INTERNATIONAL MONETARY AND FINANCIAL COMMITTEE

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IMFC Statement by Sethaput Suthiwart-Narueput
Governor, Bank of Thailand
Thailand

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

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Introduction

The COVID-19 pandemic marks one of the world's greatest challenges encountered in this century with no clear end in sight. While the global economic outlook has improved since the 2020 Spring Meetings owing to unprecedented fiscal and monetary policy actions and the gradual reopening of the economy across countries, the path to recovery ahead is still filled with uncertainty.

Policymakers, therefore, must continue their forceful responses and be nimble in policy formulation during these difficult, fast-changing times. Against this backdrop, the Fund, which is well-positioned at the center of the Global Financial Safety Net (GFSN), must continue the critical task of assisting its members in navigating this pivotal juncture. This requires the Fund to further enhance its toolkit and sharpen its policy advice, maintain close engagement with country authorities, and step up its role in facilitating multilateral solutions to the myriad of challenges facing the membership.

Regional Prospects

The economic activities of our constituents in the second quarter of 2020 have been severely hit by the COVID-19 outbreak, with most countries recording deep contractions in GDP growth. To cope with this, authorities have implemented extraordinary fiscal stimulus packages and monetary easing to support households, businesses, and markets during these challenging times. Unconventional measures such as asset purchase programs have been carried out on an unprecedented scale by some central banks to ensure the smooth functioning of markets, and regulators have demonstrated greater flexibility in their regulatory and prudential frameworks to ease compliance and operational burdens for banks and facilitate continued credit flows to the economy. Together with the easing of containment measures in most countries, we have seen economic activity picking up over the past few months as a result, although the pace of the recovery remains uneven.

Overall, as with the rest of the world, the outlook of our economies is still subject to high uncertainty and downside risks, especially for those confronted with a resurgence in

infection. Our authorities, therefore, will remain vigilant and fully committed to curb the spread of the disease and mitigate the resulting economic impact, while also bearing in mind the longer-term consequences of our actions. Exit strategies must be prudently designed in order to balance between short-, medium- and long-term objectives as premature withdrawal of policy support could be detrimental.

Policy Priorities for the Fund

We commend the Fund for its steadfast efforts in safeguarding the international monetary system. The Managing Director's Global Policy Agenda rightly focuses on the Fund's emergency policy actions and continued commitments to helping its members weather these difficult times. It also lays out the work plan that would help the membership secure a durable and resilient recovery going forward. This is extremely important at this juncture where countries are tackling different stages of the crisis.

We view that a key priority for the membership is addressing debt vulnerabilities. The COVID-19 pandemic has resulted in public debt levels reaching all-time highs for many countries, further reducing fiscal space and putting debt sustainability at risk. In this regard, we support the consideration to extend the Debt Service Suspension Initiative for another six months. For the private sector, debt vulnerabilities and business insolvency are of great concern. While unprecedented liquidity support proved indispensable during the early phases of the pandemic, more targeted and customized policy implementation is now required. In addition to the emphasis on debt restructuring, business recapitalization will become more important in the next phase, as a shift toward an equity-like form of financing should serve as a more sustained solution rather than loading firms with more debt. In this light, we encourage the Fund to play a role in helping members improve debt sustainability and facilitating corporate debt restructuring through policy recommendations and technical assistance.

We welcome the progress on the Integrated Policy Framework (IPF) thus far, which provides a good foundation for enhancing the Fund's surveillance framework. This work will become even more relevant in the post-COVID world as emerging market economies (EMEs) will continue to face increasingly volatile capital flows. Past experiences of EME central banks suggest the importance of using multiple tools, including foreign exchange intervention and capital flow management measures, to deal with the multifaceted challenges. We hope that the IPF work will distill these experiences into the Fund's analytical framework, as well as provide insights to the planned review of the Fund's institutional view on liberalization and management of capital flows.

Efforts to address inherent shortcomings of the External Balance Assessment methodology must continue. The underlying model limitations and backward-looking nature of the exercise mean that the assessment results and policy implications must be interpreted with great caution. The need to revisit the robustness of the model is even more pressing as there are structural shifts in the global economy that have fundamental implications for current account balances and real exchange rates. As such, a careful analysis of the underlying drivers of external imbalances is warranted to identify policy options that will help facilitate the medium-term adjustments.

We support the Fund's efforts in helping more vulnerable members deal with the pandemic. To this end, we encourage the Fund to arrive at a timely decision regarding the lending toolkit to better support member countries. Priority should be placed on the speed and flexibility to access Fund financing. A new round of SDR allocation could also be considered as this would augment unconditional financial resources for the poorest and most vulnerable members.

Beyond the immediate crisis priorities, the Fund has a crucial role to play in helping the membership achieve resilient and more sustainable growth in the post-pandemic world. We underscore the urgency in finding the right policy combination to manage the risks pertaining to climate change that can entail a catastrophic loss. In this connection, we welcome the Fund's work on climate issues that are relevant and well-tailored to members' priorities. We also welcome the agenda to support ongoing digital transformation among member countries and to promote inclusivity and gender diversity which could facilitate the authorities' efforts to address low productivity growth and widening inequality.

We underscore the importance of ensuring a well-resourced IMF at the center of the GFSN. Our participants in the New Arrangements to Borrow and the 2020 Bilateral Borrowing Agreements are putting great effort in finalizing the domestic approval process so that the new arrangements will become effective in January 2021. Notwithstanding, these borrowing arrangements are not a substitute for a quota increase to secure the adequacy of the Fund's resources in the long run and to advance needed governance reforms. We reiterate our call for the Fund to uphold its commitment to conclude the 16th General Review of Quotas by December 2023.

Conclusion

The enduring, extreme and multifaceted nature of the COVID-19 pandemic calls for decisive policy action and solidarity, where the Fund have a prominent role in assisting its members. With the highly uncertain global outlook, country authorities will count on the Fund for guidance as they strive to return their economies to a firmer footing. To better serve the specific needs of its members during these difficult times, the Fund must remain agile and continue to adapt its toolkit to the evolving challenges faced by the membership, ensure adequacy of its resources, and strengthen its role in coordinating multilateral solutions.