

Speech

Deputy Prime Minister Pridiyathorn Devakula

“Thailand: A Regional Trading and Modern Industry Hub”

Shangri-La Hotel, Hong Kong

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Mr. Gregory So, Secretary for Commerce & Economic Development of the Hong Kong Special Administrative Region,

Mr. Aroon Jivasakapimas, (นายอรุณ จิวาศักดิ์คือภิมาศ) Consul-General of the Royal Thai Consulate-General in Hong Kong,

Distinguished guests,

It is always a pleasure to return to Hong Kong, one of the Four Asian Tigers, a frenetic business locale and leading global economy.

Let me express my appreciation to Secretary So for his kind welcoming remarks and for his generous consent to join us today.

The headline of this seminar, “Thailand: A regional trading and modern industry hub” reflects a near term goal of the Thai Government, and the desire to transform our economy in a similar way that Hong Kong did several decades ago.

Long term, we aim to move our economic ranking as an upper middle income country to join the other top tier Asian economies as an upper income country. I think that this is something that sounds difficult, but which we are determined to achieve as soon as possible.

I will say that the first job of the Thai government on assuming the mantle of state leadership was to restore peace and to restore confidence. I think we have

accomplished this task of restoring peace. Business is back to normal and production has increased.

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We see signs of this already emerging through recent improvements in GDP growth at 3.0 percent in the first quarter of this year, and with a full year forecast by NESDB between 3.0 and 4.0 percent. This forecast, I would note, is in line with that of many other institutions including the World Bank's at 3.5 percent.

Likewise, Moody's Investors Service at the end of May has reiterated Thailand's stable rating, which it says is supported by a very strong government financial position, noting also that the country's well-diversified economy and high foreign reserves are additional credit strengths.

SLIDE 2

Yet another indication that confidence is growing can be found in the fact that BOI closed last year with record level of investment applications. And I would like to add that last year alone companies from Hong Kong submitted applications for promotion of 45 projects by the Thailand Board of Investment; a total value of US\$791 million. We can increase this amount dramatically over the coming year and beyond. In fact, today the BOI will be signing a memorandum of understanding with Invest Hong Kong for the very purpose of cooperating to enhance investment in each economy.

As the person at the helm of Thailand's economic team, it gives me no small amount of satisfaction to highlight some of the key activities that we have been undertaking.

First, I am pleased to tell you that since the beginning of this year, the Thailand Board of Investment has been implementing its new investment policy, offering a revised set of incentives to support our development goal.

SLIDE 3

We are modernizing our industrial base and promoting industries with high and clean technologies, innovation, efficiency, and creativity, as well as research and development. All of which contributes to high value added manufacturing and a more mature economy. For example, we are moving up the technology ladder from food processing to the manufacture of medical foods; from the production of natural and normal synthetic fibers to the more complex technical and functional fibers; electric appliances to the internet of things, and vehicles to hybrid and electric cars, plastics to bio-plastics, among many others.

At the same time, we are looking for companies that can help Thailand best capitalize on its abundance of natural resources. For example, consider that Thailand produces about 4 million tons of rubber. We are the biggest producer of rubber in the world and yet only a fraction of this goes for domestic production of rubber products. We need to attract more producers of rubber products, such as automotive tires, further increasing the production of higher value added goods.

Another natural resource in Thailand is potash, with an estimated 400,000 million tons. After only 8 months in power, we have issued a mining concession license to one mining company while two more are next in line and ten additional exploration licenses were recently granted to our Chinese friend.

Let me also look at Thailand's plastics industry. It is already the largest in Southeast Asia with more than 3,000 companies and with real potential of becoming a global hub for bioplastics. Significant investments have already been made in biopolymers. We can link our agricultural sector and our plastics

industry, providing a better market for farmers and reducing income inequality.
Good for business, good for the people!

SLIDE 4

It is clearly evident that Thailand is equipped and prepared to build a more sophisticated economy, attracting such new industries as biotechnology and related bio-pharmaceuticals, nano-technologies and nano-materials, medical devices, and our new aerospace parts and components manufacturing, to name just a few.

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Second among the new initiatives being taken in Thailand is the adoption by the Cabinet last December of the decision to promote International Headquarters and International Trading Companies. Under this scheme, a foreign company which has at least one overseas operation can form its regional headquarters in Thailand, and will be exempt from the collection of income tax from dividend and capital gains received from investing in overseas subsidiaries; it will be exempt from any tax on income received from providing services to subsidiaries such as training services, treasury management services, and procurement services. Foreign expats working at an IHQ will enjoy personal income tax reduction by half to 15 percent. And an IHQ in Thailand can perform an ITC activity and enjoy benefits such as exemption from any tax on the profit from trading of products purchased from foreign sources and sold to foreign destinations, or the so-called out-out trading. Also, an IHQ will enjoy non-tax benefits from the BOI such as rights to own land and support to get visas and work permits.

With respect to the ITC scheme, a foreign company without any operations overseas can apply to be an international home to buy and sell goods and provide trading related services to its customers. An ITC will enjoy tax

exemption for out-out trading for 15 years and personal income tax reduction to 15 percent, similar to an IHQ, as well as non-tax incentives from the BOI.

This new policy positions Thailand to become a trading hub within ASEAN and to maximize the benefits of the ASEAN Economic Community later this year. The potential that exists for trade and investment within the AEC moves from considerable to staggering when we add intraregional trade with China, the engine of regional and global growth. Imagine the potential of an IHQ/ITC in Thailand meeting the growing demand of China's consumers and of the needs of its industries for parts and components through Thailand's supply chain.

I truly believe that the deregulation we are putting in place, with new simplified qualifications and improved incentives for an IHQ/ITC, Thailand can attain its goal of becoming a regional trading nation.

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Third, we are putting in place the framework for a digital economy in Thailand. This is being done as a cooperative effort between the public and private sectors, with the government working with the private sector to develop hard infrastructure such as a national broadband network, a spectrum to provide 4G wireless broadband services, the establishment of a gigantic national government data center with enough capacity to serve private firms and increasing the number of international internet gateway facilities.

The government is concurrently addressing soft infrastructure, referring to legislative changes that need to be made and new or adjusted regulations. This includes such laws as those related to cyber security, e-commerce, electronic signature, and paperless public services. The additional legal protections should enhance private sector confidence.

By the end of 2016 we want to see internet access in every village in Thailand, and by the end of 2017 access in every household in Thailand.

All of these changes and improvements should result in better access to services and information, improved productivity and create the environment for developing ideas through access to venture capital.

SLIDE 7

Fourth, is our commitment to the success of the ASEAN Economic Community that will come into existence this year. Thailand is located as the crossroads of the continent and is known to have the best road network connecting to neighboring countries. We have approved a grand plan to construct dual track rail system for cargo transportation throughout the country. We will also introduce medium speed and high speed trains to connect with neighboring countries.

This includes the construction of medium speed standard gauge railways with the cooperation of China. You may recall that last December Thailand and China signed a memorandum of understanding on the development of a rail link between Bangkok and its port facilities to northeastern Thailand, 873 kilometers of track, which will facilitate the shipment of goods by rail into and from southern China.

I would like to conclude my remarks here and thank all of you for the continued interest in Thailand and consideration of investments. The past has been a bit turbulent for us, and perhaps may seem more so if your only experience with Thailand is through a headline. Fortunately, we all must operate on the same set of facts and if you look at what we have achieved in a short period of time I think you can only come to the conclusion that Thailand is moving forward.

And we plan to move forward by announcing the new investment policy to promote modern industries to improve on expert competitiveness and by introducing an additional platform for growth, a platform that will attract international headquarters and international trading companies to use Thailand as a base for trading products, not only produced in Thailand but also those produced in other countries in the region.

With the road connectivity and potential rail connectivity, the advancement in the payment and banking system, the modern business and trading facilities, we are ready to be trading hub of the region, especially for the sub-region of ASEAN.

The opportunities that await you in Thailand are significant. We are looking forward to meeting with you in Bangkok.

Thank you for your attention.