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Asian Economic Integration:  
Towards an Asian Economic Community**

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**STATEMENT  
BY AMBASSADOR MANASPAS XUTO  
PRESIDENT OF THE UNITED NATIONS ASSOCIATION  
OF THAILAND (UNAT)  
AT THE HIGH-LEVEL CONFERENCE ON ASIAN  
ECONOMIC INTEGRATION  
NEW DELHI, 18-19 NOVEMBER 2005**

Mr. Chairman,  
Distinguished Participants,  
Ladies and Gentlemen,

To begin, I would like to thank Dr. Nagesh Kumar for inviting me once again to attend the High-Level Conference on Asian Economic Community. This is the third time that I have been given the honour of being part of the discussions on a timely subject, which is regional integration in Asia. Like the previous two sessions here and in Tokyo, I feel rather humbled by the presence of so many experts and specialists on economic integration in my midst.

My country, Thailand, has been either the protagonist, founder, initiator of, or active participant in, sub-regional and regional cooperation dating back to 1961 when the Association of Southeast Asia, or ASA, was established. This was followed in 1967 by the founding of the Association of Southeast Asian Nations, or ASEAN. Of more recent origin include the Asia-Pacific Economic Cooperation (APEC), Mekong-

Ganga Cooperation, the Ayeyawady – Chao Phraya – Mekong Economic Cooperation Strategy (ACMECS), Greater Mekong Sub-region (GMS), BIMSTEC and, of immediate importance, the Asia Cooperation Dialogue, or ACD.

Against this background, it can be expected that Thailand would undoubtedly support the creation of an East Asian Community. Indeed, Thailand welcomed the report submitted in 2001 by the East Asia Vision Group-EAVG- entitled “Towards an East Asian Community: Region of Peace, Prosperity and Progress.” The three Ps - Peace, Prosperity and Progress - are exactly what the founding fathers of ASEAN envisioned when they set up the forum.

The report was assigned to the East Asia Study Group-EASG-by the 5<sup>th</sup> ASEAN-Plus 3 Summit. The EASG report was considered by the 6<sup>th</sup> ASEAN-Plus 3 Summit in 2003. Between this Summit and the ASEAN Informal Ministerial Meeting in April 2005, a significant transformation of ideas and approach took place.

I personally welcome the new approach to the forthcoming East Asia Summit as it accepts the principle of openness, transparency and inclusiveness. As a result, the agenda becomes general, allowing additional inputs as the Summit proceeds. Inclusiveness translates into wider participation than the ASEAN-Plus 3. Therefore, India, Australia and New Zealand may now take part in the Summit, bringing a new dynamic to the integration process. I have also heard that other non-ASEAN-Plus 3 countries have expressed an interest in joining this proposed Community.

All these developments inevitably lead me to talk about the broader scope and progress of the Asia Cooperation Dialogue, or ACD, in the sincere belief that the EAC and ACD can ultimately converge. In my understanding, both the proposed EAC and ACD go beyond economic integration. Indeed, both the EAC and ACD aim to build a stronger, more stable and prosperous Asia. This is much more than economics.

Since its launching in Cha-Am, Thailand, in 2002, the ACD has been making steady progress on many fronts. Its membership has grown from 18 in 2002 to 28 in 2005. The most recent additions are Russia and Saudi Arabia. The ACD, therefore, covers East Asia all the way to West Asia.

Mr. Chairman,

The ACD is a prime example of a continent-wide cooperative framework that is guided by positive thinking and the comfort level of participants. To prevent political problems from obstructing progress in regional cooperation, the ACD has excluded bilateral problems and other potentially negative issues. The deepening of positive thinking and action can indeed strengthen overall progress. As the ACD is entering its fourth year, it has matured into a dynamic and unique framework. There is substantive progress both in the dialogue and project dimensions. Why? Because the ACD focuses on the positive. ACD member countries come together to see what they can do for the benefit of their own peoples and the region as a whole.

Take, for example, the issue of energy. Energy is one of the most active areas, especially as the need for ACD members to cooperate in the area of energy is all the more pressing given today's rising oil prices and the impact of this on the economic growth and development of many ACD member countries, including China, India and Thailand. As the ACD is comprised of major oil producers and consumers, it has great potential to cooperate in this area for the common benefit of all members. ACD energy cooperation could well become one of the forum's showcase projects. Various activities were organized in this area, the latest of which was the 1<sup>st</sup> ACD Energy Forum held in Bali between 26-28 September 2005 and hosted by Indonesia. The Meeting agreed to set up an ACD Energy Forum as a consultative mechanism between ACD oil producing and consuming countries to identify ways and means to mitigate the adverse effects of oil price fluctuations. These include examining the possibility of re-investing profits gained from the recent surge in oil prices to ensure sustainable economic growth, development and welfare of ACD member countries.

Mr. Chairman,

We have learnt from the 1997 financial crisis that Asia needs a regional financial architecture to ensure stability in the face of global volatility and uncertainty. Despite the fact that Asia's foreign currency reserves make up over 75 percent of the developing world's total reserves, Asian economies are lacking long-term sources of finance due to underdeveloped capital and bond markets.

The development of the Asian bond market is expected to bring about efficient and liquid local currency-denominated bond markets both domestically and within the region. The Asian bond market will provide long-term funds for both the public and private sectors. It will also serve as an intermediary whereby funds in the region could be made available to borrowers for productive use while helping to minimize currency and maturity risks of both issuers and investors.

The Asian bond market initiative has been implemented in various regional fora, including the Executives' Meeting of East Asia Pacific Central Banks (EMEAP), the APEC Finance Ministers' Meeting (APEC FMM), ASEAN +3, and the Asia Cooperation Dialogue (ACD).

Thailand, as a prime mover on financial cooperation, plays a leading role in the development of the Asian bond market in the ACD framework as envisaged in the Chiang Mai Declaration adopted by ACD Foreign Ministers in June 2003. Thailand has set up a Working Group on Financial Cooperation (WGFC) and hosted 3 Meetings under the WGFC to promote both the demand and supply sides of the Asian bond market.

As the ACD is the only cooperative framework that encompasses all the sub-regions of Asia, the ACD will help generate political support, complement the work done in other fora and add value by expanding wider coverage to all sub-regions of Asia. To maintain the momentum and push forward this significant initiative, Thailand plans to host the ACD Finance Ministers' Meeting by the first half of next year to discuss future plans for the Asian bond market in the ACD forum.

On her part, Thailand has implemented various measures to promote the Thai Baht Asian bond. The Ministry of Finance of Thailand plans to issue government bonds of approximately 170 billion baht in 2006. The Thai Government has already waived the withholding tax on Baht-denominated bonds held by all non-resident investors in Thailand to promote cross-border trading activity. The Bond Electronic Exchange (BEX) under the Stock Exchange of Thailand has been upgraded as the "sole" electronic trading platform for debt instruments. For bond clearing and settlement, the Thailand Securities Depository (TSD) will soon assume this function and will be developed into "Thai Clear," a "central" clearing and settlement entity of Thailand.

Mr. Chairman,

Since the time of financial crisis and the introduction of the Asian bond market initiative a few years back, local currency-denominated bonds have grown markedly. In East Asia alone, the value of bonds outstanding increased from 360.6 billion US dollars in 1997 to 1,372.5 billion US dollars in 2004. Nonetheless, the regional bond markets still have more room to expand in the future as we can see the difference with the size of more advanced markets such as those of Japan and the United States.

The Asian bond market initiative, however, is not the end goal but a crucial step towards closer financial cooperation in the region. Our swap arrangements should be expanded from bilateral to multilateral arrangements that can be a model for an Asian Monetary Fund. One day, we may even be able to issue bonds denominated in a notional basket of regional currencies that could be developed into a single Asian currency unit. These concepts may seem far-fetched but not at all beyond reach. I believe that Asia is today acting with a greater sense of purpose. She is pulling her strength together in designing and creating a new financial architecture for Asia. This new architecture will not only ensure financial stability in our region, but will also contribute to the stability of the world financial system as a whole. Over the long term, the success of the new financial architecture could serve as a building block for Asian-wide regional integration.

Mr. Chairman,  
Distinguished Participants,  
Ladies and Gentlemen,

Despite its steady progress, the ACD is still in an early stage and much more work needs to be done to drive the ACD towards its ultimate goal of an “Asian Community.” The proposed Asia-wide integration can learn from the experience of Europe whose endeavours took several decades. Our Asian version need not follow the trajectory of the European model. In any event, we also need our own Jean Monet, Alcide de Gasperi and Robert Schuman. I am sure that in this vast and most populous region, there are quite a few men with such vision who can provide the inspiration that can guide us in navigating the long road towards a truly pan-Asian Community.

Thank you.