

**Towards An ASEAN Common Market -  
Thailand's Perception: The Private Sector View  
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The title of the talk assigned to me today is "Thailand's Perception: The Private Sector View". In accepting the honour of representing the Thai private sector, I must, however, forewarn all of you here, that it is perhaps a little presumption to attempt to speak on the subject. The Thai private sector, like any other, is an unwieldy group of disparate interests. It would be foolhardy for anyone to arrogate to himself the right to speak for the sector as a whole. At best, one can only try to review the situation objectively, and provide an assessment based on one's own perception. It is only within this context, that I stand here before you to speak on the subject at this conference.

Let me first of all begin by describing how we in the private sector in Thailand feel about ASEAN. After over twenty years of existence, ASEAN has emerged as a distinct regional entity. Its main function, as a regional organization has been to bring, initially, the five member nations, and now six, to cooperate and work together in several areas. In this regard, we have been told frequently by our own governments, of the success we achieved in political cooperation. So much so that some cynics in Thailand have begun to call ASEAN a one-issue organization. We know that ASEAN governments, in developing a common position, and operating as a group, have gained more leverage in dealing with major economic powers on trade and business matters. This, however, does not mean that we are necessarily successful in our negotiations with them. What it does mean is that we stand a better chance and, therefore, this is a preferable option.

At the people-to-people level, we have, through ASEAN, gotten to know one another better. We may or may not like one another more, but we are no longer strangers to each other. We have gradually acquired a sense of ASEAN identity - which, I hope, will eventually lead to a true sense of ASEAN partnership.

All in all, ASEAN has become an integral part of our National policies and thinking. The fact remains that the cooperation generated by ASEAN, or within the framework of ASEAN, has been predominantly in the domain of member governments. Inter-governmental cooperation, multi-lateral or otherwise, has taken the forefront. Private sector business cooperation, in spite of their past initiatives in formulating the ASEAN industrial complementation schemes (AICS) and the ASEAN industrial joint ventures (AIJV), has hardly taken off the ground. The efforts and time expended by the ASEAN private sector through the ASEANCCI, on these projects have produced only a few tangible results.

ASEAN endeavours to increase intra-ASEAN trade have focused primarily on providing member states with preferential access to each other's markets. The Agreement on ASEAN Preferential Trading Arrangements (PTA), signed in 1977, has become the basis for the system. With subsequent adjustments and the adoption of across-the-board tariff reductions on non-sensitive items the number of products to be traded under the PTA has indeed become impressive. Because of some loopholes - which I need not elaborate - the actual economic impact on intra-ASEAN trade has been rather limited. Efforts to inject some vitality into the PTA continue to be made, but a more radical approach may be required, to attain a meaningful expansion of intra-ASEAN trade.

It is, therefore, no exaggeration to state here that the Thai private sector, with the exception of some incorrigible optimists or idealists, of which I am one, has become frustrated and disenchanted with ASEAN economic cooperation.

In all honesty, if ASEAN capitals had not offered the traditionally friendly hospitality and a fair degree of extra-curricular incentives, the ASEANCCI meetings in the last few years or, for that matter, in the future, would attract only the hard-core idealists and functionaries.

I say all this, not with a view to denigrating ASEAN and its achievements in some areas. Rather, my objective is to serve notice to my own government and other ASEAN governments, that time is long overdue for placing strategic planning and action programmed for ASEAN economic cooperation, above all other forms of inter-regional cooperation. Something must be done to revive the interests of our private sector. Something needs to be done to involve the private sector in mapping out the future direction of ASEAN and in enlisting their active participation in future ASEAN economic cooperation.

Obviously, the path to greater and more meaningful economic cooperation among ASEAN is still strewn with obstacles, real and imaginary. Some will be very difficult to surmount. Political will is required. Where there has been a lack of political will in the past, the present-day economic necessity may give an impetus to the generation of that political will.

The past few years have not been kind to the ASEAN economies. The rapid growth rate of National economies, experienced by all ASEAN countries in the sixties and seventies, is no longer the order of the day. The eighties have witnessed many negative trends, namely, the plunge in oil price, the slump of commodity prices, agricultural subsidies, raging protection mood and measures, slow-down of global economy, volatility of exchange rates, high interest rates and unemployment in industrialized countries. All these factors, together with external debt burden, have contributed to the present unhealthy state of ASEAN economies.

While each ASEAN country is adopting and implementing its own National strategy

to cope with the recession - with varying degrees of success; more attention is being directed at the ASEAN internal market. In the past, ASEAN cooperation, in so far as it dealt with resource pooling, has evoked relatively positive response from member countries. However, in terms of market sharing, we have not been equal to our tasks. Each member state has its own philosophical approach and hang-ups that need to be taken care of. They must first all agree on the adoption of a market-oriented approach.

Under the present circumstances, Thailand has adopted an export-led growth strategy. This strategy pre-supposes three important elements:

1. Productivity and diversification
2. Competitiveness
3. Investment

What are the implications for such a strategy? As I see it, technical know-how and foreign capital are needed. Promotion of the free enterprise system must be pursued through market-forces and price mechanisms. There will be discernable decrease in governmental protection of inefficient industries and businesses. Competitiveness of its own industries must be achieved by management control of the production cost. Improvement of the International division of labour needs to be made within the region. Tariffs must be gradual reduced. There is also a need to find markets - one large ASEAN? market (rather than six separate ASEAN markets) to attract from overseas projects which are capital intensive or require economics of scale in production.

It is perhaps too premature for me to say right now whether we should aim at an ASEAN common market. The term implies free movement of goods and factors of production including labour and capital. Perhaps this could be the ultimate aim of ASEAN. Before proceeding to such exalted height, we may initially have to aim at a less ambitious and more practical objective, namely an ASEAN model of a free trade area which would gradually, and progressively, reduce and eventually abolish, within a fixed time-frame, tariffs of all goods of ASEAN origin among member countries. Each party may, however, have its own separate tariffs vis-a-vis the outside World.

Taking into account the varying stages of development and different nature of ASEAN National economies and tariff regimes, an ASEAN model, while adhering to the basic principle underlying the establishment of a free trade area, may not take-off at the same time for all ASEAN countries. To start with, there may be a nucleus of three or four members. Then the other member states may opt to accede to the programme, at a time agreed to be appropriate. The basic agreement and action programme nevertheless should be as far as possible reached by consensus.

It is often said by potential investors that the lack of an “ASEAN common market” is the single most disincentive to large-scale foreign investment in the area. To make our region more attractive to all investors, including ASEAN Nationals, we therefore need to provide them with a larger ASEAN market.

It is my understanding, that each ASEAN government is in the process of holding consultations with its private sector. Naturally, the private sector does not and will not have a uniform position. Its views and observations will merely provide an important input for the consideration of its government. In the final analysis, it is the individual member government which will judge the merits and demerits of the case and adopt its own policy which will serve the overall and long-term interests of the Member State as well as those of the ASEAN Nations.

In this exercise, the governments will have to take a leading and decisive role in charting the future course of ASEAN economic cooperation. There must be political commitment given by all ASEAN governments to a defined future direction. Or else, ASEAN as a regional organization, will become less and less relevant to the activities of the ASEAN private sector. In such event, ASEAN is likely to be of peripheral interest to the private sector and may well pass into oblivion - a fate that I, for one, am most reluctant to see.