Distinguished Guests,

Ladies and Gentlemen,

I am delighted to have this opportunity to deliver the keynote address on “Thailand’s Economic Development and Investment Plan” at the Conference “Project Financing Thailand 2013”. I hope that, in my keynote address today, you will see many new investment potentials as well as new business opportunities in Thailand.

In my presentation today, I would like to focus on 3 major issues as follows:

First, I will begin with an overview of recent Thailand’s economic development and key reasons for promoting public investment in Thailand.
Second, I will discuss the Country Strategies and details for our Investment Plan.

Third, I will explain the economic impact assessment from the implementation of our investment program.

First, on the recent Thai economic development and its competitiveness.

During the first quarter of 2013, Thai economy showed continued growth at 5.3 percent. However, looking at the past growth rates in the past six years, we can see the resiliency of the Thai economy to withstand external and domestic economic shocks. Back in 2009, Thai economy faced with U.S. financial crisis and in 2011 with the severe flood. Despite all these adverse shocks, Thai economy was able to achieve quick recovery and return to positive growth rates.

Despite the fact that Thai economy is resilient, we must not be complacent. Looking at our economic structure, we can see that Thailand is very much an open economy relying on exports as the main driver of the Thai economy (exports of goods and services in Thailand account for over 70% of GDP). With uncertain global economic outlook, Thailand is very vulnerable to external slowdown. Therefore, our economic policies must aim to rebalance Thailand’s economic structure by promoting domestic demand. We plan to focus on increasing investment
to stimulate the demand in the short-run as well as to improve competitiveness of Thailand in the long-run.

If we look into details at our investment level in recent years, Thai economy has been underinvested since the 1997 financial crisis. Total investment to GDP in Thailand now stands at about 23 percent with most coming from private investment.

Public investment has been halved compared to the pre-1997 period and now stands only at 5 percent to GDP.

Bases on the fact, the government recognizes that Thailand has no choice but to increase our public investment.

In the coming years, public investment would have to play a vital role in boosting domestic demand and inducing more private investment.

Our low investment in the past decade has affected our competitiveness to decline in recent years (rank 38\textsuperscript{th} out of 144 countries in 2012/13). When we look in details of our competitiveness ranking, one of the major reasons causing the drops in ranking is due to insufficient and low quality infrastructure in Thailand.

More specifically, our rail system ranks is well-below the regional peers. These statistics should offer a compelling reason why the Thai government should give logistics investment a high priority in the coming years.
In addition, with well-plan investment to build “connectivity” with neighboring countries, it will increase the opportunity for to be the hub of the region, especially when AEC is to be effective in 2015. When we look at the location of Thailand, it clearly shows that Thailand can leverage on our geographical advantage to link up to countries in the GMS sub-region, ASEAN and other fast-growing countries in Asia.

As I mentioned earlier, Thailand is located at the center of ASEAN. With rapid growth of neighboring countries, the border trade increased dramatically. In essential, the border trade in 2012 with Laos increased by 34%, with Cambodia increased by 25% and with Myanmar increased by 10%. I would like to point out here that Thailand exports markets have become more diversified, especially to the high-growth countries. In particularly, in 2012, our exports to CLMV countries were higher than exports to Eurozone economies.

Ladies and Gentlemen,

Now we come to the second issue. I would like to discuss the Strategies and details of our medium-term Public Investment Plan.

The Logistics Investment’s Strategies is consistent with our Country Strategies.
In the Country Strategy, we give our priority to 3 pillars 1. “Growth and Competitiveness” 2. “Inclusive Growth” and 3. “Green Growth”. For the first pillar, “Growth and Competitiveness.” The government has already taken some measures such as lowering the corporate income tax rate from 30 percent to 23 percent last year, and to 20 percent this year. Medium-term investment plan to upgrade our infrastructure will be another highlight of government policy to achieve growth and competitiveness for Thailand.

In addition, logistics investment plan also be consistent with the countries strategies on “Inclusive Growth” and “Green Growth”. For example, better infrastructure will help distribute growth and improve quality of life for poor people in rural areas. The environment will also be better as we make more efficient use of energy in transportation.

Our logistics investment plan of 2 trillion baht (or about 67 billion baht US dollar), has 3 main goals:

First, we aims to promote the modal shift from the higher to lower transportation cost from road to rail (Modal Shift)

Second, we aim to develop transport infrastructure to support connectivity to the sub-region and ASEAN (Connectivity)
Third, we will develop and upgrade transport infrastructures to increase mobility. (Mobility)

The majority of this amount will be allocated to rail transport development or about 82 percent of the total Budget. The remaining amount will be allocated to improve road transport, port facilities and border facilities.

In terms of the financing plan, the government will issue a special borrowing Act that will authorize the Ministry of Finance to borrow up to 2.0 trillion Baht over the next 7 years. We expect the Parliament to approve this bill by August this year.

Some funding sources will come from Public Private Partnership, State enterprises revenue and government budget. With the new PPP Act effective in April this year, we can expect greater role of private sector involvement in public infrastructure projects in the future.

Let’s look at some details of major projects of the 2 trillion baht investment program.

The major rail project will be upgrading the single track system to double track system. This will make our existing rail transport more efficient.

Second major rail project is the development of High Speed rails that will cover 4 lines linking Thailand to China and Laos in
the Northeast, linking Bangkok to Rayong in the West; connecting Bangkok to the major northern city; and linking Bangkok to Southern region with the aim to link to Malaysia.

In addition, we plan to enhance our rail system to improve mobility in the urban areas. Bangkok is well known for its heavy traffic. Mass transit need to be expanded from the current 3 lines (80km) to 10 lines network (468km), about the same sign of network in London.

For the road project, it will cover the construction of the motor ways linking major provincial cities to Bangkok with more than 700 kilometers road.

Road network will also link Thailand to the neighboring ASEAN countries, with 11 projects to Laos, 3 projects to Cambodia, 5 projects to Malaysia and 8 projects to Maynmar (Kanchanaburi to Dawei). This is to improve ASEAN Road connectivity.

The water transport facilities will also be improved with the upgrading of major Laem Chabang Port.

Ladies and Gentlemen,

In the last session of my presentation, I would like to discuss about macroeconomic impact from the investment projects, I mentioned earlier.
The impacts from investment plan can be analyzed at both macroeconomic level as well as at microeconomic level, especially the impact on the transport sector such as its efficiency and logistics cost.

At the macroeconomic level, the infrastructure investments are estimated to increase Thai real GDP level from the base case by 1.0 percent on average for the next 7 years.

During the project implementation, it will positively boost domestic demand via rising public and private investments.

Over the medium-term, positive economic impact will expand to the supply-side productive capacities in agricultural, industrial and service sectors.

With project implementation, we expect that current account to be deficit at on average around 1 percent of GDP during the next 7 years.

Inflation is projected to slightly increase by less than 0.2 percent from base case during the construction period.

Looking at the fiscal space in Thailand, our public debt level currently stands at 44 percent of GDP. Looking forward, we can expect public debt level to increase but not exceeding 50 percent of GDP over the medium term. This is well-below the level set under the Fiscal Sustainability Framework at 60
percent. This should give fiscal room and flexibility for Thailand to deal with unanticipated shocks that may arise in the future.

On the microeconomic level, we expect that the logistics cost to GDP in Thailand would reduce by 2 percent (from the current cost of 15.2%). Also, with some changing mode of transportation, from road to rail, the import bill from energy is estimated to decrease by about 100 billion Baht per year.

In summary, I believe that public investment is crucial to the Thai economy in boosting domestic demand and in cushioning against external shocks in the short-run. Secondly, the investment plan could enhance Thailand’s competitiveness in the medium-term. And finally, investment to improve connectivity to countries in the region will be beneficial for Thailand to be a hub in the upcoming AEC in 2015.

Thank you for your attention.