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Speech by

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Excellency Lorenzo FIORAMONTI, Deputy Minister for Education, Research and Innovation of Italy,

Excellency ZHOU Xiaochuan, Vice Chairman of the Boao Forum for Asia, Vice Chairman of the 12th National Committee of the Chinese People's Political Consultative Conference,

The Right Honourable Lord Mandelson, President of Policy Network, Former European Commissioner for Trade,

Excellency LI Baodong, Secretary-General, Boao Forum for Asia,

Mr. Valerio DE MOLLI, Managing Partner and CEO, the European House Ambrosetti,

Distinguished Guests,

Ladies and Gentlemen,

First of all, I would like to congratulate the Boao Forum for Asia for organizing this landmark Boao Forum for Asia Rome Conference and to express my sincere appreciation for the kind invitation for me to attend this conference. This conference truly testifies the role and the important link the Boao Forum for Asia could play to enhance and cement the close cooperation between the public and private sectors of Asia and Europe especially during the time when the world is looking for greater efforts and endeavours to

forge greater economic ties and cooperation amidst serious threats to free trade, globalisation and multilateralism.

In a few days' time it will be China 17th anniversary since it has joined the WTO in December 2001. Because of her economic structure, China's membership to WTO seemed to reaffirm that all economies in the world, capitalist, socialist or communist, were ready to embrace the trade liberalization and the global free trade would operate under similar rules and regulations and that free trade would be healthy for the world economy and the citizens of the world.

The mushrooming of economic and free trade cooperation and integration is emerging in every region and continent of the world. China has been joining hands with countries and groups of countries not only in Asia but all over the world to promote free trade. Today it is not arguable any more that China is one of the world most ardent advocates of global free trade.

But as we often quote in Buddhist philosophy, in life, uncertainty is the certainty. The world foremost leading nation in free trade, the United States of America, has, on the contrary, turned against free trade, globalization and even multilateralism. Protectionism is beginning to creep into the global economic order. The looming trade war between the world number one and number two economy becomes headlines every day. In addition, the United Kingdom Brexit from the European Union, though not quite the case of a move against free trade as such but certainly a demonstration of

anti-globalization sentiment, has demonstrated the frustration people are experiencing after decades of global growth under trade liberalization and globalization.

This phenomenon that has led to American protectionism is not President Trump's fictitious story. For one of the main causes of the anti-free trade and anti-globalization sentiment and bitterness derives from the true but unfortunate stories of inequality suffered by different segments of the global population especially the American middle class while others have enjoyed more benefits of free trade and globalization.

The so-called "Elephant Chart", one of the most famous charts in economics in the past decade, produced by Christoph Lakner and Branko Milanovic in their book 'Global Equality', probably provides the best explanation to this new economic phenomenon. The chart using the World Bank data showed the world's income distribution between 1988-2008. The chart showed that while the rich in the least developed countries were made much richer, the poor are also better off. In developing countries, the rich are also much richer but the middle class become poorer. The global middle class, in particular those in East Asia and India and the ultra-rich in Europe and North America have gained the most benefits of the global economic growth from free trade and globalization. The lower and middle class even in countries like the US and Germany, however, were amongst the world population who did not see their income grow anywhere near their

rich neighbours. They became the victims of globalization. The elephant chart helps explain the global resentment and bitterness against free trade and globalisation, the American First and Brexit movement and the rise of right wing nationalistic and protectionist movement in Europe. But that does not mean that globalization and free trade is necessary to blame and to be rid of.

Most recently, the World Inequality Report 2018 by the World Inequality Lab at the Paris School of Economics shows that income inequality has increased in nearly all world regions in recent decades, but at different speed. The report has reiterated the findings of the elephant chart by estimating that the global lower and middle class are being squeezed and have gained the least benefits of global economic growth. The unequal ownership of capital, the high growth of private capital wealth while public wealth has been drastically diminished has limited the ability of governments to tackle inequality, especially wealth inequality amongst individuals. In Russia and the United States, the rise in wealth inequality has been extreme, whereas in Europe it has been more moderate. ‘Business as usual’ will exacerbate the income and wealth inequality in the next couple of decades. All countries must cooperate in tackling the income and wealth inequality to avoid further resentment, citizens’ discontent and anti-globalization and anti-free trade movement.

The Anti-EU feeling, the Brexit, the American First, and most recently the “*gilets jaunes*” or the yellow vests discontent movement

in the streets of Paris and other French cities in the last three weekends and the violent that regrettably pursued last weekend in Paris, I believe, have partly been caused by this inequality as a result of “business as usual” economic hardship.

Contrary to the movement to turn away from free trade and globalization, it is now time than ever for all of us to ensure that all forms of economic and trade cooperation, regional or inter-regional, must be accelerated and implemented to ensure that the inequality of wealth and income as illustrated by these studies will be reversed. In other words, ‘business as usual’ should not be the way we implement our economic and trade cooperation any more. More care and heed are needed to implement global free trade and trade liberalization.

In Asia, where I come from, I strongly believe that there are emerging several economic and trade cooperation frameworks that must speed up its conclusion to address these inequality problems. The Regional Comprehensive Economic Partnership or RCEP, the proposed free trade agreement between the 10 members of ASEAN and the six Asia-Pacific nations, namely Australia, China, India, Japan, New Zealand, and South Korea has the potential of becoming the world’s largest economic bloc of 3.4 billion people. The RCEP is now closer than ever to be concluded an inter-regional economic cooperation. The other cooperation is the FTAAP or the Free Trade Area of the Asia-Pacific, the trade integration of the 21 economies of the APEC or the Asia-Pacific Economic Cooperation. Unlike RCEP,

FTAAP could possibly take longer to turn into reality but all of us hope that its conclusion should be within reach. Learning the lessons, all countries involved in both these economic cooperation frameworks must steer these cooperation frameworks in order not to exacerbate the wealth and income inequality and to set out policy that will not let any group of income earners left behind.

The Trans Pacific Partnership or TPP which President Trump turned down as the worst economic cooperation should have been, in fact, another economic cooperation bearing great impact on the economic growth and wealth distribution of so many countries both in Asia and in the American continent. Fortunately, the remaining partners were not convinced as President Trump did. So, albeit abandoned by the Trump Administration, the TPP has been resuscitated. It has now become the “Comprehensive and Progressive Trans Pacific Partnership” or CPTPP. When concluded, with or without the United States, the CPTPP, too, must take care of those citizens who have been unable to enjoy the sufficient benefits of the free trade.

And then, the Belt and Road Initiative. This may not be an economic cooperation framework as such. But it is certainly an innovation of an economic cooperation that would promote free trade, building infrastructure, creating jobs and income, increasing investment, and fostering people-to-people understanding, not only

between China and each BRI partner country but also between different BRI partners as well.

The BRI is not only opening up more free trade, but it is opening up some 70 countries and their people through connectivity through road, rail, seaport and airport construction connecting different parts of Asia and between Asia and Europe. Both trade and the people along the BRI projects will have the unprecedented opportunities to connect and travel to and from each other. Better modes of transportation and communication will benefit everyone's economic activities.

The digital connectivity is another benefit of the BRI. It is hoped that China's great advance in the digital and AI technology will not be confined to China's benefits. But with the BRI, digital connectivity must make way to improve people's livelihood economically and socially. Both transport and digital infrastructure will enable people from the grassroots, to the lower and the middle class to improve their economic production, be they in agriculture or industry, their sales through e-commerce as well as their ability to compete by e-learning new skills and being innovative, wherever they live.

The multiplicity and the magnitude of the BRI projects would surely help create jobs and income both directly in the BRI projects and also in other related sectors. An investment in a mega construction and infrastructure project in any area would entail a growth in the service sector, agriculture and food sectors, as well as

industrial and technology sectors. The presence of new roads and new railroads creates job and career opportunities as well as entrepreneurship to all communities in the vicinity. The BRI projects must not be seen as a mega construction projects by China. But these are projects that need to be considered for their long-term benefits to the communities and their people as a whole.

Those economic frameworks mentioned earlier would find it more difficult to yield equitable benefits to people from different sectors without the essential connectivity infrastructure which the BRI projects are meant to facilitate. The complementarity between the BRI and the regional economic cooperation frameworks is what is needed to rectify the shortcomings illustrated by the research findings both in the Elephant Chart and the World Inequality Report.

The 5 years implementation of the BRI has proved that all the projects under this initiative is laying the necessary infrastructure for free trade and global connectivity that would benefit all sectors of the global population, especially those left behind. The continuation of the implementation of the BRI in the years ahead is hoped to be even more successful if there are more public diplomacy especially amongst the stakeholders, be they policy makers, opinion leaders, or people at the grassroots level to ensure that all have a sense of ownership for the BRI and that the BRI is not only about mega projects but it is to benefit small people, that the BRI respect sovereignty and above all the BRI is inclusive.

And if world leaders join hands in defending and protecting free trade, encouraging more free trade cooperation that more equally and equitably benefits all sectors of their population, I have confidence that the complementarity between the BRI and those free trade cooperation zones would not result in another Elephant curve. And the forecast of the next decades of deteriorating income and wealth inequality will prove unjustified.

I wish to end my presentation by commending the Boao Forum for Asia once again for organizing this conference in this beautiful and ancient city of Rome where I hope the European and Asian wisdom will merge for the optimal benefits to the world.

Thank you very much.