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Statement by the Hon. **AREEPONG BHOCHA-OOM**,  
Governor of the Bank for **THAILAND**



**Statement by the Hon. Areepong Bhoocha-Oom,  
Governor of the Bank for Thailand**

Mr. Chairman, President of the World Bank Group, Managing Director of the International Monetary Fund, Distinguished Governors, Ladies and Gentlemen,

It is honor and privilege for me to address the 2012 Annual Meetings of Boards of the Governors of the World Bank Group and the International Monetary Fund. On behalf of the Government of Thailand, I would like to express our great appreciation to the World Bank, the International Monetary Fund, and the Government of Japan for hosting this meeting.

First of all, I would like to extend a warm welcome to Mr. Jim Yong Kim and to congratulate him on his appointment as the new President of the World Bank Group. I am confident that his formidable capabilities, knowledge and vision will be highly beneficial both to the World Bank Group and the member countries. Also, I would like to express my sincere appreciation to the former President, Mr. Robert Zoellick, and IMF Managing Director, Ms. Christine Lagarde, for their hard work and remarkable contribution.

**I. The World Economy**

It is indeed a great pleasure to exchange views on the future of the global economy and the important role of the emerging market countries in today's unsettled global economy.

It has been widely acknowledged that amidst the eurozone crisis and an economic slowdown in the United States, the global economy in recent years has been driven by growth in the emerging market countries, including the South-East Asian countries. ASEAN+3 countries together account for 30% of the world population, 22% of the world GDP and 25% of the world trade. It can be said that ASEAN and other emerging market countries are key to maintain global growth. Despite the solid growth demonstrated by emerging markets, these countries are not immune from distress in other parts of the world. Therefore it is important for policymakers in emerging economies to ensure that their economies not only play an increasing role as global growth leaders but also remain resilient to external pressures.

For developed countries, it is urgent that these countries take all necessary measures to restore stability. This will be a huge challenge as to how these countries can be guided towards a soft landing without creating further imbalances.

## **II. Thai Economy**

Despite the global challenges, the Thai economy has maintained its resilience as growth during the second quarter remains positive at 4.2% per year. Our economic stability is sound with low unemployment [at 0.6% in July 2012], moderate inflation [at 2.7% in August 2012], low public debt [at 42.6% in May 2012], ample international reserves [at 182 billion USD or 10 months of imports or 2.9 times short-term external debt], and low-leverage in banking sector [at BIS Ratio = 14.9].

Yet, we realize that to sustain such favorable growth and further promote the Thai economy, Thailand needs to increase our competitiveness. Improving infrastructure and creating an environment favorable to investment are keys to increase country's competitiveness. The Royal Thai Government has given priorities to improve our water management and upgrade our logistics infrastructure in all transportation modes. This improved connectivity not only would help reducing logistics costs but also enable Thailand to leap forth the full benefits from ASEAN Economic Community in 2015.

Besides infrastructure improvements, we also create conducive environment for private sector to invest. In doing so, we recently reduce our corporate tax rate from 30% to 23% this year and to 20% next year. We also offer tax and financial incentives to encourage small and medium enterprises to upgrade their productivity. We hope that lowered corporate tax rate, together with other tax incentives for regional operating headquarters and international procurement centers, would make Thailand the investment destination.

## **III. Regional Economic and Financial Cooperation**

Over the past decade, regional cooperation has been one of the policy priorities in Thailand as it is instrumental in addressing the social and economic challenges facing the region. At the regional level, Thailand has developed many partnership programs with ASEAN, ASEAN+3, and Greater Mekong Sub-region countries.

We have been actively working with the ASEAN countries to establish ASEAN Economic Community or AEC by 2015. AEC will create a single market and production base by accelerating liberalization of goods, services and investments. It will also provide greater flow of skilled labor and capital. While AEC will certainly facilitate cross-border trading and investment, we aim higher than that. With AEC in place, we aim not only to deepen ASEAN economic integration, but also to foster equitable economic development

across the region and to create a highly competitive economic region that will play a crucial role in the global economy.

Apart from ASEAN, we have also been participating in the ASEAN+3, especially on a multilateral level. The Chiang Mai Initiative Multilateralisation or CMIM is established among ASEAN+3 countries to create self-managed Reserved Pooling Arrangement in order to address short-term liquidity problems for ASEAN+3 Member Countries as a regional safety net. So far, we have doubled its total size to 240 billion US Dollars to increase the IMF de-link portion and introduce crisis prevention facilities.

For cooperation among Greater Mekong Sub-region countries, we have established the Neighboring Countries Economic Development Cooperation Agency or NEDA under the Ministry of Finance since 2005. The objective of NEDA is to serve as a leading agency to provide financial support in the form of loans and grants to neighboring countries for cross-border development projects. In this light, I would like to ensure you that NEDA will continue to provide financial support in order to promote economic development in neighboring countries as we believe that Thailand can do better when the neighboring countries are doing better.

## **IMF**

At present time where risks and uncertainties continue to weigh heavily on global economic condition, efforts of individual governments and international assistance should be brought together in a complementary way. The role of international institutions are therefore of utmost importance particularly at the present time.

The IMF has played a pivotal role in promoting global stability amidst several episodes of crisis in the recent years. To effectively perform its duty, we recognize the necessity of the Fund's resources to be well endowed and its operation to be substantially flexible to meet the potential needs of members. In this light, Thailand has joined the global collaborative effort by pledging our support to the Fund's bilateral borrowing initiative to expand its crisis-fighting arsenal. The expanded lending facilities of the Fund will ensure that it can cater to the members' specific needs and circumstances.

Thailand welcomes the recent adoption of the new Integrated Surveillance Decision (ISD) on bilateral and multilateral surveillance. We believe this new decision will strengthen the Fund's surveillance in today's highly integrated world by extending its emphasis from exchange rate policies to include other domestic economic and financial policies of members that have implications on global economic and financial stability.

To ensure smooth implementation of this enhanced surveillance framework, the Fund should develop a set of clear guidelines for common understanding between Fund staff and national authorities.

Regarding the governance of the Fund, the 2010 reform package as agreed by the Board of Governors in 2010 will bring about the effective realignment of the quota, voice and representation towards dynamic emerging market economies to better reflect their growing roles in the global economic environment. Thailand has given its consent to the quota increase and accepted the amendment of the Articles of Agreement, and we would like to stress the importance of this reform to become effective promptly.

### **World Bank Group**

We commend the World Bank for its determination and ongoing effort to eradicate global poverty and promote sustainable development. I would like to thank the World Bank for its leadership in promoting green growth, gender equality and job creation. I truly believe that these are essential to achieving poverty reduction and sustainable development.

In this light, we urge the Bank to help Middle Income Countries to look into the linkage between growth and unemployment and request Bank to help link job strategy with the policies to reduce inequality.

Since disasters cause major economic impact, we appreciate the leading role of the Bank on Disaster Risk Management through new instruments and developed specialized expertise. We commend the Bank for increasingly integrating disaster risk management in Country Assistance Strategies. In this connection, I would like to thank the Bank on assisting Thailand during flood crisis last year by providing us the Post Disaster Needs Assessment.

Last but not least, we would like to express our appreciation to the Boards of Governors, Management, and staff of the Bank and the Fund for their continued support and fruitful co-operations. Also, we wish them success in their tasks of promoting global economic stability and eradicating poverty.

Thank you.