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Speech by H.E. Dr. Surakiart Sathirathai Minister of Foreign Affairs of Thailand At the LSE Asia Forum 2004 Bangkok, 18 March 2004

Your Excellency Mr. Tanin Kraivixien, Privy Councillor and Honorary Chair of the LSE Asia Forum 2004,

Sir Howard Davies, Director of the London School of Economics and Political Science, Excellencies,

Distinguished Guests, Ladies and Gentlemen,

I wish to thank Professor Henrietta Moore for the kind words of introduction. For the record, Sir Howard may wish to know that I had the privilege to listen to his speech at the LSE last December before he has the chance to listen to mine this morning.

I certainly trace my association with the LSE to the years when I studied in the international economic field at the Fletcher School of Law and Diplomacy and when as a S.J.D. student in international economic law at Harvard Law School. For my studies, the writings and intellectual thinking of reputable LSE professors in these disciplines have made a lasting impression to the extent that I supported my son's decision to undertake both his undergraduate and graduate degrees at the LSE.

It gives me great pleasure to address this distinguished gathering. The London School of Economics is renowned world-wide for producing key policy makers whose role and thinking have contributed to economic and political development in Asian countries and beyond. We look to the LSE alumni in making the LSE education come to life. We look to its alumni in Asia to "crack the value code" of building economic and business synergies within Asia and beyond.

It was two years ago in January 2002 when I gave a talk at the London School of Economics on Thailand's initiative of Asia Cooperation Dialogue or ACD as a step forward in regional cooperation. Within six months of that talk, the ACD was launched in Thailand in June 2002. Two years on, I deem it timely and appropriate that Thailand is host to the LSE Asia Forum 2004, held for the first time in Asia. This

coincides with the third ACD Foreign Ministers' meeting to be held in Qingdao, China, this June.

His Excellency Prime Minister Thaksin, in his opening remarks, has clearly underscored the dynamism of Asia and the development of ACD. I wish to share with you Thailand's vision of Asia's economic future and what Asia holds for the global economy.

Distinguished Guests,

For centuries, Asia has been responsible for its own impediments to development. We have been competing against each other to our own disadvantage. We have failed to utilize Asia's indigenous and inner strengths in building mutual prosperity. The Asian financial crisis of 1997 was a wake up call to put aside our differences and forge cooperation to effectively respond to the complexities and emerging realities of globalization.

We need to manage and determine our own destiny for our future generation. No one can

underestimate the enormous wealth and assets of Asia. Its people account for over 60 percent of the world's population. Asian exports constitute over one third of total world trade. Asian international reserves account for over 75 percent of the total international reserves of all developing countries. The emergence of a prosperous China and India, and the strong economic performance of other Asian economies have made it timely for Asia to pursue new undertakings and forge new partnerships to enhance our competitiveness.

The emergence of a new Asia is already in the making. Asia is now experiencing positive transformation and increased dynamism. The continent is taking the path towards an Asian economic community. Guided by our rich heritage, culture and civilization as bequeathed to us by our forefathers, we are reinventing and rebuilding our Asian economies.

I envisage Asia as a major engine of global economic growth. I envisage Asia as a pillar of the multilateral trading system. I envisage Asia as a significant builder of the international financial architecture. I envisage the business community in Asia as a propeller for ensuring regional and international prosperity.

Distinguished Guests,

There are currently two parallel routes to building an Asian economic community. The first route is the ACD whose cobweb of functional cooperation can be regarded as an embryo of an Asian economic community. The second route is the move towards an ASEAN Community and its eventual economic integration with China, Japan, and Korea for an East Asian economic community. Both processes may be described as evolving along the line of functional cooperation model similar to EU's evolution. In both processes, the ASEAN and East Asian economies are core players in strengthening the ACD core values of enhancing Asia-wide prosperity.

The Asia Cooperation Dialogue or ACD represents a new paradigm of cooperation. The ACD serves to fill in the missing linkages to intra-Asian cooperation. Within less than two years of its creation, the ACD now comprises 22 countries, covering the entire geographical scope of Asia. The enlargement process is still on-going. There are as many as 18 ACD functional cooperation projects ranging from key issues of poverty alleviation to SMEs, E-commerce to energy security, and tourism to financial cooperation. We believe that a strong and more prosperous Asia will make the continent a better trading and investment partner for the rest of the world.

Asia-wide economic cooperation is complemented by initiatives towards the establishment of an ASEAN and East Asian Community, comprising three main pillars of security, economic and socio-cultural dimensions. ASEAN's cooperation with East Asia has made tangible progress towards the formation of an East Asian Community. This is evident in the signing of a comprehensive economic partnership between ASEAN-China, and ASEAN-Japan. The Republic of Korea has begun working towards a similar agreement. The successful conclusion of these economic partnerships would lay the foundation towards the formation of an East Asia free trade area, the largest in the world.

Thailand is navigating the two parallel routes to promoting strategic partnerships and economic synergies for Asia-wide cooperation, based on four key approaches as follows:

- building strategic bilateral and sub-regional trade arrangements,
- enhancing economic integration,
- linking transportation networks,
- creating a new financial architecture in Asia.

First, in addition to the free trade arrangements within East Asia, the Southeast Asian and South Asian economic development has been linked by the recent free trade agreement signed between Myanmar and Thailand on one side, and Bhutan, India, Nepal, Sri Lanka, with Bangladesh later this year, on the other side, all within the framework of BIMST-EC cooperation. ASEAN and India have also signed a framework agreement on comprehensive economic cooperation. Thailand is the first country in Southeast Asia to have an FTA with India. Thailand is also the first country in Southeast Asia to sign a bilateral FTA with China under the AASEAN-China Framework. During my visit to the Gulf States, I suggested that the Foreign Ministers of ASEAN and the Gulf Cooperation Council or GCC should meet to enhance our linkages. These developments augur well towards greater trade flows in Asia.

Secondly, the aspiration for an ASEAN and East Asian economic community cannot be realized without empowering the economies in the Mekong Sub-region. With Thailand representing as much as 91 percent of all the GDP of Thailand, Myanmar, Laos, and Cambodia combined, we believe that the principle of "Prosper thy neighbour" for our immediate neighbours in ASEAN is imperative.

Upon the initiative of Prime Minister Thaksin, strategic economic cooperation amongst these countries materialized known as ACMECS which stands for Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy, bearing the names of the three major rivers running through the four countries. Projects in five areas of cooperation have been identified which, in turn, shall complement and enhance existing bilateral and regional economic cooperation. A number of European and other developed partners have expressed interest in participating in these projects.

Thirdly, as experienced in Europe, good transportation network serves to generate trade and development. Thailand is strengthening its position as a transportation hub by land, sea, and air, making Thailand the land-bridge between South Asia and East Asia as well as between China and Southeast Asia. These "roads of opportunities", which may be described as the new silk routes of the twenty-first century, together with open sky initiatives within ASEAN and beyond will open up opportunities for more trade, investment, services and tourism.

Fourthly, Prime Minister Thaksin has often cited that Asia lacks the instruments through which we can utilize our capital to create enough of our own wealth. The development of an Asian Bond market serves as a financial instrument to break the vicious cycle underlying the liquidity problem. The first Asian Bond Fund was created in 2003 within the framework of the Executives' Meeting of East Asia and Pacific Central Banks and Monetary Authorities. It received strong political support from the 18 members of the Asia Cooperation Dialogue (ACD) as reflected in the Chiang Mai Declaration on Asian Bond Market Development adopted by ACD Foreign Ministers last June. The Asian Bond Market Development Initiative (ABMI) will be pursued further within the framework of the ACD itself. As prime mover on financial cooperation, Thailand will host the first meeting of ACD Finance Ministers this May to extensively discuss three major components of ABMI, namely the demand, supply, and infrastructure. We will discuss how the Fund can be professionally managed, whether we should start with sovereign and quasi-sovereign bonds, how we can launch an ACD Bond Fund in Asian denominated currencies, and how we can develop the supply side of the bond market. The Thai Cabinet has approved the establishment of a national secretariat to coordinate our work on Asian Bond Market Development among the 22 ACD countries.

As the Asian bond market is being developed, both the private and public sectors from countries beyond Asia are encouraged to participate in these financial opportunities. The leadership of Europe and Asia agreed to work towards the potential of linking the Asian and Euro Bonds under the ASEM framework. Next month, at the ASEM Ministerial Meeting in Dublin, the linkages between the Asian and Euro bonds will be on the agenda. Asian bonds provide alternative investment that would contribute to international financial stability. Such cooperation would allow Asian countries to diversify their savings and investments on a single international currency and help promote the internationalization of the euro in the Asian region.

Distinguished Guests,

I envisage Asia as a key polar of the global community. I look to the LSE to doing justice to Asia's strength, potentials, and size, both economically and politically, including Asia's significance in the cultural and security fields.

The LSE is an international center for grooming potential leaders, intellectuals and academics world-wide. Substantial number of Asian students attend the LSE. We need to nurture the existing close links between the LSE and the region. Your presence at this Forum upon the initiative of the LSE provides a unique opportunity to exchange views and ideas on how to strengthen Asia and realize the vision of building a peaceful and prosperous Asia that will contribute to the maintenance of international stability and prosperity for this generation and beyond.

Thank you.

25 March 2004