INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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Statement by Mr. Suthiwartnarueput
Thailand

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

IMFC Statement by Sethaput Suthiwartnarueput
Governor, Bank of Thailand

On behalf of Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao P.D.R., Malaysia, Nepal, Philippines, Singapore, Thailand, Tonga, Vietnam

Regional Economic and Financial Market Outlook

1. **Southeast Asia's economic prospects remain resilient, with a consistent trend of disinflation.** The region's growth momentum is bolstered by favorable export conditions, strong domestic demand, and a continued recovery in the tourism sector. Inflation has broadly moderated across the region over the past months, easing pressures and fostering a more stable environment for growth. However, financial market conditions remain somewhat constrained, with increased volatility in capital flows and exchange rates following recent changes in monetary policy direction among major economies.

2. **Persistent high uncertainty and potential downside risks remain, necessitating reforms to address medium-term challenges.** Geopolitical tensions and more frequent climate shocks, which trigger spikes in global commodity prices and supply chain disruptions, make it challenging for policymakers to balance price stability with economic growth. Elevated indebtedness in both the public and private sectors, coupled with the shifting monetary policy stance of major economies, may pose challenges to the external sector and financial stability of our constituency members. To address structural headwinds, reforms are needed to streamline regulations, bolster business sector competitiveness, and foster an investment-friendly environment, alongside increased investments in public infrastructure. In this regard, the region is making steady progress which will be critical not only for building economic resilience but also for capitalizing on new opportunities.

Surveillance Policy and Framework

3. While we commend the Fund's efforts to enhance its surveillance policy and framework, particularly the Integrated Policy Framework (IPF), **we stress the importance of flexibility and consideration of country-specific circumstances in its implementation.** We appreciate the Fund's close engagement with member countries, including those in our constituency, in operationalizing the IPF. This engagement will be even more crucial in an increasingly unpredictable global environment. We reiterate the need for flexibility and discernment in the staff's implementation of the framework to avoid the pitfalls of a one-size-fits-all approach.

4. **The Fund, as a trusted advisor, should carefully consider policy spillovers from globally important economies and clearly communicate potential risks and mitigation strategies within its surveillance framework.** While central banks in emerging markets have various tools to manage capital flows and exchange rate volatility that could arise from policy decisions in major economies, today's interconnected yet fragmented global context demands a more nuanced and adaptive approach. The Fund must refine its policy advice to foster coordinated and effective responses to these challenges.

<u>Debt Vulnerabilities</u>

5. While recent focus has been on sovereign debt distress and fiscal consolidation, debt challenges also exist in the private sector. **We urge the Fund to address high private over-indebtedness in specific countries, which can create vulnerabilities and hinder growth**. Given the threats to financial stability and social implications, the Fund must further analyze these risks and provide clear, timely, and well-calibrated policy advice. Targeted and customized policy implementation is essential for orderly deleveraging in the corporate and household sectors.

6. **The Fund must be prepared to address sovereign debt vulnerabilities and expedite efforts to strengthen the global sovereign debt architecture to better support developing countries' needs.** The risk of a systemic public debt crisis is rising due to elevated post-pandemic debt levels and persistently high global interest rates in the recent period. It is imperative to assist member countries in ensuring economic stability and breaking the cycle of low growth and high debt. Rebuilding fiscal buffers in a growth-friendly manner is essential to enhance flexibility in countering future shocks and addressing structural challenges. Medium-term consolidation efforts must be credible to sustainably improve public finances.

<u>Digital and Climate Transition</u>

7. **We urge the Fund to intensify its efforts on Digital Money and Digital Finance, particularly concerning the macro-financial implications** for the global economy and the international monetary system. Policy advice should ensure that risks to financial stability from digital transformation are thoroughly assessed and mitigated, while promoting **safe and inclusive financial access**. Financial fraud, digital crimes, and a potentially widening digital divide, which could unintentionally exclude marginalized groups, may undermine the true gains from digitalization. As cross-border payment linkages become more prevalent, the weakest link in terms of digital security may compromise the entire network. We look forward to the Fund's policy guidance on enhancing the quality, safety, and inclusivity of access to digital finance to enable member countries to maximize benefits while mitigating associated risks.

8. **The Fund should tailor its policy advice for members to address climate change, taking into account their specific contexts and diverse transition paths.** Guidance on climate mitigation and transition to a low-carbon economy must consider varying economic structures, the availability and maturity of technologies, and the practical pace of adjustment. For countries facing significant physical risks or already experiencing climate impacts, the Fund's recommendations should prioritize policies that enhance climate resilience. We also urge an increased emphasis on small developing states, which are often more vulnerable to climate-related disasters and may lack the resources to mitigate their impact. While most climate finance efforts are geared toward climate mitigation, we encourage for more efforts on climate adaptation which can help small developing states to better address the effects of climate change.

Fund Lending Toolkit, Capacity Development and Collaboration

9. **We support the Fund's efforts to ensure the long-term sustainability of its lending facilities.** We commend the Fund's work in enhancing the sustainability of the Poverty Reduction and Growth Trust (PRGT) and encourage contingency planning, including internal resource mobilization, if the targeted additional contributions fall short. We welcome the conclusion of the Review of Charges and the Surcharge Policy, which alleviate the financial burden on borrowing countries while maintaining risk management and income generation. A comprehensive review of the Fund's income model is essential to ensure long-term resource adequacy.

10. **The Fund's role in capacity development is vital for its members.** We emphasize the need for tailored guidance and support to address specific country needs and capacity constraints, especially for small developing states. Strengthening capacity for climate mitigation and adaptation in climate-vulnerable countries will also enhance their access to necessary financing.

11. **We urge the Fund to strengthen its collaboration with other International Financial Institutions (IFIs).** By leveraging the expertise of these institutions, the Fund can avoid duplicating efforts, ensure efficient resource use, and share its own expertise. Such cooperation, spanning areas from economic and trade integration to resolving global indebtedness and reinforcing Regional Financing Arrangements (RFAs), will promote multilateralism and mitigate negative spillovers in an increasingly fragmented global economy.

Fund Resources and Governance

12. As the cornerstone of the Global Financial Safety Net (GFSN), **the Fund must maintain sufficient resources and reaffirm its status as a quota-based institution**. We anticipate the timely implementation of the 16th General Review of Quotas (GRQ) to reinforce the primary role of quotas in Fund resources. Crucially, we emphasize the need for concrete deliverables in the quota realignment under the 17th GRQ. With the 80th anniversary of the Bretton Woods Conference, these governance reforms are timely, underscoring the need for the Fund's quota system to reflect the relative positions of its members in the global economy, ensuring relevance and credibility. We urge the Fund's staff to assist the Executive Board in developing approaches for further quota realignment, including a new quota formula by June 2025.