



**THAILAND**

**SUCHART JAOVISIDHA, Temporary Alternate Governor**

It is indeed an honor and a pleasure to address this august gathering. On behalf of the Thai delegation, I would like to join the other governors in expressing my sincere appreciation to our host, the People's Republic of China, for the very warm welcome and the excellent arrangements made for this meeting and, in welcoming Portugal to our organization. I believe that this addition will further enhance and strengthen our interregional cooperation.

We come to this Asian Development Bank (ADB) annual meeting with high optimism about the prospects for the Asian economies. Despite the global economic slowdown last year that adversely affected our region, the global economy has regained its momentum earlier than anyone had expected. Today, our regional economy is showing vital signs of recovery. In particular, we can see positive signs of the turnaround in the major economies such as the United States and Europe.

As for Thailand, the prospect of this early turnaround has supported and complemented my Government's efforts to revive our economy. Nonetheless, we remain fully committed to taking the necessary steps to build a strong economic foundation that is resilient to external vulnerability and conducive to future economic growth—ultimately, one that can withstand the test of time.

Let me take this opportunity to update you on our recent economic condition and developments, and more important, our strategies to achieve stronger and more sustainable growth.

Thailand has entered this year with great confidence. We expect our economic performance to improve substantially. The Thai economy demonstrated resilience to the global economic slowdown and was able to grow in the second half of 2001. Overall, we experienced 1.8% growth for the year. For this coming year, we anticipate that this momentum will continue as private consumption and investment continue to expand. This is primarily due to the recovery of both business and consumer confidence as well as effective fiscal stimulus packages. With the likely scenario of a global economic recovery, gross domestic product is expected to grow by 2.5–3.5% this year.

The policy of this Government is geared toward building quality-oriented growth and restructuring our economic foundations. In light of this, we have employed a new growth paradigm that we call the Dual Track Strategy. This new paradigm embraces a balance between promoting international cooperation and stimulating the domestic economy at the grassroots level. This solid step will enable us to achieve a dynamic economy that stands ready and vigilant to cope with international pressures and at the same time brings forth a better standard of living for our people.

The essential ingredient for our strategy is the development of a vibrant and robust domestic economy. In this regard, the Government has made structural reform a high priority. In the past 15 months, my Government has initiated reform in four key areas, namely, the public sector, the private sector, the financial sector, and the local community or the grassroots sector.

I would like to bring to your attention our reform efforts that have been focused at the grassroots level—the condition of which affects the welfare of the majority of the Thai people. The farmer debt moratorium, the Village and Urban Revolving Fund, and the People's Bank have all been implemented to foster development of this sector.

To support and advance this reform, we are placing special emphasis on the development of our small and medium enterprises (SMEs). The full-fledged SME Bank was recently established to provide customized financing and advisory services to emerging Thai SMEs.

On the financial front, in the wake of the financial crisis, this Government is implementing strategies to revitalize the sector. Nonperforming loans stood as the greatest challenge for the Government since they hindered banks from resuming their normal and intermediate functions. The Thai Assets Management Corporation was established to comprehensively solve the nonperforming loans problem. To date, it has successfully transferred \$16 billion and restructured 70% of its debt.

In laying out the new architecture for our financial sector, my Government has been working closely with the private sector to improve the standards of accounting and disclosure, and increase the accountability of management. This initiative cannot bear fruit without a complementary increase in the efficiency of the public sector. Consequently, my Government has embarked upon reforms of our state-owned enterprises and government agencies to achieve increased efficiency, accountability, and transparency. A number of state enterprises have been privatized or are in the process of privatization within a given time frame as a strategy to improve their operational efficiency. The bureaucratic structure is being revamped to improve the performance of the public service and become a facilitator, rather than a hindrance, to promoting future economic growth. Our new structure will become effective this coming October.

The Government is exerting all its efforts to secure essential elements to support economic growth and competitiveness. We are strongly in support of greater regional cooperation to ensure improvements in the welfare of all Asian countries. I would like to mention here, in particular, the Greater Mekong Subregion (GMS) program in which

ADB has played an active and important role. Recognizing the importance of this program, the Government has set aside a large amount of funds from the national budget for the development of the various projects and programs under the GMS framework, including in particular the R-3 road improvement project that will link Thailand to the People's Republic of China, via the Lao People's Democratic Republic. We strongly support the GMS Economic Corridor and are strongly confident that this will help to expand key transport linkages, and facilitate trade and other development opportunities in the region.

Thailand's present and future development projects have benefited from the kind cooperation and continuous support that ADB has extended to us. ADB assistance has been targeted on development across a diverse range of areas including agriculture in the rural communities, education, health, and social welfare. ADB has played an important role in channeling resources and assisting developing countries to alleviate poverty and increase economic growth. I believe that with the new organizational structure, which is more country-focused, ADB will be able to increase its efficiency and effectiveness in delivering such important assistance.

Let me now turn your attention to the role of ADB. On ADB's policies in 2001 and 2002, several issues are worth taking note.

First is the introduction of the LIBOR-based lending products in July 2001. We believe that such a move will enhance transparency of ADB's operations while reflecting the market environment. We welcome the change and hope that developing member countries can make greater use of such a facility. However, we observe that pool-based rate charges for outstanding loans are off the market. Therefore, we would appreciate if ADB would revise its policy related to loan charges so that they reflect real market conditions.

Secondly, we support the introduction of the quality, cost-based selection method for consultant selection. We believe that such a move would optimize the use of ADB's scarce resources, as well as put less burden on borrowers.

In closing, I would like to congratulate President Tadao Chino and his staff for their accomplishments over the years in the continuing fight against poverty in the Asian region; we wish them every success in the years ahead. I would like to assure you that Thailand remains strongly committed to working with ADB in all aspects. I believe that this Shanghai meeting will bring about fruitful discussions, and hope that the outcomes will prove to be a significant step toward achieving sustainable growth and poverty alleviation.