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at the second Convention of the  
International Bottled Water Association (Asia Chapter)  
at Shangrila Hotel, Bangkok  
August 26, 1994**

The world in which we live in 1994 is a vastly different place from the one that existed in past decades. Fundamental changes have occurred at frequent intervals and have made such a positive impact on the global and regional scenes.

The resumption of the people's Republic of China's representation in the UN in 1972 was the beginning of the process. Recognition of China's existence and its role in international and regional affairs has brought about geo-political developments which undermined the almost monopolistic status of the two super-powers; namely, the United State of America and the Soviet Union. The momentum for change subsequently accelerated and a series of adjustments, political and economic, followed in such substantive and rapid manner that none of us could have envisaged or foreseen.

The collapse of the Berlin Wall, The reunification of the two Germanys, the breakup of the Soviet Empire and the market reform measures in Eastern Europe were truly momentous events in Europe that practically spelled the end of the Cold War.

On the East Asian side of the world, conflicts gradually receded into the background. China began its second long march towards market economy and, hopefully, political reform. Japan, a long-recognized economic giant, slowly assumed its rightful role as a major power in global affairs. There also emerged the four little tigers in East Asia which are on their way to becoming formidable players in international trading systems. The countries of East and Southeast Asia have been at the forefront in this unprecedented global economic change.

The rapidly growing economies of East and Southeast Asia have expanded over the past several decades at rates considerably greater than the advanced western industrialized countries. Since 1960, these economies have grown more than twice as fast as the rest of Asia, roughly three times as fast as Latin America and South Asia, and five times faster than Sub-Saharan Africa. They also significantly out – performed the industrial economies and the oil-rich Middle East-North Africa region.

Thailand has been one of the leaders, even within this highly competitive group of economies, and it has a useful part to play in encouraging and participating in the development process for the rest of Southeast Asian mainland. Vietnam, with a population of 70 million people, is also committed to market-oriented economy, while still trying to retain its political structure. Myanmar, with a population of over 40 million, has already, albeit slowly, begun to come out of its

shell and set up constructive dialogues with the neighboring countries, particularly in the trade and investment areas. Cambodia and Laos, much smaller in population and in their potentials, are likewise following the same path.

Curiously, it is generally agreed that, for some time now, it has been primarily market forces that have discovered and exploited the dynamic commercial opportunities of East Asia. Accordingly, it is the market forces that have accelerated economic development of East Asia countries, increased their economic weight in world trade and investments and driven them at a rapid pace toward greater economic integration. The governments of the successful countries in the region, especially those in southeast Asia, have played a supportive role, first of all by adopting prudent macro-economic policies, and secondly by creating an institutional framework in which markets can operate freely and efficiently, with minimal distortion and influences from government control and regulations.

The growth experience of Asian Pacific countries has led the rest of the world. If one takes China, East and Southeast Asia together as a group, these economies, at the current growth rates, could become as large as Western Europe in eleven years. Fifteen years after that, they would become as large as NAFTA. If purchasing power parity adjustments were made, the time frame would be even shorter.

It should be noted as well that the region as a whole also expanded its trade with the rest of the world in a balanced manner. This is especially obvious if Japan's anomalous trade surplus situation is excluded from the calculations.

It has been, however, the acceleration of intra-Pacific trade which has attracted the most attention. The share of intra-Asia-Pacific trade in world totals increased from 19% to 29% between 1980 and 1991. What this means is that nearly 70% of all Asia Pacific trade is with fellow Pacific nations. In dollar terms, intra-Asia-Pacific trade has already surpassed intra-EU trade.

The World Bank recently explained the phenomenal economic success of China, East and Southeast Asia as being due mainly to their pragmatic and "market friendly policies." In particular, macro economic stability, investment in people and outward orientation were the common attributes of their economic success. Deliberate intergovernmental efforts to promote a regional economic integration are very low in the list of explanations of what has happened. While ASEAN governments have conscientiously made efforts to promote economic cooperation, the latest one being the formation of ASEAN Free Trade Area (AFTA), their endeavours nonetheless lagged far behind economic forces generated by the market. The momentum of the market forces will continue unabated and will have far-reaching implications for the opening up of markets, deregulation and decontrol, as well as competition.

The search for a new paradigm of international conduct is as likely as not to be piecemeal, by trial and error, region by region.

The search for a new international economic and political order finds expression in East Asia and the Pacific as well. It is repeated often that this region includes some of the most dynamic economies in the world today, and that trade across the Pacific has far outstripped Atlantic trade. In Southeast Asia, entrepreneurial skills, openness to foreign investment and export-driven economy have enabled ASEAN members to achieve some of the fastest growth rates in the world since the mid-1980s. The current decade will, however, force ASEAN countries to graduate from labour-intensive and resource-based economy to knowledge-intensive, high-tech and service industries. Whether they are equipped to move up the ladder depends on how good their educational systems are. Human resource development, mobilization of capital and infrastructure investments are priority features for the coming decade. International focus on the environment and sustainable development will bring to the fore new costs as well as new opportunities for business.

The growth in ASEAN countries can expect an even further boost from the successful conclusion of the Uruguay Round of GATT and the growing number of complementary economic integrative arrangements at different levels. The global regime and regional frameworks must, however, be harmonized. The World Trade Organization, despite some possible difficulties at first, will likely be a powerful force for global free trade and economic cooperation. At the regional level, Asia Pacific Economic Cooperation, or APEC, is hard at work finding ways to sustain development and growth as well as bridge the gap between its richer and poorer members. The ASEAN Free Trade Area, or AFTA, promises to take advantage of regional complementarities by dismantling trade barriers among the ASEAN members. There are also good prospects for the emergence of sub-regional growth circles of adjacent areas straddling over national boundaries. It is, however, too soon to say with real conviction that we are at the dawn of a "borderless economy" era.

The globalization of trade, however, finds no parallel when it comes to security. There is no effective organizational authority to build or maintain a stable regional and international political order. Crises such as Bosnia, Somalia and Rwanda only point out how ineffectual even well-established organizations such as NATO and the United Nations can be in the face of post-Cold War upheaval. International organizations, I am afraid, are effective only insofar as their members wish and make them so.

The big question mark in the Asia Pacific area, insofar as security is concerned, must be the Korean peninsula. Current talks between the U.S. and North Korea have considerably reduced tension in the area and we must be hopeful that they move forward steadily towards mutually acceptable arrangement.

The security question is a pressing one for East Asia. All the economic accomplishments of the region, and the vast potential that remains to be tapped, would be for nought without a stable political order to underpin it. Although East Asia has never had the benefit of the regional security arrangement along the lines of NATO, efforts are underway to develop a new model of security cooperation in the region. The ASEAN Regional Forum, convening for the first time in Bangkok at the end of July, brought together the

ASEAN countries, their dialogue partners, and concerned parties for a series of bull sessions on common security concerns, as interpreted in much wider context than in the past. The trust and confidence built through this kind of ongoing dialogue will, with any luck, allow us to worry less about defense buildups and expend more to improve the lives of our peoples.

Granted, Asia has its share of problems, but let me tell you why I remain optimistic despite these developments.

First I believe that the absence today of a formal regional security framework in East Asia can be worked around. While the region continues to grow, there is little danger of outright conflict. In the meantime, the ASEAN regional forum, and perhaps other similar fora, will evolve and put in place trust-building measures to which all parties can subscribe.

Second, I believe that the obstacles to regional peace and stability can be managed, given greater empathy and interdependence among the countries concerned. I see three categories of challenges facing Asia in the decade ahead: domestic, regional and extra-regional.

The first challenge lies in how governments juggle pressures for political and economic reform. The question of reform is a thorny one, particularly for the governments concerned. We should not realistically expect countries with long traditions of authoritarian rule to convert into full-fledged Western-style democracies overnight. The example of the former Soviet Union has made reformers in Asia wary of proceeding too quickly on the road to liberalism. For some countries, such as China and Vietnam, the dilemma seems to be how to liberalize the economy while maintaining a steady grip on political power in order to ensure the country's political stability and ethnic harmony. With their growing prosperity, these countries may become even less receptive to prodding by foreign governments on what are arguably domestic matters. This is not to say that democracy is a hopeless cause. As we have seen in South Korea, Taiwan and Thailand, affluence, through expanding middle class, can generate its own pressure for political reform.

The second domestic challenge is the issue of political succession. The death of Kim IL Sung has left the future of the Korean peninsula an open question. Since North Korea was not the only tightly-controlled regime in Asia, we can also expect similar questions of political transition to arise in China and Vietnam, especially in combination with increasing pressures for structural reform.

At the regional level, danger of another sort lurks. Disputes over territory and natural resources have the potential to flare up and escalate if left untended. Dialogue is one way to prevent such conflicts from breaking out. But dialogue without interdependence is likely to produce little more than words. When there is interdependence, grievous conflict is automatically ruled out, for harming the other is tantamount to harming oneself. The increased economic interaction among the Asia-Pacific countries will, therefore, diminish the likelihood of armed

conflict. The disputes themselves may linger, but compromise will tend to be the order of the day.

Last, but certainly not least, is the extra-regional challenge. The single most influential stabilizing factor in Asia-Pacific since the second World War has been the regional presence of the United States. Like a benevolent big brother, the US made it possible for its allies in the region to thrive and prosper by engaging in collective defence, dispensing its aid programmes and granting proportionately greater access to its market.

The strategic rationale for this generosity disappeared with the end of the Cold War. America's relations with its Asian partners have become more businesslike, as Washington attempts to gain better access to their markets and stave off foreign competition in its own. The heavy-handed tactics employed, and the loud and harsh words accompanying them, are replacing the perception of America as a benevolent big brother with an altogether different image.

Uncomfortable as these tactics make them, Asians generally still welcome America's engagement in Asia. But the quality of this relationship depends on whether Washington will continue to follow its policy of strident evangelism towards its Asian partners. There are occasions that call for this sort of approach, but dealing with friends is not one of them. Human rights, labour rights, environmental protection, and free trade are all worthy causes. But surely, they do not necessarily take precedence over regional peace and stability. Nor can they replace development and national cohesion and harmony. Very often they demand trade-offs, and priorities must be set. There is a sense that the United States is more interested in shaping Asia in its own image than in accepting Asia on its own terms. If the US continues to want its cake and eat it, too, its Asian partners may find it increasingly difficult to respond. Fortunately, senior US policy makers are now beginning to recognize this shortcoming in US policy, and the coming years should see less US rigidity and righteousness, resulting in improvement in US relations with East Asia.

President Clinton said that democracies do not make war on one another. I might add that countries whose economies are interdependent and growing in step with one another also have little reason to wage war. Before we can begin to share the same values, we must share the same interests. The next decade will be one in which Asia and the Pacific build these commonalities, through formal cooperative frameworks and through their own development processes. We may encounter some speed bumps on the road ahead, but we can look forward to an exciting ride.