

Inaugural Address
"Thailand's Reforms"

Speech by

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Khun Supant Mongkolsuthree, Chairman of the Federation of Thai Industries,

Khun Suthichai Yoon, Chairman, Nation Multimedia Group,

Distinguished Business Leaders and Media Executives,

Excellencies, Ladies and Gentlemen,

This international conference, bringing together key stakeholders in the economic well-being of Thailand from around the region and many parts of the world, is being held at a critical juncture in the history of Thailand.

Against an international backdrop of a world slowly emerging from the financial upheavals of 2008-2009, of a rising and revived China, of a pivot of US naval forces and strategic interest towards East Asia, and renewed geo-political tensions in Eastern Europe, the Middle East, as well as the East China Sea and South China Sea, a military intervention took place in Thailand two months ago.

In principle, I am not an advocate of military intervention. But it has to be conceded that the actions taken by the Thai military two months ago most likely avoided hundreds of deaths that could have resulted from impending violent clashes among opposing groups of demonstrators. The increasingly strident confrontations between the two unyielding forces had threatened to tear the nation apart. By all recognized indicators, the actions of the Interim Administration over the past two months have brought a respite and have received broad popular support throughout all parts of the country. The nation has pulled itself back from the brink.

Reform is now in the air. After the protracted political conflicts of the eight months before 22nd May, which had retarded Thailand's economy and created

social and domestic regional divisions, Thailand is now back to business with public and private sectors joining hands to move the country forward through economic restructuring and a major process of national reform, in order to return the country back to a state of well-being.

Despite their differences, all parties to the political conflict and also those not party to the conflict, were agreed that Thailand is indeed in serious need of comprehensive reform. In the on-going process of reform, not only are the public and private sectors involved, but also over 77 civil society and business organizations with first-hand experiences in many areas of reform who joined together to establish a network for reform, the Reform Now Network or RNN, which will be able to support the National Reform Assembly soon to be established in October under the new interim Constitution.

Although democracy advocates in Thailand and some foreign friends might be uncomfortable with the way the political bottleneck was removed, yet the majority would agree that a window of opportunity has now presented itself for serious reforms to be undertaken.

Already, without the burden of limited authority of the previous caretaker government, and the legal entanglements created by parties to the conflict in the past year, the Interim Administration has been able to tackle pressing issues. Debts of over 90 billion baht owed to farmers for over 8 months under the rice pledging scheme has been paid back; long-awaited factory licenses for several hundred plants have been granted; long-awaited projects under promotional privileges from the Board of Investment of 200 billion baht have been approved, with a further approximately 400 billion baht worth of projects in the pipeline; policies to strengthen SMEs has been put in place to be more in tandem with the needs and requirements of Thai SMEs; Special Economic Zones along the border to link with

industries and services in the neighbouring countries have also been approved.

The Interim Administration has laid down strategies and plans to participate actively in the ASEAN Economic Community that is to come into being at the end of 2015. It has adopted measures to attract more tourists; reviewed major infrastructure projects to create transparency in order to move ahead for implementation including a commitment to invest in infrastructure worth 2.4 trillion baht between 2015-2022 ; agreed to the setting up of an infrastructure fund; speeded up the disbursement of the current Budget, and approved the 2015 budget of 2.575 trillion baht, in time for the new fiscal year at the end of September. These are just an indicative list of economic measures already undertaken in the short period of two months.

These economic measures and packages have not been pulled out from thin air. Indeed, they are contained in the 11th National Economic and Social Development plan that had been developed by technocrats after intensive public hearings and focus groups. The only difference now is that there is an opportunity for effective and timely implementation in a transparent manner without the corruption and cronyism of the past.

With the scheduled formation of an interim government by September, it is expected that speedy decisions can be taken in other areas such as energy, infrastructure, telecommunications, and sustainable use of natural resources.

Ladies and Gentlemen,

Seemingly in response, the Thai stock market has made a remarkable turn around after 22nd May with the index rising more than 10 percent to over 1500 points. Consumer confidence index announced by the Bureau of Trade

and Economics has rebounded to 38.4 in June, the highest in 6 months. The University of Thai Chamber of Commerce figures released recently show that Thailand consumer confidence jumped to an eight month high of 75.1 in July. Not only the consumers, the industrial sector's confidence has also increased significantly as indicated by the recently released Federation of Thai Industries Index. The projected GDP growth from the Bank of Thailand and the Finance Ministry foreshadows a marked improvement, with a forecast of 3.4% to 3.5% growth in the second half of this year compared to a shrinking of 0.5% in the first half. Growth for next year is now projected by the Bank of Thailand to be 5.5 per cent.

Clearly business is back, the climate is conducive, and confidence is growing. The economic growth story of Thailand is once more unfolding, and the hope and dream of peace, prosperity and well-being once again seems to be achievable.

While the immediate bottlenecks are being addressed, we must not forget that the basic fundamental strengths of the country remain. Thailand is the 2nd largest economy in Southeast Asia with a GDP of 387.25 billion US dollars. Even in the modern world, location still counts. Bangkok is the regional headquarters not only of the United Nations, but of most global corporations, both from the West and the East. Thailand is the key link for ASEAN Connectivity, interfacing as it does, from the hinterland, both the Indian and Pacific Oceans.

While Thailand is the oldest treaty ally of the United States and is at the center of the "US Lower-Mekong Initiatives," linking the US economic projects with Mekong countries, and is also a key player for the US in the "Rebalancing to Asia Strategy," Thailand is also located in the middle of all major regional

strategies of China: whether it be string of pearls, two oceans policy, Pan Beibu Gulf Cooperation linking Nanning in Guang-Xi province to Singapore, Yunnan Province linkage to Mekong countries, the revived Land Silk Road of oil and gas and related economic activities from Asia to Europe, China-ASEAN Maritime Silk Road, or the newly established Asian Infrastructure Investment Bank (AIIB), all of which require the active participation of a centrally located Thailand.

In addition to being one of the main drivers of ASEAN integration, Thailand is also an active member of other economic groupings with her neighbours in the Mekong region namely Myanmar, Laos, Vietnam and Cambodia in the areas of transport linkages, logistics, tourism, trade, investment, agriculture and agrobusiness including the deep-sea port and industrialization projects in Dawei, Myanmar. The North-South and East-West Economic Corridors connecting the Andaman Sea in the Indian Ocean with the Gulf of Thailand and South China Sea in the Pacific Ocean continue to progress and will transform the strategic location of Thailand into strategic action with business opportunities for everyone.

Thailand is an active member of APEC with 21 Pacific economies including the US and China. The summit meeting of the Asia Cooperation Dialogue or ACD with over 30 Asian countries as members will be hosted by Thailand in early 2015 when hopefully the topic of Asian infrastructure development and the progress of an Asian Bond Market will be seriously discussed. In addition to being an active participant in the ASEAN Economic Community(AEC), Thailand is working actively for the establishment of the largest-to-be free trade regime in the region, and perhaps in the world, i.e. the Regional Comprehensive Economic Partnership (RCEP). Thailand has also agreed to commence negotiation with the US and others on the Trans-Pacific Partnership or TPP.

A new and exciting regional economic landscape is taking shape, and Thailand is well-positioned to reap the benefits. The private sector, both Thai and foreign, working in partnership with us here in Thailand, stand to gain and can obtain maximum benefits.

Ladies and Gentlemen,

With Thailand back to business, there are still a number of tasks that have to be performed to ensure sustainability. The public and private sectors need to devise strategies and action plans to handle the decline in visiting tourists and sluggish export growth. Relatively weak SMEs need capital facilities and other assistance to enable them to benefit fully from the AEC. Innovation is needed for Thai industrial production. Proper programmes to assist farmers, particularly rice farmers, have to be devised to provide them better income without excessive burden on the government budget. Income and jobs creation programmes for the poor have to be created in ways that are sustainable.

With the rapidly changing regional and international economic landscape, Thai businesses need support from the government to open up new markets and seize new opportunities. But for this to happen during this 'special situation' that we find ourselves in, it is absolutely necessary that both the government and the private sector join hands to lay down new approaches, to build good or special relationships with countries which are potential new markets. Relevant ministries and the private sector must examine both economic and political obstacles and potentials in different markets and devise different strategies and approaches to each market. Strategies and approaches to build good and special relationships with the US, Latin American countries, Central and Eastern European and Central and Western Asian countries, and African countries which have purchasing power, must be carefully crafted, must be properly focused, and must

vary, based on circumstances and the special characteristics of each country. We cannot rely just on being a part of multilateral processes.

This is the time when foreign policy, international economic policy, and the strength of the private sector have to work in tandem. The 'special situation' we are in must be seized as an opportunity to re-position the country in order to enhance overall competitiveness and maximize benefits.

Ladies and Gentlemen,

While the economic roadmap has been spelled out and is in the process of implementation, the political roadmap is indeed equally important, if not more so, since it will bring all sectors in Thailand to share in the future we want, a future that is sustainable. Political stability is a necessary condition for economic growth and prosperity.

The 11 areas outlined by the Transitional Administration for reforms are therefore to be welcomed. Reform of the process of political participation, reform for better check and balance in government, strengthening of anti-corruption regulations, transparency in decision-making, and good governance in public and private sectors, all are critical for the success of a new Thailand. Reducing income disparity, reform of the justice system, decentralization and wise use of resources in order not to destroy environment for the next generation are other important elements of reform. Therefore, the establishment of the National Reform Assembly to work on these issues will be the most significant undertaking facing a new Thailand in the months ahead.

It is an ambitious agenda. Not everything can be accomplished at once, or even in a short time span. Priorities therefore have to be set, consecutive phases in implementation have to be outlined, and continuity of the reform processes will

have to be guaranteed. The composition of the National Legislative Assembly, the Cabinet, the National Reform Assembly, and the Constitution Drafting Commission will be crucial to sustaining the momentum of confidence in the political roadmap. Confidence is key to economic recovery and advancement. Thus far, the general public has drawn comfort from the abundance of good intentions shown by the Interim Administration. This popular support and confidence has to be constantly nurtured and maintained.

Ladies and Gentlemen,

We in Thailand are in transition from a dysfunctional democracy to a new and sustainable deliverable democracy. A sustainable return to normalcy will require successful reforms. For the reform process to be successful, it would appear to me that the process must be inclusive and participatory, encompassing people from all parties to the conflict and those non-party to the conflict. There must be constant dialogue and exchanges views until the agreed package of reform can be adopted. The reform must not be a victor's reform, it has to create a sense of ownership by the people. Ownership can only be created when people can participate, not only in the National Reform Assembly, but through various mechanisms and forums to enable those outside the Assembly all over the country to have the space to discuss, debate and exchange views, to have their voices heard, and provide them with channels to make inputs to the Reform Assembly for deliberation.

The efforts that the Interim Administration is making on reconciliation is therefore to be commended. It is a necessary precondition for setting the right atmosphere for dialogue. It is perhaps important to note that reconciliation and reform are part and parcel of the same process. While reconciliation can lead to successful and acceptable reform, a successful and acceptable reform will also lead

to successful reconciliation. To me reconciliation does not mean that all must agree on everything. Reconciliation means that people can appreciate and accept differences and are able to live together in harmony under agreed rules. Diversity can bring strength. We must build a new Thailand with strength coming out of diversity.

Ladies and Gentlemen,

We in Thailand have embarked on an ambitious but necessary undertaking that will have enormous consequences not only for the Thai people, but for all our friends and partners, and the wider region as a whole.

In the aftermath of the international financial meltdown of 2008-09, the World Economic Forum issued a study in 2010 on the state of the world economy entitled "Rethink, Redesign, Rebuild". There was an opportunity to overhaul the world's financial, trade and economic architecture in order to provide more equity, transparency and sustainability, and to lessen conflicts. As we all know, that window of opportunity, regrettably, was not fully utilized.

For us here in Thailand, in the aftermath of a series of traumatic political conflicts, the battle cry is now "Reform, Reform, Reform."

The foreign business community should view Thailand's reform agenda as a great opportunity to engage with us even more than before in order to bring about a strong Thailand with more economic opportunities for everyone. We should not let this opportunity pass us by. The head of the Interim Administration has indicated that well-intentioned proposals from foreign partners would be welcomed. The international business community and foreign countries can contribute to the economic and political reform process by sharing best practices, bringing in experts to provide new ideas and experiences in areas such as

prevention of corruption, checks and balances, good governance, electoral reforms, and public participation. We need to learn and study the successes and failures in many countries, many corporations, and pick and choose what are suitable for Thailand.

Excellencies, Ladies and Gentlemen,

I am confident Thailand will emerge stronger, more resilient, more democratic, more content, with an open, vibrant and outward-looking society. But we will have to roll up our sleeves and get down to work. Challenges remain. We do not have the luxury of time; we must make the full and best use of the window of opportunity that has opened up before us. Each of us here today, in our own ways, have talked the talk. Now, there is a clearer economic as well as political roadmap. We invite our friends to now walk together with us on this journey to a brighter future for all.