

**Presentation by Ambassador Manaspas Xuto, Executive Director,
International Institute for Trade and Development (ITD)
At the International Conference on
“Building a New Asia: Towards an Asian Economic Community”
10-11 March 2003, New Delhi**

Mr. Chairman,
Distinguished participants,
Ladies and Gentlemen,

Allow me, first of all, to extend my heartfelt appreciation to the organizers of the Conference, particularly the Research and Information System for the Non-Aligned and other Developing Countries (RIS), for inviting me to participate in this Conference and providing me this excellent opportunity to share my views with all of you today.

This Conference comes at a time when the world has experienced some drastic changes in its strategic and economic landscape. The Asian financial crisis in 1997 has testified for all to see just how interconnected the world economy is. This financial crisis stirred more than a few ripples on the global scale; rather the global community was highly affected by the negative impact of this regional crisis. Then came the global economic downturn which has continued to produce far-reaching ramifications to international and regional stability.

As a consequence, most countries have realized the urgent need to adjust to such developments. A lesson learnt from the crisis is that no country can afford to stand alone. Closer economic cooperation in every format -- bilateral, sub-regional, regional, inter-regional, and multilateral -- has since been promoted and strengthened with an aim to help expedite economic recovery and increase a country's competitiveness, to turn the challenges of globalization into opportunities conducive to mutual benefits and prosperity, and to prevent a recurrence of the economic crisis in the future.

Mr. Chairman,

Coming from what I have just said, the main theme of this Conference "Building a New Asia: Towards an Asian Economic Community" is particularly timely.

Despite the negative impact of the financial crisis and the global economic downturn, the future of Asia remains positive. As a continent, Asia possesses great potential and the inner strength necessary for building a new Asia. The bare statistics alone give us an indication of this. For instance, the population in Asia is approximately 3.7 billion - more than half of the world's population. The region accounts for a quarter of the world's exports and global GDP. In addition, Asia is also a hub of rich natural, human and capital resources. Yet in the past, Asian countries have not effectively and *collectively* utilized these strengths to their utmost benefits, having been inclined, in other words, to look elsewhere for growth potential.

A number of sub-regional cooperative frameworks have been established, namely ASEAN and ASEAN + 3 (Japan, China, and South Korea), BIMST-EC (Bangladesh – India – Myanmar - Sri Lanka - Thailand Economic Cooperation), SAARC (South Asian Association for Regional Cooperation), and GCC (Gulf Cooperation Council). And yet, there has never been an Asia-wide cooperation forum to unite the whole continent.

Realizing this fact, the so-called “Asia Cooperation Dialogue” or ACD was initiated by the Prime Minister of Thailand to fill in this so-called “missing link” of Asia. Driven by positive thinking, ACD is non-institutionalized, top-down, evolving, inclusive, as well as result-oriented. The Dialogue belongs to all Asia and its ultimate goal is to combine our strengths so as to enhance the competitiveness of our region and make Asia a better partner with our counterparts around the world. The ACD framework sets aside sensitive or unresolved political matters among members, allowing it to focus on economic cooperation as the top priority.

The ACD was successfully launched on 19 June, 2002, in Thailand, where Ministers from 17 Asian countries gathered in an informal and retreat-style atmosphere. The concept, core values and proceedings of ACD were well agreed upon by all ACD Ministers. The participants agreed to move the process forward through two important channels, namely dialogue and project. The Ministers felt that the core value of the ACD was its “dialogue” component and entrusted Thailand with the task of ACD coordinator until the second ACD Meeting convenes on 21-22 June 2003 in Chiang Mai, northern Thailand.

A number of ACD countries have expressed their interest to be prime movers in specific areas of cooperation in which they have expertise or high interest. For instance, India on biotechnology and transport linkages; Bangladesh, Cambodia and Vietnam on poverty alleviation; Singapore on SME cooperation; China on agriculture; Bahrain and Indonesia on energy security; and Thailand on tourism and Asian bond market development. In initiating and conducting ACD cooperative projects, prime movers will avoid the duplication of already existing activities in other regional fora.

Even though ACD is a governmental forum, participation of the civil society is more than welcome and highly beneficial in moving the ACD process forward. An international forum of academics like this Conference is an excellent example. Last October, the International Institute for Trade and Development (ITD), in conjunction with UNESCAP, launched the first in a series of Workshops on "Trade Facilitation and the WTO" designed for officials of ACD participating countries. We believe that such activities could contribute to future Asia-wide cooperation in the reduction of non-tariff barriers and increased competitiveness in global markets.

Mr. Chairman,

Distinguished participants,

I would like to share with all of you the story of ACD and the Asian Bond market development and I will be pleased to hear your ideas or comments.

Many of you might wonder how ACD and the Asian Bond are related. As I mentioned earlier, Thailand has volunteered to be the prime mover on Financial Cooperation under the ACD framework. Certainly, ACD is not the first, nor is it the only forum to discuss the Asian Bond. The lack of sufficiently developed bond markets in the region has constantly been mentioned as one of the major factors leading to the 1997 economic crisis.

Asian countries had relied too heavily on foreign banking systems and short-term borrowing from abroad. With the shrinkage of foreign bank credit and the collapse of the stock markets, followed by the withdrawal of foreign capital from the Asian market after the crisis, sharp liquidity problems in Asia surfaced. Moreover, a large portion of the total combined international reserves of Asia, which amount to over one trillion US dollars or over half of the world's foreign exchange reserves, would normally be invested elsewhere outside the region, instead of utilizing them for the maximum benefits of Asia.

Therefore, the development of a deep and liquid bond market will allow Asian financial institutions to better prepare themselves for risk management and to resolve problems of liquidity by selling bonds. Moreover, the sound and efficient Asian Bond Market will also provide alternatives for investment of Asian countries.

The concept of the Asian Bond Market Development has been discussed in technicalities in at least 3 regional fora, namely the Executives' Meeting of East Asia Pacific Central Banks or EMEAP, ASEAN+3 and APEC Finance Ministers Meeting or APEC FMM. The EMEAP study

focused on the demand side of the Asian Bond. The Working Group on Financial Market under EMEAP is in the process of undertaking a feasibility study to establish the Asian Bond Fund, a reserve pooling scheme, with a crucial investment mandate of investing in Asian bonds. This, of course, goes well beyond the Chiangmai Initiative which is more limited in scope and capital availability.

The ASEAN+3 and the APEC FMM have, in turn, been focusing on the supply side – developing the qualified “product” for the Asian Bond market. Under the ASEAN+3, four leading economies, namely Japan, Korea, Singapore, and Thailand were assigned to work alongside the Asian Development Bank in order to submit a proposal on capital market development including bond market development to the ASEAN+3 FMM in May 2003. As for the APEC FMM, Thailand, Hong Kong and the Republic of Korea have proposed the project on development of securitization and credit guarantee market.

In addressing this issue, the ACD does not duplicate the technicality work being done by other fora, but fulfills its main objective in filling out the “missing link” – as the only forum to provide political impetus to the existing Asian Bond process. Thailand is of the view that the Second ACD Meeting to be held in June 2003 is an appropriate venue to “politically launch” the Asian Bond concept, in which all ACD Ministers express their political support to push forward the development of the Asian Bond Market. Thailand will host a Working Group on Financial Cooperation in May this year with an aim to create credible and practical guidelines to develop a sound bond market in Asia.

Mr. Chairman,

Distinguished participants,

ACD is still in its early stages. But as the initiator and present coordinator of the Dialogue, Thailand is highly satisfied with the incremental but solid pace at which the Dialogue is currently developing. The political support announced at the second ACD Meeting and the declaration on the Asian Bond Market Development proposed by the Working Group on Financial Cooperation will testify to the value of the ACD and its prospects in building and contributing to the Asian Economic Community in the future.

Building a New Asia is our collective responsibility. Let us combine our strengths. Let us raise our awareness and render full support. Let us begin our challenging journey now.

Thank you.