

Keynote Address by H.E. Dr. Surakiart Sathirathai

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**"Partnership through multilateralism: a step forward to enhancing
global growth and development"**

Conference Theme: The Challenges to Growth and Prosperity

ISC-Symposium, St. Gallen, Switzerland, 13 May 2004

His Excellency Dr. Hans-Rudolf Merz, Federal Councillor and Head of the Federal

Department of Finance of Switzerland,

Lord Griffiths, Chairman of the Symposium,

Professor Dr. Peter Gomez, President of the University of St. Gallen,

Mr. Alexander Pfannenberger, ISC Team Member,

Distinguished Participants,

I wish to thank Lord Griffiths for his kind introduction. I would also like to thank the International Students' Committee not only for organizing this marvelous conference, but for its persistence. Throughout my various incarnations over the past decade, the ISC sent me invitations time and again. But time and again, prior commitments prevented me from accepting, until this year. I thought perhaps by now the ISC would have deleted my name from its invitation list, but to its credit it had not. So after such a **lengthy courtship**, I am delighted and honoured at last to be able to participate in the ISC-Symposium. This meeting of minds should be useful in helping us navigate the uncertainties of these interesting times.

Throughout the generations, governments and international organizations have grappled with the challenges to growth and prosperity. As the world changed, so too have these challenges. The end of the Cold War brought to a close the **uneasy equilibrium** maintained under it. In its place, globalization emerged as the **defining context** for world affairs.

Initially greeted with near-universal optimism, globalization has proven to be at least as much of a challenge as an opportunity. Fairly or not, globalization often takes the blame for many of the world's ills. In much of the developing world, **disillusionment is setting in**, as the promise of growth and prosperity fails to materialize in line with expectations. According to a UN report, over the last 40 years, the income of the world's richest 20 nations has tripled, whilst the income of the 20 poorest has barely changed.

This growing inequity may be observed not only among countries: within each country, a similar pattern is occurring, particularly in developing countries. Gaps in income and living standards are widening between the richest and the poorest. Job insecurity is becoming more widespread as economic competition intensifies. Environmental exploitation

is undermining human security and sustainable development, **enriching a few while impoverishing many.**

If this situation persists, there is a danger that the least developed – and perhaps also some less developed – countries may fall between the cracks. **Further marginalization of the most vulnerable economies must be prevented.** Deepening poverty could result in refugee outflows and humanitarian crises, posing a challenge to international peace and stability. Any international response then would likely be stop-gap measures – Band-Aids for what are essentially entrenched structural weaknesses.

We have all been there before. We have seen that aid to developing countries can simply disappear into a black hole with little to show in the way of tangible results. Better for us now to lay the foundation **for a globalization that empowers and strengthens**, for if the dangers of globalization are seen to outweigh its benefits, more and more of those who lose out will attempt to reverse the process.

This is already happening to some extent. Globalization is fueling much discontent, even in the rich countries. Some of that discontent is probably due not to globalization itself, but to the way it is being managed, or mismanaged. We must make sure that the **baby is not thrown out with the bath water, but nurtured and shaped according to our aspirations and ideals**, to usher in, while globalization is still in its infancy, a new age of peace and development. **Globalization is human-made so it must be human-managed for the benefit of all mankind.**

The key underpinnings of such an era would, of course, be multilateral institutions. The end of the Second World War saw the creation of not only the United Nations, but also the Bretton Woods institutions, namely the World Bank and International Monetary Fund, to promote peace and prosperity in the world. The end of the Cold War in many ways marked the passing of an era, and questions have been raised whether the multilateral institutions are still up to the task of managing a world that has changed so fundamentally.

Certainly, the multilateral institutions have been severely tested. The Iraq crisis has posed a serious challenge to the United Nations. The Asian economic crisis in 1997 revealed weaknesses in the IMF. The uneven outcomes of development projects in the poor countries raised questions about the effectiveness of World Bank policies. Even the World Trade Organization, the descendant of the GATT, has come under strain, as the Doha round of trade negotiation struggles to reach an on-time conclusion.

Reform has therefore become a rallying cry at most of these institutions. Despite their good intentions and sincere efforts, however, reforms may not succeed as quickly as we hope. Over the decades, the multilateral institutions have evolved their own bureaucracies, modes of operation and patterns of thinking. In a way, they are like senior citizens, trying to keep up with the baby called globalization, but, given their advanced age, being **neither agile enough nor flexible enough to do so.**

The WTO is young enough that it has not been subjected to calls for reform, but its slow progress reflects the inequities mentioned earlier. Domestic politics in rich countries continue to distort agricultural prices, making their consumers pay more and keeping farmers in developing countries in poverty. Such policies contribute to the growing **gap not only between countries, but also within countries**, as their beneficiaries are less the small farmers in developed countries, who are few in number, but big agri-business corporations, which stand to enjoy the lion's share of profits.

As the Bretton Woods institutions take the reform medicine to restore their vitality, and as the WTO struggles on, many countries are hedging their bets by

strengthening bilateral and regional partnerships with key partners. There are fears in some quarters that this trend might lead to a weakening of the multilateral system. But I believe it need not be so.

How then can we ensure that multilateralism advances the interests countries are pursuing through such partnerships, and vice versa? Or, to put it more simply, how can we ensure that multilateralism and partnership at other levels are complementary in leading towards growth and development?

I do not pretend to offer any solutions, as the issues before us are far too complex to be neatly solved in a 20-minute speech. I can only speak from Thailand's experience. Today I wish to share with you my thoughts on how Thailand's national policies and regional initiatives are **building partnership from diversity and serving as building blocks for strengthening multilateralism**. I will also elaborate on how intensifying inter-regional cooperation both amongst developing countries and with developed countries can help in managing globalization and interdependence for mutual prosperity.

Distinguished Participants,

For developing economies to benefit from globalization, it is important to have **coherence between national development strategies and global economic processes**. In this era of heightened competition, external assistance is not the dependable source of development financing that it once was. Official development assistance remains far below internationally agreed targets. The combination of rising external debt and over-reliance on a few export commodities can further hamper the ability of developing countries to advance effective economic and social development strategies.

In responding to such circumstances, developing countries need to consider development strategies that best fit their needs and concerns. There is no **"one-size-fits-all" approach** to development. But effective development strategies can draw upon the successes and failures of others attempting to integrate into the global economy. Global economic development is in need of a new approach. This has already been well articulated by Professor Amartya Sen.

Experience has shown that reliance on the free market alone is not sufficient for promoting development and eradicating poverty. Particularly in emerging economies, laissez-faire policies can lead to market failures that undermine the collective welfare. The sudden **unleashing of unrestrained market forces** can overwhelm the capacity of society to absorb change. The role of the state remains crucial in building legal and regulatory institutions that encourage free enterprise while holding in check its excesses. There is an emerging consensus that **market forces and an active state can be complementary and mutually reinforcing when rightly balanced**. Equally important is ensuring that **the role of multinationals and foreign direct investment meet development needs and goals**.

Guided by the principles of **self-help and partnership**, Thailand's development strategy builds upon the inner strengths of our culture and society to benefit from globalization while minimizing its negative effects.

Ladies and Gentlemen, **Partnership begins at home**. We involve all stakeholders in the decision making process. Our "dual-track policy" for economic growth focuses on both increasing the productivity of the domestic grassroots economy and enhancing Thailand's international competitiveness for balanced and sustainable development. This balanced development strategy has been inspired by His Majesty the King of Thailand's philosophy of "**Sufficiency Economy**".

The Government has put in place programmes to **create wealth** for those at the grassroots level who for too long have been neglected and deprived of economic opportunity. Such programmes include a nation-wide village fund, micro-credit facilities, SME incentive schemes, and the one-village-one-product scheme, which has helped to **revive community pride** while generating income for poor villagers.

This dual-track approach has produced encouraging results. Our GDP growth for last year was 6.7 percent, second in Asia only to China. For this year and next, it is targeted at 8 percent and 10 percent respectively. Last year, we paid back all IMF loans two years ahead of schedule. With such progress, we hope to **eradicate poverty by the year 2009**. We aim high, so that even if we get halfway there, it would still be an achievement.

Distinguished Participants,

We recognize that domestic efforts are not enough. **No country can stand alone**, least of all an open developing country such as Thailand. That is why we are reaching out to partners in the Southeast Asian region and the world at large. In addition to the region's long-standing cooperation under ASEAN, we are also working through **new frameworks of cooperation** to reduce economic disparity and promote sustainable development in the region.

The Asia Cooperation Dialogue or ACD, which Thailand initiated two years ago, is a promising forum in generating partnership and strength from diversity. Now comprising 22 Asian members spanning East to West and North to South Asia, the ACD aims to tap into the **inherent strengths of Asian countries** for mutual prosperity and sustainable development. Cooperation takes the form of annual ministerial dialogues and joint projects in 18 areas of functional cooperation. To encourage cooperation among the diverse membership, a project does not need to have the participation of the majority, but may be launched by a few member countries, with others joining in when ready.

Asia is also working to rebuild, through partnership, the regional financial architecture. The economic crisis of 1997 taught us a painful lesson on how volatile international capital flows can be. To bolster regional financial stability, Thailand is taking a **pioneering role** in promoting the development of an Asian bond market, including through the setting up of an Asian bond fund. We believe that this new financial architecture will not only benefit the Asian countries involved through providing a source of development financing, but also strengthen the **region's resilience and contribute to international financial stability**.

Another important part of advancing regional prosperity is forging partnership at the sub-regional level. Within Southeast Asia, we are working with our immediate neighbours based on the principles of partnership and self-help to promote sustainable development and reduce economic disparities in the region. Upon the initiative of my Prime Minister, Cambodia, Laos, Myanmar, Thailand, and now Viet Nam, joined an economic cooperation strategy known as ACMECS to generate employment and income based on comparative advantage. Several external partners have expressed interest in taking part in these projects. French Foreign Minister Barnier and I will be signing a **Plan d'Action** this month in Paris which would cover development projects in this sub-region.

Thailand is also extending our sub-regional cooperation efforts to South Asia. At the end of July this year, Thailand will host another historic summit of BIMST-EC, the first ever Summit among Heads of Government of Bangladesh, India, Myanmar, Sri Lanka, Nepal, Bhutan, and Thailand. These developing countries, building partnership among themselves, will declare their commitment to work towards establishing a free trade area.

While committing to the Doha Round of trade negotiations, Thailand believes that bilateral FTA, consistent with the WTO rules and principles, can indeed be a building block to the multilateral trading system. For this reason, we are forging FTA with key partners such as the United States, Japan, China, Australia and India.

Distinguished Participants,

Inter-regional partnership and cooperation amongst developing regions and between developed and developing regions is also important in promoting multilateralism. **Through dialogue, we can discuss differences and build mutual trust and understanding.**

The exchange of experiences and best practices among developing regions and South-South cooperation can reinforce multilateral efforts in promoting sustainable development, particularly in striving towards the UN Millennium Development Goals. For instance, Thailand and fellow Asian countries are joining hands with Latin America, Africa and the Pacific Islands in sharing development strategies and capacity-building programmes.

Asia is also strengthening partnership with developed partners. The Asia-Pacific Economic Cooperation forum or APEC held its Summit in Bangkok last October under the theme "A World of Differences: Partnership for the Future". We believe that only through a strong partnership can the region's diverse strengths and potential be harnessed and transformed to enhance its prosperity and dynamism. APEC's work is an **important complement to multilateral, regional and bilateral efforts** on trade and investment liberalization, as it involves a wide range of stakeholders and is the only Summit-level forum in the Asia Pacific. In the other direction, Asia and Europe are moving towards closer cooperation and partnership under the ASEM process, which also reaffirmed both regions' commitment to multilateralism at the recent Foreign Ministers' Meeting in Ireland.

Distinguished Participants,

The international community is faced with new transnational threats and challenges that **know no frontiers**. These non-traditional security threats range from terrorism and drug trafficking to environmental degradation and pandemics. They affect international stability, undermine sustainable development and threaten human security. To confront such threats, partnership is more vital than ever.

International epidemics have emerged as a major threat in the global age. Within two years, Asia was struck by two major epidemics, namely SARS and avian flu. In both cases, it was apparent that national responses were not enough. The concerted response by ASEAN and APEC helped keep the outbreaks from spiraling into pandemics. At the Ministerial Meeting on avian flu in Bangkok, which I co-chaired, it became plain that **nothing less than well-coordinated, interdisciplinary multilateral cooperation** is needed if we are to effectively contain such diseases, involving not only the World Health Organization, but also the Food and Agriculture Organization and the Office International des Epizooties (OIE). **Here, coherence and coordination among international organizations is of the utmost importance.**

Another disease that requires a united global response is the HIV/AIDS pandemic. As host of the 15th International AIDS Conference this July, Thailand hopes to work with our partners to mobilize international support for HIV/AIDS prevention, care and treatment. The Conference will also help stimulate partnership and networking among all sectors of society, including the private sector, to combat the deadly scourge. As chair of the Second Asia-Pacific Ministerial Meeting on HIV/AIDS, I hope to do my part in enhancing understanding of the disease and **compassion for its victims**.

Distinguished Participants,

It is clear that the problems confronting the world today are multi-layered and demand effective responses at different levels. **Reform of international organizations is indispensable.** So is the need for them to coordinate more closely among themselves, and with efforts being undertaken at national, regional and inter-regional levels. **Only with coherence among the various levels can we hope to tackle the complex challenges before us.**

Effective multilateralism and true partnership are mutually reinforcing. **Multilateral approaches are needed to encourage the strengthening of partnership.** At the same time, **building partnership at the national, regional and inter-regional levels serve to strengthen multilateralism.**

We need to also bear in mind the **value of diversity.** A major characteristic of globalization is the growing diversity – of actors, of interests, of issues. Despite this, or perhaps because of it, it is more imperative than ever that common ground is found among contending interests. Where this can be most easily be done is perhaps the bilateral level, which may explain why bilateral free trade agreements are mushrooming while progress in the WTO has been slow.

For progress to be made at all levels, we must not **only learn to live with and tolerate differences,** we must seek to **draw strength from diversity.** In economics, differences in comparative advantage make trade mutually profitable. In biology, genetic diversity is central to the survival of species. Similarly, differences in culture, religion, and values, should not be allowed to become sources of friction but should be a basis for the combining of strengths through partnership and multilateralism. **We need to learn the art of living together in order to prosper together.**

True partnership involves not only mutual interest, **but compassion and empathy.** The day of true partnership will be when developed countries care about the people in developing countries as much as their own, and when they recognize the contribution developing countries make, perhaps not so much to the world's economic bottom line, but to the **richness of the human race.** This may not be achievable today, or ten years from today. But if enough people set it as a goal to work towards, **one day our children and grandchildren may live the dream we set out today.**

Thank you.