

Remarks by
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“New Challenges for Building Up Institutional and Human Capacity
for Economic Development and Cooperation”
12th OSCE Economic Forum
Prague, 31 May 2004

Excellencies,
Distinguished Guests,

I would, first of all, like to thank Mr. Marcin Świącicki for inviting me to this year's OSCE Economic Forum. Coming from Thailand, I very much welcome the theme of this year's Forum, as it is highly relevant to developing countries in their quest for growth and development. I also appreciate this opportunity to share with you our experiences in capacity building.

Thailand, like so many developing countries, has long searched for a policy formula that would lead to growth and prosperity. To a certain extent we have succeeded. But the road has not been easy. Leo Tolstoy wrote in the opening of *Anna Karenina* that all happy families are alike, but each unhappy family is unhappy in its own way. From Thailand's own experience and our observation of others', it seems that when it comes to development, all developed countries are similar, but each developing country has to find its own way.

This idea – that there are many paths to development – has been gaining ground in recent years. Economists are now looking into the diversity of growth experiences and finding a wide array of variables that affect growth and development.

A consensus emerging from this empiricism is that human resource development and institution building are key ingredients of any policy prescription for sustainable development. Capacity building has become something of a mantra in development circles, but the way it is translated into action often varies from country to country.

In Thailand, the government has been concentrating its capacity building efforts on the grassroots level. Since the Second World War, our policy had focused on capital accumulation in the urban, industrial

economy. Over the decades, our development has become lopsided, with growth in the urban industrial sector far outstripping that in the rural agrarian sector. This uneven development resulted in socio-economic dislocation such as mass rural-urban migration and the hollowing out of the countryside.

But under the present Thai government, serious efforts have been made to strengthen the grassroots and correct this long-standing imbalance.

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. We believe that partnership, like charity, begins at home. Our "dual-track policy" for economic growth pays equal attention to 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". This approach has helped to stabilize the incomes of poor farmers, for it emphasizes self-sufficiency, using available resources, over reliance on markets, which can be unpredictable.

The Government has put in place programmes to generate income for those at the grassroots level who for too long have been neglected and deprived of economic opportunity. Such programmes include a nationwide village fund, micro-credit facilities, farmers' temporary debt suspension scheme, SME incentive schemes, and the one-village-one-product scheme, all of which have helped to revive community pride while generating income for the rural poor. Our aim is to reduce debt, increase income, cut down expenses and expand opportunities for our grassroots. Eventually what the Government hopes to achieve is to ensure human security for every Thai citizen. That is why Thailand was one of the first countries to have established the Ministry of Social Development and Human Security which is currently conducting Thailand's human security index for that purpose.

This dual-track approach has produced encouraging results. After having been severely hit by the Asian financial crisis in 1997 which resulted in negative growth, we have now made a big turnaround and achieved the 6.7 percent GDP growth last year, second in Asia only to China. Despite the rocketing oil prices, we are hoping to do better than 7 percent growth this year. If we keep on with this constant rate of

progress, it is estimated that we could eradicate poverty in Thailand by the year 2009.

Believing in the outside-in approach to strike at the root cause of a problem for its sustainable solution, Prime Minister Thaksin Shinawatra of Thailand has recently launched the registration of the poor to set up an accurate database in order to address the poverty problems in the most effective and sustainable manner in order to achieve the 2009 target. 8.7 million people or 13.9 percent of the total population got registered. The root causes of their poverty were analytically identified in the following areas: the exacerbation of personal debts; the lack of agricultural lands; inadequate shelters; homelessness; illegal economic activities; lack of education funds for students; and cheating of the poor. This analysis based on actual problems faced by the poor in their everyday's life will enable the government to be able to take a more holistic approach to implementing poverty eradication strategy.

Last year, we also fully paid back all the IMF loans of 1997, two years ahead of schedule. Despite that payment, our foreign reserves stand at over 53 billion US dollars, much higher than what we had at the peak of our economic heyday before the 1997 crisis.

For Thailand, we believe that capacity building reduces deprivation and increases security, human security and national security. With that conviction we extend our partnership for capacity building beyond our border. We initiated the "prosper thy neighbours" economic cooperation strategy to reduce the wide economic disparities with our adjacent neighbouring countries, namely Myanmar, Laos, and Cambodia. If we combine the GDP of these three countries with Thailand, their GDP combined would account for only 9 percent, while Thailand's would make up 91 percent.

This glaring disparity, if left unaddressed, could lead to the same kinds of dislocation we have seen within Thailand itself, which may have implications for political and economic stability in the region. It is therefore very much in our self-interest to see our neighbors become more prosperous.

That is why, 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 sub-region. This economic cooperation strategy, inaugurated only late last year and called ACMECS, is based on the principles of partnership and self-help, to promote sustainable

development through 5 areas of cooperation: trade and investment, agriculture and industry, transport linkages, tourism and human resource development. Most recently Vietnam has found the value of this partnership and joined the cooperation. Several external partners, including some members of OSCE, have expressed interest in taking part in some of these cooperation projects.

As there are many paths to development, we have also been reaching out to other developing countries to learn from their experience and forge closer cooperation where possible.

The Asia Cooperation Dialogue, or the ACD is another of Thailand's initiative to enhance capacity-building in Asia on the continent-wide dimension. Initiated two years ago, the ACD 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 functional areas. 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.

In conclusion, Thailand considers capacity building to be a task that must be pursued at all levels. The challenge lies in finding balance – between short-term and long-term needs, between urban and rural demands, between industry and agriculture, between modernity and tradition. Often, the process is hit and miss, trial and error. But we believe that if we aim high, even if we get halfway there, that would still be an achievement in itself. I look forward to working with and learning from all of you.

Thank you.