

GLOBAL
THAILAND

in conversation
with

NARONGCHAI
AKRASANEE

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IN CONVERSATION WITH
NARONGCHAI AKRASANEE

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Narongchai Akrasanee, in an interview on 27 March 2023, with Anuson Chinvanho and Sweeya Santipitaks at ISC, Bangkok.

FOREWORD

When I finished editing the book *Thai Diplomacy in conversation with Tej Bunnag* in late 2021, I realised that the book covered mainly political aspect of Thailand's foreign affairs and policies. So, I began to think about interviewing another eminent person for another book focusing on economic aspect of Thailand's foreign affairs, which would be a "companion" volume to *Thai Diplomacy*. Coincidentally, in the middle of 2020, I met Dr. Narongchai Akrasanee through the Ministry of Foreign Affairs' International Economics Department. We were invited to be members of an advisory group set up by the Department as part of the preparation for Thailand's chairmanship of APEC in 2022. I had met Dr. Narongchai a few times before during my diplomatic career but I could not say that I knew him well. After the first meeting of the advisory group, Dr. Narongchai asked me whether the International Studies Center (ISC) could assist him and the Thai National Committee for Pacific Economic Cooperation (TNCPEC) in organising the 29th General Meeting of the Pacific Economic Cooperation Council (PECC) in early November

2022. It is customary that PECC would have its General Meeting just before the APEC Summit and the country that is the APEC chair would be the organiser. This was how I began my collaboration with Dr. Narongchai.

As my conceptual thinking for this book began to take a firmer shape, I decided to approach Dr. Narongchai in mid-2022 about interviewing him for this book. As an eminent economist who has been involved deeply and extensively in the public and the private sectors over several decades, Dr. Narongchai would be a perfect person to interview. I believed his background as a university lecturer and researcher, his work for the international organisations, his experience as a government minister, and his involvement in businesses, would make the interview and the resulting book fascinating and exciting to read.

Therefore, I would like to take this opportunity to express my deep gratitude to Dr. Narongchai Akrasanee for readily agreeing to be interviewed for this book and for making time from his busy schedule available to me and my team to conduct the interview. Our conversation took place at the ISC, located at the Government Complex on Chaengwathana Road, once a month from January to July 2023. The format of the conversation and the subjects covered are arranged similarly to the previous book. Our conversation was conducted in English throughout. But before we could start discussing the substance, we had to settle on the title of the book. It was not easy to capture

the essence of the whole book in two words. In the end, we agreed on “*Global Thailand*” which is meant to convey the notion of Thailand on the international economic stage. In a sense, it is similar to saying “Thailand goes global.” The subjects we discussed ranged from pertinent concepts on international economic relations and cooperation to Thailand’s global trade and investment to economic cooperation in ASEAN and the Asia-Pacific region and with Thailand’s neighbouring countries. We also discussed a few megatrends that would be the major challenges for the future.

This book is designed for the general readers who may be interested in Dr. Narongchai’s views and experiences, as well as his personal involvement in many of the events mentioned. It is not intended to be an academic study. So, there are many anecdotes and behind-the-scene stories that, hopefully, would increase the general readers’ knowledge and understanding of key issues and events of our time. If some of the questions appear simplistic or naïve to the specialists, I sincerely ask them for some understanding as I have a limited background in many of the subjects discussed. Moreover, if some issues were discussed or some points touched upon several times, they were intended to explain different circumstances or contexts.

Lastly, I wish to thank the ISC team who worked hard to produce this book. Special thanks go to Sweeya Santipitaks, former Consul-General in Kolkata, who kindly

accepted the task of recording and transcribing the conversation. I hope that the readers find this book interesting, useful, as well as enjoyable to read.

Anuson Chinvano

Director,

International Studies Center

PREAMBLE

Most of the people who know me well know that I have worked on international economic affairs continuously for more than half a century. This is despite the fact that over all these years, I have changed my professional life, based in terms of time spent, from being an academic and a policy researcher, to being a businessman, and a politician. And often I do all at the same period of time.

This proves that I have a real interest in the international economic affairs of Thailand, of GMS and ASEAN, of APEC, and of the rest of the world.

By having been involved in so many international economic events and undertakings, I have a lot of stories to tell. And I have been telling these stories to a whole host of audiences by several means.

So, when Dr. Anuson Chinvanno suggested to me over a year ago that I should put those stories into a book, so that it would be a lasting record of Thailand in international economic affairs, I immediately agreed.

And Dr. Anuson told me that it would be done by means of interviews, with him asking me a series of

questions built up from an advanced set of themes, I like it even better.

As it turned out, we had a series of conversations over a period of about six months, talking about what would now be termed as “Global Thailand.” I didn’t realise that we had covered so many issues and incidents in which I was involved.

Apparently, Dr. Anuson asked so many interesting questions, often with critical remarks on my answers, that would require me to provide more clarification and qualification.

Such exercises produce this book entitled “Global Thailand.”

What I have learned from my experiences is that in international economic affairs, there are many factors, formal and informal, that influence the changes. So if a country wants to see changes to be in line with its policy, it has to work on several undertakings, involving several individuals and institutions, particularly the Ministry of Foreign Affairs.

Indeed, I have worked with so many individuals and institutions, outside and inside Thailand.

In Thailand, I was fortunate to have an opportunity to get to know and work with Khun Anand Panyarachun, Khun Arsa Sarasin, and Khun Tej Bunnag. In particular, I had a chance to work for Dr. Thanat Khoman, Thailand’s legendary Minister of Foreign Affairs and former Deputy Prime Minister.

These outstanding individuals were instrumental in making many things happen to make Thailand to be a “Global Thailand,” as stories in this volume will confirm.

It is my hope that the interested reader will find this book interesting and informative.

Last, and of course not least, I would like to thank Dr. Anuson and his team at the International Studies Center, Ministry of Foreign Affairs, for having made the publication of this book a reality.

Narongchai Akrasanee
Bangkok, Thailand
November, 2024

CHAPTER

1

INTERNATIONAL ECONOMIC
RELATIONS AND COOPERATION

To set the framework for our discussions on Thailand and international economic relations and cooperation, what do you see as the main issues in international economic relations both in historical as well as the present-day context?

I think I will discuss the period in which I was involved because the parameters governing, dictating or determining international economics or international economy varied from period to period. So, we will be looking at the period from about 1960 to about 2020 and may even beyond that, as I can see things changing again in post-COVID-19 period (2021-2022). The framework for international economy beyond 2022 could be different. Because of my involvement and my experience, I would like to focus on the period from about 1960 to maybe around

2020, as the framework remained more or less unchanged during that time.

Now, when we talk about the framework of the international economy or international economics during that period, we can say that it was governed very much by the Bretton Woods Agreement. I think we would recall that after the Second World War, there was a meeting at Bretton Woods of the major powers and among the leaders at the meeting was John Maynard Keynes. They analysed the reasons for and the causes of world conflicts from the First World War (1914-1918) to the Second World War (1939-1945), and they concluded that one of the major causes was the international economic system and economic relations. It was about mercantilism. It was about the fact that certain countries wanted to take advantage of other countries in their trading relationships. It was about the belief that gaining in trade surplus would be to the country's advantage. That was very much the practice and very much the framework before the World Wars. It caused the World Wars because the so-called deficit countries were complaining that more powerful countries like the UK and others were exercising mercantilism. I think that many countries were taking advantages of the system.

So, the Bretton Woods system focused very much on what is known later on as free trade. And I used the word "known as" free trade because although it is really not that free, it is definitely more open than before the Second

World War. It was much less mercantilistic. While most countries, particularly developing countries, still wanted to have some trade surplus, it was because people thought they needed to do so; otherwise, they would not have foreign exchange reserves to pay for what they needed. But for the UK and other major trading nations, they did not need to have reserves because their currencies were already the reserve. And later it is the same for the US dollar.

Anyway, the trend was about “freer” trade. Maybe that is a better word, “freer” trade. All arguments coming from that period were about freer trade, freer investment and freer financial flow. To be able to do all these things, the Bretton Woods system decided to set up a number of organisations. The World Bank, the full name of which is “Bank for Reconstruction and Development,” was set up because the War damaged many of physical facilities and infrastructure, so the world needed reconstruction and development. That is about development. The second one is about finance. The International Monetary Fund (IMF) was set up to ensure that the world has a good financial system to facilitate trade and investment. The third one is about trade. There was an intention to set up the International Trade Organisation (ITO), but I think because of some feelings about mercantilism, about trade deficit, about trade surplus and so on, the idea was abandoned. Actually, the United States was against it.

After a long conversation, it was decided to set up the General Agreement on Tariffs and Trade (GATT) instead. I think we will talk more about it later on to put the framework in its proper place. So, they only agreed to set up GATT as a forum for continuous negotiation on trade liberalisation. It was felt that to establish the ITO would be to force the race too far and too fast. GATT went through many negotiation rounds: the Kennedy Round, the Tokyo Round, the Uruguay Round and currently the Doha Round. That is the “story” that I have been studying.

As to my own involvement in all this, it started when I decided to study economics. I studied economics during the period when international economics was about to get freer or become more liberal. Import substitution was becoming not the good thing to do because it would cost too much. It would be replaced by the policy of export promotion. My work and my studies in Australia had been focused on the advantages and disadvantages of import substitution. But when I went to Johns Hopkins, the focus was very much on the trend against protectionism with the support from powerful people like Béla Balassa¹, Anne Krueger² and so on. These people were working with the World Bank. So, we could see that important economists at that time and leading institutions worked together. Personalities would not be so successful unless they have institutional support and institutions need personalities to promote what they want to do. Basically, the framework at

that time was about open trade and open finance with the help of the World Bank and the IMF. But the opening of both trade and finance would be gradually done. In terms of open trade, it means that export promotion would be encouraged by these institutions.

So, my upbringing, my training and my dissertation were against protection. My study during that period was not that easy because immediately after Bretton Woods, some important scholars were encouraging import substitution because they were afraid the Bretton Woods Agreement might not benefit developing countries as much in terms of trade. After all they had not been reconstructed or not quite developed yet. Famous professors, e.g. Raúl Prebisch³, who taught at Harvard, became quite a star during the 1950s-1960s. Some Thai scholars who went to study at Harvard at that time, like Dr. Vichitvong Na Pombhejara⁴, were very much influenced by the thought of Raúl Prebisch. After he came back, he wanted to promote import substitution in Thailand. By the time I became involved with economic policy works in Thailand, that was still the framework.

Basically, I think to answer your question about frameworks, it is very much related to the Bretton Woods Agreement. Because of that, it was my study and research to promote the Bretton Woods framework. I didn't know whether I was doing the right thing or the wrong thing, but I can tell you that I was assisted by all the organisations

and people to pursue my work on liberalisation and that would be related to all the things we are talking about. They are related to what Thailand was doing during the 1970s-1980s.

There are a lot of discussions on free trade on the one hand and fair trade on the other, what are your views on these two concepts? Do they work against each other or do they actually complement each other?

Fair trade has become a type of promotional activities because many people have realised that free trade is not that easy to achieve. So, two things have actually happened to the attitude toward free trade. First, as it is unlikely to be achieved, fair trade is better than free trade. However, the arguments are subjected to a lot of interpretations as to what is meant by fair trade. Basically, it is about openness, transparency, access, etc. Second, regional cooperation has become an important parameter, or framework, particularly after the 1970s-1980s, because many countries have realised that they could not open trade as quickly as supposed to be dictated by GATT. I recall that during the Kennedy Round in the 1960s, it did not go very far. And the Tokyo Round immediately after also did not go very far. This was not until the Uruguay Round, which was the major round in the 1980s. It started in 1986 and concluded in 1992-1993.

So, liberalisation of trade as the *modus operandi* for the international economic and trade relations was difficult. What could be the alternative? This led to the question why

we don't make trade fairer? Also, why not promote regional cooperation? Why don't we just open trade among ourselves, the countries on the same coastline, and the neighbouring countries? The example came from what the European countries did. They started by having economic cooperation, then became a community, and later on became the European Union. They started in the late 1950s. And for the rest of the world, there are a lot of people promoting this idea. People, countries or institutions thought that if we could not have free trade for all countries, we should at least have free trade among some countries, and that was the idea that the Association of Southeast Asian Nations (ASEAN) came to accept.

However, that idea was not adopted by ASEAN at the beginning because ASEAN was formed in 1967. I am sure you agree, for political reasons and mainly after President Sukarno was deposed, then Indonesia could join a regional cooperation arrangement. Thailand's Foreign Minister, Dr. Thanat Khoman, was working very hard to make sure that Southeast Asian countries would not fight among themselves by brokering reconciliation with Indonesia, Malaysia, and the Philippines. These countries then entered into a regional cooperation grouping called the Maphilindo. Thailand, Malaysia and the Philippines also set up an organisation called the Association for Southeast Asia (ASA). ASEAN started in 1967 but why it did not promote freer trade among member countries is a long story.

In the 1970s, at that time I already came back from Johns Hopkins, there was an American economic professor at Thammasat University, as it was receiving assistance from the Rockefeller Foundation to promote economics and graduate studies and to send students for overseas training in the US and elsewhere in order to come back to teach at Thammasat. He was Professor Seiji Naya⁵, who was working on ASEAN cooperation project, and I joined him. Because when I did my study, I studied both trade and industrial development. And I think that was very important as it made me realised that in industrial development you need scale. Scale was essential at that time. Today, it may be different. Today, more companies can do more with technology but at that time without scale industrial production would be very limited. So, I was very much interested in the subject of regional cooperation from that time, and I joined Dr. Seiji Naya to work on ASEAN cooperation. It was so timely because the Vietnam War ended in 1975 when ASEAN had its first Summit in 1976 and the leaders wanted economic proposals. Dr. Seiji Naya, myself, and Dr. Amnuay Viravan⁶ basically had that ready. Dr. Amnuay was assisting Prime Minister M.R. Kukrit Pramoj and Mr. Boonchu Rojanasathien⁷. It meant we had the documents to take to Bali in 1976 and to Kuala Lumpur, where the second Summit was held in 1977.

So, to answer the question, another parameter which came up in addition to free trade and fair trade is regional

cooperation. ASEAN and European Union were the examples cited. Most people said that it was a good thing to do. Even in economic literature, some people at that time were asking how countries could benefit from producing more or less the same thing. However, there was a professor from Sweden who became very famous, Staffan Linder⁸, who proved that even neighbouring countries producing the same thing, they could still benefit because there is no such thing as the same thing. Like cars, but cars are not the same. Among European cars, there are French cars, English cars, and German cars. So, there is the theory of product differentiation. Staffan Linder became very famous for this argument in support of European Union Economic Community. So later on, may even be up to today, people bought into the idea of regional cooperation and extended it beyond trade to services, investment, technical cooperation, and so many other things to which I subscribe.

You have mentioned that it may not be possible to achieve totally free trade, but only freer trade. So, what are the benefits and challenges of trade liberalisation and free trade agreements?

It goes back to the economic theories for students of economics who have learnt about comparative advantage. Comparative advantage goes back to David Ricardo, who, in the 1800s said that if a country can produce something relatively better than the others, then it should focus and specialise on that product. And it was theoretically and

mathematically proven that gains from trade could come from comparative advantage. That is the real argument about free trade, meaning that we should produce things that we can produce relatively better than the others. So, countries which have followed this so-called freer trade or opening up, willing to buy and sell, have developed very fast. But again, there is an argument that Japan was very protective, so how could Japan develop very fast in the 1960s-1980s? The counter argument at that time pointed out that the so-called Asian Tigers, i.e., South Korea, Taiwan, Hong Kong, Singapore, and maybe Malaysia, opened up their trade. They allowed import and they promoted export to a large extent, and their growth was phenomenal because they specialised in the things they could do better. They also could import things from elsewhere, which they otherwise would have to produce at a higher cost.

However, Thailand in the 1960s and the 1970s did not follow free trade. We had a huge protection for everything that it would be difficult to imagine today. For example, the permit for the production of this type of ceramic tableware (*pointing at a tea cup*) was given to only one company based in Nakhon Pathom. In my view, that was protection to the extreme. And then, in the 1980s, when we wanted to promote large-scale tourism, the hotels complained that they could not accommodate a large number of tourists because there was not enough tableware. They asked this company to produce more, but the company

said they could not. This company was financed by the Industrial Finance Corporation of Thailand (IFCT)⁹ and promoted by the Board of Investment (BOI). That is a classic case of protection. So, for the policy of tourism promotion to work, the government had to issue permits to allow hotels to import tableware. Can you imagine that we had to import tableware? I mean the kind of tableware that is used in hotels. This was because protection limited our production.

I think that explains why freer trade, or freeing up trade, started to be accepted by more and more countries and why the four Asian Tigers were used as examples. Malaysia should be part of that group. They adopted this policy before Thailand. They adopted it in the 1970s, and they took off in the 1990s and 2000s. Later, Thailand adopted both approaches. We followed the international framework of freer trade, not total free trade, by reducing tariffs across the board, and we promoted regional cooperation in a big way. I think we should give credit to the governments of those periods when they promoted regional cooperation in a big way, not only ASEAN but also Asia-Pacific Economic Cooperation (APEC), Greater Mekong Subregion (GMS) and many other frameworks. And while we were slowly moving along the freer trade route, agricultural products were the exception. No one dared touch it. Even today, the Ministry of Agriculture still keeps 23 categories of agricultural products under “exclusion list” arrangement.

Thailand is supposed to be a leading agricultural country, the fifth-ranked food exporting country, among the biggest five in the world, but we still protect 23 products, including corn and soybean.

Coming back to the point about liberalisation, as you said, some agricultural products are still protected. This is probably a significant challenge to trade liberalisation. But it is felt that there is still a need for protection of some sectors in the country, especially agriculture as farmers form a very large portion of the population with low income. So, what should be done?

I think that is a very important and real challenge. I get into the debate about this issue all the time because I support trade liberalisation. Many people have argued against me, especially when I was Minister of Commerce. I wanted to lift all the barriers, but I got a lot of opposition. It is like this. I would refer to the Japanese example as it is a very good example. The Korean example is also noteworthy. The idea is to gradually reduce the size of farmers involved otherwise, whenever the season arrives, they would demand protection under the so-called “special watch list” which is created for this purpose. It would be open only when the local production has finished. However, in Thailand’s case, we did not adopt the Japanese way of promoting the reduction of farmers involved. I am not saying that we should reduce production but reduce only the number of people involved.

Take corn for an example. The number of people involved in corn growing and production is still the same even up to today. However, they do not produce enough corn for consumption or animal feed. And I can tell you that the traders know when the corn is about to run out. So, they prepare to seek permission to import corn from abroad. By that time, the price of local corn has become very high and the price of the imported corn is also high. So, who suffers? The animal feed becomes expensive, and has to be sold at higher prices. In the end, it is the consumers who pay for the price of protection. We have not had a policy of reducing the number of farmers. Instead, we have promised them “guarantee income.” It is the Democrat Party that always promotes this policy of “guarantee income.” Others say okay. We either guarantee the farmers their income, or give them a subsidy. The farmers know this and they expect that their income would remain more or less the same or even higher, so why would they leave the job. There is a lot of corruption in administering subsidy. Even today, there is a lot of corruption. In fact, we have a lot of what we call farmers -by- registration but not by profession. These farmers then rent out the land to somebody else. They themselves receive the subsidy from the government but the actual farming people just get the products and sell whatever they grow.

Would the increase in agricultural efficiency be the answer?

That is what I mean by following the Japanese example. If you reduce the number of people involved but keep the same of food production, productivity goes up. The number level of Japanese rice growers is small, but they can produce enough rice for the whole country.

I guess that is why the Japanese farmers have high income.

Yes, very much, but our farmers are not rich because they know what they will get the next year, so they just stay there. Anyway, to really talk about the challenges and to be fair, it is not easy to liberalise the trade of industrial goods that we have done either. For example, I ran into trouble sometime in the 1980s. I experienced that myself. In the 1980s, we were still protecting the electrical and electronic industries. Tariffs on electrical goods were very high, exceeding 40%. I recalled people going to Hat Yai to buy electrical goods. They were much cheaper there as they were smuggled in. I worked for the government at that time as an advisor, and I started working with Dr. Suthee Singhasaneh¹⁰ on the policy to reduce tariffs on electronic and electrical products. We were much opposed by the industry's association. I recall it very clearly. They invited me to a meeting where they strongly opposed this idea of reducing tariffs.

So, you can see the challenge. The automobile industry is another example. From the beginning, Thailand said that

there should not be free trade in automobiles because we should produce automobiles ourselves. This policy was followed not just by us but also by other countries. They were adopting the so-called national car policy. Look at Malaysia's Proton. But it was not just Malaysia. Indonesia, the Philippines, and Thailand were following similar policies. We did not have a brand like Proton but we said that local content must be produced in Thailand up to practically 100%. So, automobile manufacturers were forced to produce parts and components in Thailand.

Luckily, sometimes you succeed by accident, not by design. We, somehow, for some reason I don't know, had a big market for pickup trucks, and today, we are the second largest producer of the one-ton pickup trucks after the US. I do not know why Thailand is so fond of pickup trucks. But what happened at that time was that as we had the strict policy on local content, Isuzu and Toyota started producing engines for a one-ton pickup truck, and they were required to include 57% local content, meaning 57% of the whole car would be locally made. That was how the engines of the pickup truck was developed based on that policy. In a way, that was a success because the scale was so big. But I still don't know why the scale was so big. Anyway, it was only the engine for the pickup trucks and nothing else.

When Dr. Chirayu Isarangkun Na Ayuthaya¹¹ was the Minister of Industry, I think, in 1985 under the Prem Tinsulanond government, export promotion policy was

adopted, and local content requirement was stopped. It ushered in the beginning of the auto industry development in Thailand. BOI sent Mr. Staporn Kavitanon¹², who was the Deputy Secretary-General at that time, to Japan to talk to the Japanese auto-makers about this policy and to invite them to invest in Thailand. Now, we are the biggest auto producer in ASEAN. So, if you meet some of these challenges properly, you could actually benefit from free trade.

Then again, I recall a very important moment in my life when I was invited to attend a meeting on the auto industry in Japan in 1987. I asked Mr. Toyoda, the owner and chairman of Toyota, “Why did you invite me from Thailand to attend the fair? We are not a major producer of automobile. South Korea was”. He answered, “Because you are going to be. Because you have lifted local content requirement, Toyota will go in”.

I think the quality of our industrial production is really not just second to none but is really of higher quality. In particular, we produce consumer goods of very high quality. Of course, after 2001, when China joined the World Trade Organisation, they started to produce things at a lower cost. Everybody has been affected by this and that would come in our later discussions.

Can I continue on the theme of trade liberalisation? There are a lot of debates today about free trade agreements. Sometimes people take the benefits for granted and look more to the

challenges. So, it is quite difficult now to enter into a free trade agreement or to negotiate a free trade agreement. What is your opinion on this issue?

I think this is a good question that will definitely lead to our later conversation on how the world is changing. The idea of the Bretton Woods system, which is now breaking down, is about multilateralism. It is also about trade and investment going together, about trade and capital flow going together, which means that some countries may have a trade surplus in the medium term. But in the long term, no country would have a trade surplus forever.

Not even China?

The idea is that when a particular country has a trade surplus, and if it has an open capital account allowing free financial flow, the exchange rate will adjust. Its currency will appreciate, thus reducing the surplus. That's why open trade and finance have to go together. That's why they have the IMF.

The trading country is expected to have a trade surplus to accumulate foreign exchange reserves equivalent in value up to about six months of imports. the general formula is about 6 months. However, as it happened, and the first case was in Japan, there was no adjustment in the exchange rate. Surplus countries continued to maintain a low value of currency. They, therefore, benefitted from the exchange rate and continued to accumulate the surplus. The reason was

because the capital flow was not open; only trade flow was open. Trade flow was open before capital flow. In such case, developing countries would not have enough wealth to protect their currency. So, they would not allow capital flow. I think you would recall that many years ago, when we wanted to go overseas, we had to get the Bank of Thailand to approve some long paperwork before buying foreign currency.

So, capital flow was not allowed and exchange rates were not adjusted in line with trade surplus to the point that in the 1980s, the United States was very upset with Japan and Germany over trade surplus. The US then called a meeting at the Plaza Hotel in New York City and, under the so-called Plaza Accord, basically forced Japan and Germany to appreciate the value of their currencies. During the time of the Bretton Woods system, the Japanese Yen was about 250 to 1 USD. The Plaza Accord brought it down to about 180, and years after, it came down to 145.

The same thing happened with China. China started opening up in 1978 after Deng Xiaoping made the policy. China was encouraged to trade by everybody, including the US, which was instrumental in China joining the World Trade Organisation (WTO) in 2001. And China kept accumulating surplus and more surplus, but there was no significant adjustment in the exchange rate. I think the biggest surplus China had with the US was USD 4 trillion. But it has come down to about USD 2.5 trillion now.

Still, there is no adjustment in the exchange rate because China has not allowed capital accounts to be opened. So, the countries around the world started to feel that the so-called multilateralism by means of free trade is not to their benefit, or it benefits only certain countries which have the surplus, like what happened under mercantilism before the Second World War. The support for the multilateral system went down as a result.

A big demonstration against the multilateral approach happened soon after the WTO had been established, following the conclusion of the Uruguay Round. The first WTO ministerial meeting was in Singapore in December 1996. A few years later, the WTO had a meeting in Seattle in 1999, and a demonstration against the WTO took place there. It shows that many people no longer support multilateralism. Then, the WTO started the Doha Round in 2001. It is still ongoing. No conclusions have been achieved even if they added “development” into the Doha Round, to make sure that the negotiations are not only about trade liberalisation but also about development.

My point is, in order for multilateralism to really work, it has to have both trade and finance freely open with the assistance and regulations designed to help the less developed countries on how to manage this kind of flow. Thailand has done well, but it was painful. We have done well so far because we experienced the pain in 1997, when we regulated the exchange rates, but we also allowed

the capital flow. It did not make sense at all. So, a lot of money came in and created the bubbles. In the end, it had to be properly regulated not only by the country but by international organisations like the IMF and so on.

You talk extensively about capital flow, so I'd like to ask: what are the benefits of foreign direct investment?

It has to do with capital. In order to develop, we need capital, and capital comes from savings but most developing countries do not have enough savings for investment. When we have enough savings, we can invest it in the public-sector infrastructure. The private sector does not have access to international money. So, when the government has some savings, it will be able to borrow from the World Bank for development projects. We would come back later to the details of what Thailand did. It could get money to buy machinery, equipment, things needed for infrastructure development. However for the private sector, foreign direct investment brings in the money that we can use to buy equipment and brings in know-how and technology that we can use for production. Most countries followed the Industrial Revolution and tried to catch up with industrial technology. If they allowed foreign investment, catching up would be faster, as can be seen in the case of Japan, South Korea and so on. China is the most successful example. Singapore is also a good example.

Singapore knew that they needed the know-how and they thought that they had a good location for the

production for foreign distribution. So, they set the condition that if you come in, you must train their people. I think Singapore became successful because of this training requirement. In the case of China, it is such a big market that everyone wants to sell to China. It could, therefore, set some conditions. If you come in, you must allow the Chinese to use your technology. For example, Germany's Siemens had to allow China to use Siemens technology for all the trains built in China while they got the patent payment fee. The Cummins engine from the UK met the same condition. They must allow the Chinese to produce and use the name Cummins. So now Cummins engines are no longer produced in the UK, but in China. For China, train system, technology for train engines are from Siemens and rails from Canadian Bombardier. This is the benefit of foreign investment if a country sets the conditions properly.

But in the case of Thailand, we have not been able to set the same kind of conditions as Singapore or China have done. Maybe we are not smart enough, or we do not have such a big market. We did say, "Please transfer the technology." When you look closely at the companies involved, the transfer has hardly happened, unless it is, to put it politely, "appropriated." But of course, there are plenty of cases where we received a proper transfer of technology. For example, the Saha Pathanapibul group, which makes a lot of consumer products, did very well with its Japanese joint venture and were able to produce

things with Japanese, as well as Taiwanese, investment. Many companies have done well by themselves, not because of some conditions set by the country.

But recently, the story is the opposite. Now I believe that, for Thailand, outward investment may be larger than inward investment. The Thai private sector, especially the manufacturing companies, has been very successful, and our tourism sector has also been very successful. So, we have a huge surplus in the current account for the last 10 years or more. But today, that is no longer the case. Before COVID-19 we had huge reserves, huge liquidity, and very low interest rates. A lot of Thai companies have gone overseas to invest, but that investment has slowed down.

What do you see as factors that could make this economic cooperation a win-win proposition, either as the recipient or the contributor of investment and trade?

It depends on the regulator, the authority, the promoter, and the government, which are the pain points for me. Until now, when we talk about a win-win proposition, we usually mean for the nation not for companies. If you talk about companies, there are limitations. For some local companies, if they make profits, that would be good enough for them. But the social benefits that come out of trade and investment would have to be engineered by the authority and the government. We have had some successful cases, but not generally across the board.

I think the auto industry is a successful case. The BOI was smart enough at the time to understand how the Japanese produce cars. They were not produced by just one company but there was a huge network of suppliers. So, when we invited major car producers from Japan to invest in Thailand, we asked them to bring their network of suppliers with them. These smaller Japanese companies could invest in Thailand as wholly-owned companies of 100% Japanese origin, or they could have local partners organised by the BOI, and they would be granted the same benefits as the main auto companies. Apart from that, I cannot think of another industry that has developed along with this model.

It seems that we have not been strong enough to develop this framework further so that the country could benefit more. The initiatives are mainly from the companies. They have done it by themselves. For example, we now have the Thai-German Technical Institute that was initiated by German and Thai companies concerned. They set up the institute to provide training for the workforce.

Overall, I have to say that coordination among our government agencies, institutions, and related organisations, is not on a continuous basis. It is also done on an industry by industry or a case-by-case basis. One successful case was the Eastern Seaboard. That was a successful case in the sense that many organisations came to work together. But again, it was engineered by the BOI in terms of benefits and infrastructure. The National Economic and Social

Development Board (NESDB)¹³ was responsible for the policy on the Eastern Seaboard development concerning the deep seaport and other infrastructure, industrial estate and so on. The BOI organised a lot of activities in Eastern Seaboard to encourage companies to invest there. That is a good case of a policy which creates benefits for the society.

Now, we want to do something similar with the development of the Eastern Economic Corridor (EEC). It is even bigger. I hope they succeed in the long run, as they seem to have run into difficulties at the moment.

So, the legal framework is important.

I would not say legal framework, but there has to be a “central body” that comes up with the framework that could promote a particular sector or area as it involves many organisations.

Why do you think that this framework is needed?

Speaking from my own experience in government, the problem seems to stem from the so-called “silo attitude.” I think that is the main reason. In 1996, when I was Minister of Commerce, the Ministry had a lot of money for trade promotion. At that time, Mr. Pitak Intrawityanunt¹⁴, Deputy Foreign Minister, asked me if Ministry of Foreign Affairs could use money from Ministry of Commerce’s Export Promotion Fund. Because I approved his request, I was criticised by the officials from Ministry of Commerce. “Why did you give OUR money to THEM?” Ministries of

Commerce and Foreign Affairs are often locked in competition over policy and implementation. There are many cases. For example, on CLMV cooperation¹⁵, Commerce Ministry wants to keep CLMV trade promotion activities for themselves, while the Foreign Ministry wants to promote ACMECS¹⁶. They are more or less the same grouping. Well, this may not be unique to Thailand.

You do not think it is so unique to Thailand?

I had a similar experience in Australia. In the end, they had to amalgamate the two ministries as Department of Foreign Affairs and Trade (DFAT). But I think this comes and goes. What we need are leaders who can see the overall picture and initiate appropriate policy. Prime Minister Thaksin Shinawatra was quite good at coordination because he was in command. So, Thailand would need somebody or one organisation that could initiate policy. One problem we have to face is the frequent change of leadership.

Having looked back over the years, and having talked about the Bretton Woods system and all the subsequent development from GATT to WTO in 2001, do you see Thailand playing any role or making any contribution to the process of international economic cooperation and trade liberalisation?

If we look back to the 1960s and 1970s, my answer would be no. We were in fact reluctant to take the multilateral path. As I explained earlier, we followed

protectionism at that time. We did not participate at all in the Kennedy Round of negotiations in the 1960s. Thailand was not even a member of GATT at that time. It was not until the Uruguay Round, which started in 1986, that we became active in promoting open trade. I think Prachuab Chaiyasan¹⁷ played an important role. He was then Deputy Commerce Minister when he attended the Uruguay Round, and he continued to support it. In that way, Thailand's role was limited to being mainly a participant. We did not play a leadership role until Dr. Supachai Panitchpakdi¹⁸ became the 4th Director-General of WTO in 2002-2005. After Dr. Supachai completed his term as Minister of Commerce, he ran as a candidate for the post. After a strenuous campaign and lobbying, the contest ended in a deadlock. So, it was decided that the term should be 6 years instead of the usual 4 years and split it between the two candidates. So, Dr. Supachai and Mike Moore from New Zealand got 3 years each, with Moore taking the office first. In this way, Dr. Supachai became a major individual in leading the WTO. But at that time, the WTO was already having difficulties moving forward. So, even though he was active in trying to get the Doha Round concluded, little result was achieved.

Therefore, I would say that in multilateral economic frameworks, Thailand's role was rather limited. However, in the area of regional cooperation, I think Thailand's role was noteworthy. ASEAN owes its existence to Dr. Thanat

Khoman who pushed for regional cooperation. The opportunity for regional economic cooperation opened after the end of the Vietnam War in 1975. Thailand was very active, and we presented many proposals at the Bali and Kuala Lumpur Summits. ASEAN membership was expanded incrementally to include new members from countries on mainland Southeast Asia, which happened after Prime Minister Chatichai's policy to turn the battlefield into a marketplace. He strongly advocated that these countries should become members and make the "ASEAN 10." As for the other important regional economic cooperation framework, the Asia-Pacific Economic Cooperation (APEC), I would say that it also happened because of the leadership of Dr. Thanat. Thailand, as a member of ASEAN, and Australia, a dialogue partner of ASEAN, were instrumental in getting the APEC started in 1989.

There had been a lot of "peer pressure" on ASEAN countries to open up trade. It is a common knowledge that Indonesia was never for free trade. We can talk more about it later when we discuss ASEAN cooperation. When Prime Minister Anand Panyarachun tried to promote the idea of an ASEAN Free Trade Area, Indonesia said no. That was in 1991. So, when Indonesia hosted APEC meeting in 1994 in Bogor, and the leaders adopted the Bogor Goals, it surprised everybody because the Bogor Goals were for free trade. I would say that in many ways, Thailand was very much involved in the process of opening up trade and investment

among the countries in our area, either in ASEAN or the larger Asia-Pacific. It would contribute to the development of multilateralism and multilateral trading systems. But again, this system is running into difficulties. We have to come back and think of what to do now about regional cooperation. We should not allow regional cooperation to go backward like what is happening with multilateralism right now.

When we talk about free trade or freer trade, I think originally it is a movement about tariff-free trade. But I think now when we talk about free trade, it seems to involve the issue of non-tariff barriers (NTBs). Would NTBs be an obstacle and can they be overcome?

In the 1990s -2000s, we were able to get rid of a lot of NTBs, but because the surplus countries continued to accumulate a lot of surplus, the deficit countries, particularly the US and Europe, started to come up with new NTBs. And in order to avoid being attacked at this point, they made the new NTBs related to social and environmental issues. New requirements were institutionalised. The one issue that is facing us now, and in the future, and we could discuss it in details later, that has been used as an NTB is climate change. So, NTBs have different forms now, not straight-forward NTBs like subsidies and so on.

What about other issues like anti-dumping, for example?

This practice is very well policed today and has become difficult for most countries to do. The WTO has come up with good rules and regulations and the process of giving judgement and deciding on penalties has become quicker. Basically, it is quite effective. But now, when it comes to putting up social and environmental issues as conditions for trade, it has made it difficult for countries to deal with them. For example, do you know Pandora jewellery for women? Pandora is a Danish company with a major production facility in Thailand, employing around 10,000 people. They have indicated that Pandora production in Thailand must have zero carbon by the next few years, otherwise they will close the factory.

So, now human rights, the environment, and social issues have been used as new NTBs.

You cannot argue against social and other issues. They are the new issues influencing new international economic regulations.

*Do you see the current system or current framework continuing?
Or is there a big change coming?*

A big change is coming. I would call it a reconfiguration of the international economic relations. Reconfiguration of the direction of trade, trade partners, trade agreements, trade transaction, financial flow, and energy, etc. All are

now being reconfigured. People have used the term “decoupling.” I prefer “reconfiguring.” Definitely, the current system has to be reconfigured. It doesn’t mean that it involves more protection, but there will be a different kind of multilateralism, not multilateralism opened to all. It will not follow the principle of “most-favoured-nation” (MFN) but will be limited to a selective group of countries, a limited “circle” of countries. A kind of selective MFN, like what Janet Yellen, the US Treasury Secretary, said.

Does that mean the Bretton Woods system is coming to a close?

Yes, I think so. We will have to make sure that the new design is for our benefit and work on it. I don’t have all the answers yet, but I know which direction it is going. In fact, many of my lectures these days are about the new system and what kind of system is coming. I have identified the pattern, and I can see the groupings and so on. We would probably need a different kind of trade agreements, and the word “free” may not be there.

CHAPTER

2

THAILAND AND GLOBAL TRADE
AND INVESTMENT

Can I start with a very general question as to why we need to engage in global trade?

Yes, even though Siam during the Ayutthaya period was a relatively small country with a small economy, its location and its resources, especially certain raw materials and products, made it a major trading nation. That status was determined by other nations because they benefitted a lot from trade with Ayutthaya. Its location was also very helpful because, at that time, trade was more a coastal trade than ocean-going trade. Moreover, trade around Southeast Asia was also dictated by the prevailing monsoon winds. With the northeastern monsoon wind during the winter months and the southeastern monsoon wind in the summer months, the Gulf of Siam became

a major stopping point. Trading ships had to wait for wind directions to change. So, Ayutthaya became an important trading port and many Western traders came to settle there.

But why did we become engaged in trade? As I said, we were encouraged to be involved in trade. During the Ming Dynasty, which was very powerful in China during the 1400s, China sent out a very big fleet under the command of Zheng He for trade and for other activities. Evidence showed that Zheng He made several extensive voyages for almost 30 years. He stopped over in Ayutthaya 3 times and became known locally as Chao Pho Sam Po Kong¹. The location where he made his landings is near Wat Phananchoen². What Zheng He did was created the notion that Ayutthaya was a very important trade location. Then the Western traders came in the 1500s, first the Portuguese then the Dutch in the 1600s. They followed the same route and chose Ayutthaya as a major centre for their trading operation.

The Dutch occupied Jakarta, which was then called Batavia, and they controlled the Sunda Strait. They traded with Siam and several others because they were granted monopoly of trade by the Tokugawa Shogunate and there were many Siamese products which were highly in demand in Japan. One major product was deerskin. The Japanese, particularly the upper class, liked deerskin for clothing and for other purposes. So, the Dutch was actually Siam's first major trading partner from the West before the British

came in the 1700s. Moreover, Siam was trading with China and Westerners came to Ayutthaya to buy Chinese products, such as porcelain and silk. I think that explains why trade became important for Siam.

I would say that trade was important to us for another reason. Because we allowed Westerners to trade with us, we were able to avoid colonisation. That was later on during the Bangkok era. The Bangkok era happened to coincide with the Qing Dynasty in China. From the 1800s, the British became very powerful with colonies in India. They traded extensively with China and built up a large deficit. So, they tried to fix the problem by selling opium to China and tried to force the Qing Dynasty to open China to trade with the British East India Company. However, the Chinese resisted and that led to the first Opium War in 1839-1842. The second Opium War in 1856-1860 was a disaster for China.

At that time, Siam still practiced monopolistic trade, a royal monopoly. Foreign merchants had to sell or buy goods or produce to and from the royal warehouse. The British were dissatisfied with this arrangement and negotiated for open trade with Siam. It was fortunate that King Mongkut (Rama IV) knew about the situation in China and realised that what happened to China could happen to Siam if he refused the British's request. So, Siam signed a treaty with the British in 1855, the Bowring Treaty, allowing open trade with the collection of 3 percent customs duty. It also allowed opium to be imported into Siam but

with certain restrictions that only the Chinese in Siam could use opium.

This arrangement really created a boom in trade for Siam. At the end of the Ayutthaya era, a lot of Chinese came and settled in Siam, in particular the Hokkien (Fujian) people, such as the ancestors of the Krairiksh and the Kalayanamitr and the Setabutr family³, plus some Teochew (Chaozhou) people, such as King Taksin himself. So, we have these Chinese people in Siam already engaging in commercial activities. When the opportunity opened up through the treaty with the British, followed by other Western nations, trade became important to the country's economy and in this way, trade saved Siam from colonisation.

I think the importance of trade continued because the Chinese, the Sino-Thai, not the Thai-Thai, were very active. They could see the opportunity because they were already serving the Crown by fitting out ships to trade with China and by collecting taxes on behalf of the Crown. When trade was opened, they got involved with the foreigners in setting up rice mills, wood mills, etc. Then, they started their own business during the reign of King Rama V and VI. The so-called Sino-Thai carried all trade.

I think foreign trade slowed down a little during the period when we were concerned about Communism, during the time of Prime Minister Plaek Pibulsonggram. There were some concerns about the role of the Sino-Thai at that time in Thailand, which started in the reign of King

Rama VI. The government started to monitor the Sino-Thai community. It promulgated the Naturalisation Act. The Chinese in Thailand could become Thai citizens. However, even after they had been given citizenship, they were still very much concerned about what was happening in China. They also chose a side in the Chinese civil war between Chiang Kai-shek and Mao Zedong. So, the Thai government became cautious about the Sino-Thai community in Thailand. It started to slow down trade, and then the Second World War came.

During the war, many of these Sino-Thai were dealing with the Japanese as logistics operators for the Japanese army, and there was little trade during the war. Then, in 1949, when China was taken over by the Communists, Prime Minister Plaek Pibulsonggram started to set up state enterprises to compete with the Sino-Thai business. That meant trade really came down. The Thai economy did not have much benefit from trade for political reasons. But the situation was turned around when General Sarit Thanarat staged a coup d'état in 1957. Trade came back to Thailand. So, I would say that for over 700 years, except for some short periods, foreign trade has always been important to Thailand.

In the past, it seems that when you look at world trade and its relations to how we traded, they were bilateral trade. But after the Second World War, frameworks and institutions were set up

to regulate international trade, and we had to participate in those frameworks. One major framework is the General Agreement on Tariffs and Trade (GATT). Can you explain about GATT and how Thailand got involved in it?

That is basically what happened and basically what is going to happen in the future. The origin of GATT and trade multilateralism came from the fact that just before the First World War (1914-1918), the practice of mercantilism was dominant everywhere. Trade was bilateral, not multilateral, because the supply chain system was not there at that time. Countries involved with trade somehow thought it was logical to have a surplus, and the practice of trying to create a surplus was known as mercantilism in our economic theory. But it led to a lot of bad feelings among countries with deficits, as they thought that they did not gain enough from trade. Economists try to explain that they did not gain enough from trade because they did not use their comparative advantage. Therefore, the theory of comparative advantage was promoted everywhere. The argument is that in order to benefit from comparative advantage, trade has to be multilateral because gains could be made from trade with some countries, while losses could be made from others. In the end, we would have an equilibrium. That was the essence of multilateralism.

After the First World War, there was a boom period for a while, known as the Roaring 20s, and then came the global depression and collapse of the financial market.

This led to the Second World War because Germany was so angry with the countries which won the First World War and tried to penalise it. Hitler blamed it all on the Jews in the US. He believed it was the scheme of the Jews who tried to squeeze everything out of Germany. That was why he could develop such a big support in Germany, and his party became the single major party in parliament. Anyway, at the end of the Second World War in 1945, the leaders of the major powers met in Bretton Woods and among the items on their agenda was how to set the governance for multilateral world trade. There was a consensus at that time that if this governance was not set up, countries would be inclined towards bilateral mercantilist trade which could create problems and conflicts again.

The conclusion was that post-war multilateral regime must include free trade. One of the major arguments was that there must be no tariff or at least a very low tariff so that countries could practice comparative advantage. They had wanted to set up an organisation called International Trade Organisation to really manage this governance for free trade but it was the US which actually did not agree with the proposal to set up such an organisation. So, the compromise was to have an agreement called General Agreement on Tariff and Trade (GATT), limiting the governance to basically trade and tariff rather than other aspects of trade like labour rights, property rights, government procurement, etc. All the issues that they had dropped, in fact, are still

problems under discussion today. Tariff was the only thing they could agree on.

Now, how did Thailand get involved? Thailand somehow deftly managed to be on the winning side after the Second World War. The politics during the Second World War was that one camp led by Field Marshal Plaek Pibulsonggram went along with the Japanese while another camp led by Dr. Pridi Banomyong worked with the Allies. At the end of the war, the US, in particular, supported us while the UK and France were more reluctant. These two countries wanted to treat Thailand as an enemy country. But the US and China, at that time still under Chiang Kai-shek, supported us because of Pridi's efforts through the Seri Thai (Free Thai Movement). As we ended up on the winning side, when the winner set up the post-war multilateral system, we decided to become a part of it. Actually, Thailand became a member of all the so-called Bretton Woods organisations set up after the war. But we were not active in GATT. We just joined because we thought it would be good to join as an original member in 1949. The negotiations to reduce tariff were conducted in series, and GATT took a long time even to start the negotiations.

The first round that I would like to highlight was the Kennedy Round initiated by the Kennedy Administration. It started in 1963, already close to his demise. It was followed by the Tokyo Round, which concluded in 1979 without much progress. We did not participate actively in these

rounds. I think the mindset of the Thai bureaucrats and business leaders were still protectionist. They still felt that while we would like to sell to others, and have access to all markets, we were not so willing for others to have access to our market. The protectionist policy lasted until the 1980s.

In 1979, we faced an energy problem with the shortage of oil. The crisis brought down the government of Prime Minister Kriangsak Chamanan⁴ in 1980, to be succeeded by the government of Prem Tinsulanonda. Many prominent economists, such as Dr. Snoh Unakul⁵, Dr. Veerapong Ramangkul⁶ and others, including myself, were recruited to work for the government. We had a big team working on economic and trade policy. Mr. Staporn Kavitanon from BOI was also a member of this team. We decided that it was time to open up our economy, and we recommended a policy of export-led industrialisation.

So, when the Uruguay Round started in 1986, we participated in the negotiation actively. Mr. Prachuab Chaiyasan, who was, at that time, Deputy Commerce Minister, went to Uruguay. From then on, Thailand participated in the process until GATT became WTO in 1994. The first WTO Ministerial Conference was held in Singapore in December 1996. I attended that meeting as I was Minister of Commerce then. But after the Singapore Conference, non-trade issues were added to the agenda by the Western nations. So, troubles in the negotiations began to appear. This is because non-tariff issues are too sensitive.

Then, the Doha Development Round began in 2001, but not much has happened. It is still ongoing.

I think we became really active when we presented Dr. Supachai Panitchpakdi as a candidate for the post of WTO Director-General. This was somewhat a departure from tradition, as the Bretton Woods organisations were usually led by western people. The candidature of Dr. Supachai was viewed as rather radical at that time, so we needed to do a lot of active lobbying. In the end, there was a deadlock. So, as a compromise, instead of the usual four-year term, the member countries decided on a six-year term and split it between the two candidates, Dr. Supachai and Mike Moore from New Zealand. However, the WTO has not produced substantive progress, countries have resorted to negotiations to set up all kinds of FTAs, partnership agreements and so on. The WTO needs a big overall revision to make it effective again. This means that multilateralism has to be reorganised or reconceptualised in a way that is acceptable to the majority. A lot of countries felt that multilateralism in terms of trade alone would not ensure fair benefits or fair distribution of benefit and that they will be exploited or taken advantage of by more powerful countries. That has to be adjusted.

Do you think that is the main reason why people move away from multilateralism, and is that the main reason why the WTO does not work?

In a way, we have to go back to economic theory when we talk about comparative advantage and the benefit of multilateralism. That is a prerequisite. In addition to free trade, we have to have free movement of capital so that the equilibrium will be achieved. But, many countries have not opened their capital account. They have not allowed the exchange rates to follow market forces. Just like the situation in the 1970s to early 1980s when Japan had a big surplus, the Japanese Yen should have gone up, but it did not. The issue became very serious in the 1980s. The US was very upset with this situation so the US used its power and called a meeting in September 1985 at the Plaza Hotel in New York with Japan and Germany, the two countries which had the biggest surplus with the US. The US then forced Japan to appreciate the value of the Yen. I remember when I started visiting Japan in the 1960s, it was 350 Yen to 1 USD. When I started working in Japan in the 1970s, it was about 250 Yen to 1 USD. The Plaza Accord forced Japan to appreciate the value to 150 Yen to 1 USD. Germany also had to appreciate the Deutsche Mark. So, the US could force these two countries to appreciate their currencies, making their surplus to become less, and therefore the US deficit also decreased.

After China became a major trading nation in the 1990s and particularly after joining the WTO in 2001, it had accumulated a huge surplus but they did not allow the Renminbi to be adjusted upward. This means China has

had a surplus with the US from the beginning. The US trade deficit is huge, 64 billion USD in 2023, and 65% of this is deficit with China. This is because the Chinese were able to produce goods and were able to sell them in the US at very low prices. So, naturally the US manufacturing industry, which had been slowing during the period of deficit with the Japanese, now almost disappeared. The US could not force China like it did with Japan. That is the reason why they are so angry today.

To answer the question about multilateralism, if there would be a review on multilateralism to make it acceptable to the majority in the world, we have to adjust the financial market. But I feel it is impossible for two reasons. First, a major power like China would not allow the capital account to be free. Unlike Thailand, we opened our capital account by signing Article 8 of the IMF during the Chatichai government in 1989 endorsed or confirmed by the Anand government in 1991, and completely opened later on under the first Chuan government during 1993-1994. The problem was that we opened our capital account, but we were not clever enough to manage the exchange rates. We opened the capital account, but we kept fixed exchange rates. The result was the financial crisis in 1997-1998. I feel that we would not be able to achieve real changes in global multilateralism because we cannot force all countries to open their capital accounts.

Secondly, the global financial system at the moment is controlled almost 100% by a US mechanism called S.W.I.F.T. The US can shut down the transfer of funds by using S.W.I.F.T. The US is really in control of the movement of capital. So, there is a need for an alternative to S.W.I.F.T. We could think more about “multilateralism in finance.” One helpful possibility, but not yet 100% complete, is to have a direct clearing between central banks. This is now happening. Many of the central banks are coming up with digital central bank currency and they have made agreements among themselves. I think in the case of Thailand, it was Dr. Veerathai Santiprabhob⁷, the former Governor of the Bank of Thailand, who worked very hard for the system of central bank clearing. He took the initiative to promote digital central bank clearing first with Singapore, Malaysia, and Hong Kong, and later with Cambodia and Indonesia. So, if more and more countries join the central bank clearing system, then they do not need a large foreign exchange reserve to pay for goods and services. They could use their own money as a reserve. If they use their own money as a reserve, they could do the clearing between money to money, currency to currency that would help. At the same time, there is another system set up in Europe called IBAN-International Bank Account Number, which is going to really be used in certain countries.

I think two things will happen. First, there will be bilateral agreements to set up digital central bank clearing.

When there are a lot of bilateral agreements, they become a cluster. Then, they can develop an application that can clear capital accounts with every central bank in the world. This is possible as digital technology allows them to do that. Secondly, other platforms, in addition to S.W.I.F.T., may be developed. If they really happen, then we would see the capital flow being instantaneously automatic. Whenever you have a surplus, the exchange rate adjusts between the surplus and deficit countries. They do not have to adjust to the USD; they can adjust with other currencies. At the moment, everybody has to adjust to the USD. So, when we talk about the Thai Baht depreciation, it is not just in Thailand, but it is happening everywhere because of USD appreciation. It is because interest rates and bond yields in the US go up and so more and more money goes to USD-denominated assets; therefore, the USD goes up. So that is how the US can print so much money and the USD still goes up. That is against logic.

We have to invent a new theory.

Yes, but not a new theory. We have to create a system that could allow the financial market to work by market forces, not because of the major powers or international organisations. Now, there seems to be a consensus for that idea everywhere.

So, in your view, do we owe our present-day trade and economic positions to our participation in the multilateral framework or to our bilateral trading network?

As I said before, we started to become more involved in international trade by adopting an export-oriented policy in the 1980s. We built the infrastructure in the Eastern Seaboard which allowed foreign companies to come and set up industrial production in Thailand. So, we have increased capacity for trade. It added to our trade as we had been involved only in commodity trade. When we have manufactured goods, then we have more trade capacity. That policy led to more and more trade through our participation in GATT and by encouraging other countries to reduce the tariffs through such arrangement as ASEAN FTA or AFTA. We will talk about our participation in APEC, the Bogor Goals and so on later. Although APEC is not an agreement, it is kind of peer pressure for countries to allow more open trade. Therefore, we could say that, in the end, it is multilateralism which is helpful. But the real cause of our trade expansion is our policy to be more open, and encourage more trade and industry. Without this policy, we would not have the capacity to join the multilateral trading system.

I recall that when I was Minister of Commerce, Thailand was already getting into economic problems. The Prime Minister, General Chavalit Yongchaiyudh⁸, during his election campaign, hyped up an economic “dream

team” led by Dr. Amnuay Viravan and myself to help fix the country’s economy. So, my assignment, as Minister of Commerce, was to really increase Thailand’s exports. For 1997, the target was set at something like 50 billion USD plus for the whole year. We achieved it that year. And today, because of all the things we did in terms of adding on our production capacity to trade, every month our export is worth 20 billion USD plus, making it 240 billion USD plus for the whole year. So, if we compare 1997 to today in terms of USD, it is huge. If you look around the country, the manufacturing capability in Thailand has gone up so much. The industrial estates, like Amata, are unbelievably large with factories everywhere. More and more are coming up in the Eastern Seaboard because we have added the capacity so that we could trade more, both as export and import. The 240 billion USD plus is not a small amount. We are now a major trading nation. So, even though we have benefitted from our participation in the multilateral trade regime, it was also because we took active role in adding our capacity.

How did we approach negotiations under other trade frameworks such as regional or bilateral free trade agreements?

We can only benefit more from trade if we have more capacity for trade, and capacity means scale of production. If we have a bigger scale, we have lower costs. In order to have the bigger scale, we have to make sure that we have markets. Otherwise, if we have 100% scale but only 10%

market, we would fail. This conclusion comes from my study on industrialisation during my student days. The reason why the UK in particular, and Europe in general, benefitted so much from industrialisation was because they had scale. They could have scale because they could mobilise capital to buy the machinery created during the Industrial Revolution. The Industrial Revolution was all about mechanisation. Without mechanisation, they would have continued to engage only in handicrafts. That is the reason why the UK needed to control India. India had a major manufacturing sector during the Ayutthaya and Rattanakosin periods. There are records that Siam imported a lot of clothing and textiles from India. But after the UK had invented all the new machines and could mobilise the necessary funds, India's manufacturing sector disappeared.

So, from my study, I believe we must have scale. But when I looked at Thailand in those days, with a population of 40 million, the scale was definitely impossible. I thought then that we could have scale only by having access to the market of our neighbouring countries. It would be easier for us to sell in our neighbouring market. This is the reason why, from the 1970s, I promoted the idea of regional economic cooperation. Basically, it would enable us to expand the scale. So, I have been strong supporter of regional cooperation since the early 1970s. Another reason is the lessons on tariffs that we learned from GATT negotiations, from mercantilism and so on. However, the

neighbouring countries, like Thailand, also had tariffs. It would be difficult for Thailand to sell our goods to them.

So, the idea of free trade areas was born and I accepted that idea from the very beginning of my career in the 1970s. I preached it in Thailand and in the process created a lot of criticism and opposition from the Thai industrial sector in the 1970s. They were not willing to support free trade so I thought how could I get them to change their mindset? I thought it would help if it was done in the ASEAN context. That is why I started working on ASEAN. I thought GATT negotiations would also help, so I decided to raise my GATT profile in my speeches and lectures whenever possible. I used every opportunity to introduce the subject and to get the discussion going.

Already at that time, I believed it would not be possible to achieve much through GATT, which meant global free trade would not be possible. So, FTA was the alternative. If we had more and more bilateral or regional FTAs, then hopefully they would lead to global free trade. But we had to overcome people's mindset about FTA. In the 1970s, in all the ASEAN countries except Singapore, nobody accepted the idea. The mindset of the leaders of any government and the private sector at that time was that the Western countries, Western conglomerates, and Western multilateral cooperation organisations, would take advantage of us if we opened up to free trade. But, at least, there were talks about free trade among a smaller group like ASEAN

and so on. We would give privileges only to our companies, or our producers, so that we can become stronger economically. I remember so well that Indonesia was so much against the word “free trade” that they thought it was a dirty word. It was understandable as they had been controlled by Western powers for so long. So, when I was asked by Prime Minister Anand to help establish AFTA, I had to first persuade them to accept the idea before negotiating the details.

During my first trip to Indonesia, I remembered the meeting with Minister Hartarto⁹. After my presentation, the first words he said was “Indonesia, no free trade.” It was rather shocking! But later they were willing to join AFTA in 1992 and to reduce tariffs. I had similar experiences with the other countries. For historical reasons, because many developing countries were controlled and exploited by the Western powers, they naturally would reject the idea of free trade coming from these Western powers. India is an interesting example. They accepted democracy but not Western capitalism. Gandhi and Nehru were against Western capitalism, considering it to be a form of colonialism. Both Indonesia and India experienced economic difficulties before 1991 because their economy were burdened by their state enterprises. Not until 1991 when Manmohan Singh became Minister of Finance that the situation in India began to change. Now India’s economy is doing much better. But in those days, leaders like Nehru and Sukarno were very

much against the idea of Western capitalism, against GATT, against things created by the Bretton Woods system. Thailand was not against these concepts or institutions to the same degree because we were not colonised, at least mentally not colonised.

We can discuss AFTA in more detail in another chapter. I would like to go back to one or two points. There has been some criticism that free trade is really not completely “free.” It is just free of tariffs or, as you said, low to no tariffs. As we talk about free trade, what do you think are the main problems that influence people not to accept free trade, apart from it being proposed by the Western nations? Is the concept of free trade a problem in itself?

That is a good question. In trade, as with everything else in life, there are winners and losers. After Thailand began to embrace free trade, as I said before, our export value increased from 50 billion USD in 1997 to 250 plus billion USD now. So, there must be people who have benefitted. But among the 1,000-100,000 items traded, some became sensitive items to certain countries. Political factors are important. Governments would have to respond to this political factors and the sensitivity of their people. So, they impose some restrictions to satisfy their own people. That is one reason.

For example, when we sold tapioca to Europe, it was subjected to a tariff. But Europe, the EU that is, bought corn

from the US free of tariff. Tapioca and corn are both animal feed. As they imposed certain restrictions on the import of tapioca, it created discontent among the people in Thailand. There are many other similar cases concerning different products. Countries have sensitivity to different products. That is what we call the “sensitive list.” Every country has its sensitive list. Thailand used to criticise others about their sensitive lists, but we also have our own. It used to contain 23 items of agricultural products, including mung bean, soybean, corn and even fish meal. So, we are as guilty as others. These 23 items had been on the list before I became Minister of Commerce and I believe, even today, they are still on the list. Not long ago, I was talking to somebody who was complaining about having to look after Thailand’s sensitive list! It is the same everywhere.

The other reason is that governments, from time to time, seek to introduce subsidies to make their products cheaper. For example, in the 1970s-1980s, Japanese products, electronics and cars in particular, were very cheap in the US. So, the US suspected that the Japanese government was subsidising the Japanese companies. The same thing happened with South Korea, which also has a similar industrial policy. They were also accused of subsidising Korean car manufacturers. In Thailand’s case, it happens very often with steel pipes, still today as 20-30 years ago. When we accuse China of subsidising, the manufacturers in Thailand want to impose counter-vailing duties (CVD)

on this product. So, these practices have created doubts in people's mind that actually trade is not free.

But to be fair, the majority of the products traded in the world are free except for these sensitive items. Otherwise, global trade would not become so large. It would be impossible. To have global trade as large as it is today, it must be that the vast volume of trade is already free. If you want proof of this, you only have to buy some products online. Do you think the duties would be high? When the 3 shirts I bought online from the UK arrived, I got a message from the Post Office that I must come and collect them. I paid 1,200 Baht for tax on the shirts which cost something like 10,000 Baht. You would think the tax would be more like 80%, but no. Definitely a lot of tariffs have gone down and barriers have gone down except for those still on the sensitive list. When there are complaints, the people who benefit do not come out and say they have enjoyed cheap goods!

Now, it seems that several countries have been using a new type of non-tariff barriers, such as environmental measures. How should we deal with these?

That is trade in the future. The world is what it is; it is not equal. There are advanced, developed countries and less advanced, under developed, countries. Poor and rich. And now the new trend is that, when trading with advanced countries, they want to deal with the issue of climate change.

I think that it is good, and even necessary, to watch out for environmental concerns, but at the same time, there are countries that want to take advantage by imposing certain requirements on products that are imported into their countries. They would impose tariffs on these products. So, how do we deal with it?

Actually, at the moment, the most pressing international issue is how to deal with the governance of the green economy. Many aspects of the green economy, including measuring and verifying carbon emission need to be clarified. I think going forward, we need a system so that when people want to impose barriers on trade by using climate change and carbon emission argument, some standard can be used to satisfy such arguments. Proper measures need to be in place to deal with any unfair practices. One good thing is that many companies have adopted the so-called Environmental, Social and Governance (ESG) practices. In general, I see more and more companies adopting this so-called green governance. If the requirement for measurement of how much greenhouse gases they create in the process of their production, and so on, are in place, it will be more transparent. It will be just like the Countervailing Duties (CVD). Early on, it was very difficult to prove that CVD were needed to deal with the subsidised products. The system has now become much more efficient. I think that trade needs more and more people to adopt the so-called value of sustainability that would lead to

institutional measures to manage sustainability. That is the subject I am also working on at the moment.

The reason for the question is that, to deal with this issue, we need to go back to multilateralism.

Yes, it has to be multilateral as it has to be an internationally accepted standard. It cannot be only the standard created by Western countries like in the past.

If that is the case, who should deal with it? The WTO? It is often said that the WTO does not deal with non-trade issues.

The first statement concerning the Doha Round said that it was no longer just about trade but also about development. So, in fact, they got into a lot of trouble because of their definition of development issues under the so-called development round. Some people say that they are not development issues, while some say they are. This is the problem with the Doha Round. But I think there will be consensus on the so-called Green Economy issues because it is difficult for anybody to object to this problem with climate change.

I would like to hear your views on the debate on free trade vs fair trade.

The word “fair” is very subjective, but “free” can be measured. I appreciate that free trade is not fair in many cases. I accept that. However, fair trade is almost impossible

to measure because it is very subjective. But there is no argument about “free” if the very first thing you measure comes up as zero. Then, we can prove when other barriers come up. But “fair,” how do we define or measure “fair”? People have different subjective values. What is fair to you may not be fair to me. What Indonesia regards as fair may not be regarded as fair by the US. Different criteria, different standard, etc. So, it is difficult to make “fair” as part of international trade governance.

My next question concerns the underlying theme of this book. As you already said, we counted the development of our trade from the Ayutthaya period. We have had a lot of experiences, but are we ready to go global?

That is why I suggested “Global Thailand” as the theme of the book. I think we are ready to go global. I have been involved with it for a long time. I have been observing the capacity of our commercial sector. As I said earlier, basically it is run by the Sino-Thai who have solidified their position in Thai society through a series of events in our history. This is unlike the situation in any other country in Southeast Asia. Thailand has the most prominent Sino-Thai commercial sector. People need to look at how they operate, how efficient they are, and in particular, at our capital market. It is almost unbelievable how our capital market has become so strong.

Before the COVID-19 pandemic, we had liquidity, a surplus of something like 3.5 trillion Baht and an

unbelievable amount of reserve of more than 250 billion USD. Therefore, the interest rate in Thailand is practically zero. Even today, the savings interest rate is practically nothing. Interest rate is the best indicator of the health of the capital market. Even today, when the policy rate in the US goes up to 4-5 %, in Thailand, it is still less than 2%. Look at the bond-yield rate; it is still similar to the rate in the US.

We need two things to go global. First, we must have a very strong commercial sector. When I encountered the new generation of business people, the 40+ age group, I could see that they were very strong. They have already gone international. They have invested not just in the region but even in the US and Europe. We also have some strong enterprises like the PTT Group¹⁰ which operates globally. In the 1980s, when I was still working for the World Bank, they suggested that we carry out a structural adjustment through export-oriented policy. They hired me as a consultant for the Thai government to work on that. So, I had to think about how to go international at that time. And now, I try to think about what else we need to do to go global. I believe we are basically ready because of the commercial sector and also the capital market that I have mentioned. The only concern I have is the government sector. That is the second thing. Government agencies are different from one to another. Some, like the Commerce Ministry, are well equipped for globalisation. Others, like the Industry and Agriculture Ministries, are not so. The basic problem is

concerned with production and raw materials. It is a drawback we have. As for the service industry, we have no problem at all. For example, a company like the Central Group is buying department stores all over the world.

So, we need to go global as much as we can.

Yes, that is a good conclusion, but the question is how.

You have mentioned that trade and investment go together. In your view, how important is the incoming foreign direct investment?

Going back to the 1980s, that was the most relevant issue. One, we got no money. Two, we could not borrow any money. That is, no money for the private sector. Only the government sector could borrow money. No private capital borrowing. Thailand was regarded as not credit-worthy. So, we had to rely on the World Bank and the structural adjustment loan that I mentioned before. The World Bank lent to us with the condition that we must change our policy to be export-oriented. Their argument was that if we were export-oriented, there would be private capital coming into Thailand. This was confirmed by Mr. Toyoda from Toyota whom I got to know later. He told me the reason Toyota chose to invest in Thailand in a big way was because we liberalised our auto sector. They would not have done it otherwise. He told me in 1987 that Thailand would be the number one car producer in Southeast Asia because he had decided to invest in Thailand.

So, at that time, we definitely needed the money, and the money came with technology. That was what we got from the Japanese capital and technology. What we had to do was to provide the facility, which came in the form of Eastern Seaboard, and to provide a macroeconomic policy that was sensible in terms of the international standard of governance, such as not borrowing too much, not having large government deficit, government supporting the market, etc. With these things in place, they would come and invest in Thailand. We have the Office of the Board of Investment or the BOI to facilitate their investment. But today, we got so much money, as I said before. In fact, I was quite embarrassed when Bloomberg News said that we were a first world capital market but a third world country, which was an insult. The main thing that we need now is modern technology. That is why the EEC¹¹ does not focus on capital but on getting hi-tech companies to come. Major Thai companies can mobilise funds in Thailand. They can borrow at around a 4% rate. If I can borrow at that rate, I can expand too. It is almost like free money!

So, a lot of foreign companies, when they come to Thailand, they don't have to bring in money. No need. They can raise capital in Thailand, with lower interest rates. That is why most major banks, like the Bangkok Bank, have big departments specialising in servicing large corporations. What we really need is technology. Unfortunately, we are not sufficiently advanced in science, technology, engineering

and mathematics (STEM). We are really far behind. China is very good at engineering now that they have already surpassed the West in some areas. They are now improving the science. China has developed because of E in STEM. Their E is advanced, so now they move to S. A good example could be seen during the COVID-19 pandemic. They were not advanced enough in bioscience to support the COVID vaccine research and production. This has a lot of implications. Thailand is very deficient in STEM, and I don't see any solution. We can only rely on foreign companies bringing in technology.

As an economist, I feel bad about the country's having too much money and not knowing how to use it. We should utilise our capital for development. It is very simple. If we want to implement a railway or a motorway project, and we open it to international bidding, allowing any engineering company from all over the world to come and compete for the project. In that case, it is likely that a foreign company will win the bid because they have the know-how, the capacity, and they can raise money in Thailand. But we don't do that. Construction is limited to some local companies and projects take a long time. I regard it as an obstacle to development.

So, foreign direct investment and trade play a very important role in our industrial development?

In the past, yes. It provided the capital and technology. But in the future, technology will be much more important.

But nowadays, many Thai companies are also investing abroad. How does our economy benefit from it?

In economics, you have GDP and GNP. If you cannot create GNP and GDP locally by using your capital, you use that capital to invest elsewhere to create GNP. The Japanese do the same thing. Much of their GNP comes from dividends from overseas investment. It becomes a part of the society's wealth.

As you said earlier, Thailand needs to go global. But people who may not be familiar with economic theories and practices may be wondering why our big corporations choose to invest abroad and not in Thailand.

Of course, they always look for opportunities to invest in Thailand. For investors, the return from investment is the most important thing, investment and the share price. In the so-called PE philosophy, that is "price to earnings," the price-earnings ratio is more important. Investors would look for anywhere that could increase their profit and PE. If they can see that in Thailand, they will invest here. The reason why they do it elsewhere is because they don't see enough profits in Thailand.

Why is that?

It is partly because Thai companies are not proficient enough in the new industries that they need to invest in, like robotics or EV batteries. If they do, they have to bring

in overseas partners. We can bring in know-how from overseas on EV batteries production, on robotics, through joint-ventures. So, the opportunity to invest is partly related to what is the company's ability to do locally. The problem is that it is often not easy to find the right partners. For example, in the case of the EEC project, they have to bring in partners from overseas for the three-airport high-speed train, the aerotropolis, and the U Tapao airport, development. With this project starting now, we have a lot of investments using Thai capital. Basically, we have the money but the money has to go into investing in new technology we don't yet have, or into creating new opportunities and new infrastructure.

So, the strategy is to bring in partners with technology.

Yes, even if the partners don't have the money. It does not matter. They can borrow from local sources. I think that is what they have been doing.

CHAPTER

3

ASEAN ECONOMIC
COMMUNITY

May I ask a conceptual question first? Why do we need regional economic cooperation?

I would like to go back to why I became interested in regional economic cooperation. Basically, it is about the economy of scale. We have already touched upon this issue. When I was a student, my passion, as expressed through my thesis, was on industrial development, focusing on the questions of import substitution and export promotion. At that time, in the 1960s, there was a big debate about how to industrialise. The answer is scale. In order to industrialise, we need to have scale. Capital alone was not enough. Otherwise, we would not be able to compete. So, my thesis was about this debate between import substitution and export promotion, and the answer would be scale. In 1966-1967,

the school for import substitution was led by the famous Professor Raúl Prebisch at Harvard, who was an Argentinian. He promoted the policy of import substitution and he argued that in order to have scale, we needed protection. We must protect our industry. We had to adopt the trade protection policy. There would be no competition so that the production could cater to domestic market, and if some of the products were big enough in scale, they would justify local manufacturing. I was not convinced, but my thesis conclusion was that whether this scenario could be achieved or not depended on whether production scale could actually be achieved.

Then, I went on to Johns Hopkins University for my Ph.D. I continued with this subject of economic development by means of industrialisation. The thinking and the philosophy there was about export promotion and trade. The argument was that we should industrialise through trade, not protection. If we promoted trade, we would be involved in exports and imports. And if we specialise in our products, we would achieve a comparative advantage. Then, we could actually achieve scale. Trade would indicate what industry we could industrialise.

So, in order to facilitate trade, it is not enough to rely solely on domestic market. One way to expand the market is, of course, to engage with neighbouring countries. That raised the idea of regional economic cooperation for small countries. There were many examples at the time from

Europe because Europe had many small, though developed, countries. The argument was that Europe could actually industrialise by specialisation. Some people argued about how specialisation in automobiles, for example, could be achieved because many countries could produce automobiles. The answer came from the famous Professor Steffan Linder from Sweden. His thesis was about “product differentiation.” His argument was that we could specialise by differentiation, and in so doing, we could also achieve scale. Regional cooperation among the European countries meant allowing automobiles to be traded freely across the continent. The competition was not about cars; it was about “differences” in cars. So, I came back to work in Bangkok in 1972 with that philosophy in mind. I wanted industrialisation for Thailand’s economic development and I thought trade would help in order to achieve scale. It was also clear that we needed regional cooperation to achieve scale. So, I set to work on that, too.

How does regional economic cooperation relate to trade and production?

It has to be related to both because the market is about trade, and production is about location. So, by allowing trade among the so-called friendly countries or neighbouring countries, market is expanded. When the market is bigger, production can be at lower costs. So, trade, production and market are related.

Is there a sequence as to which one comes first?

No, the philosophy at the time was if you allowed the market to be bigger, meaning if you allowed trade, then the market would select what to produce and where to produce it. It has been proven in many small European countries. Germany is very big. France is also big. But countries like Sweden or Spain specialise in something. All these European countries allow trade among themselves. Then, European cooperation in the form of the Common Market was very big news. People also say that the US is well developed because the states within the US, many of which are bigger than countries in Europe, have no barriers among them. Companies like Ford Motors, for example, had assembly lines in many states and thus expanded the scale. Another good example is the Model T. Achieving such a big scale, which reduced cost greatly, allowed American people to have access to automobiles.

So, the main objective is to have, maybe not free trade, at least freer trade among groups of countries.

Yes. Countries which are close in terms of region and level of development.

How would that work in Southeast Asia where there are still differences in the levels of development?

Back in the 1960s, we were very similar. If you look at the economic structure of Southeast Asian countries back

then, we were all producers of commodities. There wasn't any manufacturing anywhere. And Singapore was the trading country for all these commodities: tin, rubber, timber, rice, sugar, etc. We were major commodities producer and exporter. Much of it started from being colonies supplying raw materials to the colonisers.

After this idea about import substitution, as a mean to achieve industrialisation, started in the 1960s, all countries were trying to produce their own products. The famous example is the Malaysian car "Proton." But actually, all countries in the 1960s were doing the same thing. Every country wanted to have their own automobile, radio, television, etc. They followed the same strategy, and they all more or less failed. Malaysia was the first to move to manufacturing by adopting export promotion by using industrial zones, for example. Penang was declared an export-industrial zone. I went there in 1973 and I witnessed that development. It was clearly not for the local market. They allowed foreign companies to set up business in the zone. No tax in the zone and the products were exported. That was the first phase of manufacturing by using the zone. But at that time, there was still no regional cooperation.

That seems to be a very popular model in the 1970s.

It started in the 1960s. Afterwards when we promoted this idea of regional cooperation, more and more markets opened up. We started to have the result in terms of selling

and not just selling to somewhere else, but selling among us. For example, now, with the ASEAN cooperation, Volvo cars sold in Thailand are all manufactured in Malaysia, and some BMW models are made in Indonesia. Regional cooperation allows production to have access to local or regional markets.

Is that why, when ASEAN was formed in 1967, even though it was out of political necessity, the leaders announced that economic cooperation among members was the main objective?

It was certainly used as the justification. It was not the intention when ASEAN was formed. As you said, it was mainly for political reasons, and obviously it was strongly supported by the US and Japan. They also supported ASEAN economic cooperation idea. In fact, soon after ASEAN was formed, there was the commission of the Kansu Report¹, a study by a group of people led by Professor Gunal Kansu², sponsored by the UN Economic Commission for Asia and the Far East (ECAFE)³. And as you said, the formation of ASEAN in 1967 was like a “transition” from SEATO to ASEAN, so it was all about politics, all about Southeast Asian countries not fighting among themselves, about Southeast Asian countries following some form of democracy not communism. But obviously, they had in mind that economic justification should be used. When I came back from Johns Hopkins in 1972, the first thing I saw was the Kansu Report. The report contained many of

the arguments that I have said. If we have economic cooperation, the scale would be bigger. It would justify the production of certain manufacturing industries.

But has the concept worked out well? We are still competing. While there is intra-ASEAN economic cooperation, there is also intra-ASEAN economic competition. How are they compatible or complementary?

We are jumping from then to now. A lot happened along the way. I believe economic cooperation has worked but in a different format. Now, competition is less in terms of production or in terms of market product in the region, but more in terms of attracting investment, either investment by their own people or by other ASEAN people or by non-ASEAN people. For example, there is a competition among Thailand, Vietnam and Indonesia to get investors into their countries. But in terms of product, practically not all are competing, except in some of the so-called “agricultural products” which are still subjected to certain requirements and certain barriers. This is mainly due to domestic political reasons.

So, I believe that the current development in this so-called intra-ASEAN competition is for investment. It is actually reinforcing the idea of economic cooperation, meaning that because we have AFTA, we have a bigger market and because we have a bigger market, it is more attractive to the investors. The investors can actually sell

here and elsewhere. If you invest in Vietnam, you can sell to Thailand. It adds to the argument for economic cooperation.

You have already mentioned AFTA. Why did it take over 20 years from the formation of ASEAN, with its expressed purpose of economic cooperation, to achieve AFTA?

It was due to the fixation on protectionism. The belief was that if you opened the ASEAN market, the Western producers would take over the market. This idea was strongly held by many ASEAN governments. So, when the first ASEAN Summit was held in Bali in 1976, immediately after the Vietnam War, the member countries were scrambling for projects to justify economic cooperation. They had to come up with economic projects and there were a lot of arguments about how to initiate ASEAN economic projects. There were 2 sets of policies proposed and discussed. One is to have ASEAN projects allocated to certain countries. This was known as ASEAN Industrial Projects (AIP)⁴.

Like the Potash Mining Project in Thailand?

Yes, but most of them never happen. And the other one was the ASEAN Preferential Trading Arrangements (PTA)³², meaning selective concession was given to certain products at a certain time. There is evidence that even after the Bali Summit, they were still not in favour of economic

cooperation but protection. The idea of import substitution and protection was still everywhere. During the 2nd Summit in Kuala Lumpur in 1977, they tried to confirm the proposals on the PTA and the AIP. But they did not happen right away.

You always need a crisis to get things going. The 2nd oil crisis hurt most countries, except Indonesia which is a member of OPEC. The economy slowed down and the inflation was high. It was a matter of how much one country could suffer relative to others. In 1980, ASEAN discussed how to recover from the very serious worldwide economic problem. In the early 1980s, the US's interest rate hit a 20% ceiling. So, the whole world was very much in trouble. Therefore, the ASEAN Chamber of Commerce and Industry (ASEAN-CCI) made the suggestion, and the ASEAN Economic Ministers agreed, to set up a Task Force to come up with a blueprint for real economic cooperation among ASEAN members⁵. By coincidence, Khun Anand was already in the private sector. He left the Foreign Ministry in 1978 after he was Ambassador to Germany. He became involved in business through the Saha Union Group and was a Thai representative in the ASEAN-CCI. He became its chairman between 1982-1984. He is an "internationalist" and very popular among the members. The Task Force consisted of 3 members from each country and they voted for Khun Anand to be chairman. It produced the blueprint for the ASEAN economic cooperation of today.

Can you elaborate more on how that Task Force worked, what issues were important in their deliberation, and how it led to AFTA?

It was a very interesting development in ASEAN's history. Not many people had personal knowledge of it. I was personally involved and I think it should be put on record so that people can read about it. The Task Force had full support from each and every country while we were doing the study because it was the combination of the public and private sectors and Khun Anand's involvement.

The 3 members from each country, how were they selected?

Each country made their own selection, but the guideline was to have a combination of members from the public, private and academic sectors. In the case of Thailand, Khun Anand was from the private sector, Khun Sivawong Jungkasiri⁶ represented the government, and I was from the academic sector. Each country made a similar arrangement. The private sector members knew each other, the government sector members knew each other from ASEAN meetings, and the academic members, myself included, also knew each other. So, it was a very friendly group. Whenever and wherever we travelled, we had a good time, good dinners, and good conversation. We went around and had good discussions. I was appointed secretary of the group. So, I had to take minutes. I had to frame the concept and things to be done, and I had to write the report. It was tasked to me

from the very beginning. The report was available and printed by the ADB. Part of the agreement was that they paid me as a consultant to write a book for them and also to prepare a report for the ASEAN Task Force headed by Khun Anand. After the Task Force had approved the report, it was submitted to the Senior Officials' Meeting. Senior officials did their own version. They used the report as the basis, but they made changes here and there, this and that, and submitted it as an official version to the Summit.

The discussion agenda always followed the same pattern, from the macro level to the sector level to the micro level of the trade policy, tax policy and all the way to even the management of the whole programme and to ASEAN Secretariat, and ASEAN governing bodies.

I think the government of Thailand also had the record in 2 versions, official and non-official. As I said, I was hired by the ADB to write the non-official version. They put me in a room at the ADB for 2 weeks, to write that report because we all knew that in order to write a report you have to have time, privacy and concentration. I was at the ADB twice, 2 weeks each time. I locked myself in and wrote what became the content of the official report, not all of it but most of it. That official report was submitted to the 3rd ASEAN Summit in Manila in 1987 just after Corazon Aquino became President following the Yellow Ribbon Revolution. The summit "took note" of it and there was no further action. Nothing happened.

Then, how did it lead to AFTA? It's all about global environment. A lot of things happened because of global environment. The decision to set up the Task Force to produce the report was global economic problems. When the report was being prepared in 1984-1985, and submitted in 1986, the global economy had changed drastically from the Plaza Accord of September 1985, when the USD went down and German DM and Japanese Yen went up. I recalled the value of the Japanese Yen went up to the level that it really created the exodus of Japanese companies and Taiwanese companies. All these companies had to move somewhere. The world economy changed, and our economy recovered. Thailand's economy recovered as a lot of investment came into Thailand. So, from 1986 to 1988 ASEAN was not really interested in economic cooperation because every country was doing well. Thailand had discovered large deposits of natural gas in the Gulf of Thailand that Prime Minister Prem coined the term "Chote Chuang Chatchaval" (โชติช่วงชัชวาล) which roughly means "Brilliant and Blazing" future.

So, the report was considered, but basically left on the shelf until 1991 when Khun Anand became Prime Minister. Singapore, always the mastermind, asked Khun Anand "Why don't you make a move?" Singapore knew that they could not be seen to be the prime-mover because Indonesia would knock their heads. So, Prime Minister Goh Chok Tong came to see Khun Anand in July 1991. Khun Anand

also met Lee Kuan Yew in Singapore. These conversations were mentioned in the book by Khun Vitthya Vejajiva⁷.

Singapore asked Thailand to revive or resuscitate that report and Khun Anand appointed a committee led by Dr. Suthee, who was Finance Minister, to start the process of creating AFTA. The reason given by him was very clever. Usually, if such a committee was to be appointed it would be assigned to the Ministry of Commerce. But Khun Anand's argument was very simple. He said that free trade was about tariffs, not about trade. If the Finance Ministry did not agree to lower or eliminate the tariffs, how could you have free trade? Then he appointed me to the committee because of the work that I had done during the time of the Task Force. He knew that I was the one who did the details of the study, the conclusion, the recommendations and so on. He appointed me by creating a new position for the first time in Thailand, "Prime Minister's Representative on ASEAN Affairs"! The Prime Minister's Office announced that this position would have the rank equal to a Minister in order to facilitate my work when I go to other countries, as I would be treated in terms of protocol as a Minister which would afford me access to the leaders and ministers. Moreover, if Khun Anand were to have a discussion with Presidents or Prime Ministers, like President Suharto, I could join him not just as an assistant, which means I could join him in private conversation. And that happened in 1992.

Our group travelled to all the ASEAN countries. We first went to Indonesia because we thought that was the most important and it took 3 days. We spent 3 days in Jakarta. I knew the people there from my ASEAN work, so we planned how to sell them the idea. I knew what would be their response the first time we met. Hartarto was Minister of Industry. He was a serious-looking man with big eyes. When I proposed this idea to him, he said “Indonesia, no free trade,” looking very unfriendly. At that time, a friend of mine Arifin Siregar⁸, whom I knew well from my ASEAN network, was Minister of Trade. Arifin had to calm him down, saying “Let’s discuss this further.” In the meantime, I was trying to sell the idea to the others. Another classmate of mine from my time in Australia was Boediono⁹, who later became Vice President of Indonesia. Then he was the Secretary-General of the National Development Planning Agency (Bappenas). I talked to Boediono and Chairman of Bappenas at that time, who was a personal friend of President Suharto. So, all the local connection was used. At the same time Khun Anand also contacted President Suharto. Khun Amaret¹⁰ later visited Indonesia to sell the idea in September. We had to be ready before the Economic Minister Meeting in Kuala Lumpur in October. We had only 2 weeks to work. After Indonesia, we went to Malaysia for one day to discuss it with Trade and Industry Minister Dato Rafidah¹¹.

Rafidah and I knew each other before and we got along very well. We had a meeting with her at 10 o'clock for an hour or so. We had an interesting philosophical conversation. I knew that she was for AFTA. After the technical discussion, she asked us about our schedule, and how long we would be in Malaysia. Dr. Suthee said one day. And exactly as I thought, she said "How come Indonesia three days, Malaysia one day? Malaysia not important?" Dr. Suthee was stunned and did not know quite what to do. I was sitting next to him and I said "Dato Rafidah, please, when we went to Indonesia, we had to sell this idea to so many people. But when we came to Malaysia, I knew that if only you agree, no need to talk to others." She said, "Narongchai, I don't believe you but I like it." Just like that, she likes to be flattered but she is good and serious to argue with.

After Dato Rafidah, we had lunch with Dato Anwar Ibrahim, who was then Deputy Prime Minister and Minister of Finance. It was supposed to be a technical lunch. I was sitting next to him and asked if he would like me to present the points about our mission. Dato Anwar asked if we had talked to Dato Rafidah and what she said. I said that she agreed with it. So, Dato Anwar said, "Okay no need to discuss it, let's have lunch." This is how it worked.

After Malaysia, we went to Singapore to meet Prime Minister Goh Chok Tong and Lee Hsien Loong who was Minister of Finance at that time. Then we went to the

Philippines. Again, the Minister of Finance, Dr. Jess Estanislao, was my friend from the ASEAN circuit. He told me, “Narongchai, no need to discuss it. We talked about this before. Please proceed.” That’s how it came about.

When we had the Economic Ministers’ Meeting in Kuala Lumpur on 8-9 October 1991, the subject was to be discussed so that it could be submitted to the Heads of State and Government. Khun Amaret and I were tasked with presenting it to the meeting. When we arrived at the airport, there was a lot of drama. The senior officials were there first. Khun Pachara Israsena¹² from Commerce met us at the airport and told us that we should not make our proposal. It would be rejected. I asked Khun Amaret what to do and he said to go ahead.

So, in the morning, when the meeting started and the agenda item came up, Dato Rafidah asked for a proposal from Thailand. Khun Amaret asked me to propose the AFTA. After the presentation, the meeting went silent. Dato Rafidah was chairing the meeting and Pa Hartarto was sitting next to her. She asked very fast, “Pa Hartarto, what do you say?” Everyone was quiet but he said, “Indonesia agrees.”

I learned later that there was lobbying going on behind the scenes. Khun Amaret knew that Indonesia would agree, but he did not tell Khun Pachara. He did not want other senior officials to know about the agreement between Suharto and Khun Anand. As Khun Amaret got the

assurance from Suharto, he let me proceed with presenting the proposal. So, that passed the major point.

The drafting of the agreement was done in Singapore in December and it was ready for submission to the Summit in Singapore in February 1992. But even in the morning of the day of the final approval, each country had come up with the so-called “sensitive list” to be exempted from the agreement. They were still debating very close to the time of the Heads of State/Government meeting. But we finally said that let’s not argue anymore; you have your list and I have my list and so on, and we can exchange the lists later. Let’s have the major agreement approved first. So, by that time, senior officials were already advising their respective government that they should agree.

The lesson learned is that for an agreement like that to succeed, you must have political support. And in order to have political support, you must do a lot of behind-the-scenes work to get a necessary political decision. That applies to all the major agreements in the world, I think. Nothing is agreed at the table; it is only discussed.

It is important to have the leader’s support.

They have to understand and know what it is. Our problem often is that the leaders do not understand. It happens not just in Thailand but elsewhere also.

So that's the story behind AFTA. Now, it has been around for 30 years or so. How do you assess its impact? Is it really beneficial to the development of ASEAN economy?

Well, I may be biased because I am very much an AFTA man. But I have been practicing this in my so-called economic career or profession for the last 30-40 years. I observed the level of development in all these countries, not just by looking at the number but by visiting to see things in practice on the ground. I continue to travel, attend seminars, be a board member of certain international companies and all these things. And I must admit that ASEAN countries have developed a lot in spite of whatever comments we have about their politics and government and so on. I think the economic and social standards may be varied depending upon how and where you measure them. But economic standard, production standard, and competitiveness are now much better and this is not just due to AFTA. It is because of the idea that has changed from protectionism to being more market friendly to trade, and this is not just among ourselves.

I think the environment of the world economy from 1991 greatly changed after the end of the Cold War. All neighbouring countries of Thailand wanted to follow market economy. Global politics was very market friendly because of the policy of the US and the EU and because of China joining the global production, with a lot of encouragement from the US, and because of India slowly

joining in. I think up to the year 2010, global politics was very market friendly. Because we have AFTA in place from 1993, we were able to benefit from this so-called market friendly global politics. I have said the same thing about China. China developed so fast because the world market was open to China. China was able to produce for the world market. I think it was similar, though on a smaller scale, for ASEAN. The world economy was open to ASEAN, and ASEAN was able to respond.

If you look at the car exports from Thailand, for example, if we did not open up, we would not have the car industry. If we did not have AFTA to encourage more openings, we would not have the car industry. Now we produce almost 2 million cars a year. That's a lot of cars. We export a million and local sales close to a million. That is the evidence. We can see a lot of production and manufacturing all over the country.

I think we can say that we have changed the mindset of the people in ASEAN on trade. Trade is no longer viewed as threatening to local production and to local advancement, but as a way to advancement, especially when we talk to the generation in their 40s-50s, younger executives. I was in Indonesia recently and found that they were very much for more trade and more internationalisation. These are the executives in their 40s and it is the same in Thailand. They are very much for more trade. So, AFTA helped change the mindset about trade in the world and the world was

friendly to countries that opened up. But that's not true today. The situation is changing again. We do not yet know what will happen.

In a sense, AFTA came about at the right time.

Yes, that is right. There were signals. I think I should mention this. I think people in Singapore thought of it this way, and some people in Thailand, like myself, also thought of it this way too. We all thought that the Uruguay Round was coming to an end. People expected the Uruguay Round negotiations to finish by the early 1990s, so we must be ready for free trade. Moreover, the Soviet Union collapsed and the Cold War disappeared. We should be ready for what next. Remember when Khun Chatichai¹³ in 1989 said, “changing battlefield to market place.” This idea was about the world economy becoming more open. The timing was important, and that was the reason why we had to push for AFTA in 1991-1992. We had to be ready for the conclusion of the Uruguay Round.

As we discussed previously about the WTO and the idea that world trade is an instrument for development, the concern now is that the environment that you identified as market friendly appears to be changing. Economic cooperation trend now seems to be either regional or bilateral instead of multilateral. Countries or groups of countries are engaging in a lot of negotiations on establishing bilateral or regional FTAs. So, the

question is: why are countries shifting from multilateral to bilateral or regional agreements?

Yes, in going forward, I think this issue will come up again in later chapters. It is a very important subject that I have been working on for the last few years. I think the reason is that we became wiser after the facts. Somehow, we could not pre-empt things from happening. Somehow, we could not think *ex ante* so clearly. Therefore, we have to conclude by the exposé, the so-called “easier way to get out of a lot of problems.”

If we go back to our earlier discussion, the premise about the benefit of free trade requires free flow of capital; otherwise, it does not work. It is a pre-requisite. For countries which have deficits, like the US, it seems to go on for too long also. The US could deal with it because they print the USD. But jobs changed and jobs disappeared. People complained about jobs being taken away. So, by 2007, when the subprime crisis started, followed by the 2008-2009 Lehman Brothers crisis, the blame was partly because a lot of countries had a surplus and kept the surplus in the US. The foreign exchange reserves, either held in securities or cash or whatever, created a huge supply of money and liquidity, in the US which led to the crisis because of the property crisis and then bubbles and all that.

So, people started to question the benefit of free trade because it seemed to be biased or advantageous to the countries that have a surplus and did not allow their

exchange rate to be adjusted. That being the case, therefore, the argument against free trade, against multilateralism being open to all countries, became louder. Trade has to be regulated. Now, some of the major products, like computer chips, batteries, have become crucial products for the future. If these are not restricted, and not managed, then certain countries may benefit without any international adjustment mechanism. The WTO has not gone anywhere. The Doha Round is still going on. Because it has not yet concluded, countries have to look for ways to cooperate among themselves or even to the point of resorting to unilateral measures, like during the Trump Administration. The imbalances created political emotion or conspiracy theories about trade, like the so-called “QAnon.” You may have heard about it. They say there is a world conspiracy to create policy that benefits only the rich and does not benefit the poor. Today, it seems to be everywhere.

I asked about regional free trade agreements because it seems that even ASEAN tries to negotiate Free Trade Agreements as a bloc, like ASEAN-China FTA or ASEAN-EU FTA. ASEAN RCEP is probably the biggest ASEAN Plus FTA. How do you see RCEP as a mechanism?

I think it would only slow down anti-multilateral sentiment or process. It will not stop it altogether or enter the so-called “de-multilateral process.” The RCEP member countries are mostly trade surplus countries. The US did

not join because the US is a major trade deficit country. The US is not in the other major agreement, the CPTPP, either. So, RCEP would be helpful to us by preventing us from being badly affected by the so-called “anti-trade” measures by certain groups of countries, including European countries, which allow many factors like climate change or human rights to be used.

Do you regard them as NTBs?

They become parts of NTBs. Therefore, I am pleased that RCEP was finalised. In fact, I had already encouraged the idea of “RCEP – 1” some time ago because I knew that India would not come on board and if we had waited for India to come on board, the opportunity would be gone. If we had just started talking about RCEP today, maybe we wouldn’t have it because political fighting has already started. Countries are spitting into camps. So, it was good that we signed RCEP in 2022. Very fortunate.

How does it work as a trade regime as there are already free trade agreements among members of RCEP already?

Oh, it makes it easier. It is like you have a bigger framework to cover all the others. The formula about rules of origin and so on can be more easily worked out. RCEP would superimpose, meaning that the other agreements can be better than RCEP but cannot be worse than RCEP.

But on the part of the exporters, would it be a bit confusing whether they should apply for benefits under the larger FTA or not?

It depends on the product. The agreements all these countries have always contain some so-called “sensitive lists,” depending on which country is exporting or selling what and so on. This information is available. The Commerce Ministry will encourage people to look at RCEP benefits to see whether they want to use it. So, if RCEP provisions are better than the bilateral ones, use RCEP.

I am just wondering, for example, if an importer wants to import Australian beef, wine or whatever, under which agreement should they apply?

The better one. It’s up to them. They have to study. Information is readily available. It’s good to have more options. Because internationally or globally, we are beginning to have fewer options because of the US and the EU’s policies. So, with the agreement, we would have more options. It is better to have global options open for a country like ours. But somehow, I don’t think we can expect much at the moment.

Is that kind of trade regime under the WTO not going to be possible?

For the next few years, I think the WTO would have to facilitate regional agreements. They would have to change

their work to facilitate regional agreements rather than pushing for an international or multilateral agreement. This is because the US will say no. It cannot be done unless the US says yes. My advice would be “Why don’t you change your job to facilitating trade agreements.”

My last question about RCEP is about India. You said that we could not wait for India. But if India does not join, does that affect the future of RCEP?

I knew India would not join. I said so to the people at the Ministry of Commerce. India may join RCEP eventually, but India would not do so 2 years ago and would not do so last year. But I think India might do so in the next few years. A lot depends on how the people in that country think. If they think they are at a disadvantage, they will say no. When India gained independence, they adopted Western democracy, but they did not adopt the Western market economy, because they knew that western market economy would create more damage for them like during the colonial period. That was when their textile industry disappeared. They used to be no.1. In the Ayutthaya era, India was the No.1 producer of textiles. We used to buy clothes from Mumbai. So, Nehru and Gandhi were against Western market economy. But after 1991, India changed.

Today India’s economy is growing faster than everybody’s. Indian people have access to the internet at the lowest price in the world. The concession for frequency

costs practically nothing, unlike Thailand, where it costs 20, 30 and 50 billion baht at frequency auction. They treat the internet as a utility, not a luxury product like Thailand does. Therefore, companies could provide Wi-Fi access to houses. Now, almost half of the Indian population has access to Wi-Fi. So, the Indian economy is clearly up and coming. I am sure that India will be confident enough to join eventually. But even if they are not a party to RCEP, they still buy a lot from ASEAN countries, and travel a lot to ASEAN countries. India is becoming a major market for us.

While India has become a major market, India tends to have a high tariff barrier, and not just an external barrier but also internal barriers between Indian states. Do you think that will change?

Based on my work, my studies, my assistant's studies and so on, I think people's mindset will change when development changes. I don't know when it will happen, but that is usually the case. When people feel less threatened, they will allow better access here and there. For example, if you look at Indian movies today, they have become competitive because they now have international quality. They are not produced just for the domestic market as before. So, the Indians feel more confident and that can be observed in international meetings. Indian participants now talk less, and they have become more modest.

Your point about the internet is interesting, especially in relation to e-commerce. When AFTA was discussed and negotiated, the question of e-commerce was not on the agenda. There was yet no e-commerce. So, how do you see the growth in e-commerce impacting on regional trade agreements?

I have to say I don't know yet. I am asking myself the same question. I think the main point is about how to tax e-commerce and we have to have a discussion and agreement on the tax issue. Otherwise, there will be no tax. Who is paying tax, the sellers or the buyers? Like me, today I buy many things from everywhere but I guess I am not paying any taxes. Is the company that sells these things to me paying tax?

So, e-commerce is creating the real free trade.

No, we have to pay income tax, not tariff. For example, I buy things from England and so on, and I pay very little charge relative to the price of the things that I buy. In a way, it is like free trade, but the argument is more about revenue or income tax than value-added tax. Who is paying, who is collecting, that is really the point. There is no agreement on that yet. If you go to an international meeting today, when they are talking about regulation on e-commerce, they are talking really about tax.

We can also end up paying double tax.

Yes, we could. With artificial intelligence (AI) coming, it will be even easier to buy things, to do things through

technology. This is something that in the last chapter and we will discuss about e-commerce. When Thailand goes global, how do we manage? Most of my studies today is about the future. I am involved in the studies on AI relating to e-commerce and e-business. I am reading a lot of books on this subject.

Do you have other thoughts to add about ASEAN economic cooperation?

I would like to express some personal feelings or passion about ASEAN. I think there were a number of reasons why I became very much interested in ASEAN economic cooperation from the very beginning. First, during my studies in Australia, I became friends with many people from Southeast Asian countries. This aroused my interest in Southeast Asia. Second, and coincidentally, this is a major reason. When I came back to work at Thammasat University, my colleague Professor Seiji Naya, the Rockefeller Foundation professor, was interested in trade and regional cooperation. He was knowledgeable about the Kansu Report. That was how I got introduced to the Kansu Report, to the discussion on regional economic cooperation, and how I got to work at the ADB. He was instrumental in getting me involved in regional cooperation studies that would lead to APEC, which we will talk about later. When I had to write the ASEAN Task Force report, he was Chief Economist at the ADB. Without him I think that

report would have been different. So, I should mention Professor Seiji Naya in this book. He deserves to be recognised regionally.

CHAPTER

4

THAILAND
IN THE ASIA-PACIFIC REGION

We have talked about ASEAN economic cooperation, especially the issue of free trade agreement, i.e. AFTA, and also the ASEAN Plus agreement, i.e. RCEP. Let's now look at the wider picture, i.e. ASEAN plus the rest of the Asia-Pacific. In the Asia-Pacific region, economic and trade issues have always been very important among countries in the region because many of them: the US, China, Japan, and others like the Republic of Korea, and Australia, are also major economic partners of Thailand and ASEAN. How do you see the current and future prospects for economic cooperation within the Asia-Pacific?

I would respond to that from my perspective. I think the story that we are talking about has my involvement with all the issues confronting us in the past, the present and the future. So, to answer your question, I need to make

references to my personal involvement. I think that, in the region, I have become known as the APEC person, and in fact, I have become known as the ASEAN person, among my friends, conference-goers, colleagues and so on. I think anybody who has a role in anything, it is about what he or she is as well as what he or she has become. Now, what a person has become has a lot to do with who the person knows or happens to know at the time. Sometimes by chance, it just happens. Like anything in life, we don't plan; it just happens. The environment at the time also plays a role.

In my case, as I explained before, my interest in the Asia-Pacific did not happen just because of what I was at that time. Because at that time, I was only a student of economics and my mindset and philosophy, about economic development revolved around international trade. I totally believe from my studies that for a country like Thailand, we must be open for trade, otherwise we would not be able to have all the things that we needed. Trade would be the instrument to achieve our comparative advantage. I am a firm believer in comparative advantage. So, that was what I was. Then, what have I become? Because of the timing, and I think the timing in life is very important, who was there at that time? I have mentioned Professor Seiji Naya before in connection with ASEAN economic cooperation. He was also very influential on how I developed my ideas about Asia-Pacific economic cooperation. Professor Seiji Naya was already involved in the movement, which started

in the late 1960s, and was about Asia-Pacific cooperation among mainly the US, Japan, and Australia. They were the 3 major players who mapped out the ideas about a Free Trade Area for Asia-Pacific (FTAAP). They even made a proposal at the time.

After we had APEC, the proposal for FTAAP came up again, but the original concept was proposed as early as the 1960s by Professor Naya and the economists from these 3 countries. They had started a series of international conferences called the Pacific Trade and Development Conference (PAFTAD)¹. The first meeting was in Tokyo in 1968. When I started my career at Thammasat University, PAFTAD was about to have its meeting in Mexico City in 1974. Prof. Seiji Naya was invited to attend. He arranged for me to attend too. That was the beginning of my involvement. The PAFTAD conference is still going on up to today. The Republic of Korea hosted the 41st Conference in September 2023.

So, No.1, I need to mention Professor Seiji Naya because he has been instrumental in getting me involved in the Asia-Pacific. No.2, it is again very fortunate at that time. In addition to the Rockefeller Foundation, the Ford Foundation was operating in Thailand also. The person in charge of the Ford Foundation was Dr. Peter Geithner. He was very much in love with Thailand, the Asia-Pacific and ASEAN. He knew a lot of people very well. He is the father of Timothy Geithner who was Secretary of the

Treasury in the first Obama Administration. Timothy was about ten years old when I came back from my studies. We went on the outing together sometime.

It was Dr. Peter Geithner who got the Ford Foundation to support my activities in the Asia-Pacific. I must say that what I have become, the evolution of my Asia-Pacific person, was supported largely by the Ford Foundation, and by Dr. Peter Geithner. He had always encouraged me or requested the Foundation to support me. In fact, it was in 1976-1977 that the Ford Foundation supported my 10-month stay in New York to do research on trade. I did not have to work on anything, just write papers and read books.

So, from the series of PAFTAD conferences, we continued to suggest the idea of Asia-Pacific economic cooperation and that we should formalise it. Thailand actually hosted a PAFTAD meeting in 1976. It was an extraordinary meeting because the big names came. PAFTAD had already engaged with leading world economists, such as Harry G. Johnson², who was a “superman” in international trade. He was a professor in Chicago and London at the same time, shuttling between two cities as if he were the Superman. He came to the meeting hosted by Thailand. Many other leading economists also attended. I remember Professor Anne Krueger was there. As for the Thai economists, Dr. Snoh Unakul was at the meeting, Dr. Amnuay Viravan and Dr. Vinyu Vichit-vadakan³ supported this conference.

Another person that I should mention is Dr. Saburo Okita⁴. A lot of things happened by fate. Dr. Saburo Okita represented Japan at ECAFE and later ESCAP. Dr. Okita got to know Dr. Snoh extremely well and he really supported Thailand-Japan relations. When we had the second oil crisis in 1979, the government of Kriangsak Chamanan could not survive the crisis. Dr. Okita worked with Dr. Snoh in suggesting how Thailand's economy should be restructured. The idea of the Eastern Seaboard was born. That policy led to a lot of development afterwards. Because the oil crisis created a payment crisis for Thailand, we needed to have more export and exchange earnings. Therefore, we had to adopt an export-oriented policy. That was how we developed the Eastern Seaboard. That was also how a lot of Japanese companies invested there. The timing was right because when we did the devaluation the second time in 1984, it was followed by the big appreciation of the Japanese Yen in 1985. That changed the whole geoeconomics and opened up a lot of opportunities.

As I said, sometimes things happen by accident. Dr. Okita became Minister of Foreign Affairs in 1979-1980, under Prime Minister Masayoshi Ohira. In Australia, Malcolm Fraser was the prime minister. Dr. Okita suggested that we should have the first Asia-Pacific conference. Australia hosted it in Canberra in 1981. Japan financed part of it. They invited three representatives from each country to the conference. Three representatives from Thailand were

Dr. Thanat Khoman, who was then Deputy Prime Minister, Dr. Snoh Unakul, and myself. The conference aimed for a conclusion that would lead to the setting up of APEC.

But it got off to a bad start and was almost derailed by a lady representative from the Philippines. During the discussion, it seemed that the atmosphere was favourable to conclude that the conference would recommend that the governments to start the process of setting up an Asia-Pacific Economic Community. It seemed to be the conference's conclusion. But then, during the meeting with the press after the conference, the female representative from the Philippines said she did not agree with that recommendation. It was quite a shock. The whole process nearly collapsed.

But it was fortunate that Australia continued to pursue it and wanted to have a second conference and Dr. Thanat Khoman came to the rescue. The Australian Government representative discussed the matter with Dr. Thanat who agreed that Thailand should host the 2nd preparatory meeting or a consultative meeting to discuss the idea of the APEC community in 1982. I was tasked with the overall coordinating work. Confidentially, at that time, we did not want to make it known that my expenses and salary were paid for by the Japanese. It was a kind of “behind the scenes” arrangement. It was Dr. Okita who recommended the Japanese to financially support this project by hiring me to be ESCAP staff for one year to prepare the conference.

The conference was held at the Bangkok Bank. We used their facilities. After the meeting, we held a press conference at ESCAP. Dr. Thanat came to the press conference to present the outcome of the conference. A lot of people were there. I wrote the conclusion for Dr. Thanat to present to the press without consulting anybody. I wrote it down and I don't know whether we can say that it is a historical document. The meeting agreed to set up the Pacific Economic Cooperation Council (PECC) which would work on trade and investment liberalisation, commodity, and technical cooperation. So, Dr. Thanat arrived, picked up what I wrote, and read it out loud so that it became official.

Some of the participants came up to me and asked "Dr. Narongchai, did we agree on all that?" I said, "I don't know but I listened to you talking. It seemed to be your ideas, so I put it down on paper." But nobody was upset. Everyone was happy to have that conclusion. And this led to a series of PECC meetings in Bali, Indonesia in 1984, followed by others in 1985, 1986 and the major one in Osaka and so on, hosted by PECC national committees. Thailand has the Thailand National Committee for Pacific Economic Cooperation (TNCPEC), chaired by Dr. Thanat Khoman up to 2016, after which I became Chairman until today.

PECC kept the idea of APEC alive until 1989 when senior government officials agreed to have the official meetings on how to set up the strategy for formalising the

so-called APEC.

The first step was the appointment of an Eminent Persons Group (EPG). The decision on the EPG was made at a meeting at the Shangri-La Hotel, Bangkok, in September 1992 which eventually led to the 1st APEC Summit in 1993 in the US hosted by President Bill Clinton. So, the EPG was set up in 1993; the decision was made. The group worked for some six months. I was appointed to be a member of the EPG. I recalled Uthai Pimchaichon⁵, the then Minister of Commerce, asked me to see him and said that M.R. Sukhumbhand Paribatra⁶ recommended that I be appointed a member of the EPG.

We worked on it until July 1993. We thought that there must be a summit. We had this meeting in the Imperial Hotel, in Tokyo, Japan in July during which the US representative said that the US would like to host the first summit. During the late 1980s and early 1990s, the US was still very much supporting the idea of trade liberalisation and multilateralism, with the WTO and China as a member of it. I believe that the US, at that time, thought that, by setting up APEC, the US could bring China into the world market. It was definitely a rational idea. I was supported by the US a few times to visit China to talk about China being welcomed in this kind of international market. The First APEC Summit was held at Blake Island, near Seattle in November 1993. It was the real beginning of APEC.

So, I thought the whole thing about APEC at that

time was to make the so-called market capitalism the norm for the world. I can use that word, “norm.” The belief was that if market capitalism was adopted by most countries, then the world would prosper. What happened subsequently is something we can talk about later. But that was the basic idea, and I believe in it, that market capitalism would help in the development of a country like Thailand as well as many other countries. In the concept of APEC that we started in Bangkok and built it into the feature of APEC which include technical cooperation. It was obvious at the time, that member countries were still at different levels of economic development. So, technical cooperation was needed, unlike today. We received help from more advanced economies such as the US, Japan, Australia and so on. These countries did not think of us as their rivals. But of course, today much has changed. This is how APEC came about.

I recalled that there was some controversy about what to call it. In the end, they left out the word “community” and just used the word “cooperation” instead. What was the discussion on that point?

That was very interesting. As the EPG, we were tasked to produce a draft statement to help the senior officials prepare the official statement. So, for the first meeting, I was very much in the game. I was there in Seattle with the delegation and we had a meeting between the senior officials and the EPG and we were tasked to prepare the

statement. The argument was about this “C”, should it be community or not community? A senior official from China objected to the word community. From what I could gather, he said that for China the capital “C” could only mean a “Communism.” He said that the policy of China at that time was to join APEC, but APEC was a “market” not “communist” mechanism. Moreover, a small “c” meant family. There was no ideological obligation about family members being friendly to each other. He said “Communism was a principle and China did not want to regard this as the basic principle of the organisation.”

I was not sure I understood the reasoning. The debate went on for a long time until almost midnight. Finally, the others gave up on the word “community” and just called it “cooperation.” I was sitting there just listening. It was very weird.

You may recall that this question was raised at that time. Why was it called just Asia-Pacific Economic Cooperation? It seemed unfinished. Was it an organisation, a forum, a conference, etc.? Anyway, that is an interesting background story. Could I ask you about some of the points you have raised? It seems that in all of this process, the Japanese played a very important “behind-the-scenes” role. Was that because of the prevailing geopolitics at that time? In the late 1970s and early 1980s, there was a lot of anti-Japanese sentiment in the region. So, was it their deliberate effort to promote economic cooperation

through a regional grouping rather than the Japanese doing it alone?

Yes, I believe so. I myself have thought a lot about Japan's role. Throughout my career, that was the tentative conclusion that I had. I may have reached a different conclusion later on. The tentative conclusion I had is that Japan felt guilty about the Second World War, which is also related to what you said about the attitude of the people in this region towards the Japanese. After the Second World War, Japan was regarded in Southeast Asia as a bad guy, not so much in the case of Thailand, but practically by all other Southeast Asia countries, as well as China, Hong Kong, and South Korea. At the opening ceremony of the Japan-sponsored "friendship" monument right in the middle of Singapore, Lee Kuan Yew said, "We can forgive but we will never forget." That's the famous phrase.

When I started working with the Japanese, getting help from the Japanese, or helping the Japanese, from the 1970s all the way to the mid-1980s, I felt that Japan felt superior on the one hand and felt guilty on the other. I could feel a dilemma or contradiction in their character. I met many Japanese who acted very arrogantly and at the same time kept apologising for what they did. So, I came to believe that they felt guilty but they also felt superior. It may be less today than before. Some of them said that they were in Asia but they were not Asian, somewhat similar to the British who often think that although they are in Europe, they are not European.

In a way, this kind of arrogance is understandable because they are more developed than others, and much earlier. During the Meiji era, they became industrialised. To spur this industrialisation, they had to have raw materials, similar to those of the UK, France and other European colonial powers. They looked at Southeast Asia as the source of raw materials. That's why they initiated the Greater East Asia Co-Prosperity Sphere. They also supported independent movements in Myanmar, Indonesia, and the Philippines. But during the Second World War, they went too far. They wanted to win over all these countries and they forced these countries to be part of their so-called co-prosperity sphere. They lost the war partly because of their ego and superiority complex.

I can sense from the Fukuda Doctrine of 1977 that they wanted to say that they tried to help. But having read it again, it does not seem sincere enough. I think the anti-Japanese sentiment was real in most other countries. But in Thailand, I think it was used more for political gain. I got this impression when I was working with the Japanese and people from other ASEAN countries. I think we were friendlier to the Japanese. I think it was because during the Second World War, we were not badly beaten, we fought for about a week, then we gave up and we gave in. We allowed the Japanese to come in and from what I have learned, the Japanese commander, General Nakamura, was not a tough guy. The Japanese military operation

in Thailand was not severe. The Free Thai Movement people were not really under pressure from the Japanese. If Japan's occupation force was tough, they would want to destroy all Free Thai activities. I think afterwards they thought that they wanted to redeem themselves in this region.

Can I go a little bit further on this point? Do you think that the people in the academic world like Professor Okita and others were involved in the process because they felt they had to look out for Japan's interest or were they looking to redeem Japan in the eyes of Southeast Asian countries?

That is an interesting question which I am not sure I have the answer. I will continue to think about it. As I said before, I had a tentative conclusion because I met both kinds of Japanese people in my work on the Asia-Pacific. I also worked closely with the Shibusawa Foundation⁷. Eiichi Shibusawa was from a very rich, very big, and very powerful family. He was, at one time, Minister of Finance. The family owned a lot of companies and properties including the Imperial Hotel in Tokyo. After the War, Shibusawa's wealth shrank but he still had enough to set up the foundation. I met him through Dr. Seiji Naya and he supported my work also. I believe he was really and sincerely guilty about what Japan did during the War. So, he spent a lot of time and the foundation's money to help Southeast Asia. In fact, the PAFTAD meeting that I helped organise was supported financially by the Shibusawa Foundation.

Then I met some other prominent economists like Ichimura⁸, who was a professor at Kyoto University. He was very active as Chairman of East Asia Economic Association for many years. He is very arrogant, a kind of Japanese aristocrat. I don't think he felt guilty about what Japan did at all. He still said that Japan was superior in its development policies and so on. But he did agree that trade expansion should be the way forward and asked Southeast Asia to support, follow, going along with it. In the 1960s, the concept of "the Flying Geese Paradigm" became popular after Kaname Akamatsu published his ideas regarding technological development in Southeast Asia with Japan taking a leading role. The idea was not new as it had been around since the 1930s. We studied economics and learnt about Japan's development, and we learnt about the flying geese. Japan was of course the first goose in the "V-formation" with other countries following the same model for industrialisation and market capitalism. However the Japanese model is not working today.

And I have met another kind of person. I have mentioned the name Saburo Okita. He was not a professor but a scholar researcher at the Japan Centre for Economic Research. He was an advocate of development. He did not think about paying the debt or feeling guilty or anything like that. When he was the Chairman of OECF, he actually managed our Yen loans. His attitude was all about the people: we are all Asian, and we should develop together. He was

very much like a Japanese father to me. Every time I went to Japan to see him, if he was in town, even in winter, he would take me to play golf with his wife. The three of us play golf in winter! Do you think it is warmer in Japan?

So, there are different kinds of people in Japan. But I don't know if I can make a conclusion about Japan as a society. I think there are both types of people. In any case, I think today they have become humbler, partly because the population is ageing, and there is more real competition from elsewhere, particularly from South Korea. Even today I still work with the Japanese because I am interested in the next step of development. I am studying Society 5.0. I think Japan is the best at articulating the concept of Society 5.0, meaning technology for the people not just industry. I am still working with them and I have regular meetings with Mitsubishi people about Society 5.0. They have become very realistic, no longer apologetic, no longer arrogant, and much more straightforward and equal.

Do you think it is becoming the norm?

I feel that way, but I don't use that term. I don't know if it is just in my case because the Japanese whom I meet may behave towards me in a certain way because of my age or my position. I can't say that the way they treat me is representative of others. We should not generalise but at least I feel much better about the Japanese today.

You have worked with many Japanese policymakers and are familiar with how it works behind the scenes in Japan. Normally we see Japanese policy moving very slowly, especially in something as important as regional economic cooperation. How do you think people outside the government, like industrialists and academics, convince the government that this is the direction to take?

I would use the word “process.” In the process of forming APEC, there was much involvement from non-government organisations, especially the Keidanren⁹. I had a lot of meetings with them. It was very obvious that all subscribed fully to the idea of market capitalism. They thought that they could compete in market capitalism and they thought that their system ensured fairness in market capitalism. So, the question was whether market capitalism could ensure fairness. It could definitely ensure growth but whether it could ensure equity was the question. However, in their view of market capitalism, the Japanese believed that it could ensure at least part of the equity, not completely. And the reason is that the MacArthur Constitution took away the business ownership from big and influential families, allowing shares of Mitsubishi, Mitsui, and all the super trading houses to be sold to the public.

So, they were no longer family-owned. Big corporations became real public companies. Their objective was then to maximise profits and dividends for their shareholders.

Therefore, the Japanese idea of market capitalism was well received by the Japanese. I think today, the problem we have with market capitalism in Europe and the US centres on disparity. People start to question if market capitalism, in the way that it is practiced, is too much for the rich and too little for the poor. This is obvious from empirical data. But for Japan, if you look at income distribution, it is not the case.

But I must also mention one case. I think it was early in the 1980s, soon after the Fukuda Doctrine had been announced. It was the time when I still questioned whether Japan was sincere about Southeast Asia. I attended one conference with the Keidanren, the Japan Chamber of Commerce and Industry, and so on. They jointly supported a research centre or a think tank, called Japan Business Centre. The Centre's people would go around and speak about the Keidanren, about Japanese business, about what they would like to do with us. This man I met was the deputy director of that centre. I asked at that conference about their attitude, their position on Southeast Asia and whether it was their real interest as expressed by the Fukuda Doctrine. As I asked a direct question, his answer was also direct and very interesting. I used his answer in my speech later on. He said, "Well, Southeast Asia, we think of it like the underwear. We know it is down there and we know it is important but we do not think much about it." He was very honest. It's true, isn't it? We do not think much about our

underwear. It is down there and we are wearing it. So, after that meeting, there was a conference in Kuala Lumpur on ASEAN-Japan cooperation. I was a speaker and I quoted that. It was not that bad. When I came back to Bangkok, I was asked by the Ambassador of Japan to have dinner with him. He wanted to hear what I said in Kuala Lumpur and why I asked him how he knew. He said, "Ambassador of Japan in Kuala Lumpur already reported what you said at the meeting. What do you mean by that, if it is true?" So, that is another example of Japan and ASEAN.

Could I move on and ask you about 2 other countries that have played very important roles in the APEC process: the US and Australia? How has the APEC process been shaped and is being shaped by the US and Australia?

I believe that for the first half of APEC's life, so far, it was mainly the US which really shaped how APEC should develop. The setting up of the APEC Centre in Singapore was very much supported by the US. The US used to support all the technical works there. A lot of the budget also came from the US. But today, of course, things have changed. The US supported it mainly because of their belief that market capitalism would prevent communism. From what I have studied about American economic history, in the US, people are very much committed to property ownership, private and physical property like land, houses and so on. They totally believe in that and they think that communism

would take away their private property rights. In fact, the anti-communism was started by an American diplomat in Russia, George Kennan, who wrote about communism taking away private property rights from the people. So, market capitalism idea was very much supported by the US, and much of the idea was channelled through foundations such as the Ford Foundation and the Asia Foundation. All these foundations have a lot of money and I was a part of this circle.

Have you heard about the Trilateral Commission? It was set up in 1973 by David Rockefeller, using the Rockefeller Foundation's and his family's money. The Trilateral Commission aimed to foster closer cooperation between North America, Japan and Western Europe. The 3 areas are, of course, believers in market capitalism. I got invited to join that group. As it happened, some people in Thailand read about it and they thought that I was part of a Jewish conspiracy, or the "QAnon" movement!

So, to answer your question, the US and Australia were the main supporters. In the 1960s-1970s, the Australian economy was not that open. When I was a student there, they still practised protectionism, unlike the US which was very open. It was not until Bob Hawke from Labour Party became prime minister between 1983 and 1991 that Australia opened up. At the same time, New Zealand was also opening up its economy. So, Australia adopted this open market capitalism, which was to serve as APEC's foundation, a little

late. I felt that Australia's role was simply to support the US and this habit of Australia sometimes irritated me as it supported the US on many unreasonable causes.

Once, I spoke about the Australian position in APEC at a conference in Singapore. When I made that statement, I was Minister of Commerce attending the First WTO Ministerial Conference in December 1996. As a sideline event, Singapore organised one meeting to discuss the Asia-Pacific and APEC. I mentioned how its members thought of themselves as members and so on. I said that Australia was supporting APEC mainly because Australia was so far down there and they felt that they might be cut off from the rest of the world. Therefore, they had to hang on to APEC. I still think that this is the case today: the mentality of being so far away and the need to hang on.

That is interesting because, I think, if you ask most people who follow APEC, they would associate APEC with Bob Hawke. They would say that APEC came about because of Australia.

It actually came about because of the US and Japan. That's how it began. Australia got interested through Sir John Crawford¹⁰, who happened to be friendly with some of the professors in the US and Japan. It was Sir John Crawford who supported the concept when he was at Australian National University.

What about Thailand, what sort of role have we played in this process? And what more can we do in the future?

I believe that we did well in the past and now I am wondering also about what we should do next. I believe that APEC is good for us. Any open trade of the inclusive kind is good for Thailand. The Thai economy in the 1980s suffered from the oil crisis, and we had a balance of payment problem. Evidence has shown that we don't have the balance of payment problem anymore. And I don't think that we will have it again for many years because of the policy of open trade and investment and regional cooperation. I think we could say that we succeeded in growth indefinitely. But of course, in terms of equity, we may not have it yet because our market capitalism may not be competitive enough. If we do not have a good competition regime, that is the one thing that I have been preaching for some time, we will not be successful.

I tried when I was Minister of Commerce, and I continue to do so, but without power or authority, I am not succeeding in promoting a better competition regime. There is growth and there are changes around the country, and in the provinces. Definitely, you can see growth. This is due to the policy of opening up that we adopted first when joining the GATT and the WTO, and second when using ASEAN and APEC cooperation mechanisms. We had to use the so-called peer pressure to accelerate some of the policy changes and structural changes in Thailand. As for our role

in APEC itself, I think we were very instrumental in getting it started. I can confirm that from the time that we had the meeting in Bangkok in 1982, we had strong support from the Thai government. This has led to the current position that we have an open trade system, good cooperation with neighbouring countries, and good relations with the APEC member countries.

But I am still figuring out the next step. What should a country like Thailand do? I think it was apparent when we hosted APEC in 2022 that Thailand was working very hard to try to keep APEC going for the benefit of all the members, but some members are no longer friendly to each other.

So, what role can we play? In my view, at the moment it is not viable for Thailand to do it alone. We need to hang on to our ASEAN friends. We should be doing it through ASEAN position. We have to be active in ASEAN and make sure that ASEAN hold on to the so-called “common stand, and neutral stand” and does not have exclusive positions on issues being challenged by many member countries. But what we did when we hosted the Summit was honest. Our achievement was in terms of organising the meetings, very good, no doubt at all. In terms of saving faces, we also did a very good job. But in terms of the BCG model which was announced, I don't think we can expect much from it. It is different from the Bogor Goals which had basic economics behind it. The basic economics of free trade have been proven theoretically that free trade that brings

inclusive growth is definitely good. The Bogor Goals which aimed at zero tariffs, no protection and so on, became the “peer pressure” for members to go along that route, and obviously most members have benefitted from growth. I believe we can see how much better off our country is today. So, the Bogor Goals are something tangible. But the BCG and the Bangkok Goals are too abstract, and there is no economics to support it yet. It is good to say that we would like to have a Bio, Circular and Green economy. Nobody can find anything bad to say about this. It is like motherhood. A mother is good, nobody can say a mother is bad. But on circular economy, for example, we do not yet have any economic model to show that it is worth doing because the circular economy costs too much. Maybe we can do a little bit, and save a little bit.

Green economy is the real challenge. In order to achieve that kind of goals, there must be rules and regulations that actually force people and corporations to limit their global warming activities. And forcing corporations to do that would increase costs. Can the people pay for it? The truth should be told. Number 1, do the people have the money to pay for it? And number 2, do they want to pay for it? Because there is some subjective value in the concept of green economy, people have to believe that green is good for them and, therefore, willing to pay for it.

Many people still don't think green is good so that subjective value is still not there. That is why in his book

Value(s), Mark Carney¹¹ tries to make this subjective value acceptable to corporations and the people. The typical answer is that we must use better technology to reduce costs so that cost is not too high, even though people believe they should also pay for the higher cost created by the subjective value. That's why I have to go back to the Japanese model, the Mitsubishi model to be exact. They called it the NX-DX. The NX is the energy policy and strategy economics, and the DX is digital economics. The Mitsubishi model says that we must combine the two. We can make the energy NX the lower cost by using digital technology or make the technology DX the lower cost by using energy factor. The two must develop together. At the moment, the energy NX cost is still too high and the digital technology DX factor, such as artificial intelligence (AI) and so on, is still not good enough to reduce the cost to the level that people can pay or are willing to pay for the subjective value. This is Mark Carney's challenge.

Do you think that is the direction APEC needs to take? Talks of trade liberalisation, free trade agreements and so on seem to come to a sort of a dead-end. Is it something that is necessary for us to do?

Maybe it is the direction to go, but it is too difficult to set it as goals. It requires a lot of work to achieve the goals. It will not happen automatically. The best we can do is to get the people to change their mindset but when would that

work, I am not sure. I think the effort by Mark Carney is really to get the people to adopt the new mindset. So, in that sense it should be the way to go.

One major factor or player within the Asia-Pacific that we have not yet talked about is China. How do you see China's role in APEC? Has it changed APEC, or whether APEC has actually changed China?

I think that is a very interesting question. There was a lot of timing involved in that question and in the outcome that we have seen. Deng Xiaoping announced China's opening up policy in 1978. But it was Jiang Zemin, who came to power after the Tiananmen incident in 1989, who really implemented the policy. In the 1990s, China wanted to tell the world that it had already opened up and that it welcomed foreign investment, partly because they did not want people to pay too much attention to the Tiananmen Incident. So, the timing was right for China. The APEC Summit in 1993 and the years afterwards took place during Jiang Zemin's Presidency. That was very good for China as they achieved what they wanted. Then China applied for WTO membership and it was strongly supported by the US. In 2001, China became a WTO member and that actually accelerated the process of China's growth, China's economic globalisation, China's economic interdependence and so on. I would say that, at that point, APEC was very good for China's growth.

But what followed was the imbalance. The US was so committed to free trade. However, this free trade came without free capital flow, without China opening its capital account, and the exchange rate was not adjusted according to trade surplus. According to the Heckscher-Ohlin theorem, the exchange rate should have adjusted, but no exchange rate adjusted. Therefore, China kept accumulating surplus and more surplus, to the point that the surplus was accused of having created the subprime crisis in the US, which led to the collapse of US financial system in 2008-2009. A lot of American businesses, especially in manufacturing, lost out.

So, China became a problem for the US, and therefore China became a problem for APEC. I think the problem APEC faces today is very much about the imbalances. The US got upset with China leading to many other problems. Many people blamed the US for opening so much technology to the Chinese that they came to study in the US and went back to develop more advanced technology in Shenzhen. It is said to be similar to Silicon Valley and competing with the original Silicon Valley in the US. So, the real reason came from the imbalances, and the cause of the imbalances about the opening, or lack thereof, of the capital account. The lesson learned is that if we open trade, we must also open the capital account.

In that case, how do you see the competition between the two major powers affecting APEC?

My feeling at the moment is that, in terms of economic interdependence, no matters what the politics says, it will find the way. Evidence shows that last year US-China trade was higher than before in spite of all these problems. So, what would happen now would be the so-called reconfiguration of the supply chain among the APEC member countries. It would actually benefit the members in terms of positive investment flow. It would benefit ASEAN countries. APEC itself would continue to be an umbrella forum where the leaders would talk about being friends, stopping fighting among ourselves too much, and things like that, while market forces would re-adjust themselves. Of course, some would benefit from the readjustment more than others. But market forces are now adjusting and are so strong now. In Asia, many countries, maybe not every country, have so much capital now. We have so much capital that we do not need it from the West. In technology, we are also very much advanced. So, companies would also make their own adjustment.

What do you think should be the priority issues on APEC agenda for the next 3 to 5 years?

We could go back to what we said earlier about the Bangkok Goals. I think that what we did was basically setting the direction. They are called goals but I am not sure

whether they can be called goals. But that seems to be the only common area of interest in which the member countries should help each other. They also should make an effort to improve the global situation regarding climate change. They could also work together on the NX and DX.

Basically, they should work on operationalising the Bangkok Goals.

Yes, we can put it that way. That's why I highly value the book *Value(s)* by Mark Carney. I think it is so articulate.

CHAPTER

5

ECONOMIC RELATIONS WITH
NEIGHBOURING COUNTRIES

Let me start by asking you a general question on why it is important that we have good relations with our neighbours.

First, I would like to say something about my personal interest and why I became so interested in our neighbouring countries. When I was a student in Australia as an undergraduate under the Colombo Plan, there were students from Vietnam and I think also from Cambodia. I knew a little about them before going to Australia. When I was a first-year student at the Faculty of Political Science, Chulalongkorn University, I had a chance to visit Laos once and I had a feeling that Lao people and Thai “Esan” (Northeast) people must be the same. I went to Laos just for a visit, crossing from Ubon Rachathani. So, I felt that we definitely had what might be called an “ancestral relationship” a long way back in the past.

Then, to go back even further, when I was a high school student, I witnessed the demonstration against Cambodia over the Temple of Phra Viharn (Preah Vihear). I did not take part as I was a peaceful person. I was not the kind of person who was against this and that. But I thought why something like that could happen. Why did we quarrel with Cambodia? When I was growing up, I was told that my ancestry was a combination of Mon and Khmer, all the way back to the beginning of the Rattanakosin era. My mother told me that her family were descendants of the Governors of Ratchaburi who were of the same clan as Queen Amarindra, the wife of King Rama I, and her sister who was the wife of Nai Bunnag¹. Both of them were from Amphawa². That is the story from my mother's side of the family. So, based on this, in Australia, I started learning about our neighbouring countries as I already felt I was very much connected to them either by birth or by culture. This was the first feeling I had. Later on, when I learned more about economic development, I felt the same about ASEAN.

I think I mentioned this before, I came to believe that industrialisation was the way. In order to industrialise, you must have capital, market and economy of scale. In Australia, in the 1960s, I studied about import substitution. There was still a debate about how a developing economy should develop. The big question was whether we should take on import substitution model. Raúl Prebisch,

the Harvard professor who was one of the most famous economists at that time, tried to indoctrinate Latin American countries to adopt import substitution.

In Australia, my professor was ambivalent about this debate between import substitution and export promotion. The argument for import substitution was that we paid so much for imports but we got very little from what we produced and sold and exported. My honour thesis was about this argument about why Thailand should adopt industrialisation by way of import substitution, using price comparison between the production of electronic goods, automobiles, and rice. But I did not draw a strong conclusion as I'd rather present the cost and the benefit of import substitution. However, when I went on to do my Ph.D. in the US in the 1970s, the mood, the thinking and the policy direction, led very much by the World Bank and their advisers or consultants, had changed. Many professors, such as Anne Krueger and Max Corden³, advised or consulted for the World Bank. Anne Krueger was at the University of Minnesota while Max Corden was at the Australian National University. Both of them were already pitching for export promotion.

It just so happened that Béla Balassa was at Johns Hopkins. He was a very famous trade economist at that time. A very handsome man, he was a Hungarian migrant who became a professor at Johns Hopkins. I got to like him and he suggested that I should write a dissertation on

protectionism, arguing that import substitution was a kind of protectionism because the cost of protection is actually higher than just what the tariff showed. Let's say, if the tariff is 10%, it's 10 % of product price or gross value. But the real protection is on value added. So, the tariff of 10% relative to value added would be much more than 10%. That was effective protection.

My thesis on effective protection showed the cost of protection would be too high. In order to overcome the cost of protection, it would be better to follow the strategy of export promotion. But in order to do that, we need to have scale. The scale needs market. Market and scale must go together. So neighbouring countries definitely would be the area where we could achieve both scale and market.

That's how I became interested in this layer of economic geography. It became very clear when I was tasked with the preparation of the 11th National Economic and Social Development Plan (2012-2016) as a member of NESDB at that time. We looked seriously at GMS⁴ as the first layer, before ASEAN, Asia-Pacific and the world, in our economic strategy. GMS definitely has scale and is akin to a local market. We could say that GMS is the extended local market. That was very much my train of thought in the 1980s after the Vietnam War ended in 1975. But it was delayed for another decade or so by the Cambodian crisis which did not come to an end until 1990-1991. The political crisis in Lao

PDR of course was over after the Vietnam War. Myanmar was still under military control.

However, the idea of expanding into GMS area was already being considered during the 1980s. I was then an IFCT Vice President and we worked to expand regional businesses and support industries around the country. I got involved with a tomato paste project in Northeast Thailand, in Nakhon Phanom. One very strong argument for that project was the proximity to Vietnam. The distance from Nakhon Phanom to the sea (South China Sea) in the Vietnamese province of Vinh is much shorter than going through Bangkok. So, one argument that we used to support that project was that the whole area could be used for expanded industrial production because it would have the advantage of being very close to the port of Vinh. All these things were building up on the idea of how Thailand should get ready for an expanded engagement with GMS countries.

Another experience I had was when I was a member of Prime Minister Chatichai's advisory team based at Baan Phitsanulok. We saw the opportunity when the situations around us were calming down, particularly when the Soviet Union was about to disintegrate. The signal was clear from 1989. The Soviet Union had a lot of influence over Lao and Vietnamese elites, as most of them went to the Soviet Union for their education. I think Prime Minister Chatichai detected the signal that the Soviet disintegration was coming. Therefore, he took the initiative by declaring the

policy of “turning the battlefield into marketplace.” When Bob Hawke visited Thailand in 1989, Chatichai asked for Australia’s financial support for the construction of a bridge over the Mekong River linking Nong Khai and Vientiane.

The idea of sub-regional cooperation began to be widely discussed. But the person who really made it happen was Mr. Noritada Morita⁵ at the ADB. He started the project on the GMS. I think the Japanese were very much interested so they sent Mr. Morita to be a senior official at the ADB. He developed the concept for the GMS that was launched in 1992. I was very much a supporter of the whole idea.

I felt that the jigsaw pieces were falling into place because of the ADB and Dr. Amnuay. There are so many players involved in the development of the GMS. Around 1995-1996, Dr. Amnuay became interested in being a real politician rather than just a technocrat. He decided to adopt Khon Kaen as a place where he would run for parliament. He was following in the footsteps of Khun Pong Sarasin⁶. I was very close to Dr. Amnuay. So I helped him to organise things, campaigning and all that.

I need to mention Khon Kaen University and the many personalities involved in the establishment of the Mekong Institute (MI) during this time. Dr. Wanchai Wattanasap⁷, the then President of Khon Kaen University, asked Dr. Amnuay to support him in setting up the Mekong Institute (MI) in 1995. Dr. Amnuay, of course, said yes and helped to arrange a meeting between Dr. Wanchai and the Ambassador of New Zealand to get New Zealand’s support

to set up MI to promote GMS cooperation. That was how we started the institution of the GMS.

When I became Minister of Commerce in 1996, I took advantage of being in the government to organise the first GMS Retreat in Thailand. We hosted that meeting without the ADB. We invited the Ministers of Commerce from all GMS countries to the meeting in Pattaya and we discussed what to do in the future. It was obvious that the members, particularly Lao PDR, were supporting Thailand. They felt that China was overwhelming them. Cambodia also thought they relied too much on China and they did not want to be as much reliant on China as Myanmar was at that time. The Myanmar government sent a very senior man, General David Able, to the meeting. He was a very westernised, modern, elegant, clever a man. I believe that's the time GMS started to take off, from 1996-1997.

Thank you for all the interesting background. Actually, you raised many pertinent issues for our discussion. Of course, the GMS is an important framework for sub-regional cooperation. But it seems that the GMS and the ADB have focused mainly on connectivity. We can discuss that later. I would like to ask you about another sub-regional cooperation framework. When the Thai government under Thaksin Shinawatra proposed a similar framework without China, the ACMECS, were you involved?

No, I was not involved with that one.

How do you see ACMECS relates to other Mekong cooperation frameworks?

As I said before, the immediate neighbours of Thailand are also immediate neighbours of China. At least three of them anyway. Myanmar, Lao PDR and Vietnam all share a border with China. It was obvious to me from discussions at private meetings that they see China differently from Thailand. And we ourselves have to be mindful of the power and influence of China. But we must be interested in and pay careful attention to our neighbours. In terms of markets, these are definitely countries where Thai products and Thai entertainment are well known. They are connected with and have access to Thailand. If you visited Siem Reap in the 1980s, you would see that almost every hotel was built by Thai contractors. Materials and things used in these hotels were from Thailand.

It is clear that we should differentiate our relationship with immediate neighbours and the one with China. I thought that it was a very clever approach, which I believe came from Dr. Surakiart⁸. So, ACMECS in a way fills the need of our immediate neighbours and plays the role that they would very much like to see Thailand play. Of course, that feeling is different from country to country but I can see that they all appreciate Thailand supporting them by way of ACMECS.

In terms of idea and concept, ACMECS has become well developed as a framework, but in terms of actual

implementation, it has not gone far at all. It has no resources and no organisation to follow up on the things that have been agreed. So, it is not surprising that many people, both here in Thailand and in the neighbouring countries, have started to question whether we are serious about ACMECS.

I understand that the Ministry of Foreign Affairs is trying to find a way of organising a secretariat and that they have asked the Mekong Institute (MI) to be the interim secretariat. It's okay for the moment but eventually I hope there will be a real ACMECS Secretariat because, from what I see happening now, many external partners, like the US, the Republic of Korea, Japan, and Australia, have expressed interest in supporting ACMECS projects. In fact, some of them have been supporting GMS projects that MI organises. But now for political reasons, they would not allow actual spending on activities involving China or Chinese participants which is embarrassing and difficult for MI as China is an MI official member. So, if we can do this through the ACMECS framework, all these countries would feel much better.

How do you see the GMS and ACMECS working together? They both have the same members, without China in ACMECS, of course, and have similar activities/projects. Would they be competing for the limited resources available?

In a way, it is already happening. As I just said, some of the development partners made it clear that money

should not be spent on China. If China is to participate, it has to be financed by Chinese sources or MI would have to use some other source of funding. It is already happening. But in a way, I don't think it is a problem. If we can make them ACMECS projects instead of GMS projects, we can still get financial support from the development partners. They also feel better because they don't have to set that kind of condition, and we can still get the projects running. They want to help ACMECS countries but they do not want the money to be spent on Chinese participation. So, actually, it is a very good arrangement but it depends on how the organisers manage these things.

But on the whole, my real interest is in regional economic cooperation. I think ACMECS and GMS would allow Thailand to achieve the production scale needed. Today, we can see many Thai companies investing in the GMS area and the growth has been phenomenal. Many major companies are investing in Vietnam: CP, AMATA, SCG, Central Group, Energy Absolute, and many others. The same is true in Lao PDR. PTT is everywhere: in Cambodia, in Vietnam, and in Myanmar.

It is obvious what I said before about the scale of production. These markets are the extension of our economy. With regard to "connectivity," a few years ago, I talked about the GMS in a speech and the key word was "connectivity." As a policy advocate, I always try to look for a critical factor or critical decision that has to be made. If

we can make that decision, if we can implement that particular factor, other things will follow. I refer to my approach to tariffs and free trade. I said that if you could get the tariffs to come down then free trade would follow. It is the same with GMS and connectivity. If governments would allow decisions to be made on connectivity, the companies would then make their own market decision on where to sell, where to produce, how to organise supply chain, etc.

Connectivity is the central or focused area of cooperation in the GMS and many projects have been implemented. North-South and East-West economic corridors have been in place for some time now. How effective do you think these corridors have been so far? There are some criticisms that these corridors are not very effective because they have become simply transport corridors rather than real economic corridors. Not many economic activities are happening along the corridors. Now we also see connectivity projects outside the GMS framework, such as the Thai-Lao and Lao-Chinese high-speed rail links, which are often viewed as being projects under the Belt and Road Initiatives (BRI). So, how do you view these new initiatives in the region?

As an economist, I very much believe in market forces and when I think of the word connectivity, there are two aspects that need to be considered: physical connectivity and institutional connectivity. First, we need to have

physical connectivity like bridges, roads, rails and airports. So far, we have been effective in building these roads, bridges, etc. We can list the number of bridges which have been built over the Mekong River connecting Thailand to Lao PDR and beyond. Air transport access has also been successfully expanded. I think the liberalisation of the air space, allowing private companies to have access, has facilitated tourism and trade. People can now travel to and from these countries with ease. So, we have been successful in creating physical connectivity in the region.

However, it is more difficult to achieve institutional connectivity. For goods and services to cross border efficiently, we need a streamlined clearing process. The process has been improved but the pace is too slow. I think the ADB has been emphasising this a lot and MI is doing all kinds of training with the support from many development partners. They have actually taken an active role in advising the countries to reduce regulations and so on. There is still a lot of work to be done.

Now, on the question of corridors. There is a kind of confusion. We should be well aware of the differentiation between “economic zone” and “economic corridor.” Economic zone is an area where production takes place, whereas corridor is the area where economic activities are connected. So, corridors would work if there are economic zones to be linked up. Economic zone idea that originated from the Thaksin government did not work. It failed everywhere.

The economic zone in Sa Kaeo connecting with Cambodia had some activities but not economic zones on the borders with Myanmar and Laos. The success or failure of economic zones depends on market and investors. If the investors have not found the economic zones in Thailand good for their business, they would not invest there, and good means cost effective. So far, they have not seen any cost effectiveness in these economic zones. Thus, the decision to set them up was wrong.

Corridor is the answer to what we call logistics. These days, economic activities are very much directed by logistics. The cost of the products actually depends on the logistic cost involved. In the past, Thailand's logistic cost was very high, percentage-wise. The idea about corridor came to be considered more recently. The Eastern Seaboard is not a corridor but a production zone. It was a new idea at that time. The investors were looking for an area in which to invest. So, we organised an area for them to invest in. Many came, particularly the Japanese, followed by the Taiwanese, because of their currency situation in 1985 which caused a big change in exchange rate.

Now, we also have the EEC. We have adopted the corridors for logistical purposes, which means that it is up to the investors and the market forces to determine. If they think that, as part of their logistics, they should have storage, they will set up storage facilities. If they should have data centres, they will set up data centres. If part of

their logistics is involved in the supply chain: upstream, midstream, downstream, or whatever, they would invest in it. So, in all these corridors there would be investment in activities related to logistics. Now, it is happening in the Eastern Economic Corridor.

When we talk about Northeastern Corridor, from Eastern Seaboard area in Rayong - Chonburi - Chachoengsao all the way to Udon Thani, we are talking about connecting with Laos, Vietnam and China. For example, there are now a lot of activities relating to logistics in Khon Kaen. We can see the expansion of the land port for storage facilities. Investment in the land port is not about production but getting things to go there, to be arranged and organised, and to be sent to different other places. The convention centre there is built in order to serve some of the activities related to logistics. It is also the centre of production for some of the goods that we are good at like tapioca-based and sugar-based products. The qualification of an economic corridor is to allow logistic businesses to organise themselves. There was an article written by a professor from Khon Kaen University about this and I had to clarify it to him that there are differences between “economic zone” and “corridor.” People tend to use these terms rather interchangeably.

I talked to Dr. Sanoh Unakul recently. He is very passionate about the Eastern Seaboard (ESB) and the EEC. He wants to make sure that the EEC works as a corridor. To compare the two, the zone and the corridor, we have to

look at the major change. At the time of the ESB inception, the major change was cost due to exchange rate. Offshore production became an important decision for companies.

Now, the major change is about China's policy. China has made it clear that it would very much like to integrate with all Asian economies all the way to the Middle East and even Africa by announcing the Belt and Road Initiative (BRI) in 2013. So, they are making big, big, big logistic decisions. From what I discussed with Dr. Sanoh in our seminar, we must get ourselves ready to move along with the big trend of BRI. The obvious example is that the China-Laos and Laos-Thailand rail system is a part of BRI. So, the corridor being advocated, and developed in Thailand and elsewhere, is very much determined by China's BRI.

Now, plenty of goods are being transported through the rail system from Laos to China. We can see a lot of economic activities relating to the transportation of goods. Much investment is being made in Laos to facilitate transportation. That's why I said what is needed is the logistic investment, not necessarily manufacturing investment. When there is logistic investment, there will be other related investments like housing and services for logistic people. So, we need to differentiate between investment in logistics and investment related to logistics. Take the WHA Group as an example. It is among Thailand's leaders in fully integrated logistics and industrial facilities. The biggest buyer for WHA's industrial estate is Chinese

companies. Because of the BRI and because of the rivalry with the West, China has to organise a new supply chain. This is the new trend that the corridor needs to respond to it.

In the past, the effort on connectivity was spearheaded by Japan and the ADB through the GMS. As you said, due to China's role through the BRI, it appears that we are moving into the next phase of connectivity. Do you see connectivity becoming a sort of geopolitical/geoeconomic issue in the competition between China and Japan?

Going back to what I said earlier about China's BRI policy, I think we can see that it has a real impact. It is being implemented and it has an investment bank to support it. When you have the policy, finance and action, it is real. Words without money are not real. Words and money but no action, it's not real either. So, to me, BRI is definitely real. This is the reason why the US, Japan and Korea have become more involved. I think Korea is somehow not as much against China as they are against Japan. Korea is taking advantage of it.

If you visit the GMS countries now, you can see that Korea's presence is disproportionate to its size. The Republic of Korea is a country with a population of about 50 million people but its presence is everywhere in Southeast Asia. They know that the GMS would benefit a lot from China's expansion. They do not dislike the Chinese as much as they dislike the Japanese. So, they are taking up very quickly the space for economic activities, including even tourism. I met

a friend of mine who went to Vang Vieng on the China-Laos train. He said that there were so many Korean tourists. There are a lot of Korean tourists in Vietnam as well.

But Japan is different. I think it is showing a sign of concern about how to compete with the Chinese. Japan is going along with the US policy on the so-called “new containment of China.” The old containment was due to ideology, but now it is the containment of economic power. Japan is cooperating with the US, Australia and even India on the “Quad” (Quadrilateral Security Dialogue).

They try to come up with schemes that would compel Southeast Asian countries, Thailand included, to make decision on whether we should base our strategy mainly on China’s strategy and development or we should also take into consideration the strategy of the Indo-Pacific as advocated by the US, Japan, Australia and India. That has become a major policy debate among many of my friends and me. What to do about the two choices? I can see clearly why Japan is doing this. Japan is trying to be friendly with the government of President Yoon Suk Yeol because his party is not as strongly anti-Japanese as the other parties. I did not know before that this issue was so serious in Korean politics. The fact that President Yoon is the first Korean leader to visit Japan in 15 years is a major sign that Japan is trying to get Korea to work with Japan in the Indo-Pacific. Therefore, Thailand also needs to have a strategy to manage these major developments.

Some people said that as soon as Thailand decided on a rail connection with China, the Japanese started to show some interest in a similar rail project from Bangkok to Chiang Mai.

I think that is different. The proposed railway to Chiang Mai financed by Japan has more to do with economics, which means that it would not happen. Economic calculation shows that it is not worth the investment.

How do you see further development in regional connectivity? There are talks also about more extensive air transport linkage.

That is already happening. Trains are coming along more slowly. But I really believe that physical connectivity will continue with more bridges built as dictated by economic activities. We can support them financially. Air travel will continue to develop further because of the demand for travel from people for whatever they are interested in. So, air and road transport connectivity development will continue. Therefore, institutional reform or requirements will follow due to market forces. The major concern to me is the situation in Myanmar. We could not have complete regional connectivity unless we have peace or a certain degree of peace in Myanmar, which I do not see at the moment.

The situation affects the area along the border between Thailand and Myanmar where there is a noticeable increase in illegal activities. Because ethnic minority groups

have to finance their anti-government activities, the best way to do so would be to earn money from illicit businesses like drugs, gambling, smuggling and so on. The effect is that there is a lot of illegal money being laundered and the best way to launder this money is through Thailand. Our banking system is very efficient and it is also very convenient. Unlike Hong Kong, for example, we don't check the sources of money seriously. In Thailand, when someone goes to the bank with millions of baht in cash to deposit, they will, of course, ask that person to declare where the money comes from. But they would accept whatever you say. No serious checking or tracing.

If you look at the statistics, it will show that the liquidity in Thailand is very high and does not come from our current account surplus only. So, it must be from somewhere else because the current account surplus cannot explain the excess liquidity that we have. If we take a look at the exchange rate, relatively speaking, we are one of the strongest, but our interest rate is among the lowest. Interest rate is the best indicator of the cost of money, and because the deposit rate is the lowest, it means excess liquidity. So, it must be the effect of some illegal money. That is why there is news about people getting arrested all the time, about these people having expensive cars, houses, condominiums, and a lot of these things are paid by cash. There is a story about a property company selling some units and the buyer wants to pay cash of 30 million baht, carried

in a big luggage. The salesman asked, “Should we accept cash?” The director said “Why not? We are selling the units legally.” It is an obvious story of the so-called “grey money.” To me, this is the major problem with connectivity.

But on the question of process, i.e. institutional connectivity and process regulation, what do you think should be the focus for improvement?

Two things: goods and people. Firstly, based on the information I have, clearing of cross-border goods is still not efficient. That needs to be improved. People involved know about it. The authorities at the higher level want it done. Pledges were made at meetings. But people at the working level are still taking time to get things to change.

Secondly, the point about people is that we need to allow freer flows of migrant workers. I think that is an important part of connectivity. It is very important for connectivity. If you determine the needs in terms of economic scarcity in ASEAN countries, different countries are scarce of different things. Thailand is scarce of people at the working age. That is the real scarcity. But our neighbouring countries: Myanmar, Laos, and Cambodia have too many people relative to opportunities and the probability of getting work. Therefore, migration is an opportunity.

If I had the power, I would definitely facilitate the movement of people, set conditions for their work and if

they perform up to a certain level, they can become residents. I think we should allow them residency, but not citizenship, so that they do not have to report about their employment every 90 days and have to pay the middlemen all the way. It is very inefficient and also somewhat inhumane. So, the big question is about the regime or the scheme that will facilitate these migrant workers. If we help them, they will help us.

It would also reduce the so-called distortion in our statistics. Our GDP per capita is divided by our population of 68 million leaving out at least 4 million of these workers. If it is divided by 72 million people, the GDP per capita would be lower.

If you look at the household registration from Ministry of Interior, the areas in the Eastern Seaboard contain a certain number of people. But when it is measured by light from a satellite at night to see how many houses have the light on, there are many more houses because these areas are where migrant workers are staying without any record on the registry. I talked to former Prime Minister Prayut many times actually and some of the things were implemented when he was Prime Minister.

Some measures came from me, from my push to make it a little easier than what it would have been. In fact, there was a crisis involving migrant workers immediately after the coup d'état in May 2014. Two months after the coup, I got a call from my office about migrant workers leaving

construction sites to go home because soldiers came to check their papers and they were so afraid they had to run. So, we had a meeting with the National Council for Peace and Order (NCPO), as the coup leaders were known collectively, and I told General Prawit Wongsuwan, “This is serious. You know I have 6,000 people working in my group of companies and they are now running.” After that, the checking stopped and the workers came back.

Can you imagine the trouble that those human beings had to go through, running away to escape from being arrested? On many occasions afterwards when I was a member of that government, I talked to the Prime Minister about this. But nobody really did anything that was meaningful in the long term. Police General Adul Saengsingkaew, for a while, was responsible for this issue but then they moved him to another ministry. I saw him recently as he is now with the Senate’s Committee on Refugees and Migrant Workers. I asked if he would like to take up this project. He said yes but made no commitment, so I did not want to press.

I have some questions about our economic relations with our neighbours. The government promoted the policy of contract farming with our neighbours, especially Lao PDR and Cambodia. As you have mentioned the idea of scale and market, how do you view this policy, both in terms of principle and implementation?

Yes, the scale that I referred to was related to it. If you could have a bigger scale for economic activities, it is always

good in general, but sometimes you have to limit scale in order to maximise price, like what brand-name companies do. But scale is always good in terms of value creation, cost reduction and competition reduction and that applies to agriculture as well as manufacturing. Our neighbouring countries share borders with us. In fact, it is the same land, border is only human imagination. So, if you look at geography in terms of agriculture, certain areas are suitable for certain crops, like the North is suitable for corn production. The Northeast and Cambodia are suitable for tapioca production. Lao PDR is suitable for sugarcane production and so on. So, land determines what is best to produce. That's nature.

How do we benefit from scale through contract farming? It has been practised in Thailand for many things, not just crops, but also for poultry and pig farming and so on. All kinds of contract farming are being done. While the technique is pretty straightforward, there are problems in Thailand when certain parties do not honour the contracts. Sometimes, this is to be expected because if a corn grower gets 7 baht a kilogram for his corn from the contract while the market price is 10 baht, he would rather go to the market directly than honouring his contract.

This practice has been going on in Thailand for at least 30-40 years, but it has continued somehow. I have not heard as many complaints as I did 30 years ago. It has become a kind of continuation across the border. However, when it

is practiced across the border, there is the problem of getting the products across the border. There is also the same problem of people not honouring the contract. The Thai side wants to make sure that all the risks are covered, so in the contract they would say that they want to buy at the minimum price but often that cannot be honoured as the other party feels that it is unfair.

So, to answer your question, cross-border contract farming up to now is still not effective because of the risk calculation involved. There is too much risk, which has to be calculated in terms of cost, and that makes it difficult for the contract to be enforced. What is happening now is something else. Thai companies are going there to grow corn, sugarcane, tapioca and so on, by themselves rather than engaging the other side in the production. Luckily, because of the friendship we have with neighbouring countries, they have allowed us accessing to their agricultural land. So, the scale is being achieved to a certain extent, but not because of contract farming. It is being achieved because of the policy that allows Thai companies to go and manage their own production.

So now, instead of hiring other people to grow for you, you actually grow the crops yourselves?

Something like that. We even get concessions on the land.

Therefore, what we need to do is to further develop our partnership with our neighbours?

Yes, partnership is the way forward. Again, going back to the issue of migrant workers, it should be optimised for the benefit of both sides. They need the work and the income and we need the labour. If we could organise these things in a friendly way with concession, understanding and help, that would definitely be the best way. I think other things are already happening. Market forces, the demand-supply situation, are already functioning in attracting a lot of people to come to Thailand for many purposes, tourism particularly. It is also the case for Thai people to go here and there. It's the movement of people in terms of leisure, not for work or travelling for other purposes, that is getting more and more integrated. What is not being integrated is the movement of people for work, which is so important.

What do we need to do to assist our neighbours in their development? We used to engage in technical cooperation. There has been a lot of work done in recent years on capacity-building, that is to say to increase the individual's skill. And the Mekong Institute has played a role in this process.

Yes. But what we really should be active in is helping them build their infrastructure, just like what Japan, the US and the World Bank did for Thailand earlier. Infrastructure is the most important thing that they need and we are in a position to help them and we should really increase our

capacity to do that. When I was Chairman of EXIM Bank, that was my commitment. My mission was to help them develop their infrastructure. We did a lot at that time, but the big loan from EXIM Bank to Myanmar when Thaksin was Prime Minister caused a big scandal. That was very unfortunate as it affected all the other projects that were justified. So, EXIM Bank, instead of having a role to play, was constrained by fear of being used for political or personal interest. I still believe that if we are really serious about using EXIM Bank as a conduit for promoting infrastructure investment, it would be very much appreciated by our neighbours.

The Neighbouring Countries Economic Development Cooperation Agency (NEDA) is also helping but it has no money of its own. NEDA is an aid agency. But in terms of infrastructure development, I think it's better to have the public-private projects organised through a development bank or EXIM bank with participation from other banks. From my experience, it is easier to get other banks to join a project if EXIM Bank is organising that project because they know that EXIM Bank has an official connection and recognition to work in that country, thus reducing their risk calculation. So, that is the best model that we should use. For example, when we built a dam in Lao PDR at the very beginning, it was initiated by EXIM Bank. As EXIM Bank was small, it invited other commercial banks to join in, becoming a syndication. If we could continue using this model, it could help solving many other issues.

There was some discussion at one time, I recalled, of actually upgrading NEDA into this kind of development bank but the idea did not seem to receive any support.

I don't think it is a good idea. I think that these days, there is plenty more private money than government money. If NEDA is to become a development bank, it would require public money. That is the limitation. There is so much money in the world belonging to the private sector waiting to do this kind of projects. A fund, the so-called "infrastructure fund," can be set up. The investors will get their investment back and the people can participate. They will get the benefit from the fund yield. Projects would not be free as they have to produce some income. I think nowadays, the so-called public investment has so many limitations.

It seems that looking from this perspective, it may be the way forward but looking at it from our neighbours' perspective, would it be acceptable?

Well, I think infrastructural financing should be to facilitate commercial activities. I understand that they'd rather receive development assistance from us, so there is no need to follow just this approach. I think the EXIM model used with Myanmar is the right model. It was not free but a loan with a low interest rate. The Mandalay Airport upgrade was financed by EXIM Bank under the Banharn government. They paid back all the loans before

due date because we charged 3% interest. Public institutions can mobilise funds in Thailand with a lower cost than elsewhere. All the Myanmar loans have been repaid, including the 3 billion baht loan EXIM Bank made under the Thaksin government. Even Myanmar can repay the loans. So, I know that if we were to build more infrastructure like highways in Lao PDR and Cambodia, fees could be charged and they could be listed on the stock market as property funds. Financing is very easy these days.

There have been criticisms of GMS projects on land transport connectivity, such as the R3 and the R9, that they produce no income as there is no toll fee. So, when these roads need some repairs, there is no fund to carry them out. Is the model you are advocating a better way for regional connectivity development?

Yes, definitely. I believe in the market principle. It is more efficient. But of course, some assistance may be necessary whereas total assistance is hopeless. There is plenty of capital in the market. I have been in the government for many years and I can see that. Look at Khon Kaen University as a clear example, a lot of buildings are financed by the government, and their quality is not top-notch. So, we turn to private investment for the next project at Khon Kaen University.

As you have mentioned Khon Kaen University, can you recount your involvement with MI? Why is it an important institution?

Yes, I can. Again, it came about partly as a coincidence and partly from my interest. As I said before, I have been involved with the activities in Khon Kaen. So, when Dr. Wanchai, the University President, and Dr. Amnuay decided to set up this institute in 1996, they asked me to be involved and I agreed. Initially, there were only projects financed by New Zealand. Later on, we have to find fundings by ourselves. I suggested that it should become a foundation, using the TDRI model. When we wanted to set up the TDRI, it was very difficult to set it up as an institute as setting up a foundation is easier, particularly in Thailand. So, we called it the MI Foundation. Of course, there was a secretariat, workforce and many other things but legally the entity was a foundation.

After that, I think we have to thank Foreign Minister Surakiart who suggested in 2001 or 2002 that MI should be an international or inter-governmental entity. There was a meeting in Cambodia where a decision was made that it should become an institute and members should pay fees to the institute. MI Charter was signed in 2003. Through the work of Thailand's Ministry of Foreign Affairs, and Dr. Tej Bunnag in particular, the legal process was completed in 2009. MI was recognised as an inter-governmental organisation. It took a lot of effort from the Thai side to get these things through. In the meantime, MI was up and running. I was appointed Steering Committee Chairman from the beginning until today, 26-27 years already. But with

the inter-governmental status achieved and established, MI could continue to have contributions from member countries. We made it flexible, but a case of “peer pressure” no less. The Thai government pledged 10 million baht or about 300,000 USD a year as the annual membership fee, a generous amount. China also pledged 150,000 USD a year for membership fees.

I asked China’s representative why they did not pay more. He was very nice. He said “Dr. Narongchai, I think Thailand should be No.1.” But we keep project financing in terms of real contribution. I think China has made twice as much contribution as Thailand. And this is from Yunnan provincial government and from the central government in Beijing. For the others, we said it was up to them how much they wanted to pay. We suggested 10,000 or 20,000 USD and so on. They started paying 10,000 USD each. Afterwards, Vietnam increased it to 20,000 USD and the others followed. Good peer pressure! Now, we are able to move to 40,000-50,000 USD range. The country that I am suggesting this to is Vietnam. They should do it first then the others will follow. We will become stronger and stronger.

So, the annual contribution is separate from the project contribution.

Yes, projects depend on how much we can deliver based on our capacity. Now in terms of potential, we could actually raise 4 million USD per year. But in terms of

delivery, I think we can deliver up to 3 million USD only. So, we are working on expanding our delivery capability. It is not easy to do things that are useful. We have to think a lot about what would benefit the people. Not just talk, talk, and talk. Talking is easy but delivering real improvement in people's quality of life is not. There is a lot of work involved. My feeling is that MI is already well established but it still needs to be strengthened in areas such as policy advocacy. To advocate policies that will benefit the member countries means expanding into the knowledge network by working with other institutions in each country, like the Asian Development Bank Institute (ADBI) or whatever has some common interest in this area. ADBI is financed by the ADB. It is good that the ADB has a real interest in promoting the work of think tanks and policy research institutes. So, I see this kind of work in addition to training. MI is going into policy advocacy and knowledge management.

How do you see future cooperation in the Mekong region?

It should be our number one priority. I think the major factor is how China is playing it. So far, China is trying to play it through the LMC, the Lancang-Mekong Cooperation framework. I think it is to please their own people and at the same time to make sure that they do not have to follow everything the Mekong River Commission (MRC) is doing. Therefore, if they continue the way they have done so far by not overemphasising and not overdoing

it, I think it can lessen the concern that China's influence is getting too strong. In my experience working with MI, the Yunnan Governor's Office in Kunming understands us very well. The Chinese Embassy in Bangkok takes Beijing's position which may not always be the same as Yunnan's position. If the Yunnan Governor's Office is strong, I think they can moderate that.

I also hope that Thailand pays more attention to ACMECS as well as the GMS. ACMECS seems to have received much less attention, partly due to changes in responsible officials. I will continue to work on regional cooperation through MI. However, a lot depends on the role the Foreign Ministry wants to play. At one MI Council meeting, the Thai representative, a senior MFA official, attended online. The Deputy Governor of Yunnan, who chaired the meeting, noticed it and made a remark to the effect that he travelled all the way from Yunnan to Khon Kaen but the Thai representative could not travel from Bangkok. I felt a little bit embarrassed. So, the Ministry of Foreign Affairs should seriously consider the role Thailand should play in these regional or sub-regional cooperation frameworks.

CHAPTER

6

THE FUTURE

In this chapter, we will discuss future prospects and development. Some issues we may have already touched upon. I would like to start by asking: How do you see the future prospects for multilateralism, and regionalism and their relevance to trade, free trade and fair trade? What kind of development on these issues do you see in the next decade?

Throughout my professional life, the key word was “global”: the global trend was globalisation and free trade was an important means of globalisation. The argument was that in order to achieve economic security, the world must be connected, and countries must be open to all so that economy of scale could operate, that production by means of economy of scale could operate, and that products would be available, affordable and acceptable. If anything is

available, affordable and acceptable, that means security. That is very much in the story of globalisation I grew up with professionally. I have spent most of my professional life talking about that idea by means of sub-regional cooperation, regional cooperation and global cooperation. I was involved with the WTO, with free trade agreements, and with the process of making international rules and regulations. I was involved with making product, security, and financial standards acceptable to all through organisations or frameworks connected with the UN system. That was my professional career until about 2010.

Actually, I began to detect some concerns earlier over the concept of globalisation. Among the first signs that I saw was that when the WTO started the Doha Round, developed countries, which used to support developing countries and used to support trade for development, started to question whether developing countries gained too much benefit from globalisation, relative to what they had gained. Perhaps the big wake-up call was the big demonstration against the WTO in Seattle in 1999. Looking back, there were signs already at the First WTO Ministerial meeting in Singapore in November 1996. I was there as Minister of Commerce. I could see that the WTO was being run by the US and the EU. When we could not agree on something, the representatives of the EU and the US would leave the room to go out and discuss it among themselves. When they got back, they would try to push for the terms

or the words that they wanted. Resistance to this came from Indian representatives. Other countries did not express their views as strongly. So, I knew that the major powers were trying to run the WTO. But the WTO is supposed to be for free trade and all that.

Another sign that I thought was important was the book entitled *Balance* by Glenn Hubbard and Tim Kane. It is about the economics of great powers from Ancient Rome to modern America. I read that book in maybe 2013. It explained the US financial crisis in 2008, which actually started in 2007. The main reason for the subprime crisis and the crashing real sector crisis in 2008 was the “imbalances” in the sense that globalisation over trade caused the US continuous deficit with the developing countries, especially with the so-called emerging countries. I did not like the word “emerging countries” because all these countries were already there before. They were not “emerging,” but some analysts called them “emerging countries.” “Emerging economies” would be more accurate. They were emerging in the sense of emerging into the world economy.

Most of the emerging economies, particularly China, had surpluses. As we discussed before, in theory, the surplus was supposed to be moderated in the free trade system by means of exchange rate adjustment. However, certain emerging economies would not allow the exchange rate to appreciate. As a result, the capital markets were not functioning properly, as they were not able to force these

economies' currencies to appreciate because these emerging economies did not have open capital accounts. When they did not have open capital accounts, their money was not in the international capital market. If the money was not there, there was no possibility of exchange rate adjustment by means of the capital market.

This was unlike Thailand which had an open capital market. The Thai government under Chatichai Choonhavan signed the agreement with IMF. It was confirmed during the Anand government and materialised during the first Chuan government in 1992. When the capital account was opened, it meant we had “overseas Baht,” we had the overseas currency. If China opened their capital account, they would have “overseas Yuan.” But China did not. So, there was no “overseas Yuan” in international capital market for exchange rates to adjust. As the adjustment of exchange rate did not happen, the surplus continued.

With the surplus continuing, people in developed countries faced two things. They enjoy the benefit of free trade due to cheaper goods, and there was hardly any inflation at all from about 2000 or 2001. There was hardly any inflation because, with the emerging economies joining the global economy, the labour force and resources increased substantially, and therefore, the final products were cheap. However, people in developed countries were not getting in terms of jobs and salaries. At that time, the real wage in the US hardly increased. But in terms of a simple capitalist

economic theory, if you are selling products at cheaper prices, you do not want to pay more to your workers. Many US and European companies are world traders rather than producers. They were inventors with innovations. So, they subcontract the production to developing countries to save costs. This created dissatisfaction in their countries. The sentiment against “globalisation” started in about 2000. The so-called “imbalances” made a very strong argument for the developed countries to ask for measures against the so-called “free and open trade” and globalisation.

Another thing I noticed was that after 2010, the US started to criticise China for its imbalances. They also started to be vigilant about China’s aggressiveness and its capacity to develop high technology very quickly. It became apparent that when Apple started producing mobile phones in 2007 with its new operating system, and when Android operating system came out in 2008, it was China that grasped the new technology. It was fascinating to read about Jack Ma, a former teacher turned entrepreneur, developing Alibaba into a platform for people using mobile phones. There is such a huge consumer market in China for the use of mobile phone devices and Alibaba, using the new technology, created convenience for their everyday life. It can be used for almost everything. The speed of development of the technology centre in China, Shenzhen, is breathtaking. Shenzhen grew so fast because of consumption and consumer demand. People always wanted new devices, so it had to improve quickly.

The US saw that, instead of being a new market for them, China had become a rival to them, particularly after 2010 when Alibaba became so prominent. So, from listening to the opinions of the people in my APEC circle and so on, I started to see this attitude about how the US viewed China as a rival in technology, about how China was moving very fast, trying to become Number 1. Therefore, the book by Graham Allison in which he talked about the “Thucydides Trap” became a bestseller. His point about the US-China competition was embraced by many US leaders and influencers. Even I relied a little on this book when I gave a speech in Kobe, at the Awaji Conference in 2018, by presenting the argument about the world becoming less globalised.

So, from that point onwards, my view about the world of open globalisation started to change in a meaningful and realistic manners. I think that there would be disruption in the supply chain, that there would be higher cost when supply chain is disrupted, and that comparative advantage would not be allowed to work properly. And that started the change in the view on economic security, meaning that countries would view their economic security in terms of availability more than affordability.

There are 3 points about economic security: availability, affordability and acceptability. During the 1990s-2010s, these points were confirmed by way of open trade. Now, it seems that some countries think of economic security in terms of

availability first. I am not sure whether the rules they are considering can be construed as “nationalism.” But what I see happening in the US is that they are trying to secure their supply chain of technological products, especially computer chips. This is in real contrast to what happened before. Now they think they should produce the chips by themselves or they would not be available.

So, China would try to do the same by making sure that they have access to everything. Take raw materials for example. Before, China thought that they could have open access to raw materials. So, they would go where they are cheapest. But now China has to think strategically, “where to?” As the major world producer of all kinds of products, they need to have raw materials. Thinking about economic security has changed significantly and this will continue into the future. Availability has become the number-one concern, particularly for essential, critical, and strategic products. The result would be “deglobalisation” in terms of production. This is the main story of the future that we need to understand.

On the issue of supply chain, it seems that all governments are concerned about it, especially the two major economies, the US and China. It has become an important issue in their economic relations. We often hear the term “decoupling” used to describe it. How do you see this issue affecting Southeast Asia and Thailand?

It is an important issue. But in discussing the future, I think we also need to discuss two more issues so as to see the fuller picture. One is climate change and the other is the so-called “area rivalry.”

While the issue of supply chain and decoupling will affect the region in the immediate term, climate change is a long-term trend that demands cooperation because it is affecting everybody, and it is caused by everybody. The other issue that I should mention is about the so-called “area rivalry” not “globalism.” A while ago, I read the book *The Revenge of Geography: What the Map Tells Us About Coming Conflicts and the Battle Against Fate* by Robert D. Kaplan, in which he rebutted the thinkers who suggest that globalism will trump geography. When emerging economies become wealthier from globalisation, they can afford to think about things other than necessity. They think about their national positions, the supremacy of countries, how other countries look at them and how the other countries treat them. So, these ideas started to have an effect on the economy.

I think the prominent case could be the Crimea issue. Russia somehow thought that their geography was more than the current Russia. Maybe they look back to the time of the Soviet Union when it was a bigger country. China is also similar in wanting to redraw the line of geography. So, geography is a factor. Fortunately, we don't have problems with our neighbouring countries. But in the

Middle East, it is a different problem. The situation in Syria has caused a lot of migration problems in Europe, causing reactions from the Europeans towards migrants and foreigners.

All these issues have come together and globalisation is no longer the picture of the future. I think that implies more than decoupling. It is more than decoupling for two reasons. Firstly, decoupling refers mainly to the economic relations between the US and China. But the fact is that the US and China could not be decoupled. They depend too much on each other. The obvious evidence is that even with Trump's "America First" policy, China's trade surplus with the US has not gone down, meaning the US has continued to import from China. So, decoupling is not the word I have been using.

I think a more appropriate word is "reconfiguration" of international economic relations. Reconfiguration in the sense that each country, or each group of countries, would have to figure out which country or which group to connect to for what and how. The choice is no longer determined by market forces. When we talk about globalisation, choices are determined by market forces. Basically, supply and demand determine prices. Now, with reconfiguration, choices are determined more by the attitude towards each other, i.e. from one country to another or from a group of countries to another. And these choices are made because of political, economic and social reasons.

There is no norm for how to determine reconfiguration. The factors that decide a configuration for one group may be different from another. Going into the future, the understanding of reconfiguration is the most important. But reconfiguration is a dynamic phenomenon. Reconfiguration can change definition by one incident. If there is an incident which is disturbing or concerning to a country or a group of countries, they could reconfigure. Take the Middle East for example, formerly because of the problems between Saudi Arabia and Iran, who would want to connect with them? However, with new development, a country like Thailand may want to connect with both because they are no longer fighting, at least for the time being. Of course, the dynamism is that they could change. I think this is the major challenge facing everyone.

So, what is going on is “selective decoupling.” It is dependent more on national security than economic considerations.

It depends on which country we are talking about. That is why I prefer the term “reconfiguration” because decoupling means two parties are involved but reconfiguration is defined in terms of the flows of products, of goods and services among many countries. A good example is to look at it through the before-and-after scenario as well as at the financial market, the energy market and the hi-tech market. These three markets may be the best examples of this so-called “reconfiguration” because all of these markets are

related to security, that is economic security. I think economic security may be more important than defence security. This is how I would argue regarding these three global markets.

We have a global financial market dominated by the USD in terms of means of payment, speculative purpose and saving purpose. We have the S.W.I.F.T. exchange system for bank clearing in all the countries. People felt free in that system. They can hold whatever currency in whatever place, and whenever they want to exchange or move it, they can do so. That is one aspect. Now, the question is whether we should hold USD or hold our assets in USD, and should we just keep these assets in any bank? That has become an issue.

I can see this clearly when I observe international companies with a lot of assets. Now, they have to discuss all the time about where and how to hold the assets and whether there are problems. For them, it is not just Return to Asset that they hold but it is also about security of asset that they hold. In finance, for Return of Asset, you make the decision about your asset by means of cost and benefit. But now they have to think whether they can actually move the assets around and whether these assets would be affected by political reasons.

So, financial market is observing the development. This may be the beginning of the movement towards more and more direct central bank clearing. This is in order to avoid using USD all the time. China and Saudi Arabia have

entered into such an agreement. So, Saudi Arabia can buy a lot of goods from China and China can buy a lot of oil from Saudi Arabia without having to go through S.W.I.F.T. or using the USD because their central banks can clear it directly between themselves, at least for some transactions. This means the demand for USD will not grow as the world transaction grows. Although still the most important currency, and the USD will stay as a major currency, the financial transaction for global trade and services can be settled by other means. Banks would have to start using other clearing mechanism, not just S.W.I.F.T. clearing which is controlled by the US and Europe.

Another reconfiguration concerns energy. Availability determines where you acquire your crude oil, your natural gas, and so on. For availability of crude oil and gas, people go to the usual markets because they are familiar with market forces at work: Henry Hub makes decisions on prices in the US area; Saudi Arabia in the Middle East; and Amsterdam in Europe. So, in these three markets for oil and gas, you can trade instantaneously. Of course, you can trade instantaneously by market forces to get the cheapest product. It does not matter where the product comes from. As long as it is available at the lowest price, subject to required specifications, people will grab it.

Now, the energy market is clearly affected by “reconfiguration.” Instead of buying from Russia for political or security reasons, European countries have to come to buy

from the Middle East. This means increased competition for oil and gas and as a result, prices have gone up. Moreover, they also felt compelled to buy a huge quantity for security reasons. If they don't buy it now, they may have no oil and gas. So, they have to pay whatever price on the spot and that affects energy costs all over the world.

Next issue concerns manufactured technology goods, computer chips and so on. It is a similar picture. Formally, the US would be the “inventor” as it is the most advanced in technology. Then Taiwan would be the “producer” because It is very good at innovation. The US creates super technology, then Taiwan can use their innovation to produce, at the lowest cost, the most advanced chips. South Korea comes second to Taiwan. They use US technology to produce the most advanced computer chips, the nano chips, in the world. Now, the US Congress has passed a new legislation, the Inflation Reduction Act, in 2023. I think it makes no sense to call it “Inflation Reduction.” Anyway, one provision under this Act is to subsidise the production of computer chips.

The US is sending signals that they will now produce the chips by themselves. But they don't know how to do it because they have not done the actual production for a long time. So, they have to ask the Taiwan Semiconductor Manufacturing Company (TSMC) to set up operations in the US. And TSMC is complaining because it would rather produce the chips in Taiwan and China rather than in the

US. However, the users of the chips have to figure out where to get them from and the producers have to figure out whom they want to sell to. Again, this is another reconfiguration.

All of these factors create what I call a “reverse effect on global trade.” In the 1990s-2000s, the effect of global trade was on reducing costs. Now in the 2020s, going forward, global trade is no longer just about reducing cost. It is unfortunate because the emerging economies have just arrived at the level where they can, more or less, take care of themselves. We have lived in a world where cost was not the major problem. Therefore, all of us, Thailand included, could have a better quality of life. Now, the cost of living has become a major concern. And global trade that we thought could help in cost reduction is becoming less helpful. So now, more than before, it is upon every country to improve its own efficiency. Of course, we always have to make that improvement regardless, but now it is even more pertinent and urgent for all of us to improve our efficiency and productivity.

How do you see this reconfiguration affecting Thailand specifically, and how seriously, considering the context of Thailand becoming an “aged society”?

We have to start from the inside. When I said we had to improve efficiency, the first item on the agenda was that we need a system that manages our resources better. Of course, in economics, resources are major factors of production, land including water, labour and capital.

Capital is not a problem because, at the moment, relatively speaking, our capital cost is very low, judging by the interest rates. So, mainly it is about land and water resources and labour that we have to address.

The real issue is finding solutions to what we do not have enough. There are a number of things that, relatively speaking, we do not have enough in the so-called “aged society.” Our neighbouring countries have higher availability of some factors of production. So, we need to make it as flexible as possible so that we can tap into labour from neighbouring countries. At the same time, in terms of other resources, i.e. land, water and minerals deposits, we also need them from neighbouring countries. We are in the same so-called “geomaterial line” that connects availability. This connection with neighbouring countries is extremely important to us in accessing resources. A classic case is Cambodian-Thai oil and gas deposit. If we can get access to that oil and gas deposit, it will definitely be a major improvement to our energy security. Moreover, Lao PDR happens to have a kind of geography that can produce a lot of electricity at a lower cost by means of water, wind and so on. So, for our security, I have advocated keeping a good relationship with our neighbours in order to make sure that the factors of production, all the resources that we need for production, are accessible to us.

Secondly, what we are at a disadvantage is in technology. We have to admit that, relatively speaking, we are not

advanced in terms of technology, and in terms of innovation, we rank very low. We don't have the knowhow to produce things, and we have to rely on foreign companies. So, we need to be open to foreign involvement in technology-related activities, which is crucial. And I mean they should be allowed either to make financial investment or operate with our companies in Thailand.

This is a major issue. For example, China is already involved in EV production in Thailand, and while I think that is the right thing to do, there may be other technologies that we can connect with Japan. Japanese companies are very good at manufacturing process and they are already here in many industries, especially the so-called “white goods” industries where Japanese technology is very advanced. Refrigerators, cooking and electrical appliances are referred to as “white goods” because most of them are made in white colour. That technology is there, but there has not been much advancement, except in how to produce it better in terms of innovation.

So, my thought about this new world of economic rivalry and economic reconfiguration is that we have to really improve relations with our immediate neighbours, in order to supplement and reinforce what we already have. Then, we need to identify the industries that we are lagging in terms of technology and innovation so that we can connect with the others. In the overall picture for Thailand, I think the Western countries are becoming less important for our

economic security. We used to rely a lot on the US and Europe. But going forward, I think that we need to be working more closely with Asian countries and open the door to Middle Eastern countries and India. They will be the most important new economic partners for us.

So, in your view, we do not need to strengthen our relations with the US and Europe to ensure our access to technology and markets.

Well, when we are strong in terms of production capacity, this is soft security: resources, resource access, and the factors of production. For much of Thailand's economic history, we have to focus mainly on the supply side. The nature of the Thai economy is always that we are an open trade economy and we have a lot of businessmen who know where to sell their products. The most important lesson that I was taught by Dr. Puey¹ a long time ago is that we focus on the supply side by making resources available, and making our production factors efficient. This should be enhanced by a good relationship with neighbouring countries because they have the same kind of geo-economics as ours. Supplementing ourselves with them would be the most important. I think when that is the case, we can sell our products anywhere, in the US and Europe, because we are competitive.

But in terms of technology, and I refer to selected areas that we are definitely behind, unfortunately, I don't

see that we can even be relatively self-sufficient like South Korea. It is very much technologically self-sufficient, meaning that they can take care of themselves even if they are not allowed access to certain technology in certain countries. But they can take care of themselves. We are a long way behind that. So, in terms of technology, we still have to choose a country, in terms of an industry that needs a certain kind of technology. And usually, the government is not in a position to do very much. It plays the role of the supporter. The business people know better where they should go for what they need. The government can facilitate it if necessary.

So, depending on which industry we are talking about, this connection can be with Europe, it can be with the US, or it can be with some other countries. We need to identify which sector is followed by which country. Apart from the neighbouring GMS and ASEAN countries where our geo-economics is similar, we should choose to strengthen our resources capability in terms of technology, depending on which are the priority sectors, and develop cooperation with those countries, with support from the government in those countries.

Do we have to be selective?

Yes, “reconfiguration” forces everyone to be selective. The international market is no longer determined completely by international market mechanisms. So, every country has to be selective.

If we cannot securely rely on the demands of others, should we try to increase domestic demand?

I have never really accepted the idea of relying on or creating more domestic demand by certain actions. All my life, I have never bought that concept of relying on domestic demand. I think demand comes from people with higher incomes and the people choose where to buy things by themselves. So, my philosophy for Thailand has always been the supply side economics. Being a small, open economy, supply side economics is supposed to work better for Thailand. So, my focus has always been on how to enhance domestic production capability. If we have better domestic production capability, people would have more income. When they have more income, they will have more demand. Demand is the result, an effect, rather than the cause.

Maybe I did not ask that question properly. What I mean by raising domestic demand is whether people should be encouraged to buy locally-made products, now that Thailand can produce a lot of products, industrial products, consumer products and so on. Perhaps that is a different question.

Well, I know what you mean. For example, we often hear about the government sector buying locally-made products in order to create more domestic demand. It may be politically appealing, but it is usually too costly. It is not good economics.

For example, now the wine industry in Thailand is growing and its products are improving, should we encourage demand for domestic wines by fiscal or other means?

I don't believe in that at all. I am a man who never believes in subsidies, or whatever encouragement. I think that demand created by market forces is the most efficient. People decide what to buy. I would rather focus on increasing their income. With their higher income, they can decide for themselves what or where to buy. But there are many people who do not share my views. This is my philosophy on the supply side and I have steadfastly held on to my views.

Just an example, I often felt that the Bank of Thailand had not paid enough attention to the supply side. The Bank always did research on macroeconomics and this and that. So, when I became a member of the Bank of Thailand's Monetary Policy Committee, I said that in order to monitor the Thai economy properly, they had to monitor our production factors. Therefore, they had to pay very close attention to the labour market to see whether the labour market is functioning properly, as well as how it could be improved. They had to come up with an analysis of our labour market. Even though there might be other people doing such research, the Bank of Thailand had to understand the labour market. The Bank could then make better predictions about our economy. Then, they could set the interest rate better. So, they started doing research on the supply side. Now, they can make fuller arguments.

On the issue of efficiency, what area or what sort of measures should we focus on in order to improve efficiency in our economy?

I will have to say government service. I believe that it is necessary, but it may be impossible. I have been in several governments and have been involved in government work quite a lot. I often compare government with private sector, to which I belong, and also with universities. I think our government is inefficient. It actually is the biggest obstacle to our economic efficiency. I also operate as a businessman, running my own business as well as working for other companies, starting from the 1990s. The cost of production on major items is how to manage government permits. It is clearly supported by international surveys, by the World Bank, the World Economic Forum, and all the rankings. While government finance is usually good in terms of international ranking, government service and efficiency are not. So that definitely would be the way to help reduce the cost of production substantially. We need to reduce the cost of dealing with the government.

Another area is education. Improvement in education may help, but I have given up on school education being an improving factor. At least, the way university education is being managed now seems to respond better to the efficiency equation than before. This may be because they are no longer required to be rigid in terms of curriculum, degrees and so on. I think we can hope for better efficiency in our universities. Technical schools may be another area where

we can work for better efficiency. If we can do this, it will help the supply side, that is helping with resource performance.

As you just mentioned the role of government and government agencies, I would like to discuss the idea that we should have a “small,” or at least smaller, government which is involved less in the day-to-day economic activities. Do you think that is the way forward?

I would go first for decentralisation. I think the challenge confronting us going forward is mainly about efficiency because the world is no longer the same as before. The world has become more fragmented, and global economy has become more fragmented, resulting in reconfiguration and all that. Efficiency is the top issue. I think that decentralisation would be helpful, even though it may mean a bigger so-called public sector, because instead of having just the central agencies, we may have many more agencies at the provincial and district levels.

Decentralising authority to do things at the beginning may even increase the size of government. But eventually, there will be a reduction at the central level. The centre can be smaller. When I talk at international forums on economics and politics, I often compare our country with others and I often say that Thailand is a “table country.” It is like a table with a single leg in the middle; that leg is the government sector, both military and civil services,

supporting the whole table. So, if the table is getting bigger in terms of economic size, or population size and so on, the heavier burden is put on that single leg. Therefore, that single leg has to expand to become even bigger than before. If you have a long table with one single leg, it will break under its own weight. If there are more legs, then the burden on the leg at the centre will be reduced. And when the burden at the centre is less, the centre can become smaller.

That has to be the key. That would help in the efficiency equation, maybe not immediately, but eventually. I think that 30 years ago, we could agree on the fact that so many areas around the country could not support themselves but I think today all major provinces can. Take Khon Kaen as an example. I have been involved with Khon Kaen for over 20 years, and I can see how it has developed. The people there, with the knowledge that they now have, can take care of themselves.

Decentralising the structure may be half of the picture. What about the process? I think we also need a more simplified process.

If and when we start to implement decentralisation, the process of giving permits and so on by local authorities should follow. For example, I have a sand-mining business in Ayutthaya, a province near Bangkok. The permit for the sand mining operation has to be issued by the provincial industry officer, who is sent from Ministry of Industry in Bangkok. I have to build a bridge across a canal in order to

transport the sand from the mine. The bridge, a small one, has to be approved by Ministry of Transport in Bangkok.

But things like these could be done locally. There are enough people there who are knowledgeable enough to look at the design, etc. I think that definitely would save me a lot of money. This is one real example and it is not an isolated case. When Prime Minister Prayuth took over the government, I think there were more than 1400 applications for factory permits waiting to be approved. The Minister of Industry issued a new rule giving the provincial industry officers authority to approve those applications, so that helped. However, these provincial officers are not local people and they are subjected to transfer to other areas, so they would not have enough knowledge about the area until after a certain period of time. That can add costs. So, I think that decentralisation could, in effect, change the process. But the law has to be changed first. These local officers need to have the authority.

That is more like changing regulations on how to implement policy. But what about the policy process itself?

I think we can go back to the future scenario that we have discussed. We need knowledge about the new reconfiguration: what to do, where, with whom and so on. Then, we must have policies to deal with that reconfiguration properly. There are many areas of policies that need to be formed and we have to have people or agencies work on the so-called scenario painting, scenario suggestions and policy

options. Think Tanks have an important role in this process.

In other countries, especially developed countries, the influence of Think Tanks is much more than in Thailand. They are advanced and they can come up with analysis and input into the policy-making process. In my thinking, policies are more than the ability of the government. Policies need to have a solid knowledge base that comes from Think Tanks. Therefore, more and more support from Think Tanks, either within or outside universities, is needed. It is unfortunate that we don't have many Think Tanks in Thailand. The one that is well respected is TDRI. However, apart from that, university Think Tanks have somehow not really shown their potential. The University of the Chamber of Commerce is good in the areas of consumer market, market competition and consumer behaviours. They have the basic data from their network of Chambers of Commerce throughout the country, and they also conduct surveys. So, they often come up with good analysis of what is going on and we can use their analysis to form policy domestically. We need to do more research and analysis.

I would really like to hear your view on our current process. Is it good enough and how can we improve it?

No, it is not good enough especially in terms of international economic policy. I don't feel good about this at all, even with the work at TDRI. I must say that research is very much the same everywhere in the world. It is about

the people doing it. It is about who is interested in what subject. When I was at TDRI, international economic research was very prominent because, apart from myself, there were several friends who were interested in the subject working there. However, TDRI has not been able to attract researchers who are interested in international economic research like before. So, they are no longer prominent in that area. They are very good in many other areas but not international economics, and I don't see any other institute in the country. Although the Bank of Thailand has set up Puey Ungphakorn Institute for Economic Research, they don't have prominent researchers on international economics either. It is definitely lacking. And I don't know why people are not interested in international economics. We have many good researchers but in other areas of economics. It is very important to have good researchers in international economics.

What is your view on the committee called Kor Nor Sor?

There is a problem with Kor Nor Sor. It does not really make any policy decisions. The chairman has to have enough power over concerned ministries. When the chairman is not a powerful person, the committee meeting is attended by middle-level officials who cannot make any decisions. So, while it is a good idea to have such a committee, the chairman needs to be a person with real power. Also, it does not have real or direct access to technical support.

If a ministry is required to submit a paper, it would only come up with its own paper containing just its own view, not a synchronised or integrated kind of analysis paper. It's just a view, usually same view of the ministry. But when we discuss international economic policy, we need the integrated views of all the agencies concerned.

Who should be doing that?

In terms of agency, I think NESDB should be doing that. But again, I would go back to the point about the availability of personnel. If NESDB could assign a Deputy Secretary-General solely to be responsible for international economic policy, then he or she could serve the committee better by providing it with necessary data and information. I don't know why Thai people are not interested enough in research. Maybe it's too complicated for them, but to me, it is interesting. I have really enjoyed doing research and policy analysis for the last 40 or more years. I don't think it is that complicated. It is a very enjoyable learning process by attending meetings here and there and learning all the time.

What are the changes that need to be made to our government structure or process if we are to go global?

I have been considering this matter since about 2007-2008 because I was seeing signs of a new form of globalisation. What happened in 2007-2008 was about the financial crisis faced by the Western countries, particularly the US. At that time, it was referred to as a "Hamburger Crisis," which

started with the subprime crisis caused by overspending. That was followed by the European public debt crisis. I began to think about a new likely form of globalisation because the crisis was caused by the imbalances, in the sense that the US was having a large deficit from trade that was opened up by the globalisation of the 1990s-2000s, and China had a large surplus. The so-called “surplus money” was deposited in Western countries and Western people who have access to this surplus money, began to overspend.

The issue of imbalances was highlighted particularly at the World Bank Conference in 2007 by Alan Greenspan³. I attended that conference. Greenspan made the comment that globalisation basically created imbalances contributed to the crisis. Something had to be done about the situation, about not allowing countries to accumulate too large a surplus, and about providing opportunities for the so-called “deficit country” to get out of the deficit problems.

That was followed by the G20 meeting in 2009 which Prime Minister Abhisit Vejjajiva⁴ attended. Thailand was invited that year because it was Chair of ASEAN. The G20 meeting also raised the problem of imbalances. The so-called surplus countries were willing to assist in the process. China played a big role in helping to solve the situation so the financial transactions at that time were moderated by China’s participation. But I thought that the issue would not go away and that it would definitely create more and more discussion about globalisation.

Another issue I think we already talked about is the progress of WTO negotiation. It does not address the development issues enough, even though the Doha Round is supposed to address both trade and development. The problem of refugees from the Middle East, especially from Syria, faced by European countries also has a big impact on globalisation. This refugee crisis has been going on for too long. The EU suffered first from the public debt crisis. Greece was the first country to be impacted in 2009-2010, followed by Portugal. They all had to implement a lot of unpopular policies in order to satisfy the IMF, similar to what Thailand had to do in 1997 and 1998. And now, with all these refugees coming in, people are complaining.

So, the flow of trade, flow of capital, and flow of people have become major issues in the world. I remember when I attended the World Economic Forum in Indonesia in November 2014, it was one of the major issues discussed: how to deal with the flow of people through migration, both regulated and forced migration? Globalisation has raised many negative questions. Globalisation would no longer be tolerated by a lot of people.

It was confirmed as much when Donald Trump became US President in January 2017. So, as a result of a series of issues, such as the financial crisis and the refugee crisis, Donald Trump became popular. He confirmed that the US would not tolerate this kind of negative impact. He advocated the policy of “America First,” and a lot of

things had to be done to prevent or pre-empt or to create barriers against Chinese products. Another major rivalry is in the area of technology. From 2017 up to today, the issue of technology, particularly artificial intelligence or AI, has become very important. The issue was highlighted when AlphaGo, a computer programme which mastered the ancient game of Go, defeated a Go world champion in 2016. So, at that time, the conclusion was that whoever became best at AI would have the most power. That ignited the rivalry between the US and China on technology. This is highlighted by the concept of the “Thucydides’s Trap” espoused by Graham Allison.

All these issues of the flow of goods, flow of capital and flow of people, as well as connectivity of technology, have become global questions that major powers seek to address, whether they should be allowed to go on. Judging from their behaviour so far, the conclusion is that they would not support the kind of globalisation which they have supported up to about 2010, but that they would start to manage the so-called “free flow nature of globalisation.” There will be more interference in the future. So, I think the conclusion today is that globalisation will be re-configured, and I will use this word instead of decoupling. As I said before, although many people have referred to the process as decoupling between the West and the East, I do not believe that decoupling is possible. The West still needs the East but the relationship will be more managed. Therefore,

I use the term “reconfigured” This will be the scenario for the future.

This scenario has been confirmed by the conflict between Russia and Ukraine starting from February 2022. Trade of oil and gas was disrupted and had to be reconfigured. The financial transaction was disrupted as S.W.I.F.T. would not allow some countries like Russia to use the system freely. This is the beginning of the new process of how we manage money, oil and gas trade, and supply chain. So, it has been reconfigured. The new globalisation is about how to manage all these major areas of transaction, namely supply chain management, oil and gas trade management, and financial flow management. People flow could be added, but that issue seems to be more localised. The issues that have captured everybody’s attention are supply chain, oil and gas trade, and finance.

What does Thailand need to do to adjust to the new scenario?

First, I have to say that we are not an exporting country, but we are a trading nation, meaning that we are not self-sufficient in anything, even in food. Some people say that Thailand is a food surplus country and, yes, we are No.5 in the world for food exports. But we also import a lot of food, even similar things to what we export. The chicken and pork that we export, they are foreign chicken and pork! And it is not re-exported, nor processed, food. We have to use the breeds that are of foreign origin. Otherwise, we would not have the necessary quality.

In terms of trade, we are a trading nation. Being a trading nation, we have to rely a lot on imports and exports and we need a lot of financial transactions. It is natural that imports and exports need financing. Our economy is dependent on global financial transactions. The most important item for Thailand is energy. We are a major energy-deficit country. Relative to the demand, our energy consumption is almost 100% imported. That being the case, we have to adjust our foreign policy to accommodate the new form of globalisation, starting from trade. Because of supply chain disruption and adjustment, we have to figure out how to connect to the new supply chain, where the sources would be, from which country and so on. We cannot just say “open market and open bidding.” No more. It is only open to those who could get the connection to the supply chain.

A clear example is that companies in China, either foreign or Chinese, are now looking for new places to mitigate the so-called supply chain disruption process. Thailand is one country that they are looking at, and we are actually taking advantage of that. The policy of Eastern Economic Corridor has been designed to accommodate this “new supply chain configuration,” focusing very much on Chinese companies. Confirmation of this movement can be made from the investment in industrial estates. AMATA used to be number one, but now WHA Group, which offers fully integrated logistics and industrial facilities, is actually

bigger than AMATA because of Chinese investment. WHA is very clever in attracting Chinese companies. In the area of EV, based on my observation and my study, China has more or less decided some time ago that they want to be No.1 in EV. The way EV industry is systematically developed in China is as follows:

1. Any company is allowed to invest in EV production. There is no requirement for local input, local transaction or nothing at all. So, a company can utilise or make use of talents or experts from anywhere in the world in the design and system development;

2. The Chinese government announced, I think about 10 years ago, that all government vehicles must be EVs, therefore creating demand. When this policy began, over 100 companies tried to get into EV business. Now, the number is reduced through mergers and acquisitions. Companies are encouraged to reorganise or to merge with incentives. So, we see major companies like BYD, MG, and Great Wall producing EVs with beautiful designs and well-functioning systems. And now, they are working on improving the battery. Khon Kaen University is working with a Chinese company on battery production.

Therefore, we are now a part of the reconfiguration of the supply chain. EV is a major industry, for an example. The advantage that we have is that we are the biggest country that produces cars with the steering wheel on the right. The owner of WHA Group told me that she was

convinced that nobody could compete with us on this type of car. She is right!

Another reconfiguration that can be applied to industrial production includes the new BCG industries: bio, circular and green industries. BCG is what I would call a friendly industry or popular industry. It was clever that Thailand worked on APEC to adopt the Bangkok Goals on Bio-Circular-Green (BCG) Economy in 2022. At first, I was skeptical about it, but now I can see that we have a lot of support around the world. The way that we have developed the EEC and Northeastern corridor to support this policy is appropriate.

On financial reconfiguration, I already mentioned central bank clearing. The interference in global financial transactions has created problems for itself, even though it may have alleviated the problem of “asset bubble” in Western countries, in Western currencies and so on. The Bank of Thailand has been working on this for some time. The more they could clear directly with other central banks, the less the public would demand foreign exchange. If they do not demand too much foreign exchange, either for transaction or for speculation, the demand for USD would not grow too much. Then, we do not depend too much on USD. It is safer that way.

On energy, we are going to have problems if the West puts too much pressure on Myanmar because Thailand relies a lot on gas from Myanmar. This is something that the

government has to be mindful of and work on it. We may need to try working with Cambodia to resolve the issue of overlapping claimed areas in the Gulf of Thailand.

These are the things that we have to do to deal with the reconfiguration and its implications. I think our foreign policy and economic policy would have to emphasise more on being friends with priority countries than just being open. To put it in terms of security, the picture is being reversed now. Previously, economic security meant that we were open to globalisation so that we could acquire goods and services from anywhere, and therefore, we were secure. But in the new globalisation, the fragmented reconfiguration of globalisation, we have to focus on certain areas, like energy, to achieve security that we need. We cannot be just open about energy. We have to focus on energy to make sure that we have energy. And for the supply chain, we have to focus on the countries that we can rely on. We do not have to follow the idea of “friend-shoring” like the US but we need to have strong connection.

What does the Foreign Ministry or the Commerce Ministry need to do to adjust its roles and policies to this new reconfiguration?

I would put it this way. As the old form of globalisation was mainly determined by market forces, what the government agencies needed to do was to make it easy for the people, that is, to make it easy for business to do business with whoever. That being the case, the role of the Ministry of Foreign Affairs was to ensure good political

relations and connections, while the role of the Ministry of Commerce and other agencies was to ensure liberalisation in terms of policy.

But I have come to the conclusion that we cannot have economic security unless we utilise political means to secure it. So, the role of the Foreign Ministry has become much bigger than before in this new scenario. As I have connections in and have worked with Foreign Affairs and Commerce and other Ministries, I think Foreign Ministry people understand world politics better than anybody else. The Commerce Ministry or Board of Investment can no longer go out alone to implement promotion work like they used to do before. The new globalisation is not the same scenario. That is why I have been asking, even demanding, that we enlist policy Think Tanks or policy institutes, to help.

I was visited by Ambassador Xu Bu, former Chinese Ambassador to ASEAN (2015-2018), who after returning to China, became the President of the China Institute of International Studies (CIIS)⁵. What he explained to me was very similar to what I just said. He said that from now on, Chinese foreign economic policy had to be related to foreign political policy and his institute had been given that task. But for Thailand, in terms of the organisation dealing with political economy or international economics, I don't think we have any. Even TDRI doesn't have that strength. So, we do not have Think Tanks or institutes dealing with the new scenario.

How do you see the private sector making adjustment?

The private sector actually has become stronger. I think the Chamber of Commerce, by having a university, has its own major source of policy strategy. They are actually focusing on the countries which we can do business with. That's fine. The Federation of Thai Industries (FTI) is also much better than before. Although they are still asking for help on this and that from the government, it is not as much as before. The shipping sector is also very developed. They know the exact flows of goods and they can explain the new pattern by monitoring ship movements. I rely a lot on their information on the new trade flows, going from where to where, including oil and gas trade. They know very well what is going on and I don't think they rely very much on government help. But the private sector does not have a "national policy strategy on new areas." Just take one example. We talked about BCG as the national policy. It was loudly announced, highlighted, and publicised, at APEC. But then some people came to my office and asked me, "Who is looking after that strategy?" I could not answer.

Should it be the Office of the National Economic and Social Development Council (NESDC)?

I thought so. Very much. It should be the responsibility of the NESDC. I was asked that same question, but I did not answer it right away. I thought about NESDC in my head, but I dare not mention their name to answer the question.

The reason is capability of NESDC is not highly regarded by the private sector organisations that I have mentioned. Even government agencies complained about NESDC because a lot of things have to go through NESDC in order to get the budget or the planning approved. But NESDC has not been active in getting the policies implemented or helping agencies to implement them. The government was trying to solve the problem by creating an institution that assists NESDC. The Prayut government allocated one billion baht as the start-up fund for that institution, similar to TDRI, separate from but under NESDC. I have not seen any work coming out from this agency. So, to answer your question, we don't have any policy strategy institutions in the country.

Do you see the private sector organisations like the Joint Standing Committee on Commerce, Industry and Banking (Kor Kor Ror) playing a bigger role in a dialogue with the government to pursue the new policies?

Well, in terms of the structure, the answer is yes. However, we need to consider what sort of input to inject into that structure, what level of authority that structure should have and what kind of institution should be under that structure. Just take one simple example. The bio-economy holds a lot of promise, especially in the area of medicine. The trend is towards using protein from biomaterial to produce drugs. Thailand is very rich in

biodiversity because of its location. So, we are a clear source of raw materials for protein-based medicine. And Thailand has a sizable population to conduct clinical trials properly. We could do it very well. But what we are lacking is a proper intellectual property (IP) system to support its development.

The so-called “ecosystem” for industry has many elements and we must have a national policy that sets a firm direction and an agency or agencies assigned to take care of it. If rules and regulations are not friendly to the policy implementation, then the government must be quick to make changes. Somehow, we are lacking this still. Another example is in the development of green economy. We want to increase renewables and produce more carbon credits. We can be a carbon credit trading country due to our potential ability to produce carbon credits. However, we need a proper system of verification as the credits need to be certified. I asked the Thailand Greenhouse Gas Management Organisation (TGO), “Have you established the certification system so that we can trade?” The answer is “Not yet.” We still need to have foreign organisations to do the certification. This is what I am trying to convey about this new globalisation. We have the policy already and I have no doubt that we understand how the new globalisation works. But what we do not yet have is the proper ecosystem nor the necessary people in charge of supporting the policy.

What do you think the private sector will need to do if they don't have this support?

They cannot do much. As I said, in this so-called “new globalisation,” the private sector needs political support. They need the support because they have to be certified. For example, the EU’s measure called Carbon Border Adjustment Mechanism (CBAM) requires products to be certified and the private sector cannot do that by itself. The certification, confirmation, accreditation and other things must come from the government. But the government is too slow to respond to the new changes. I think government officials know. I don’t doubt at all that they know what I am talking about. Some private sector people asked me, “Who do I go to?” I cannot give them the specific answer.

I wish we were still in the 1980s. At that time, we were confronted with many issues as we were going ahead with industrialisation. We had no money when General Prem became Prime Minister but we decided to industrialise. We must earn more foreign exchange in order to pay for imported oil. So, to industrialise, we had to set up the Eastern Seaboard. The government decided on who would be responsible for setting up Eastern Seaboard. It was done and it worked.

Are we going to remain a trading nation?

We have to be but we would not be able to grow at a high rate because of our own limitation in terms of adjusting to the new form of globalisation. We will get less benefit

from the reconfiguration and that is the reason why Thailand's growth is projected to be not more than 4% a year. Organisations like the World Bank, IMF and so on, have made similar long-term predictions for Thailand. I have made the points clear to anyone who talks to me. I hope that they understand the new configuration and find a way to respond.

Do you think they will find the answer?

I think they will. But in my view, I don't think we have leadership that is willing to lead in this new globalisation. The senior officials that we have in the country are well-educated. They look at the same news, read the same messages, and analyse the same data, samples and evidence, as their counterparts abroad. I am sure they understand. But in the earlier globalisation, there were people who were willing to lead, people like Dr. Sanoh and Dr. Amnuay. But today I don't think we have senior technocrats like that. It has to be led by technocrats. It cannot be led by politicians because in Thailand politics is so uncertain that people do not have the opportunity to accumulate experience. For example, looking at the members of parliament, there are 500 of them. Almost half are new members. The other half is not new but they have not been members of parliament for many years. Thai politics do not allow political leaders time to accumulate skills to lead. That is why we need to look to the technocrats.

Don't you think that Thai society has changed and people cannot accept the leading role of technocrats as in the past?

The problem is we still need leaders because there are many components in the “ecosystem.” Everything has its so-called “taxonomy.” The policy framework has a lot of components and many of them are still missing. I cannot answer the question of who has to do it.

Looking further ahead, do you think that economic and trade policies, and also social policies, are going to be determined more and more by climate change? For example, if we want to reduce carbon emissions, do we need to change our industrial policy accordingly? What do you think Thailand needs to do to respond to this global megatrend?

This is another handicap we have. We must respond, but we have limited national capability to do so. I don't think we can fulfil the promises that we have made at all the international meetings, especially at the COP, because in order to do that, we have to manage the energy sector more efficiently. There are four very important and interlinked considerations in the energy sector: availability, accessibility, affordability and acceptability. The global climate change issue is about acceptability so people should consume less fossil fuels. But if we do that, we will face the problem of availability and, even more so, affordability. People would have to pay more for the acceptability.

The book called *Value(s)* by Mark Carney is very good at explaining these issues. But people in Thailand are not

wealthy enough to pay for that acceptability. Politics is what it is; we are more concerned about availability and accessibility, meaning that we have to make energy available and we have to make it as cheap as possible. To do so, we have to rely on high-carbon energy. And by doing so, we would not be able to satisfy the so-called “international requirement.” Therefore, we are faced with the dilemma of what to do to satisfy both the international requirements and the local demand. The outcome is probably something in between and as such, we would fail in our pledges.

But if we need to change in order to reach the goals we have set, what do you think we can do? How do we go forward?

Again, I rely on Mark Carney’s concept of values. I think he provides a very good analysis. The only way forward is to reduce the cost of goods and services produced. If production cost can be reduced, then the “externality” cost can be added to the price, and the price will still be the same. So, I have been advocating digitalisation as a way to reduce production costs. In a way, we are quite advanced in digitalisation. We have 5G now. Our problem is only accessibility in terms of affordability. People only have access if they can afford it. Although our internet cost is not high relative to the rest of the world, but relative to the income of the majority of the people, it is still high. For example, in India, the use of 4G internet for a year costs only 500 baht. And mobile phones with 4G capability are

generally available, costing as little as 450 baht for two-inch screen, and 1,000 baht for full-screen models. So, Indian people can use digital technology to reduce costs. But in Thailand, I pay 1,500 baht in internet costs every month and I hardly use the phone. So, it is an issue that should be addressed.

Recently, at a conference in Khon Kaen, I talked about climate change. I said that we could not charge the people more for producing or using renewable energy, but we could reduce the cost of goods and services by using digital technology. We have to make that available to everybody. It is possible but difficult. Why do I say it is difficult? It is because the companies which have obtained concessions have paid a lot of money for the frequencies, so they pass on the cost to the consumers. Unlike in India or China, the providers don't have to pay that much for the frequencies. Nowadays, IT people are everywhere. There are so many companies which are producers of solutions and applications and so on. The question is accessibility and affordability.

There is an argument that it would help to reduce energy consumption if people changed their behaviour and lifestyle. Do you think we can do that in Thailand?

Well, I think it would be difficult. People nowadays are so used to this easy lifestyle. Of course, I think we should encourage them to change, but I don't expect to see much change. I think in economic area, cost is most important.

Cost is what they have to pay for their so-called “behaviour or practices.” I am not sure they are ready to pay the necessary cost.

I understand that when foreign companies, especially from Europe, want to invest in Thailand, they want access to “green” electricity that comes from renewable sources. What should be done to respond to their need? Otherwise, they would take their investment somewhere else.

That would be a more specific issue and there can be a specific solution. For example, Pandora, which is a jewellery-making company from Denmark, has more than 10,000 people working in the north of Bangkok. They said within three years, they must be supplied with green energy otherwise, they would pull out their manufacturing. But this type of issue can be resolved with a new energy policy and a specific solution. It can be done by having an independent power grid system.

At the moment, we still have the single grid system that was suitable many years ago when people could not produce their own energy, but now they can. They can tap into renewable energy sources. Companies like Pandora and many more can produce their own energy from renewables, and they don't have to use the government grid system. We have promoted the policy of independent power producers for many years. They can come to the factory and set up a renewable system for you. Localised problem

requires localised solution which in this case is a localised grid system. I can see it coming. Many companies in Thailand are promoting the production of energy-storage battery, not just for car but large units for power stations that can handle specific demand. However, to deal with the country's bigger demand, there is a need for behaviour change as you mentioned, but I doubt if the people would change voluntarily. I think cost would have to be the incentive.

We need creative solutions. I think it is likely that the independent localised grid system will be allowed in the future because otherwise, we will not be able to satisfy the new requirement from foreign investors. It would have to be parallel to the current single grid system. Industry, business, manufacturing, etc., should be able to have their own grid that can measure carbon emissions accurately. Another issue is that they might need to have the so-called “carbon capture and storage” capacity but that is very costly. I think independent grid is a good solution and I have been promoting the idea. If I were Minister of Energy again, I would definitely do that.

What is the major challenge for Thailand as a trading nation in the foreseeable future?

As an economist, I think about growth. I really want Thailand to be out of this high-middle-income country. In fact, I mentioned it many years ago that we must become

an OECD-type country. We have the potential to be so. But we can only achieve that by having growth. We must grow by 5% a year. If we can do that, maybe within 5 years, we can achieve that level and we can be a member of OECD. I have been promoting the idea that Thailand should apply for the membership in OECD. Many people share the same goal of becoming a member of OECD and they also share the view that we need to grow by more than 5% a year. In order to achieve this, we really need to be more efficient in the production and trade of goods and services. We have to be more efficient in organising ourselves. And now that we have access to digital technology, we can do that. In fact, we can do that with very little assistance from the government. We can rely on technology to do that. That is my hope, a dream even.

Back in the 1990s, I made the statement about getting out of the middle-income trap. Even though at that time, we did not have digital technology, we still grew, at more than 5% a year. But then we had the major financial crisis in 1997 that knocked us down a lot, and we did not start to recover until 2001.

From 2001 to about 2006 or 2007, we grew by more than 5% a year. I think it was very good that we could get out of the so-called “middle-income trap” into the so-called “low high-income ranking.” At that time the benchmark country was Portugal. If we could reach Portugal’s per capita GDP, then it would be okay. That was my calculation. But then

from 2008 to 2014, we have had a series of political problems. When there was the coup d'état in 2014, I thought we had the chance to re-organise ourselves, but that was not the case.

Since then, governments have tried to push the boundary up. I think M.R. Pridiyathorn⁶ and Dr. Somkid⁷ were instrumental in getting Thailand back onto international map in terms of high growth economy by promoting the EEC project, re-organising the Board of Investment promotion scheme and other policies. So, we were about to take off again. Then, another political problem came. Dr. Somkid's team was removed from the government.

After that disruption, everything slowed down again. Then COVID-19 came and made the situation worse. So, to me, as a person monitoring Thailand's development over the last 50 years, I believe we missed the opportunity one after another but we should not give up. So, today, I am advocating again the membership of OECD and the effort to push for 5% growth. Basically, cost savings can be achieved through enhancing efficiency by using digital technology. At the same time, it also creates the opportunity for the majority of people to do whatever they want to do by themselves in order to create value. That would be my hope. But, alas, it may be too ambitious.

It is interesting to hear you mention about missed opportunities. In my discussion with Dr. Tej Bunnag for the book on Thai

Diplomacy, I also asked him about missed opportunities. So, in your experience, what do you think was the biggest missed opportunity?

It is a good question. A missed opportunity actually means cost. To be frank, the real cost to the country was how Thaksin managed his government and its policies. I was involved in a major way in the drafting of the 1997 Constitution. Together with Khun Anand Panyarachun, Dr. Prawase Wasi⁸ and many other people, we advocated that constitution. Thaksin was able to have a majority government because that constitution was designed to produce a majority, not a coalition, government, which would mean a strong and stable government.

But Thaksin, with his majority government, could have steered it to benefit the national interests, social and economic national interests, more than he did. I am not saying that he didn't do it at all. He did introduce some policies that would benefit the nation, such as the 30-baht health scheme, the One-Tambon-One-Product (OTOP) and so on. It was fine until the majority government was accused by some people of interfering with the autonomous agencies, especially on the appointments to these agencies, which were the significant elements of checks and balances under the 1997 Constitution. These problems led to street protests.

So, some opportunity was missed when, as a result of political unrest in 2006, there was a coup d'état. The 1997

constitution was abolished and the 2007 constitution gave more power to the military. Then again, the 2017 constitution gave power to the central authority rather than decentralised power to the local authorities. This is very much against the trend of technology, which could stimulate democratisation and de-bureaucratisation, allowing people to have the opportunity to do more things by themselves.

So, to answer your question, I think the missed opportunities were there. Now, the 2017 constitution, with its centralised power structure, is very much against today's trend of decentralisation. People want to be less and less controlled. They want more independence to do their own things. They think that they can take better care of themselves by using the new technology. It is difficult to change many things in Thailand, but we have to continue pushing.

I don't want us to end on a pessimistic note talking about missed opportunities. Are you optimistic about the future of our country?

Very good. I am glad you said that. Now, every day, I think about what will come next, partly because of my own interest and partly because I get invited to speak here and there about these issues. What I see as the new opportunities are very much related to the new geopolitics and new geo-economics. The new geopolitics has highlighted the strength of the East compared with the West. Otherwise,

they would not be so concerned about the current major-power rivalry. The new geo-economics has also shown that the East is now much wealthier than before, meaning that the East does not have to depend as much on the West as in the 1980s and the 1990s. So, I am now focusing on the so-called “The East.”

In my vision of the East, I pay most attention to East Asia, Southeast Asia, South Asia and the Middle East. I very much welcome the development in the Middle East these days. I visited Dubai just before COVID-19 in 2019. In my speech there, I shared with the audience my vision of the new Asia as I see it. I didn’t use the term “Middle East” anymore, but I called them “West Asia,” because “Middle East” is the Western term. And I can go on and on talking about the complementarity among these countries. In economic terms, we have to think of comparative advantage with complementarity. It is clear that today’s complementarity is due to the wealth that we have.

Before, we had little wealth and complementarity did not mean anything if there was no wealth to be complemented. It is obvious that now China is wealthier, Southeast Asia is wealthier, and India is increasingly wealthier. The Middle East is already quite wealthy, but some are still fighting among themselves, although less than before. In this new scenario, Thailand happens to be in the middle of this so-called “new development.” So, I am now advocating connection with India and with the Middle East. In Dubai

in 2019, I said that I was concerned that there was too much fighting going on in that region which would affect the chance of connecting the complementarity. But with the recent development of Saudi Arabia being friendly to Iran, and Syria joining the meeting with other Arab countries, I think we can now pay a lot more attention to the Middle East.

That is where the chance for us in the global reconfiguration lies. With the wealth and capability of Asia and with Thailand being friends with all religions and countries, we are in the most strategic position. We must exploit and utilise this strategic position. We don't give up on Europe. We don't give up on the US. However, we must pay more attention to Asia so that we can achieve the 5% growth rate that will help us reach our goal of becoming an OECD member in the near future.

NOTES

CHAPTER 1

¹ Bela Alexander Balassa (1928-1991) was a Hungarian economist and professor at Johns Hopkins University and a consultant for the World Bank. He is best known for his work on the relationship between purchasing power parity and cross-country productivity differences as well as on revealed comparative advantage.

² Anne Osborn Krueger is an American economist. She was the Chief Economist at the World Bank (1982-1986) as well as the First Deputy Managing Director of the International Monetary Fund (IMF) (2001-2006). She is currently the senior research professor of international economics at the Johns Hopkins School of Advanced International Studies.

³ Raúl Prebisch (1901-1986) was an Argentinian economist known for his contributions to structuralist economics and economic dependency theory. He was the Executive Secretary of the United Nations Economic Commission for Latin America and the Caribbean (1950-1963). Between 1964-1969, he served as the founding secretary-general of the United Nations Conference on Trade and Development (UNCTAD)

⁴ Vichitvong Na Pombhejara (1930-2018) received his Ph.D. from Harvard University in 1967. He worked as a lecturer at Chulalongkorn University before transferring to the Ministry of Industry where he worked on industrial economic policy. He was also a member of the National Assembly and a member of the Royal Society.

⁵ Seiji Naya (1932-2016) was for over 40 years in the faculty of the University of Hawaii (UH) teaching international economics and was involved extensively with Asian development. He served as a Rockefeller Foundation Visiting Professor at Thammasat University in the 1970s and chief economist of the Asian Development Bank (ADB) in the early 1980s. He retired as Distinguished Visiting Senior Fellow at the East-West Center (EWC) and Emeritus Professor at UH Manoa.

⁶ Amnuay Viravan (1932-2023) was a graduate in economics and business administration from University of Michigan, receiving a Ph.D. in 1958. He was a senior official in the Ministry of National Development and Ministry of Finance in the 1960s and 1970s. He was Permanent Secretary, Ministry of Finance (1975-1977) before joining the business sector. He later entered politics and served as Deputy Prime Minister (1992-1994, 1995-1997), Minister of Finance (1980-1981, 1996-1997) and Minister of Foreign Affairs (1996).

⁷ Boonchu Rojanasathien (1921-2007) was a well-known politician in the 1970 and 1980s. He joined M.R. Kukrit Pramoj in establishing Social Action Party in 1974, becoming its first secretary-general. He served as Minister of Finance (1975-1976) and Deputy Prime Minister (1980-1981, 1992-1994).

⁸ Staffan Linder (1931-2000) was a Swedish economist and conservative politician, who was Minister of Commerce and Industry (1976-1978, 1979-1981). He was a professor of international economics at the Stockholm School of Economics from 1974 onwards, becoming its President between 1986-1995. He is known for the “Linder hypothesis” which is an economic conjecture about international trade patterns:

the more similar the demand structures of countries, the more they will trade with one another.

⁹ Industrial Finance Corporation of Thailand (IFCT) was established in 1959 as a limited corporation whose purpose was to assist in the establishment, expansion or modernisation of private industrial enterprise. The IFCT provided finance in the form of medium term or long-term loans. It was dissolved in 2004.

¹⁰ Suthee Singhasaneh (1928–2013) received his Ph.D. from the University of Illinois at Urbana-Champaign. He served as Minister of Finance twice in 1986–1988 and 1991–1992. He was the architect of the legislation that set up the Thai Securities and Exchange Commission, as well as the liberalisation of gold imports.

¹¹ Chirayu Isarangkun Na Ayuthaya is a Thai economist, government and court official. He is currently a Privy Councillor. From 1976–1979, he was the dean of the Faculty of Economics at the National Institute of Development Administration (NIDA). He served as Minister of Industry (1985–1986) and Minister to the Prime Minister's Office (1986–1987). Between 1987–2018, he served as Director-General of the Crown Property Bureau. During the same period, he was also Grand Chamberlain and Lord Chamberlain of the Royal Household.

¹² Staporn Kavitanon (1940–2012) was an economist who worked at the Office of the Economic and Social Development Board between 1963–1984, when he moved to the Board of Investment (BOI). Between 1991–1992, he served as Secretary-General to the Prime Minister (Anand Punyarachun). He served as BOI Secretary-General from 1991–2000.

¹³ The National Economic and Social Development Board (NESDB) is a national economic planning agency of Thailand. It underwent a major revamp in 2018 and was officially renamed Office of the National Economic and Social Development Council (NESDC).

¹⁴ Pitak Intrawityanunt served as a senator and an advisor to Prime Minister Chatichai Choonhavan in 1989. He was appointed Deputy Minister of Foreign Affairs in 1996 and Minister attached to the Prime Minister's Office in 1997. In 2001 he became a party-list member of parliament and was appointed Deputy Prime Minister (2001-2005).

¹⁵ CLMV is a cooperative mechanism consisting of four member countries, namely, Cambodia, Lao PDR, Myanmar and Vietnam. It was created in 2003 to narrow development gaps and promote integration of the Mekong Sub-region and ASEAN. CLMV cooperates in six areas: trade and investment, agriculture, industry and energy, transportation, tourism, and human resource development.

¹⁶ Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) is an initiative to bridge the economic gap among the five member countries, namely, Thailand, Lao PDR, Cambodia, Myanmar and Vietnam.

¹⁷ Prachuab Chaiyasan (1944-2020) was a well-known politician who served as Minister in many governments. He was Deputy Minister of Commerce (1986-1988), Minister of Science and Technology (1988-1990), Minister of Public Health (1990), Minister of Agriculture and Cooperatives (1994-1995), Minister of Foreign Affairs (1996-1997), and Minister of University Affairs (1998-2000).

¹⁸ Supachai Panitchpakdi served as Deputy Minister of Finance (1988) and Deputy Prime Minister (1992-1995 and 1997-2000). In his second term as Deputy Prime Minister, he was also concurrently Minister of Commerce. From 2002-2005, he was Director-General of the World Trade Organization, and later, from 2005-2013, he served as Secretary-General of UNCTAD.

CHAPTER 2

¹ Zheng He (1371-1433) was a Chinese admiral, mariner, and explorer during the early Ming dynasty. He commanded seven expeditionary

voyages to Southeast Asia, South Asia, West Asia, and East Africa from 1405-1433. Among the Chinese diaspora in Southeast Asia, Zheng He became a figure of folk veneration. There are temples dedicated to him throughout Southeast Asia called after either of his names, Cheng Hoon or Sam Po.

² Wat Phananchong is an old Buddhist temple located at the confluence of the Chaophraya and the Pa Sak Rivers south of the old city of Ayutthaya. It was said to have been built in 1324. The main seated Buddha statue measures 14 metres at the lap and 19 metres in height. Thai people call the statue *Luang Pho To* or *Great Reverend Father*.

³ See, for example, *A History of the Thai-Chinese* by Jeffery Sng and Pimprapai Bisalputra (Editions Didier Millet, Singapore, 2015)

⁴ Kriangsak Chamanan, General, (1917-2003) served as Prime Minister of Thailand from 1977-1980. He became Prime Minister in 1977 after staging a successful coup. He was noted for the policy of improving relations with Thailand's neighbouring countries.

⁵ Snoh Unakul is a prominent economist who received his Ph.D. in Economics from Columbia University. He started his career at Ministry of Finance before moving to Office of the National Economic and Social Development Board where he became the Secretary-General in 1974. From 1975-1979, he served as Governor of Bank of Thailand. In 1991, he was appointed Deputy Prime Minister in the government of Prime Minister Anand Panyarachun.

⁶ Veerapong Ramangkul (1943-2021) was a respected economist who received a Ph.D. in Econometrics from the University of Pennsylvania. In 1972, he joined the Faculty of Economics at Chulalongkorn University and became Dean of the Faculty in 1976. He joined Thailand Development Research Institute in 1983. He served as an advisor to Prime Minister Prem Tinsulanonda between 1980-1988. He was also Minister of Finance (1990) and Deputy Prime Minister (1997).

⁷ Veerathai Santiprabhob is a well-known Thai economist who graduated with a degree in economics from Thammasat University at the age of 18 and received a Ph.D. in Economics from Harvard University at the age of 24. His thesis was “Financial Liberalization in Southeast Asia.” He worked at the IMF (1994-1997), Ministry of Finance (1997-2000), Siam Commercial Bank (2000-2008), and Stock Exchange of Thailand (2009-2013) before becoming Governor of the Bank of Thailand (2015-2020).

⁸ General Chavalit Yongchaiyudh was Thailand’s 22nd Prime Minister from 1996-1997. He was the Commander-in-Chief of the Royal Thai Army from 1986-1990 and concurrently the Supreme Commander of the Royal Thai Armed Forces from 1987-1990. After retiring in 1990, he founded the New Aspiration Party and was the Party’s leader until 2002. He served at various times as Deputy Prime Minister, Minister of Defence, Minister of Interior, Minister of Labour and Leader of the Opposition. His premiership was marked by the Asian financial crisis which was sparked by the Baht devaluation in July 1997.

⁹ Hartarto Sastrosoenarto was Indonesia’s Minister of Industry (1983-1993), Coordinating Minister for Industry and Trade (1993-1995), Coordinating Minister for Production and Distribution (1995-1998) and Coordinating Minister for Development Supervision and State Administrative Reform (1998).

¹⁰ PTT, which was originally known as Petroleum Authority of Thailand, was established as a state enterprise in December 1978. Following the privatisation in October 2001, it became PTT Public Company Limited.

¹¹ The Eastern Economic Corridor (EEC), officially the Eastern Special Development Zone, is a special economic zone of three provinces in eastern Thailand. It was established in January 2017 with the mission of promoting industrial growth and economic integration across Thailand’s eastern seaboard.

CHAPTER 3

¹ The Kansu Report was jointly sponsored by the UN Commission for Asia and the Far East, Food and Agriculture Organisation and the UN Conference on Trade and Development.

² Gunal Kansu was a Turkish diplomat who had been the Director, Department of Economy Planning, Turkey between 1966-1967 before moving to New York to work as an economist in the Department of Economic and Social Affairs of the United Nations. Between 1970-1972 he was Team Leader, UN Team on Asian Economy Cooperation in Bangkok.

³ UN Economic Commission for Asia and the Far East (ECAFE) was formed in 1947 with headquarters in Shanghai. In 1949, it relocated to Bangkok. In 1974, its name was changed to Economic and Social Commission for Asia and the Pacific (ESCAP).

⁴ The Basic Agreement on ASEAN Industrial Projects was signed by the foreign ministers of the five original members of ASEAN, namely Indonesia, Malaysia, the Philippines, Singapore and Thailand at Kuala Lumpur on 6 March 1980.

⁵ Task Force on ASEAN Co-operation, 1984-1985.

⁶ Sivawong Jungkasiri was Deputy Permanent Secretary, Ministry of Industry between 1980-1982 and 1988-1989. He was Director-General of the Development of Mainland Resources (1982-1988) and Permanent Secretary of the Ministry of Industry (1989-1996).

⁷ Vitthya Vejjajiva, *Nak Su, Anand* (Anand, the Fighter) (Bangkok, 2022), pp. 299-305.

⁸ Arifin Mohamed Siregar (1934-2019) was Governor of the Bank of Indonesia (1983-1988) and Minister of Trade (1988-1993). He later served as Ambassador of Indonesia to the United States (1993-1997).

⁹ Boediono was State Minister of National Development Planning (1998-1999), Minister of Finance (2001-2004), Coordinating Minister for Economic Affairs (2005-2008), Governor of the Bank of Indonesia (2008-2009), and Vice President of Indonesia (2009-2014).

¹⁰ Amaret Sila-On served as Minister of Commerce 4 times in various governments during 1990-1992.

¹¹ Rafidah Aziz served as Malaysia's Minister of Public Enterprises (1980-1987), Minister of Trade and Industry (1987-1990) and Minister of International Trade and Industry (1990-2008).

¹² Pachara Israsena na Ayudhya (1933-2012) was a senior official in the Ministry of Commerce. He was the Ministry's Permanent Secretary between 1986-1994.

¹³ Chatichai Choonhavan (1920-1998) was a Thai army general, diplomat and politician. He was Prime Minister between 1988-1991. He also served as Deputy Prime Minister (1986-1988), Minister of Industry (1976), and Minister of Foreign Affairs (1975-1976).

CHAPTER 4

¹ Pacific Trade and Development Conference (PAFTAD) is an informal private academic conference series that, since its origins in 1968, has developed into a driving force behind the development of thought on Pacific trade and development and important economic policy issues for the region. The ideas and discussions generated by PAFTAD have influenced other Asia-Pacific economic cooperation forums, such as the Asia-Pacific Economic Cooperation (APEC) and the Pacific Economic Cooperation Council (PECC).

² Harry Gordon Johnson (1923-1977) was a Canadian economist who specialised in the topics of international trade and international finance. He was Professor of Economics at the University of Chicago

(1959-1977) as well as Professor of Economics at the London School of Economics (1966-1974). He died prematurely from a stroke in 1977 at age 53.

³ Vinyu Vichit-vadakan is a Thai economist who worked at the National Economic Development Board (1962-1971). He then served as Acting Dean (1971-1972) and then Dean (1972-1973) of the Faculty of Economics, Thammasat University. After 1973, he worked for the United Nations Economic and Social Commission for the Asia and Pacific (ESCAP).

⁴ Saburo Okita (1914-1993) was a Japanese economist and politician. After World War II, he held numerous government positions, notably with the Economic Stabilization Board and the Economic Planning Agency. In 1964, he became the president of the Japan Center for Economic Research, and later served as its chairman (1973-1979). He served as Minister of Foreign Affairs (1979-1980). Subsequently, he also served as the international chair of the Pacific Economic Cooperation Council (PECC) (1986-1988).

⁵ Uthai Pimchaichon is a well-known Thai politician who served in several ministerial positions including Minister of Justice (1990-1991) and Minister of Commerce (1992-1995). He also served as Speaker of the House of Representatives twice in 1976 and 2001-2005.

⁶ M.R. Sukhumbhand Paribatra is a politician and member of the Democrat Party. He served as the 15th Governor of Bangkok between 2009-2016. He was also Deputy Minister of Foreign Affairs (1997-2001). Before entering politics, he worked as an associate professor at the Faculty of Political Science, Chulalongkorn University (1980-1996) and served as policy advisor to Prime Minister Chatichai Choonhavan from 1988 to 1989.

⁷ The Shibusawa Eiichi Memorial Foundation is a private foundation started in 1886 as a study group of Shibusawa Eiichi's protégés. Shibusawa Eiichi (1840-1931) was a leading figure in the development of Japan's modern society. He was involved in the founding of some

500 enterprises and economic organisations and some 600 organisations for social welfare, education, and international exchange.

⁸ Ichimura Shinichi is an economist specialising in economic development of Asian countries. He received his Ph.D. in Economics from the Massachusetts Institute of Technology (MIT) in 1953. He is now Professor Emeritus at Kyoto University and Osaka International University.

⁹ The *Nippon Keizai-dantai Rengōkai* (Keidanren) or the Japan Business Federation is an economic organisation founded in 2002 by amalgamation of Japan Federation of Economic Organisations (established 1946) and Japan Federation of Employers' Associations (established 1948). It has over 1,600 members consisting of companies, industrial associations and regional economic organisations. It is one of the three major private sector led business associations. The other two organisations are the Japan Chamber of Commerce and Industry and the Japan Association of Corporate Executives.

¹⁰ Sir John Grenfell Crawford (1910-1984) was an agricultural economist and a key architect of Australia's post-war growth. He held several senior positions in the civil service in the 1950s before moving to the Australian National University (ANU) in 1960. At the ANU, he served as Director of the Research School of Pacific (and Asian) Studies (1960-1967), Vice-Chancellor (1968-1973) and then Chancellor (1976-1984).

¹¹ Mark Joseph Carney is a Canadian economist and banker who served as Governor of the Bank of Canada (2008-2013) and Governor of the Bank of England (2013-2020). He has also served as the UN Special Envoy for Climate Action and Finance since 2020. He published the book *Value(s) Building a Better World for All* in 2021.

CHAPTER 5

¹ Chao Phraya Akka Maha Sena (personal name Bunnag)(1738-1805) was one of the two chiefs ministers, the “Kalahome” (or chief minister for

military affairs) during the reign of King Rama I. He came from a long line of senior officials during the Ayutthaya period. He married Nual, a sister of Queen Amarindra (Nak). His descendants continued to hold the high offices of state.

² Amphawa is a district of Samut Songkhram Province situated in the south of Bangkok.

³ Warner Max Corden (1927-2023) was an Australian economist. He was known for his work on the theory of trade protection. He was also active in the fields of international monetary systems and macroeconomic policies of developing countries. From 1977-1988, he was Professor of Economics at the Australian National University.

⁴ Greater Mekong Sub-region (GMS) is a trans-national region of the Mekong River basin comprising Cambodia, China (Yunnan Province and Guangxi Zhuang Autonomous Region), Lao PDR, Myanmar, Thailand, and Vietnam. It was launched in 1992 by the Asian Development Bank.

⁵ Noritada Morita was the Director-General of the Program Department, West (Southeast Asia Department), Asian Development Bank.

⁶ Pong Sarasin (1927-2021) served as Deputy Prime Minister in the Prem Tinsulanonda's cabinet (1986-1988) and Chatichai Choonhavan's cabinet (1988-1990). He represented Khon Kaen in parliament for 2 terms in the 1980s. Pong was the eldest son of former Prime Minister Pote Sarasin.

⁷ Wanchai Wattanasap served as Dean of the Faculty of Medicine (1982-1984) and President of Khon Kaen University (1992-1995). He was the first Director of the Mekong Institute (1995-1999).

⁸ Surakiart Sathirathai is a distinguished Harvard-trained legal expert. He was the first Thai to earn a doctorate in law from Harvard Law School. He served as Minister of Foreign Affairs between 2001-2005 and Deputy Prime Minister between 2005-2006. He was also Minister of Finance between 1995-1996.

CHAPTER 6

¹ Puey Ungphakorn (1916-1999) was a leading Thai economist who served as Governor of the Bank of Thailand (1959-1971), Dean of the Faculty of Economics (1964-1972) and Rector (1975-1976) of Thammasat University. He was the author of *From Womb to Tomb: The Quality of Life of a South-East Asian* which is among the most influential writings about social security and social welfare in Thailand.

² Kor Nor Sor (ก.น.ส.) is the abbreviation of the Thai name of the International Economic Policy Committee.

³ Alan Greenspan is an American economist who served as the 13th Chairman of the Federal Reserve (1987-2006). He also served as the Chairman of the Council of Economic Advisers (1974-1977) under President Gerald Ford.

⁴ Abhisit Vejjajiva is a Thai politician who was Prime Minister of Thailand from 2008 to 2011. He was the leader of the Democrat Party (2005-2019). He served as Leader of the Opposition twice from 2005 to 2008 and from 2011 to 2013. He also served as Minister to the Office of the Prime Minister under Chuan Leekpai from 1997 to 2001.

⁵ China Institute of International Studies (CIIS) is a professional research institute directly administered by the Ministry of Foreign Affairs of the People's Republic of China. The Institute focuses on global political and economic issues.

⁶ Mom Rajawongse Pridiyathorn Devakula is a well-known economist who served as Governor of the Bank of Thailand from 2001 to 2006. In 2006-2007, he served as Deputy Prime Minister and Minister of Finance. He again served as Deputy Prime Minister between 2014-2015.

⁷ Somkid Jatusripitak is an economist and a politician who served in various positions under several government. He served as Deputy Prime Minister 4 times in 2001-2002, 2003-2004, 2005-2006, and 2015-2020.

He was Minister of Finance twice in 2001-2003 and 2004-2005. He also served as Minister of Commerce between 2005-2006. He is a strong supporter of the concept of “Nation Branding.”

⁸ Prawase Wasi, who is a medical doctor by profession, is regarded as a highly influential public intellectual. His works range from thalassemia-related research and helping develop Thailand’s healthcare systems to initiating and backing the 1997 constitution. He received the Ramon Magsaysay Award for government service in 1981.

GLOBAL THAILAND:**In Conversation with NARONGCHAI AKRASANEE**

Interviewed & Edited by ANUSON CHINVANNO

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