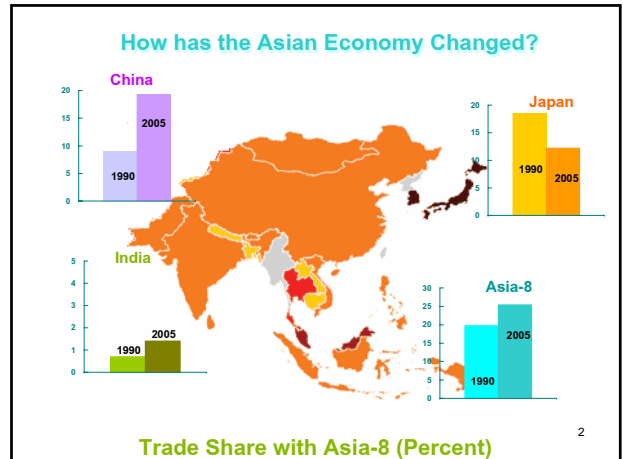


The Bank of Thailand Symposium 2006

## The Rising New Asian Economy



# Changes

#### Competition

The emergence of China and India has spurred international competition, both in trade and as destinations for FDI.

#### Production Network

Low labor cost in China supports its role as a regional manufacturing hub.

#### Intra-Regional Trade

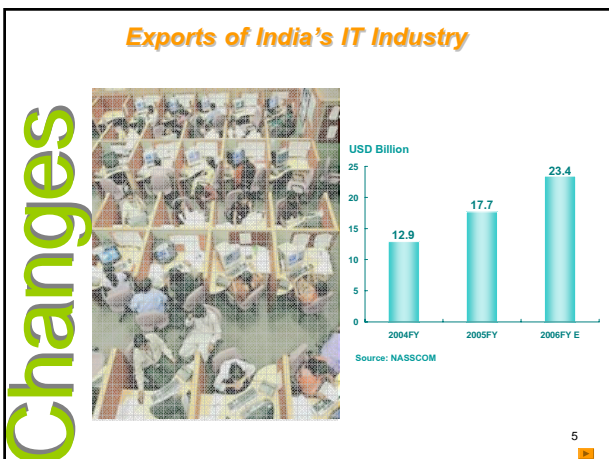
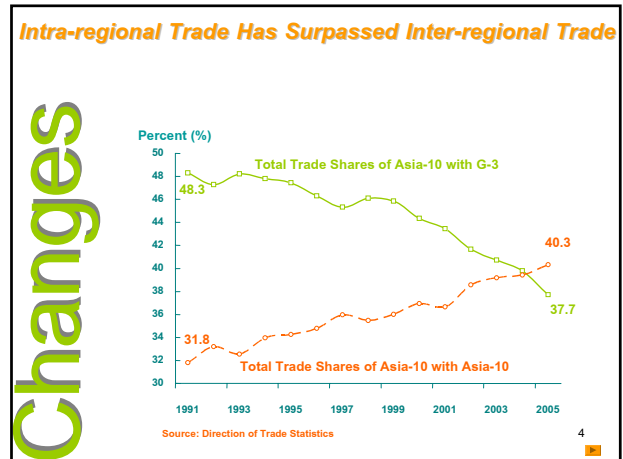
Larger markets and production to support the regional production network has stimulated trade within the region.

#### Trade in Services

India's specialization in IT services has opened up the non-traded sector to the global trade.

#### World Price Stability

High demand for raw materials has put pressure on commodity supplies, contributing to the rise in world commodity prices.

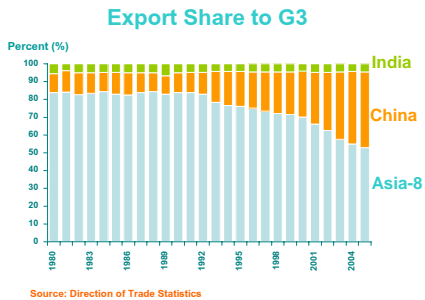


### Reforms and Liberalization since 1980 Have Attracted Foreign Capital and New Production

**Closed Economy** (top left) vs **Greater Liberalization** (bottom right)

### 1. Competition for Market Share

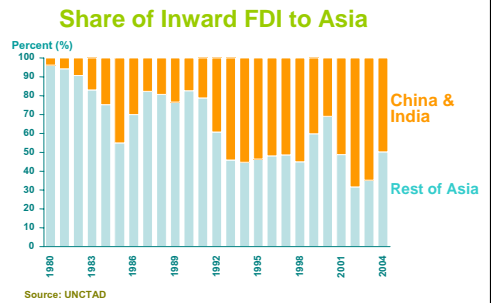
Threats



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### 2. Foreign Investment Diversion

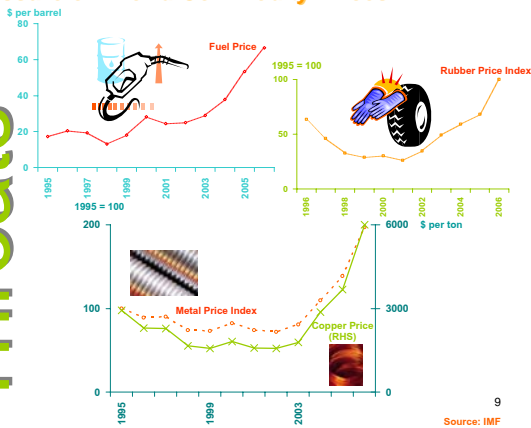
Threats



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### 3. Pressure on World Commodity Prices

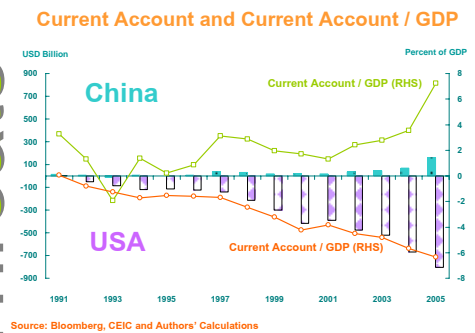
Threats



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### 4. Global Imbalances

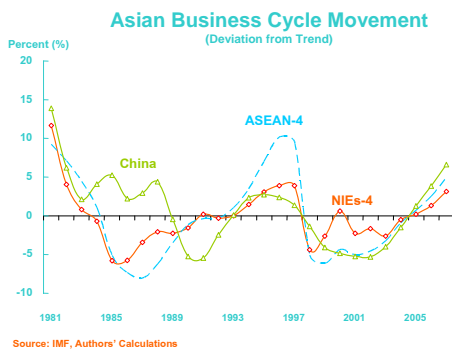
Threats



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### 5. Greater Correlation of Regional Growth

Threats

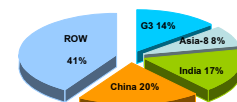


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### Market Demand

China and India's large domestic markets and fast growing incomes offer accelerating demand for regional trade and production.

Share of World Population: 2005



Note: Includes 227 countries  
Source: US Census Bureau

(%)	Per Capita GDP Growth (Avg. 2000 - 2005)
ASEAN-4	5.91
NIEs-4	5.82
China	11.08
India	6.51

Source: IMF

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Opportunities

### Regional Network

The international division of labor has created a cost efficient regional network. This regional assembly line will also stimulate more trade within the region.

**Opportunities**

### Investment

The cost efficiency gained from this production network enhances the attractiveness of the region for FDI. This capital is essential for growth in the region.

#### Stock of Foreign Direct Investment in Asia

Year	China (USD Million)	India (USD Million)	Asia-8 (USD Million)
1980	~50,000	~10,000	~10,000
1990	~100,000	~20,000	~100,000
1995	~150,000	~30,000	~250,000
2000	~200,000	~40,000	~700,000
2004	~250,000	~50,000	~800,000

Source: UNCTAD

**Opportunities**

### Global Disinflation

Low cost products and cheap labor services from China and India are being exported throughout the world, contributing to a global disinflationary period.

#### Rates of World Inflation

Year	Industrial Countries (%YoY)	Emerging Markets (%YoY)
1970-74	~10	~12
1975-79	~10	~10
1980-84	~8	~8
1985-89	~4	~6
1990-94	~2	~4
1995-99	~1	~3
2000-04	~1	~2

Source: IMF

**Opportunities**

### Due to changes in the Asian economy, policy adjustments are necessary

- Product Efficiency
- Business Efficiency
- Energy Efficiency
- Human Capital Efficiency
- Regional Cooperation

**Opportunities**

### Business Efficiency Enhancement

#### Competitiveness Structure in 2006

Country	Economic Performance	Government Efficiency	Business Efficiency	Infrastructure
Thailand (32)	~80	~80	~80	~80
USA (1)	~100	~80	~80	~80
Malaysia (23)	~80	~80	~80	~80
India (29)	~80	~80	~80	~80
China (19)	~80	~80	~80	~80

Source: IMD World Competitiveness Yearbook, 2006

**Opportunities**

### Energy Efficiency Development

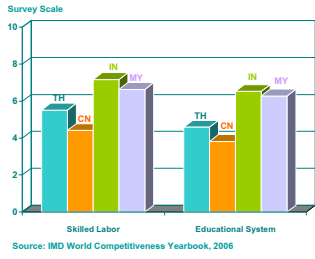
#### Oil intensity for selected countries (2004)

Country	Oil Intensity (Barrels per Day / GDP)
Japan	1.1
UK	1.1
HK	1.7
USA	1.9
Australia	1.9
Brazil	2.8
Mexico	3.1
Korea	3.7
Philippines	3.8
India	4.4
China	4.4
Malaysia	4.7
Indonesia	5.8
Thailand	6.1
Singapore	7.3

Source: BP Statistical Review of Energy

**Opportunities**

## Human Capital Development



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## Regional Financial Cooperation



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