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The world in which we live in 1994 is a vastly different place from the one that existed in recent 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 superpowers; namely, the United States 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 re-unification 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 outperformed 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 inter-governmental 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.

In the uncertain post-Cold War era, it is impossible to predict with any confidence what the next decade holds in store. The recent G-7 summit in Naples, insofar as it discussed political matters, only under-scored the elusiveness of the New World order we had hoped for. The turmoil in the former Soviet bloc shows no sign of abating. The industrial countries, led by the United States, have yet to agree on how best to maintain peace, stability and development, not only in Europe, but throughout the world.

Such tentativeness is to be expected in any fledgling world order. The search for a new paradigm of international conduct is as likely as not to be piece-meal, 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 "border-less 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. In recent months, North Korea's nuclear ambitions and her policy directions towards South Korea and the United States have received world-wide attention and generated intense debate among the countries directly concerned. No definitive conclusions emanated from the process of assessment and analysis. At best, the conclusions are still within the realm of conjecture and speculations.

Before the unexpected and sudden passing away of Kim Il Sung, the North Korean "respected leader," some of us and the specialists of North Korean politics, thought that at least they were dealing with the "devil" they knew. But, did we really know him? We knew him from his style of dictatorial rule and his iron grip over the life and soul of his people. Nonetheless, could we have anticipated the apparently spontaneous and unorganized outpouring of extreme grief and respect of the North Korean people? Somehow, the old man must be larger than life itself. If his "stability" was questioned periodically in the past, his people certainly did not seem to share that view. There appeared to be a genuine rapport and special relationship between their "great" leader and the subjugated citizens. Yes, it would have been perhaps easier and more fruitful to deal with the "devil" we knew rather than with the "devil" we don't - as represented by his son and successor, Kim Jong Il.

So while the possibility of a nuclear confrontation has been reduced or postponed for the time being, the negotiating process on nuclear issues between North Korea and the United States on the one hand, and between North and South Korea on reunification on the other, must now seem to be more arduous and complex than when the old man was still alive and in complete control.

What the future holds for the parallel negotiations remains mysterious and uncertain. Let's hope that all sides concerned demonstrate common sense, calmness, objectivity and statesmanship. We cannot afford any bellicose statements, belligerent attitudes and chauvinistic policies. Most of all, we need to resort to a more quiet diplomacy and discreet negotiating process.

The stake is too high and we must succeed in this common endeavor, or else the "Pacific" era which has come so close to reality will remain just a dream and our people will once again be condemned to another decade or more of devastation and instability.

Surely, we do not deserve it, and America does not need it.

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 under-pin it. Although East Asia has never had the benefit of a 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, will bring 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 on-going dialogue will, with any luck, allow us to worry less about defense build-ups and expend more to improve the lives of our people.

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 inter-dependence 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 over-night. 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 inter-dependence is likely to produce little more than words. When there is inter-dependence, grievous conflict is automatically ruled out, for harming the other is tantamount to harming oneself. The increased economic inter-action 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 defense, 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. 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 has said that democracies do not make war on one another. I might add that countries whose economies are inter-dependent 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!