

Towards Recovery: A Time of Renewal and Partnership
Speech by H.E. Mr. Anand Panyarachun
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It is a great pleasure and honor for me to have the opportunity to address this joint meeting of the Thai-U.S. and U.S.-Thai Business Council. Looking around the room, I am delighted to be amongst friends and colleagues, for, if anything, it reminds us of the important role of the Council, or to be more precise, the two councils, have played in serving as a bridge linking not only our business communities but the peoples of our two countries in ever stronger ties of friendship and partnership.

Of course, these days the word partnership has become an all-too-familiar cliché-used and abused so frequently that it has come to have a hollow meaning. But I believe that for our two countries, although very much different in terms of history, size, power and level of development, our partnership has been one of the most enduring legacies of our long-standing relationship.

Certainly, it is not difficult to recall the many instances in the past in which our two countries have gone through thick and thin together, be it the Korean war, the Vietnam conflict and even our small but all-important role in the Gulf War. More recently, we have worked to bring peace, stability and freedom back to Cambodia and to strengthen the foundation of a peaceful, stable and prosperous regional order in Southeast Asia and in Asia and the Pacific as a whole. And, importantly, we both share a commitment to the cause of democracy, free enterprise and economic liberalization.

Indeed, our partnership has been subjected to the test of both good times and bad times. And so I, for one, see the current economic crisis we are going through not only as a challenge but, moreover, as an opportunity for our two countries to reinvigorate our partnership - not only to make it stronger but also to make it relevant to the demands of changing times in which nations and economics are interacting and integrating ever more closely.

No doubt, only those who are foolhardy would still cling to the notion that this is an Asian or East Asian economic crisis. Its implications for the global economy is all too evident. Its impact has certainly gone beyond the realm of economics, as we all have witnessed from the events that have transpired whether in this region or beyond.

Already, much has been said and much has been written about the crisis. I am sure that we will have to leave it to historians and economists to have the final say. I am also sure that all of you have already been bombarded with the latest facts and figures regarding current economic developments in Thailand and in

the region. With so much information and literature available, it is not easy to distinguish between real analyses and mere conjectures, and between myths and realities.

To be sure, the crisis is a complex phenomenon in which many diverse factors come into play and certainly does not lend itself to sweeping generalizations. Some have cast the blame on too rapid economic liberalization. Others have pointed an accusing finger at the problem of so-called crony capitalism. While many others have placed the responsibility on rogue financial traders and the volatile global financial markets. Perhaps there are elements of truth to all these points of view.

But the plain and simple truth of the matter is that if we want to move towards the path of achieving recovery as early as possible, then it is incumbent upon us to start out from the premise that we have no one to blame but ourselves.

I am certainly no expert and have no theory to advance. But I do believe that if there is one common factor, one common thread that runs throughout this yet unfolding drama, it is the sense of complacency on the part of all of us. That is why what at first originated a few years back as a financial crisis has turned into a crisis of confidence. The fact of the matter is that most of us were under the illusion that somehow and some way the crisis would work itself out or that somehow or some way we could remain an island of prosperity in a sea of turmoil.

Obviously, that is far from the realities we are confronted with -- the realities of globalization and the realities of our interdependence.

For us in Thailand, if anything good has come out of this crisis, it is the fact that it has woken us up to the realities of the challenges facing us, the realities of what needs to be done, particularly the reforms that should have been taken some time ago but were not taken because we all had become too complacent and too self-indulgent. So I believe that waking up to the harsh realities that we are faced with is the first and most crucial step towards recovery.

It is for this reason that Thailand's financial crisis, as many have observed, is a blessing in disguise. Its greatest blessing, I believe, is that it has compelled us to become more introspective. Now that we have learned first-hand the realities of the global market, we should be able to muster the will and the determination to correct the weaknesses in our system that were left untended during our high-growth days.

If I were to put it simply, our economic, political and social institutions failed to keep up with the rapid pace of our economic development. Our development became lopsided as extravagance and unbridled spending spree took precedent over good and solid management, high growth became more important than equitable income distribution and quick profits became the overriding concern rather than sustainability.

The path towards early and sustained recovery will depend on how successful we are in seizing the opportunity presented by the crisis to undertake real and meaningful reforms and restructuring not only in our ailing financial sector but, no less importantly, in the way we manage our economy and in the way we conduct our politics. Indeed, one does not have to be an expert to realize that our economic downfall was not simply due to the failure of our financial sector, but also due to the failure of our economic management and the failure of those in power to provide the anchor of good governance that was sorely needed when signs of the coming crisis began appearing.

In saying this, it is not my intention to criticize anyone or any party because, as I noted earlier, all of us are to be blamed in one way or another. Now is the time for all of us to rally together in order to move forward in the process of reform and renewal.

Let me at this juncture emphasize that I hold no government position and certainly cannot speak on its behalf, officially or unofficially. And perhaps it is still too early to pass judgment or draw any definitive conclusion on the record of this government. I believe that the present administration should be given credit for making an earnest and determined effort to push for and put in place a process of reform and restructuring in our economic, political and social structures that I very much hope will last beyond its life-time.

I am sure that most of you are already familiar with the specific measures that have been taken to date, some of which have actually gone beyond what has been prescribed by the IMF. They include, as you well know, the early adoption of a fiscal austerity and discipline, the closing down of insolvent financial companies and banks, allowing foreign investors to hold majority shares in banks and finance companies, the strengthening of prudential supervision of the financial sector, increasing transparency in the way our banks and financial firms are run and the forthcoming revision of cumbersome and outdated bankruptcy and foreclosure law in order to bring them in line with international practices and facilitate investments in Thailand, both local and foreign.

We, in addition, have to make changes to the so-called Alien Business Law whereby a much greater range of businesses and occupations will be open to foreigners and foreign investment. On top of this, we have also relaxed restriction on foreign ownership of land and condominium units in Thailand.

Some of these reforms are of course still subject to approval by the Thai parliament and undoubtedly you can expect some of the specific points to be discussed and debated vigorously. That is to be expected in a democracy. To me what is significant in these reform measures, above and beyond the specifics, is the fact that underlying them is our commitment to an open economy and to continuing economic liberalization, but of course with greater discipline and closer supervision this time. Of no less significance is the fact that these reforms, to one degree or another, are meant to build into our system the concept of good corporate governance, greater transparency and accountability with a view to raising the standard by which business activities are conducted in Thailand.

Reforms of our financial and corporate sector are only part of the answer. The other side of the same coin is the need for political reform. We aspire to promote good governance within the public and private sectors at one level, and their relationship and interaction with the public at another level. To this end, I am glad to note that the political reform is very much part and parcel of the process of recovery and self-renewal that we are undergoing.

I am also pleased to note that last year we passed a new constitution that, for the first time in Thai history, was drafted with the full participation of the public. As someone who played a part in the drafting process, I hold out considerable hopes for this constitution. I like to think that over time, it will transform Thailand into an open, democratic society, where transparency and accountability are the norm rather than the exception. I like to think that the provisions of the constitution will ensure that human rights and civil liberties are better protected and enforced. I like to think that the changes the constitution makes in the electoral process will reduce money politics and corruption, and that the check and balances it provides will result in greater accountability on the part of politicians. Of course the constitution is not a panacea that will cure all of society's ills overnight. All sectors of society must embrace the ideals behind it before it can make a difference. But we have truly made a major step forwards.

In the midst of such a crisis, as we become engrossed and immersed in all the figures and statistics, there is the danger that we can lose sight of the fact that development is not about growth per se. For in the final analysis, development is all about raising the quality of life of our peoples, promoting social justice and total human development. And so our path to recovery must also be centered on the people by ensuring that adequate social safety nets are in place to cushion the social impact of the crisis and ensuring that we continue to invest in our human resources -- our most precious asset. Investment in our people is indeed an investment in our own future. Therefore, I find it most gratifying that this government has placed the issue of social safety nets and human security on the top of its recovery program.

What then are the prospects ahead? I have no crystal ball that would enable me to project into the future. But I like to think that we are able to learn from our past mistakes, if we can stay the course of reforms that embraces all segments and aspects of the Thai society in a process of renewal, then, I have every confidence that the path to recovery is within our reach.

Already, there are signs, however, faint, that the Thai economy is bottoming out and growth, however small, can hopefully return by the end of next year. It is all the more necessary for us to move forward with greater vigor and determination, recognizing that the path ahead will bring more pains and require larger sacrifices, for sure. I still firmly believe that our relative success in the past was not simply due to luck. We were able to do the right things and make the right choices, though in the end we became a victim of our own success. Much will indeed depend on the choices we make in the days and months ahead. Our economic fundamentals remain strong, especially our agricultural sector and agro-based industry, as well as our tourism industry. Our people are

hard working and our continued investment in our human resources will ensure that our workforce is equipped with the skills and training needed for us to remain competitive.

Moreover, the Thai society has always been marked by a sense of resiliency and underlying stability. Our reforms reflect our irreversible commitment to an open economy and economic liberalization. Our geographical location makes us a key player and a key link in the widening network of regional and sub-regional economic activities and cooperation.

As we move on the road to recovery, what is most essential is maintaining faith in ourselves and in our ability to bring about the needed reform and renewal.

We also need the confidence and the support of our friends and partners especially our long-standing friend, the United States of America. If Thailand can succeed in our economic and political reforms, we can indeed inspire others that open economy and open societies are the surest path towards recovery.

Perhaps, Thailand might not return to the days of double-digit high growth of the past. That in itself should not be our goal. The goal of our recovery strategy should be one of sustainable development--sustainable in terms of income distribution and full development of the human potential, in terms of good governance in both the corporate and public sector and in terms of protecting our natural resources and the environment for our posterity.

To this end, reform, renewal and partnership lie at the heart of the path to our recovery from the crisis. Provided we make the correct choices, we hope to emerge not only stronger and healthier but a little bit wiser as well.