

**Thailand and the United States –  
Old Friends Seeking a New Relationship  
by Mr. Anand Panyarachun  
The Inaugural Phillips Initiative Address  
University of North Carolina, Chapel Hill  
April 6, 1995**

It is a great honor to be at the University of North Carolina to speak at the inaugural Phillips Initiative Symposium, particularly because it gives me the opportunity to look at the future of the relations between Thailand and the United States.

It was almost exactly 200 years ago, I am told that the first student came to Chapel Hill to study at this, the first public university in the United States. This student, one Hinton James, was two weeks late for the official opening because he walked the entire distance from Wilmington. It is a sign of the immense changes in the world that I have been able to come from the other side of the globe in far less time than Hinton James took to come from Wilmington. But of course I did not have to walk.

Still, it was a long journey for me, and one that I would not have undertaken without good cause.

The Phillips Initiative is a generous and imaginative effort on the part of Mr. "Phil" Phillips, who serves with me on the board of the Asian Institute of Technology, to help shift that relationship to a new level. The focus of the Initiative on relationships between universities is, I believe, a perceptive one. As we head into the next century it will be our ability to learn and to teach, that will determine whether our increasingly close-knit world society will survive the changes that are coming at us with bewildering speed.

I would like to spend a few moments talking with you about some of the implications of these changes for our countries, once so far apart, but now separated by much less a journey than traveled by the first student at this great university.

In that year of 1795 both our countries were building anew after difficult wars of independence. The United States had freed itself from Britain. Thailand, then known as Siam, had just driven out the Burmese army after years of invasion and occupation.

These struggles demonstrated the fierce desire of both our peoples to be independent.

Over the years, this common desire for independence has brought together our very different countries as allies, trading partners and friends. When the tide of European colonialism rolled over Southeast Asia in the 17<sup>th</sup>, 18<sup>th</sup> and 19<sup>th</sup> centuries, Thailand was the only country in the region to remain independent.

Thailand and the United States had occasional contact, but it was not until 1833 that the first formal Treaty of Amity and Commerce was signed. So friendship, from the early days, was based on mutual commercial interest rather than politics or international security. Not, I would argue, a bad way to start.

Our relations developed slowly over the next several decades, and travel between our countries still meant weeks of hardship. Following World War II, however, we faced together the challenges of what was called "The Cold War".

Sadly, in Asia, it was a very hot war. First there was Korea and then Vietnam. In both conflicts, Thai troops fought alongside Americans. The war in Vietnam not only brought 50,000 American servicemen to Thailand, it joined our countries as allies in a confusing conflict that is still debated in both countries.

Now, however, the region and the United States, are moving to a new era of peaceful cooperation and partnership. Vietnam, Laos and Cambodia, once threats to Thailand and to other U.S. allies in the region, are actively seeking trade, investment and friendship. Where Thailand was once the front-line state against Indochina, it is now the doorway to these countries, as they try to reform their economies and build a vibrant private sector.

This regional change is the first reason that it is time to find a new model for Thailand's old and friendly relationship with the United States. Under external threat, Thailand relied on the United States for training, equipment, material support and emergency help. That relationship has changed. Without that threat, Thailand continues to cooperate with the United States. There are annual joint military exercises. The security relationship is, however, no longer a dependent relationship. Thailand pays for its own security and determines its own policies.

The second reason is economic development. In this area too, Thailand has changed beyond recognition. When I first served as Ambassador to the United States in the 1970s, our major exports included rice, tin and rubber. Now they comprise computers, hard disk drives, chemicals, integrated circuits, jewelry and other manufactured goods.

I was pleased and proud during my two terms as Prime Minister to be able to enact a great deal of new legislation that improved the tax structure, that liberalized the financial sector and trading regime, that provided for better protection of the environment and that opened much more of the government decision-making process to outside scrutiny. Although my government was able to push these reforms further and faster than other governments, many of these improvements were already under development by my predecessors. Nearly all of them have been supported by my successor.

So, for businessmen, there is great stability behind the headlines in Thailand. The current elected government is currently well into its third year in power. More important for the underlying stability of the nation, His Majesty King Bhumibol Adulyadej, will soon complete his 50<sup>th</sup> year on the throne. His

Majesty has provided not only a deeply stabilizing influence, but a marvelous model of concern for the poor and for the general well being of the nation.

Policy stability, national unity and strong foreign investment have combined with our highly trainable work force to spark rapid economic growth. The pace of this growth accelerated in the mid-eighties, and has now averaged about 10% for the past seven years. GDP growth continues this year at about 8.5% per year, with export growth above 20%.

This has transformed the business scene. Where once we had only small trading firms dealing in basic commodities, we now have major companies, including some Thai-based multinationals.

The CP Group, which once sold seeds from a shophouse, is now a \$4 billion a year company that has operations in Europe and the United States. CP is the largest single foreign investor in China with operations in 23 provinces that stretch from feed mills and aquaculture to motorcycle manufacture, telecommunications and satellites.

Bangkok Bank has become the largest bank in Southeast Asia.

The Shinawatra Group, has expanded from computers to cable television to telecommunications. It has launched the first two Thai-owned satellites.

The Siam Cement Company has diversified its original base in construction materials to produce more than 20,000 different products, including petrochemicals, auto parts, machinery and paper. It is Thailand's oldest and largest industrial company.

These companies are not rare exceptions. More and more Thai companies are reaching the point where they are major players on both the national and regional level. These companies provide opportunities for American firms to find strong partners in Thailand and in the region. The private sector and the hundreds of successful foreign-Thai joint ventures have provided the dynamism that continues to drive economic development. With that success, of course, comes even greater responsibility. The private sector must help find ways to address key problems such as education, environment and infrastructure, if for no other reason than to provide the basis for sustainable business development. So the private sector must play a major role in the new development relationship with the United States.

Thai culture is old and strong, but its origins lie in situations in which it was important for leaders to bind their people to them with benefits in return for loyalty. So Thai society was held together by relationships of patron and client. That also became the model for the relationship between the United States and Thailand for much of our modern history. In security, in international politics, in trade and investment, the United States was the patron and Thailand was the client.

Much that was good and beneficial to both came out of that relationship. The United States, through the U.S. Agency for International Development, spent more than \$1 billion on infrastructure, technology transfer and training in Thailand. Some of that was useful, some was wasted.

Given the changes that have taken place, however, the patron-client relationship, the donor-recipient relationship is no longer appropriate or beneficial for *either* country. It has already begun to change, USAID will close its doors in Thailand in a few months. We should not regret this. We should welcome the change, but we should not abandon decades of cooperation. We must not overlook continuing development needs. The challenge is to move on and find a new model for our relationship.

Much progress has already been made, particularly in business. Having worked in the private sector now for more than 15 years, it is clear to me that this is the most important area of our relationship. Two-way trade between the United States and Thailand last year grew 23% to more than \$15 billion. Thailand still has a trade surplus with the United States, but last year Thai imports of American goods grew by nearly 30% and the gap is narrowing. The United States is still Thailand's leading market.

There are lots of reasons for Americans to do business in Thailand. We have been prudent and conservative managers of our finances. Our currency has been stable relative to the dollar. We have been careful to spend within our means. In fact, the government has run a cash surplus for the past seven years.

Thailand is opening up new opportunities for the private sector. We have begun to privatize the electric power industry where demand growth of up to 14% per year is expected. (I know officials from the North Carolina company Duke Power were in Thailand only a couple of weeks ago). We are liberalizing our financial sector, offering new bank licenses and providing offshore banking opportunities. The fast-growing stock market and the newly developed debt market need American financial skills and services.

Thailand can provide American businesses with a gateway into Indochina. Thailand is also a key member of the Association of Southeast Asian Nations – a market of 350 million people with more than \$450 billion in GNP. As road and rail links are built, Thailand will provide land access into Southern China. Cultural kinship has already given Thai businesses a head start in the booming China market. Operations in Thailand provide American companies with a base for expansion into China as well as the rest of the region.

Thailand is happy to do business with people from all countries, but Americans enjoy a special advantage. Under the 1966 Treaty of Amity and Economic Relations, U.S. investors are exempt from many of the restrictions imposed on others. Americans, for example, can hold 100% of their Thai companies while other nationalities are restricted to 49%.

Despite the recent surge in Asian investment in Thailand, the United States still accounts for about 20% of all foreign investment.

Although North Carolina businesses may not be widely known in Thailand, it is interesting to note that the current president of the American Chamber of Commerce in Thailand is from North Carolina, and so were his two predecessors. I am told there are a growing number of businesses and investments that carry the good North Carolina name of Kenan. I am sure the hi-tech industries of North Carolina, such as those at the Research Triangle Park, will find ready markets and capable partners in Southeast Asia.

The rapid economic growth of Thailand, however, does not mean we no longer need American development cooperation. In fact, rapid industrialization has actually **increased** needs in those critical areas I mentioned earlier: infrastructure, education and the environment.

Industrial development has driven up incomes, but industrial waste now threatens the rivers and canals which irrigate the fertile fields that make Thailand the world's leading exporter of rice. Hazardous wastes and municipal garbage create health problems for all, but particularly for the urban poor. Air pollution in Bangkok is another threat to health.

None of these problems are unique to Thailand. Many have already been addressed in the United States. So you can provide some of the technology and expertise we need. But we do not need it on the basis of handouts.

Our rising incomes and our rising pollution problems create potentially lucrative new markets for U.S. environmental products and services. The barriers of distance, language, culture, law and simple unfamiliarity, however, sometimes prevent needed linkages from being made. As chairman of the Kenan Institute of Asia, I am pleased that the Kenan Institute is working to overcome those barriers through management of the U.S.-Thailand Development Partnership. And it is doing this in a way that provides a new model for foreign cooperation, not foreign aid.

The differences between this new "Partnership model" and the old "handout model" are clear.

At the Partnership, an experienced staff of bilingual Thais and Americans work to develop and communicate needed information on markets and technology. They use business skills to create partnerships that focus on a public need, but have private sector mechanisms to keep them going.

Funds are available, but they are only provided if the Thai and the American companies share the costs. This reduces the burdens of oversight because the parties involved are using their own money. It simplifies project development because few dead-end projects can ever get started. It provides for long-term sustainability by meeting market needs and making profits.

Perhaps most important, there is a mutual benefit. Thailand gets proven technology and U.S. company get quality business partners and a fast-growing market. The relationship is therefore no longer one of donor and recipient. It is not patron-client. It is a relationship of equals. It is a business relationship that directly benefits Americans – be it business firms or labor force.

There are also opportunities for mutually beneficial cooperation on infrastructure. The Kenan Institute is working with the Thai private sector and government to create a new kind of infrastructure for 21<sup>st</sup> century manufacturing and logistics: the Global Transpark.

This idea, developed by Kenan Institute's Jack Kasarda, has caught the attention of businessmen and planners who see the need for overcoming infrastructure bottlenecks as the demand increases for speed to world markets.

With the rapid economic development, Thailand also faces the need for more education at all levels. Our education has historically been geared to producing the governing elite. Now the needs of our growing economy is for engineers, technicians, doctors and managers. We need to move towards the admirable concentration of educated brain power that the Raleigh Durham area has achieved. It may be some time before we have 25% of our work force with university degrees as you do in this area, but we must move in that direction.

Here too, there is a mutual advantage in working together. As Dean Paul Fulton often says, business must be international. That means that top business schools such as the Kenan-Flagler School, must provide an international education. With huge markets developing in Asia, your graduates need to learn our ways of doing business, just as our young managers need to master the tools and techniques developed in the United States.

Several Kenan programs address these needs:

- The CitiBank International Fellowship Program brings top Asian scholars to the Kenan Institute each year to carry out advanced research.
- The Kenan-Flagler Business School is recruiting more top students from Thailand. I understand there are at least 13 Thais here now.
- The MBA summer internship program brings about 20 students to work in Thai businesses each year.
- An executive education program has started. I was pleased to open the first pilot Kenan program in executive education in Thailand just last month. The program was an intensive course in the strategy of transnational technology cooperation. With some seed funds from the Phillips Initiative, the program brought together the University of North Carolina, the Asian Institute of Technology, and Thammasat University, Thailand's second-oldest university. It was an important step towards expanded university-to-university cooperation that focuses on the real needs of business.

There is much more that can be done and should be done. But it must be done on the new model of cooperation, not donation; of sustainable activities, not quick fixes. We need to harness the private sector to the work of solving public problems.

The creation of this new "Partnership model" of international cooperation will benefit the new relationship between Thailand and the United States. It goes even beyond that. The United States needs to find ways to help world development and help itself at the same time. There are many countries, particularly in East Asia, where the dynamism of the private sector offers the potential for far greater effect through the Partnership model than could ever be achieved through the traditional model of foreign aid.

There is little doubt, the next century will be the Pacific Century, but it is not enough to trumpet the changes so clearly coming. There are still barriers of culture, history and understanding that must be overcome. There is much that can go wrong. But there is also a lot we, here in this room, can do to build the kind of relationships that serve the needs of all the Pacific countries.

We, in Thailand, look forward to developing this new mutually beneficial relationship, working closely with American universities, government, businesses and the American people. Together, I believe we can make a difference that will benefit all of us.