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Statement by the Hon. **THIRACHAI PHUVANATNARANUBALA**,
Governor of the Bank for **THAILAND**

**Statement by the Hon. Thirachai Phuvanatanarubala,
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,

I. The World Economy

The President of the World Bank Group recently said that the world economy is entering a dangerous phase. The world economy has been growing at multi-speeds, driven by a few key emerging market countries but at the same time shackled by the problems in Europe and the weak growth of the United States.

But now some of these emerging markets are also starting to face the risk of a slowdown. It will be a challenge as to how these countries can be guided towards a soft landing, in the face of the potential disruption that they may face with regard to capital flows and softened export demand.

The world economy therefore needs immediate attention. And at no time is the role of Multilateral Development Institutions as important as now.

II. Thai Economy

Amidst these global challenges, I am glad to report that the Thai economy is still doing well. Growth this year will be around our potential at around 4.0 to 5.0 percent. The overall economic stability continues to be robust with inflation remaining mild, unemployment low, public debt level manageable, current account surplus adequate, and international reserves that is more than ample.

The World Bank recognized these economic achievements. It has recently upgraded Thailand from a lower-middle-income economy to an upper-middle-income economy.

Yet, we realize that to further propel the Thai economy forward, we need to address the issue of national competitiveness. That is, we must overcome the middle income trap by fostering private sector's productivity and innovation as well as ensuring social inclusion.

In this regard, the Royal Thai Government will give priority to providing sound physical and non-physical infrastructure, support private sectors to attain more advanced technologies and equipments, and endorse higher minimum labor remuneration.

With these policies in place, Thailand will rely more on domestic demand, with more emphasis on internal growth than the external. This, in fact, should be the path to be taken by other emerging countries.

Under this silhouette, we appreciate the World Bank's technical assistance, particularly on the topics of Specialized Financial Institution, Tax Reform, and Micro-finance, which will be hugely beneficial to the success of our mission. We are looking forward to further cooperation under our new Country Partnership Strategy for the next five years.

III. Regional Economic and Financial Cooperation

At the regional level, Thailand has developed many partnership programs with ASEAN, ASEAN+3, and Greater Mekong Sub-region countries.

You may be aware that ASEAN aims to more closely integrate our economies under the goal of ASEAN Economic Community (AEC) by 2015.

With the AEC, ASEAN will become more open, more outward-looking, more inclusive, and more market-driven, consistent with multilateral rules while adhering to rule-based systems for effective compliance and implementation of economic commitments. AEC will position ASEAN as a single market and production base, with attraction comparable to China and India.

The ASEAN+3 Chiang Mai Initiative which provides a self-managed Reserved Pooling Arrangement in order to address short-term liquidity problems of members is going well. Also, we have launched 700 million US Dollars Credit Guarantee and Investment Facility to support the issuance of local currency-denominated bonds in ASEAN+3 region.

At the Greater Mekong Sub-region level, work is advancing to channel finances to our neighboring countries in the form of loans and grants for infrastructure development projects. This module should fit in well with the ASEAN Infrastructure Fund that is being launched with the Asian Development Bank concurrently with this meeting.

IMF

I shall now turn to the International Monetary Fund. We very welcome the change in the management, and the new Managing Director's vision to reform and improve the operation of the Fund.

Many years ago, the countries that demanded the Fund's time and attention the most were the small emerging markets with their frequent crises. Nowadays, the Fund needs instead to more closely guide and monitor the advanced markets as well as the very large emerging markets.

Crises of global proportion are rare. The only economies capable of starting crises of global proportion are the very large economies that pursue wrong policies. And the only institution that can effectively monitor, identify and put an early stop to these wrong policies is the Fund.

World Bank Group

As for the World Bank, we welcome the Bank's New Trade Strategy, focusing on how to assist developing member countries to provide more opportunities for the poor through market means.

We appreciate the leading role of the bank on Food Crisis through the establishment of the Global Food Crisis Response program.

We also recognize that for countries to derive demographic dividend benefits, they have to provide better education, healthcare and job opportunity for their women. We therefore encourage the Bank to expedite the implementation of the Gender Action Plan.

Finally, we commend the Bank's achievement of a historic IDA16 replenishment. As Thailand has voluntarily prepaid the outstanding IDA credit, we also believe that this amount of fund will be used promptly in the Bank's operation.

Let me end by expressing our most sincere appreciation to the Boards of Governors, Management, and staff of the Bank and the Fund. The only way to tackle the difficult agenda ahead is to all work hand in hand.

Thank you.