

Asia Pacific Economies Toward the Year 2000

Snoh Unakul

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I am most honored to have been invited to deliver a keynote address inaugurating the launching of the Tokyo Club.

First of all, I would like to express my appreciation to the Nomura Research Institute and the Nomura Securities Co. for having initiated this cooperative scheme among the nine major policy research institutes in the Asia-Pacific region. This clearly demonstrates the broad interest of one of the most prominent Japanese business groups in the region. In my discussion today I will reaffirm that the Nomura group's interest in the region is well founded and should further enhance the region's development as well as that of the Nomura group itself.

This afternoon I would like to share with you my views on the future of our economies, especially in connection with the world economy. Of course, the term "our economies" here refers to the Japanese, Korean, Taiwanese, Hong Kong, Thai, Malaysian, Philippine, Indonesian and Singaporean economies. I will be pointing out that our economies have very strong prospects for further development. While there are obviously problems and downside risks, I believe we are aware of these problems and of the risks involved and thus should be able to deal with them in time.

During the last decade, our region enjoyed the highest economic growth rates in the world. There were a few difficult years, and some of our economies suffered more than others. However, toward the end of the 1980s, our economies were all either doing well or on the road to recovery. Such performance over an extended period of time has made the size of our economies and exports so large that we have become an important player in world trade and investment.

Throughout the last three decades, our economic development has followed a similar pattern of export-led growth, although with variation in terms of intensity and product concentration. Japan led the way, through export-led industrialization soon after the Second World War. Then, in the 1960s, Korea, Taiwan, Hong Kong and Singapore all adopted the strategy of export-led industrialization. And while the other four ASEAN countries were relying on exports of primary commodities, they, the ASEAN economies, gradually reverted to manufactured exports as part of their industrialization strategy.

Such an economic development pattern has created a certain degree of complementarity among our economies. As discussed in the paper prepared for this forum, we can see our economies relative to the economies of other members of the group at another point in time. Thus, the Korean economy today is similar to the Japanese economy in 1966, and the Thai economy today is similar to the Korean economy in 1982. This has been referred to as the "flying geese" pattern of economic development, in which Japan leads the way, pursued by the NIEs and trailed by the ASEAN Four. The interesting point is that the trailing process has been accelerated over the years, meaning that the horizontal division of labor is rapidly replacing the vertical division of labor that was in existence only a decade ago.

A question frequently asked is whether our economies can continue with this rapid export-led growth as we approach the year 2000. This is certainly a pertinent question. And in a sense, it is a reflection of real concern, for it was clear that as NIE exports slowed down in 1989, their growth rates also slowed down.

However, although I accept that slower growth is a legitimate concern, I also believe that there are many other issues that are also of legitimate concern to all of us.

As will be discussed later in this forum, it is expected that in the next few years our economies will sustain lower growth rates than those of the last few years. This is due to the macroeconomic adjustment taking place, especially among the industrialized countries, where measures often include restriction of aggregate demand and interference in imports. However, the growth of domestic demand in our economies is expected to accelerate because we have all achieved the level of per capita income that can sustain the demand for manufactured goods. Thus, while the growth rates may be lower, they are expected to be only slightly lower. There is also a recognition that the industries of the Asia-Pacific economies have become far more integrated, thus strengthening our competitive position vis-a-vis the rest of the world. This competitiveness should help us withstand the trade interfering measures imposed by the industrialized countries of the West.

While economic growth remains at the top of our priority list, I am pleased to learn that we are also paying much more attention to other issues of economic development:

- Japan is accelerating the internationalization of the Japanese economy, recognizing that the international economy has helped strengthen the Japanese economy so that it could attain its present level.
- Korea must confront the problem of social unrest while continuing to adjust its internal economic imbalances in order to remain competitive.
- Taiwan's recent awareness of the enormity of its environmental problems has led to its investing heavily in environmental controls and improvements.
- Hong Kong continues to face the problem of political uncertainty as 1997 rapidly approaches. The problems in China following the June 1989 uprising have added a stronger degree of uncertainty to Hong Kong's political climate.
- Singapore is by far one of the best managed economies in our group. The question is how the new generation will react to the present style of economic management.
- Thailand, my own country, faces increasing problems of economic overheating. Moreover, the discrepancy among the income classes is attracting a lot of attention, due partly to the democratization process.
- Malaysia must continue to balance the social equity objective of the New Economic Policy with the desire to gain international competitiveness.
- Indonesia's rural development continues to be at the top of its priority list, while it pursues various schemes of deregulation.
- Finally, the Philippines needs to regain the economic strength it lost after several years of economic and political mismanagement. Its current leadership also faces political problems from certain groups.

The issues I have mentioned clearly illustrate that we are faced with a number of problems. However, it is fortunate that the similarities of our societies allow us to learn from each others' experiences. Thailand does not want to see that its rapidly growing economy would bring the kinds of environmental problems that Taiwan now faces, nor does it want to confront the level of social unrest occurring in Korea. Korea continues to monitor Japan's development, aiming to be on a par with Japanese industries in the foreseeable future. The Philippines believes that it can apply some of the agricultural development schemes initiated by Thailand. Malaysia often "looks East" to find examples of industrialization and modernization. Indonesia realized that the more liberal trade and investment policies followed by most other economies in

the group have contributed to the rapid strengthening of their respective economies. And Japan has found that its industries can gain strength by collaborating with businesses from other economies in the group. The list of information exchanges and sharing of experiences among members of our group continues to grow.

Because of the similarities in our societies and economies, I feel very encouraged that the nine research institutes present at this forum have agreed to collaborate on policy research. As for myself, I believe that by learning more about the other economies in the group I can better understand the Thai economy and will also be in a better position to anticipate our future problems.

Mr. Chairman, ladies and gentlemen, we have already entered into a new era of high growth and economic integration among our economies. While we gain more understanding of the economic integration process, it is also our duty to inform the public of this development so that they will take advantage of the new opportunities, and to ensure that some people will not behave in a way that would adversely affect the development process due to misinformation and misunderstanding. A forum such as the one we are organizing today will be an effective vehicle for learning about the problems and opportunities confronting us and for disseminating information to the public at large.

Mr. Chairman, ladies and gentlemen, thank you very much for your kind attention.

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