

Keynote Speech

by

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At a Dinner for Members and Delegates to

The Fourth Meeting of the ASEM Task Force for Closer Economic Partnership

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Excellencies,

Distinguished Guests,

Ladies and Gentlemen,

It gives me great pleasure to host this dinner in honour of the distinguished members of the ASEM Task Force for Closer Economic Partnership, ASEM delegates and the staff of the Task Force secretariat. I am delighted that the Fourth Meeting is taking place in Bangkok as it was here in 1996 where the ASEM Leaders held their first meeting.

I understand that you have had a hard days' work and require time to crystalize your thoughts for tomorrow's session. But tonight offers a unique opportunity for me to elaborate on the issues underscored by H.E. Prime Minister Thaksin at this morning's discussion, as well as to share with you my thoughts and ideas on building upon the dynamic complementarities of Asia and Europe in forging ASEM economic partnership. We recognise your pivotal role in pushing forward Asia-Europe cooperative relationship and economic partnership. Thailand has followed closely the discussions held during the series of Task Force meetings. This Fourth Meeting is significant since the members will start drafting the recommendations to be submitted to the ASEM Leaders at their Fifth Summit in Hanoi, Viet Nam, this October. The Task Force's recommendations could point to the future direction of ASEM as an effective vehicle for economic cooperation between Asia and Europe.

During the first three years of its creation, the ASEM process gained much momentum and generated great enthusiasm. But the Asian financial crisis of 1997 and Europe's increasing focus on her internal developments had impeded the progress of this inter-regional grouping. The dwindling attendance of the European Ministers at the annual ASEM Ministerial Meeting is a case in point. ASEM now stands at a critical juncture of searching for its "raison d'etre". ASEM cannot afford to remain complacent to international developments. ASEM now needs to enhance its relevance by becoming more responsive to emerging realities. ASEM now needs to move towards closer cooperation and economic partnership. The ASEM Leaders at their Summit in Copenhagen in 2002 had set the priority and future direction for ASEM by expressing their political commitment to enhance economic relations between Asia and Europe as a basis for strong and lasting partnership. This is a challenge for ASEM. This is a challenge for the Task Force to submit proposals on how our goal could be realized.

The work of the Task Force is taking place against the backdrop of positive developments and transformation experienced in our respective regions which augur well for the reinvigoration of ASEM. The ASEM process needs to be guided by the "Bangkok Spirit" generated from ASEM One which is a sense of goodwill, mutual respect and equal partnership, amongst Asian and European countries, characterized by informality, flexibility and pragmatism. The theme of ASEM V, "Further Revitalizing and Substantiating the Asia-Europe Partnership" serves to build upon the "Bangkok Spirit" in making ASEM relevant to our peoples.

This evening, I wish to share with you some key areas in which Asia and Europe can make a difference and contribute to the multilateral trading system and the international financial architecture, namely in trade, SMEs development, investment and finance. The ASEM process should not be looked upon solely as cooperation between two regions. Asia-Europe partnership can become a new engine of global economic prosperity. I am personally delighted that financial cooperation stands high on the ASEM agenda. Back in 1995 when I was Finance Minister, I initiated the idea of creating a forum for ASEM Finance Ministers. Through my discussions with the then Chancellor of the Exchequer, Kenneth Clark, the ASEM Leaders at their Summit Meeting in February 1996 endorsed the initiative.

Distinguished Guests,

Both Europe and Asia are experiencing new developments and dynamism. The successful launch of the euro, the sound economic fundamentals of the euro areas, as well as the on-going process of European enlargement have made Europe attractive to domestic and foreign investors. In Asia, the rise of China and economic recovery of Asian countries have generated impressive economic growth in the region. Closer economic integration between ASEAN and the Plus Three Countries will unleash the enormous potentials of our markets through trade, investment and finance. The utilization of Asia's wealth is being reinforced through enhanced region-wide cooperation of the Asia continent known as Asia Cooperation Dialogue or ACD, as earlier explained by Prime Minister Thaksin. Initiated by Thailand in June 2002, ACD serves as a cobweb of functional cooperation in key areas of promoting Asia's competitiveness by building upon the continent's inner strengths and diversity.

We should not just look within our respective regions. We should look more to each other in utilizing our wealth and dynamism for mutual prosperity. Closer economic ties between Asia and Europe offer prospects of mutual prosperity.

Distinguished Guests,

Let me now touch upon the key areas for ASEM economic partnership.

First, in the area of trade, the Task Force has rightfully pointed to the need for Asia and Europe to strengthen the multilateral trading system, and to support the WTO towards the opening of markets to trade and investment. Thailand believes that bilateral free trade agreements which are WTO consistent and regional economic integration serve as important building blocks for promoting the multilateral trading system. ASEM should contribute to the expansion of global trade by being fully committed to the success of the Doha Development Round, and work for the completion of unfinished business by the agreed timetables.

While the Doha goals are yet to be realized, we should strive to facilitate trade by addressing technical and non-tariff barriers to trade resulting from divergent regulatory processes and testing procedures. We should encourage competent authorities in

standard setting of ASEM partner governments to discuss the possibility of developing equivalent practices and mutual recognition arrangements (MRAs) on both sides.

Secondly, as stressed by Prime Minister Thaksin, Thailand would like to see ASEM cooperation in the development and linkage of SMEs in Asia and Europe. From our experience, SMEs can make a significant contribution to our overall economic growth. The development of SMEs forms an integral part of our efforts to generate jobs and income, enhance economic stability and encourage greater community development. This would result in fostering multiplier effects which will trickle down to the grassroots economy. Here in Asia, we are intensifying SMEs networking under the ASEAN and ACD frameworks.

As pointed out by Prime Minister Thaksin, Asia can learn from

Europe's successful experience in the two kinds of SMEs, namely "supporting industries" and "stand alone". SMEs development in Asia is still at its early stage compared to Europe. However, we can still build synergies, for example, by linking Asian SMEs "supporting industries" with the major industries in Europe to enhance market access and technological innovation.

ASEM can look at the experiences of APEC work in promoting

SME development. For example, an ad hoc working group could be set up to identify impediments to trade for SMEs. Other areas of cooperation could include extending financial resources for the creation of micro-businesses and sharing experiences and expertise among ASEM partners on the development of SMEs. These will strengthen the production, entrepreneurship, and management of SMEs. Establishing an ASEM SME network could be an important first step towards that end.

Thirdly, investment is another area where there is greater scope of

cooperation. One sector that might be of interest to both Asia and Europe is energy. Sustained economic growth is dependent on adequate, reliable and affordable supplies of energy. The volatility of oil prices and the diminishing non-renewable energy sources are challenges to economic stability and global security. ASEM partners should respond to this challenge.

There are several cooperative projects under ASEAN, ACD and APEC initiatives on energy security which could extend to ASEM's future work. Possible cooperation on energy security could include diversification of energy supply and distribution, energy efficiency and conservation, alternative fuels and clean energy. In addition, as scientific and technological advances

underlie our ability to meet energy challenges, ASEM should intensify the dialogue on collaborative projects in capacity building and exchange of experiences that would enable ASEM partners to better respond to energy challenges.

Fourthly, as regards cooperation in finance, Prime Minister

Thaksin has underscored the significance of establishing a linkage between Asian bonds and Euro bonds market. Given the painful experience of the 1997 financial crisis, Thailand recognizes the need for Asian countries to increase cooperation to better ensure financial stability in Asia and beyond. This is the genesis of the Asian Bond Market Development Initiative (ABMI).

The first Asian Bond Fund within the framework of the

Executives' Meeting of East Asia and Pacific Central Banks and Monetary Authorities was created in 2003. Many countries in Asia are participating in the Fund, including the Asian members of ASEM. It received strong political support from the then 18 members of the Asia Cooperation Dialogue (ACD) as reflected in the Chiang Mai Declaration on ABMI adopted by ACD Foreign Ministers last June.

The Asian Bond Market Development Initiative will be pursued

further within the framework of the ACD itself. As prime mover on financial cooperation, Thailand will host the second meeting of the ACD Working Group on Financial Cooperation followed by the first meeting of ACD Finance Ministers on 1-2 May 2004. The meetings will 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 Asian 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.

Thailand also attaches importance to the development of the Asian Bond Market Initiative in other fora. Thailand has been cooperating with other Asian countries in the framework of APEC Finance Ministers' Meeting to improve the quality and the diversity of bonds to be issued by Asian

governments and to put in place the necessary infrastructure. The ASEAN+3 Finance Ministers' Meeting provides another forum where the supply side of the Asian bond market is being addressed with the technical assistance from the Asian Development Bank (ADB).

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. For Europeans, Asian bonds provide alternative investment that would contribute to economic benefits and international financial stability. Such cooperation would allow Asian countries to reduce the excessive dependence on US dollars and promote the use of the euro in the Asian region.

ASEM can play a pivotal role in encouraging Asia-Europe cooperation in the further development of the Asian Bond market. In this regard, we should utilize the ASEM forum to materialize this endeavor through capacity-building cooperation such as sharing of technical expertise and exchange of experiences and human resources. The EU's experiences in creating a Euro bond fund can be complementary to the development of Asian bond market. At the ASEM Ministerial Meeting in Dublin next month, there will be discussion on the linkage between Asian and Euro bonds based on the Task Force study which I hope will lead to concrete financial cooperation between our two regions.

Fifthly, as ASEM is set to move towards a closer economic partnership, the role of the private sector of Asia and Europe should be further enhanced under the ASEM framework. Thailand is pleased to learn that the Task Force has been considering how to intensify the involvement of the business community in the ASEM process. We believe there should be a stronger linkage between the Asia-Europe Business Forum (AEBF) and other ASEM bodies, especially the ministerial and summit meetings. The Business Forum should be able to participate in relevant ASEM meetings and hold regular dialogue with ASEM leaders to give business perspectives on specific areas of economic cooperation. The APEC Business Advisory Council (ABAC) could provide a model for ASEM in this endeavour.

Sixthly, Thailand believes that to empower ASEM in providing more concrete results, the ASEM process should move beyond a mere "dialogue" process. It should evolve into a "cooperation forum". Regular and intensive consultations should be further promoted to make full use of strengths and resources of Asia and Europe so as to cope with the dynamism and complexities of the global economy. As ASEM increases its cooperative activities, it is inevitable to address the need for ASEM to be institutionalized.

Lastly, as we all know that regional economies always change. The Task Force should address the issue of membership of ASEM from the Asian side. Not only that in the future the numbers of members from both sides will be even more off-balance, but also that we may not be economically realistic not to include some Asian countries which have economic potentials into ASEM, especially if ASEM will move into "cooperation forum".

Distinguished Guests,

ASEM members are committed to strengthening our efforts and

work together to help ensure the well-being of our peoples. The assignment entrusted to the Task Force is, therefore, significant, not only for the peoples of ASEM members but also for the future of ASEM. I hope that at this Fourth Meeting, the Task Force will begin to elaborate on its recommendations to the ASEM Leaders in October 2004. I understand the heavy but challenging tasks ahead of you. I hope that some of the points raised tonight will be considered by the Task Force. I wish you every success in your deliberations and look forward to reading your report.

Thank you.