

*Address*

*“The Thailand Investment Forum”*

*by*

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*Euromoney Conferences*

*The Conrad Hotel, Bangkok*

*14<sup>th</sup> May 2008*

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**Distinguished Participants,**

**Ladies and Gentlemen,**

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Introduction and  
outline of the  
keynote:

- short-run policy  
to revitalize the  
economy

- long-run policy  
to lay down a  
foundation for  
quality growth

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➤ I would like to express my great delight to be here at “the Thailand Investment Forum” organized by Euromoney magazine today. First and foremost, I would be say that, in the past few months, there have been many new developments both, in terms of short-term policy to revitalize the economy, as well as the long-term policy to lay down the strong foundation for the sustainable growth for the Thai economy. Today, I would also like to highlight you with investment opportunities that Thailand to investors in the years ahead.

- Let me firstly explain the short-term economic policy to revitalize the Thai economy back on track after negatively affected by political situations in Thailand during the past two years. We witnessed unsettling political uncertainties that led to diminishing investors' and consumers' confidence.
- These domestic environments led to slowing the Thai economy to 4.8 percent in 2007, compared to 5.1 percent in 2006. During this time, you will find that this growth rate was imbalance as the Thai economy was driven mainly by strong net export sector in which export volume grew by 7.1 percent last year, while domestic demand was weak as private consumption grew at only 1.4 percent and private investment showed almost no growth.
- This structural economic imbalance that relies too much on net export has made the Thai economy vulnerable to external shocks. Especially in this year, the global economies are expected to slowdown, causing by the sub-prime crisis in the U.S. and by the global inflation from rising

energy and commodities prices worldwide. We do expect that external economic environments may not be favorable for this year .

- **It is, thus, our urgent priority to regain investors' and consumers' confidence, strengthen the domestic economy to compensate for the slowing world economy, as well as to take care of the grass-root people who will be hardest hit by economic volatilities and rising inflation.**

**Ladies and Gentlemen,**

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“Refurbishing”  
Thailand:

(1) Restore people’s  
confidence

(2) Stimulate  
domestic economy

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- Having seen these economic problems facing Thailand, it is our **first and foremost task to “refurbish” the Thai economy. By this, we urgently need to restore market confidence in the Thai economy and to stabilize the economy at least cost possible**

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Abolishing the 30  
percent URR by the  
Bank of Thailand

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- **To restore confidence of the Thai economy, we have immediately abolished the 30-percent capital control within the first month since we assumed our administrative duties in February 2008. I would also like to highlight here that this**

government intends not to consider any laws and regulations that will be hurdles for investment in Thailand, including the Foreign Business Act drafted by the previous government.

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March 4 economic stimulus package with tax incentives by the Ministry of Finance

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➤ On March 4<sup>th</sup> and this year, we have initiated the economic stimulus package with various tax incentives to promote private consumption and investment to revive firm foundation for domestic economy. Various tax measures have been introduced under this scheme such as tax deduction for individuals; special lower tax rate for SMEs; accelerated tax allowance for depreciation of capital investment; and lower rate on real-estate tax and fee. Also, the value add tax rate at 7 percent has been extended for additional 2 years to ensure continued revival of private consumption and lessen the impact from rising inflation. Moreover, the measure to stimulate the economy by reducing income taxes for listed companies would boost business sentiment because the private sector's concerns over tax burdens.

- Following the previous tax - initiative measures, the government has introduced another fiscal-credit policy, specifically targeting at the people and business at the grass-root people. This economic stimulus package includes the two years farmers' debt suspension, expansion of the micro finance lending by specialized financial institutions, and the SML program whereby each small-medium-large village would receive specified funding support for local development projects. These measures aims to promote sustainable development at the grass-roots level, thus creating a strong foundation for the Thai economy.
- In following up to the tax-incentive measure, the government has approved the expenditure plan with more expansionary fiscal policy under the fiscal deficit of 2.5 percent for Fiscal Year 2009, increasing from the deficit of 1.8 percent in this Fiscal Year. Although the government plans to use expansionary fiscal policy to counter effect the possible global economic slowdown and to support economic growth of the economy, the

Ministry of Finance still adheres strictly to fiscal discipline. The public debt will be maintained within the sustainable framework of 50 percent of GDP while debt service to the budget will be kept lower than 15 percent in the coming years.

### Ladies and Gentlemen,

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Medium-long term economic reform under the current government

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➤ **This government is not only concern about the problems in the short run, but also worry about the long-run issues, especially how to make Thailand's more competitive in the globalize era. We therefore plan to put in groundwork for the upgrading of Thailand's long-term competitiveness in many areas.**

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Transport infrastructure investment in mass transit/rail transport

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➤ **First, the government plans to set up an infrastructure platform for the future growth. The government plans for mega project investment worth almost 1.6 trillion Baht over the next 4 years in which a substantial amount would be allocated to the transport sector. If we want to survive in the 21th century, we must first start now to improve efficiency and lower logistic costs.**

- Today, the total logistic cost accounts for almost 25 percent of Thailand's GDP whereas the world average is about 16 percent of the respective size of the economy. Given that the energy prices would likely continue to increase in the foreseeable future, it is crucial for the sustainable development of the country to invest in major transport infrastructure now.
- On building the mass transit system on the Bangkok and the vicinity areas, the current government plans for construction of 9 mass transit lines that would link inner-city Bangkok to the sub-urban areas with total distance at almost 350 kilometers. The whole project is worth over 695 billion Baht to be invested over the next 8 years during 2008-2015. In particular, substantial amount of investment would be undertaken in 2009-2012 with public finance for rail infrastructure and private sector participation in rolling stock and equipment.

**Investment for 9 lines mass transit system (Unit: Billion Baht)**

Project	2008	2009	2010	2011	2012	2013	2014	2015	Total
Phase I (136 KM)	19.5	65.2	78.1	61.7	38.3	9.0	1.5	0.9	274.3
Phase II (213 KM)	0.5	49.2	98.7	123.4	100.7	48.4	-	-	420.8
Total (349 KM)	20.0	114.4	176.8	185.1	139.0	57.4	1.5	0.9	695.1

Source: Ministry of Transport

Moreover, the government is keen to upgrade the existing rail system to provide better and more efficient transport linkages with double rail system connecting major production hubs such as the eastern seaboard and southern seaboard. We expect that mega project investment would help revitalize the Thai economy with greater public investment and “crowding-in” private investment as well as to enhance our national competitiveness in the future.

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Human  
infrastructure  
development  
through education  
reform

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➤ **Second**, in parallel with the “logistic and infrastructure” restructuring, we need to improve the “infrastructure of the mind” of the Thai people. We plan to reform on the skill level especially by improving technical school of technicians. Another important aspect of this education reform is that education financing would be more demand-driven where students

can choose the school of their choice, rather than supply-driven in which the government provides budgetary support to public schools like today. This would have the positive effect in promoting a more competitive environment in school's teachings and operations. In this connection, the government is planning to reintroduce the Income Contingent Loan Program (ICL) to ensure that higher education would be accessible to all Thais.

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Comprehensive sectoral economic reform in Thailand: agriculture, industry, and service sectors

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➤ **Third, on major sectoral economic reform, the government is focusing on revitalizing the agricultural, industrial and service sectors.**

Contrary to the 20<sup>th</sup> century where we witnessed the long decline of agricultural sector, we may be seeing a different picture in the coming years as many agricultural products have benefited from increasing trend in commodity prices in recent years. Thailand is the major producer of major crops used as material inputs for alternative energy (such as palm, sugar and cassava), food necessities (especially rice), and industrial products (for example, rubber). Agricultural

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Agricultural reform to promote major crops and profits from rising demand for alternative energy.

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policies should, therefore, aim to harness and profit from this trend. The government aims to accelerate the restructuring of agricultural production to be in line with market opportunities and turn Thailand into a global food-production hub and major producer for energy crops such as oil palm, sugar cane, and cassava.

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Industry reform to promote strategic sectors and value creation.

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➤ On industrial reform, the government would try to improve the efficiency and productivity of the industrial sector, including creating value for industrial products by upgrading labor skills, entrepreneurial management, and product standards. Industry focus would be to develop and drive industries in which Thailand has high potential and advantage, such as food processing, automobiles, petrochemicals, energy, electronics, making them regional and global production hubs. In this regards, the Ministry of Finance plans to overhaul the tax system in Thailand. In the future, tax reform would result in lower corporate and personal income taxes and supplement the loss tax revenue by expanding

the tax base and higher tax collection from private businesses' growth.

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Service sector reform  
in tourism and  
financial sector.

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- On the service sector reform, the government aims to accelerate revenue generation from tourism by revitalizing and improving tourism quality and standards for sustainability. Thailand needs to establish new tourist destinations in areas with potential that can link nature, arts and culture with community ways of life, as well as creating linkages with neighboring countries.
- Within the service sector, we also plan for financial sector reform. The policy objective is to promote capital markets in bond and equity while strengthen the banking system to be efficient financial intermediaries for the Thai economy. In promoting capital market development, we aim to promote the role of institutional investors and to increase the supply in the Thai capital markets. That is why in our tax-incentive stimulus package in March we have allowed for greater tax deductions for individuals to invest in Long term Equity Funds

and Retirement Mutual Funds, and provided a reduced corporate income tax rate for companies listed and planning to list in the SET and the MAI. As for the banking sector development, the Ministry of Finance and the Bank of Thailand are in the process of drafting the second Financial Master Plan in order to strengthen the banking system in Thailand be more competitive in the volatile financial world.

### **Ladies and Gentlemen,**

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Conclusion

- Let me conclude my remarks by emphasizing that given the return of the democratic government, **I believe that this is indeed the turning point for the Thai economy.** From this point onwards, we are expecting a positive trend in the Thai economy after two year disruption. With strong economic fundamentals, appropriate government policies and effective policy implementation, the return of the golden years for the Thai economy is bound to come in the very near future.
- Thank you very much.