASEAN plus three to systematically support each other and in the event of liquidity shortfalls and balance of payment difficulties.

Thailand has also played an active role in promoting South-South cooperation. Recognizing the importance of infrastructure development, the Finance Ministers' of ASEAN have made significant progress in creating an infrastructure development fund to further develop connectivity and linkages within the region. We hope that the World Bank and the IMF could provide relevant supports for this new financing innovation. Within the Greater Mekong Sub-region (GMS), Thailand has also been providing development assistance to our neighbors through our Neighboring Countries Economic Development Cooperation Program. Greater Mekong projects funded by this program would help to improve trade facilitation, enhance capacity, and build infrastructure in our neighboring countries to support their development. We invite the World Bank to also work with us to jointly support this South-South cooperation.

Reform of International Financial Institutions (IFIs)

1. IMF

Mr. Chairman,

On the issue of the IMF reform, we stress the importance of enhancing the Fund's legitimacy and governance by ensuring fair representation among members. The representation of the emerging economies, which have played an increasingly important role in the world economy, must be enlarged. The commitments made by the G-20's leaders in their meeting in Pittsburgh to shift quota share by at least 5 percent to dynamic emerging and developing countries is only the first step. We also urge that the criteria to allocate the shift among members must be established and the new quota shares be agreed upon in a fair and transparent manner. In addition, the members' representation in the Executive Board must be reviewed to reflect the new quota distribution—and thus reflect the economic realities.

2. World Bank

We also support the G20's call for the World Bank and the regional development banks to have sufficient resources to address the challenges and fulfill their mandates. To enable the World Bank to retain its AAA status and meet the needs of member countries in dealing with the crisis and beyond, the Bank must have strong capital base. We urge that all shareholders play their parts in sharing the burden of the Bank's capital needs and that the agreement on the issue of capital increase be reached as soon as possible.

In addition, we strongly support significant increase in the shareholding of the Developing and Transition Countries (DTCs) in the World Bank Group. The shareholding realignment with a significant shift to DTCs to reflect the evolving and growing weight of these countries must be realized as soon as possible. In this respect, we agree with the proposal to institute regular shareholding review and favor using GDP blend as the main criteria for the realignment.

Finally, Mr. Chairman, we must not forget our poorest members whose the economic development has been adversely impacted by the crisis. We urge that donor countries double their efforts to provide additional resources to IDA to cushion the impact of the crisis on these most vulnerable countries.

Thank you, and Thailand and ASEAN look forward to co-operating with both agencies and all nations in the months and years to come.

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