



Introduction

The Joint Foreign Chambers of Commerce in Thailand (JFCCT) has taken a keen interest in all areas of the economy affecting trade and investment over many years and engages through dialogue and proposal of recommendations with the aim of strengthening the economy and transferring skills. The Services sector is recognized as a growth engine and the key enabler for an innovation-led economy. Strategic service sectors have a dual role as sectors in their own right and key enablers for competitiveness, efficiency and innovation in the entire economy. Liberalisation of the services sector would allow for greater competition, more innovation, more attractive pricing and would support trade and encourage a wider range of investments. The Backgrounder in this Forum Booklet provides additional information.

This Forum uses an innovative approach to dive deeply into the services sector in a broad way to cover much of JFCCT policy advocacy scope. The overall theme SERVICES! The Forum has three 'Topic Sessions' each with about three speakers who will present for ten minutes each then join a platform where a Moderator will probe issues around the key points.

The three topics are based on long-standing JFCCT policy areas and some more recently developed policy.

For each session, the Speakers are from the private sector or industry or economic or business organisations.

This FORUM BOOKLET contains the programme, speaker bios, a short background paper covering some services sector issues, and recognizes the Sponsor and Supporters without whom the Forum would be much less interesting. More information is available at www.jfcct.org

Programme

Time	Item
13:00 – 13:30	Registration
13:30 – 13:45	Opening Welcome: Mr. Stanley Kang, JFCCT Chairman Opening Remarks: Mr. Piyabutr Cholvijarn, Vice Chairman, Board of Trade of Thailand and TCC MC explains the Forum
13:50 – 14:40	First Topic session: Why services? A deep dive into service sector liberalization <i>Overview; the role of services, AEC, AFAS 9th package, why services.</i> Dr. Kirida Bhaopichitr, Research Director, TDRI. <i>How services accelerate the economy</i> Mr. Shabih Ali Mohib, World Bank Group. <i>Why services are good for business, why we need more innovation and investment in services; 'doing business' advances.</i> Mr. Kalin Sarasin, Director SCG. Vice Chairman TCC/ Board of Trade of Thailand.
14:45 – 15:05	Refreshment Break
15:10 – 16:00	Second topic session: Strategic service sectors and Competitiveness <i>Banking & Financial Services – Innovation and competition as economic enablers</i> Mr. Darren Buckley, Thailand head, Citigroup <i>Logistics.</i> Ms. Asa Larsson, Senior Director, Corporate Public Policy, South East Asia, Deutsche Post DHL. <i>Competitiveness / Anti-Corruption</i> Dr. Bandid Nijathaworn, President & CEO, Thai IOD; Secretary-General CAC
16:10 – 16:50	Third topic session: Innovation-led Economy <i>Education and skills to make a difference.</i> Dr. Peter Kongkiti Phusavat, Professor, Dept of Industrial Engineering, Kasetsart University and JFCCT Education & Skills Committee Chairman <i>Digital Economy, Trusted Internet and innovation – the 'Made in Thailand' brand</i> Mr. Bob Fox, Chairman ICT group JFCCT and EABC
17:00 – 17:10	Closing

Speaker Biographies

Names	Bio
<p>Mr. Piyabutr Cholvijarn</p> <p>Vice Chairman, Board of Trade of Thailand and Thai Chamber of Commerce</p>	<p>Mr. Piyabutr Cholvijarn is Vice Chairman of Thai Chamber of Commerce and Board of Trade of Thailand, and is concurrently Chairman of his family company, Piyanarong Co. Ltd. He also serves as President of the Kenan Institute Asia and Chairman of the Sub Committee on Supervision, Monitoring and Performance Appraisal of the State Financial Institution, Thailand Research Fund (TRF). He has served with distinction in the finance and banking industry and in a variety of important government posts, including Deputy Minister of Industry from 2006 to 2008, Vice Minister of Education from 2003 to 2006 and Vice Minister of Commerce in 2003.</p> <p>Earlier, Mr. Piyabutr served as a senator and as a member of the National Assembly. Widely known in the financial and business community, he worked with the Union Bank of Bangkok from 1976 to 2001, rising to the position of President and CEO, serving as head of the bank for more than a decade. He has served in a wide variety of finance and banking committees and boards and has advised ministers of finance and commerce. Intensely interested in education, Mr. Piyabutr has lectured at the Royal Military Academy, the Judicial Training Institute and the Kasetsart University MBA program.</p> <p>Educated in the United States, he serves as President of the University of Wisconsin Alumni Association of Thailand and President of the Columbia University Alumni Association of Thailand, and also President of Assumption College Alumni Association.</p>
<p>Dr. Kirida Bhaopichitr</p> <p>Research Director Thailand Development Research Institute</p>	<p>Since August 2015, Dr. Kirida has been the Research Director for International Research and Advisory Service at the Thailand Development Research Institute (TDRI), a leading think tank in Thailand. Her work spans monitoring and analyzing developments of the global, ASEAN, and Thai economies.</p> <p>Prior to that, Dr. Kirida had been a Senior Economist in the Macroeconomics and Fiscal Policy Management Global Practice and the Country Economist for Thailand of the World Bank Group since 1999. Dr. Kirida's work on Thailand includes monitoring and assessing Thailand's economic developments, the investment climate, competitiveness, and the reforms in the public sector. Dr. Kirida has been the main author of the World Bank's bi-annual Thailand Economic Monitor (2003-2015), the most downloaded and widely cited World Bank document on Thailand.</p> <p>Dr. Kirida is a recognized voice in the economic and business circles in Thailand. She holds a Ph.D. in Economics from Cornell University through the prestigious Anandha Mahidol Foundation Scholarship. She finished her bachelor degree in Economics with first class honors from Thammasat University and was presented with the Rising Star Economist Award by the Thammasat Economics Association in 2010</p>

Mr. Shabih Ali Mohib
Program Leader
World Bank Group

Mr. Shabih is a Program Leader with the World Bank based in Bangkok. In his current assignment looks after the World Bank's programs on economic management, financial sector development, trade and competitiveness, and governance for Brunei, Cambodia, Lao PDR, Malaysia, Myanmar, and Thailand.

In his more than 15 years of work on international development, he has led advisory, technical assistance and investment operations in countries spanning Europe and Central Asia, Africa, and most recently in the East Asia and the Pacific Region. His professional expertise is on public sector performance issues.

Mr. Kalin Sarasin
Director
Siam Cement Group (SCG)

Mr. Kalin Sarasin is currently Director – Government Liaisons and Public Affairs, SCG; Vice Chairman of the Thai Chamber of Commerce; Chairman of the Tourism Authority of Thailand Board of Directors. He also serves as Board of Directors of Kasikorn Bank moreover he is a member of National Reform Steering Assembly and Public-Private Collaborative Committee in Tourism & MICE Promotion.

Vice Chairman Thai Chamber of Commerce and The Board of Trade of Thailand

Previously, Mr. Kalin Sarasin served as the Managing Director of SCG Trading Company Limited, the trading arm of the Siam Cement Group (the most trusted industrial conglomerate in Thailand) for 12 years. He has been recognized for enhancing the extensive import and export networks for the Group's products. He also enthusiastically supports timely and efficient distribution systems.

At present, he also has an active role in related government affairs such Member of Thailand Competitiveness Enhancement Sub-Committee, Member of the National Innovation Board, and also used to serve as Board of Audit Committee of Ministry of Finance.

Regarding his social roles, Mr. Kalin Sarasin also accepts many social responsibilities. He has held several positions such as Board of the Council of Thai Red Cross Society, President of Thai-Japanese Association, as well as Chairman of Pol. Gen. Pow Sarasin.

Mr. Darren Buckley
Thailand head
Citigroup

Mr. Darren Buckley is the Country Head and Citi Country Officer of Citi Thailand, where he has been since 2012. He also oversees Citi's business activity in Cambodia, Laos and Myanmar, and in Thailand is President Emeritus of the Board of Governors of the American Chamber of Commerce, President of the AMCHAM Charitable Foundation, Chairman of the Board of Directors of the Association of International Banks, Vice Chairman of the Board of Directors of the Board of Trade, and on the Board of the Foundation of International Education.

Prior to this assignment, Mr. Darren was the Country Head of Citi Japan and the Representative Director, President and CEO of Citigroup Japan Holdings Corp., Representative Director, President and CEO of Citibank Japan Ltd. and a Director (non-executive) of Citigroup Global Markets Japan Inc. Darren also served on the boards of the International Bankers Association, the Japan Business Federation (Nippon Keizaidantai Rengoukai), the National Institute on Consumer Education (NICE) and the Yokohama International School.

Mr. Darren joined Citi in London in 1992 after spending five years with PwC in London, where he qualified as a UK Chartered Accountant. Throughout his career span with Citi, he has worked in various major geographies including the United States, Japan, Singapore, Thailand and parts of Europe, the Middle East and Africa.

In 2008, Mr. Darren was appointed as an honorary Professor of China's Dalian University and of Harbin University.

Ms. Asa Larsson

Senior Director
Corporate Public
Policy, South East
Asia, Deutsche
Post DHL

Ms. Larsson studied Business Administration at the Gothenburg School of Economics and Commercial Law, Sweden, and graduated with a specialty in financial economics in 1999. She subsequently studied statistical data analysis and mathematics at Linköping University in Sweden. Ms. Larson has studied several languages and is proficient in English, French, German and Indonesian.

Ms. Larsson has extensive experience in Southeast Asia and in trade policy matters. Prior to joining Deutsche Post DHL, she worked for four and a half years for the Delegation of the European Union in Jakarta as Trade Advisor and Policy Analyst, dealing with trade policy and economic cooperation matters for Indonesia and ASEAN. Her background also includes extensive knowledge in the corporate financial services sector from the Volvo Group as responsible Area Manager for sales financing of Volvo's heavy duty vehicles in Eastern Europe.

**Dr. Bandid
Nijathaworn**

President & CEO
Thai IOD
Secretary-General
CAC

Dr. Bandid Nijathaworn is presently President and CEO of the Thai Institute of Directors, Visiting Professor, Hitotsubashi University, Tokyo, Japan, and member of the Council of trustees and the board of directors of Thailand Development Research Institute.

Dr. Bandid is a well-known economist with a long working experience in macroeconomic and financial issues, including at the IMF where he joined as a young professional in the IMF Economist program. He is widely recognized as a keen commentator on regional and global policy issues and contributes actively to policy discussion and capacity-building in the ASEAN region. In June 2012, he was invited to join the IIF's Joint Committee on the Strengthening of the Framework for Sovereign Debt Crisis Prevention and Resolution and the Special Committee on Financial Crisis Prevention and Resolution, and was Chairman of the Thai Bond Market Association from May 2011 to April 2014.

Dr. Bandid left the Bank of Thailand in November 2010—where he joined in 1990 and held the positions of deputy Governor for monetary stability and for financial stability since 2004—to work on improving Thailand's corporate governance and manage the country's private sector anti-corruption initiative under the capacity of President and CEO of the Thai Institute of Directors. He writes regularly for the Bangkok Post and for his weekly column in a leading Thai business daily on economic and governance issues. He frequently lectures and chairs high-level policy and investors meetings throughout Asia including Japan and Singapore.

**Dr. Peter
Kongkiti Phusavat**

Dr. Kongkiti Phusavat is a Professor at Department of Industrial Engineering, Kasetsart University. Professor Kongkiti has frequently given the lectures at the universities in Finland, India, Malaysia, Poland, Taiwan ROC, Slovenia, and the U.S over the past decade in the areas of productivity and quality.

Professor,
Dept of Industrial
Engineering
Kasetsart
University and
Chairman, JFCCT
Education & Skills
Committee

He has served in several committees dealing with education and skills for National Reform Council, Commission of Higher Education, Thailand's Board of Trade, etc. Professor Kongkiti has played a prominent role in the international collaboration between Thailand and Finland in the areas of education, especially teacher training for Bangkok Metropolitan Administration where he is currently an adviser to the Governor and the Deputy Governor.

For his work with Finnish education, Professor Kongkiti was recently awarded the Order of the Lion of Finland with the honor title of Knight First Class in 2015

Mr. Bob Fox

Chairman, JFCCT &
EABC ICT Group

Mr. Robert Fox ("Bob") is Chairman ICT group JFCCT and EABC and holds other regional roles in trade and investment policy in the services sector. On the judging panel for the prestigious annual Telecom Asia annual awards for several years, he has a consulting business on trade and investment and is Regional Director Asia Pacific for a media technology and services company.

He was group CEO of one of Malaysia's largest listed companies (a multi-service telecoms operator), regional director Asia Pac for business strategy and development for BT (British Telecom), regional director Asia Pac for a NASDAQ listed broadband services company and later a similar role for a US/Israeli consumer analytics company. He was one of the founders of Starhub Singapore, a member of the senior executive team to launch the UAE's second telecoms operator, project director and main board (Council) member for Australia's first and only full scale private university (now in its 27th year) and CEO of Australia's first high end mail order company. He was with Baker & McKenzie as an attorney.

Academic qualifications include BA LLB (UNSW), Master's degree from Stanford University Graduate School of Business and various ICT certifications, and is a mediator certified by THAC.

Mr. Marc Spiegel

Moderator.
JFCCT Vice Chairman

Mr. Marc is headquartered in Bangkok, Thailand and currently works as the Managing Director for thyssen-krupp Elevator, one of the world's leading manufacturers and suppliers of elevators and escalators.

Mr. Marc has served on several Boards of Directors in both the private and public sector and has been awarded numerous business awards for his success through the years. Mr. Marc currently serves as the Vice Chairman of Join Foreign Chambers of Commerce in Thailand (JFCCT), is the immediate past President of the Thai-Finnish Chamber of Commerce, and also served as a Director for the Board of Trade of Thailand for several years.

A native of Brooklyn, New York City, Marc's business experience ranges from Senior Management, International Sales Management, Business Development, to Channel Management.

He has worked in various high-tech sectors including mechanical/electrical engineering, electronic security, electronics manufacturing, hardware/software components, telecommunications, and managed services.

He has extensive international business, having worked across 5 continents around the globe during the last 25 years.

<p>Mr. Gregory M. Thomas</p> <p>Moderator. Operations Director, 375 Park Associates</p>	<p>Based in Asia since 2003, Mr. Thomas is the Operations Direction of the New York-based growth advisory firm – 375 Park Associates. Prior to 375 Park Associates, Mr. Thomas was the Regional Director and Managing Partner of IMC International Asia-Pacific.</p> <p>At IMC, Mr. Thomas worked on several LBO teams, led a joint venture with a New York-based hedge fund, and started a ship finance operation. Mr. Thomas spent four years as the Managing Director & President of Foundation Consulting.</p> <p>Mr. Thomas has held management positions within Fortune 500 companies in the US and has led business units of ultra-growth companies with P&Ls in excess of US \$30Mn in the Asia-Pacific region. Besides acting as an advisor to several startups in the U.S. and Asia, Mr. Thomas is a member of the advisory councils of the Harvard Business Review and the Gerson Lehrman Group.</p> <p>Mr. Thomas studied Organizational Communications, Learning, and Design at Ithaca College and has a Bachelor's in Hamburgerology from Hamburger University (i.e. McDonald's), a Bachelor's of Science in Communications from Alameda University as well as a Master's in Business Administration from Edinburgh Business School at Herriot Watt University.</p>
<p>Mr. Peter Fischbach</p> <p>Moderator</p> <p>President, ISM Technology Recruitment Ltd.</p>	<p>An entrepreneur, Peter operated several successful businesses in New York before starting a career there as a software developer and systems consultant in the early 1980s. While on a consulting assignment, he became aware of Southeast Asia's rapidly expanding use of IT, and moved to Bangkok where he established ISM Technology Recruitment in 1991.</p> <p>Peter has been an active member of the local business community, most notably through the American Chamber of Commerce in Thailand where he has served in various roles over the years, including as chairman of the Information and Communications Technology committee (1995 – 2001) and as a member of the Chamber's Board of Governors (2001 – 2002). He contributes time and effort to the ICT Committee of the Joint Foreign Chambers of Commerce, and has actively participated in efforts to lobby the Thai government on issues such as work permit and visa controls, modification to the labor law, and also on telecommunications deregulation, contributing to the drafting of Chamber position papers on these and other topics. Peter is a frequently-quoted source on the topic of Thailand's IT competitiveness, and on general issues relating to Thailand's IT labor market.</p>
<p>Ms. Linda Nakornchai</p> <p>MC</p>	<p>Ms. Linda earned a Masters Degree in Business of Tourism Management (TRM) from ABAC University and a Bachelor Degree in Liberal of Arts, English. She has been deputy secretary-general of Kanchanaburi Chamber of Commerce and board of committee; YEC Kanchanaburi (2014-2016), Assistant to Secretary General of Kanchanaburi Chamber of Commerce (2013-2015), Assistant to Secretary General of The Federation of Thai Industries; Kanchanaburi (2014-2016) and the Charter President of Rotary E-Club of District3330 of Thailand.</p>

She is the Marketing Director of her family businesses (SY Group Investment) being Siamying Charoen Gas Co.,Ltd. (Gas Station , J-CarWash and J-Café), Siamying Charoen Footwear Co., Ltd and Siamying Charoen Fertilizers Co.,Ltd.

She has been an MC for the Thai Chamber of Commerce since 2014. For example, five Regions of Thai Chamber Seminar 2014 in Bangkok, SME Seminar 2014 in Nakornpathom (Central Region), YEC Gala Dinner 2014 in Laos ,Welcoming Party 2014 of the committees in the Central region of Thai Chamber of Commerce (Kanchanaburi), The Excellent Chamber Award 2014 in Chaingrai and Kanchanaburi Chamber Border Trade Fair from 2010-2016.

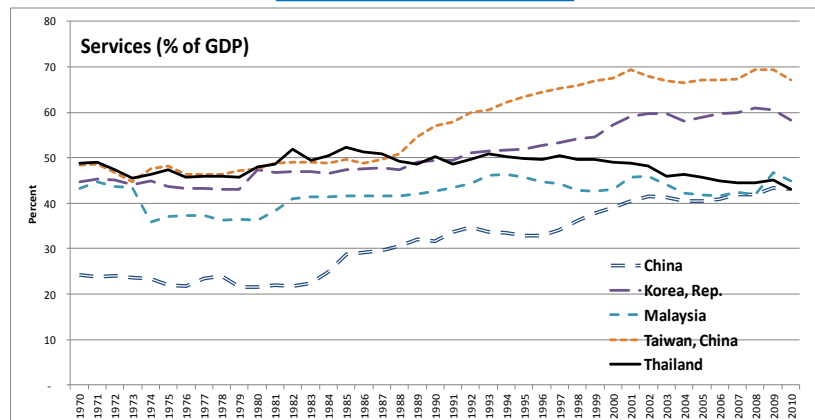
Backgrounder - Services

This part of the Forum Booklet provides some background information on the services sector.

Liberalisation of services

Service sector could be the future engine of growth for Thailand

Share of Services in GDP



Source: World Development Indicators (World Bank)

In 2014, real GDP from services was 56%, employment was 43% of total employment. Labour productivity needs significant improvement. How can the service sector be developed?

The General Agreement on Trade in Services (GATS) covers four modes of engagement, or Supply, which are also used as a standard in other FTAs:

Mode 1: *cross border*. Only the services cross the border, services are often supplied by electronic means.

Mode 2: *consumption abroad*: services are consumed only when abroad – for example medical services supplied to nonresidents.

Mode 3: *commercial presence*: a foreign investor establishes a business presence, for example a foreign subsidiary of a bank. Foreign equity limits come into play and often investors use joint venture arrangements. In Thailand there are also restrictions on the ability to engage foreign skills.

Mode 4: *presence of natural persons*: a person is present temporarily abroad to deliver services –for example an architect supervising construction.

Mode 3 is the area most focused on. There are foreign equity limits on participation by this mode. Under the ASEAN Framework Agreement on Services (AFAS), and relying on specific commitments,

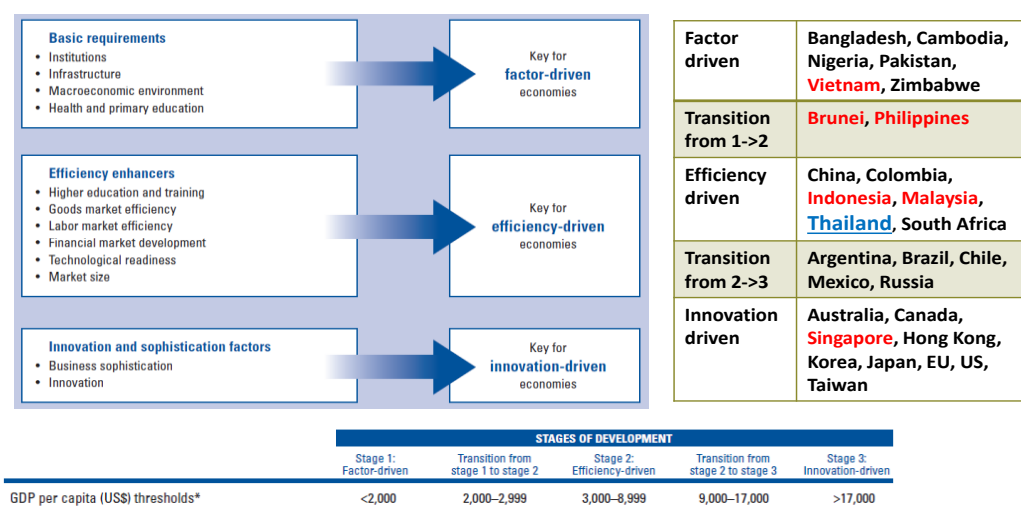
ASEAN Member States have committed to allow foreign equity limits in all service sectors of 70% by 2015; in the case of logistics it was 2013. ASEAN Member States variously allow a higher percentage in some various cases, and sometimes less. In the case of Thailand, many service sectors are still limited to 49% foreign equity. In some situations it is possible to obtain a foreign business licence under the Foreign Business Act (FBA). Where an activity is promotable by BOI, 100% foreign equity is in most cases allowed.

Service sector liberalisation is a key policy of JFCCT. It is not just about raising foreign equity limits, Rather, services liberalisation has a number of elements:

- Relaxation of foreign equity limits (eg removal from List 3 FBA or change to sector-specific legislation)
- Facilitation of free movement by changes to Work Permit and Visa rules.
- Sector specific changes and mandates by way of relaxation of restrictions on permits, licences and other barriers to entry, and to mandate access to facilities
- Other sector specific reforms or mandates (e.g. structural changes in a sector to make it competitive and innovative and support a level playing field)

Achieving an innovation driven economy will require a larger role to be played by services development and in particular more innovative services.

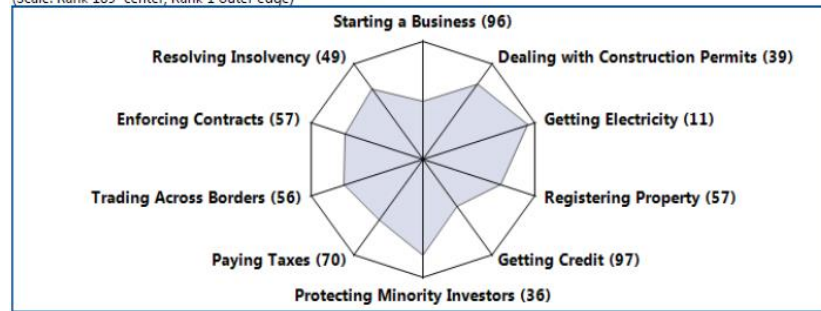
Most developed economies = innovation-driven



“Doing Business”

In many areas, ease of doing business is a core issue in efficiency, effectiveness and innovation. Administrative procedures designed to achieve policy objectives efficiently, reduce time and cost and be consistently and transparently applied. Thailand’s ease of doing business ranking in the World Bank’s 2016 ‘Doing Business’ shows a slippage from 46th (2015) to 49th (2016) with sub index starting a business (96th). The Facilitation Act has a noble objective of reducing corruption but may also have brought in a slowing down of process, ‘work to rule’ attitude and additional bureaucracy.

Figure 1.3 Rankings on *Doing Business* topics - Thailand
(Scale: Rank 189 - center, Rank 1 outer edge)



Work permit and visa issues include the need to change the definition of ‘work’ to allow normal business (non employment) activities to be done easily without a work permit, removing WP-10, bifurcating categories of visa/work permit into skilled and unskilled, having longer term visas, dispensing with 90 day reporting (report changes only) and invasive, pointless personal questions such as social media used and locations frequented, removing amount invested as a basis for hiring foreigners, amongst others.

The aim should be about attractiveness – to make Thailand a regional centre for innovation needs many changes to achieve a ‘Made in Thailand’ vision. Made in Thailand does not mean make only by Thai nationals or Thai juristic persons.

Generally, greater **eGovernment** take up should support greater ease of doing business.

Relatively minor tweaks to **laws governing corporations** which reduce the number of incorporators from three to two (in some other parts of SE Asia it is one), not being able to hold board meetings by electronic means, and paper-based incorporation will not do much to overcome impediments. On the other hand, achievement in reputation for good corporate governance of SET listed entities is commendable.

Competitiveness

Thailand was ranked 30 (out of 61) in IMD’s late 2015 competitiveness rankings. The sub indices or ingredients are always of interest. IMD with TMA have identified challenges in improving Thailand’s competitiveness ranking (source IMD):

THAILAND

OVERALL PERFORMANCE



CHALLENGES IN 2015

- Stimulate short-term economic growth by promoting alternative sectors to compensate for the declining export growth and expediting government spending in major projects.
- Promote innovation-driven, high value-added industries for long-term growth.
- Implement economic restructuring to facilitate income distribution.
- Implement necessary political and government reform leading to social equality and transparency
- Reform education system in anticipation of future agenda as well as to seriously foster honest and ethical national culture.

Provided by:
Thailand Management Association

BASIC FACTS

	Rank
Capital	Bangkok
Land area (square km)	513 ²⁰¹⁴
Exchange Rate (per \$)	32.480 ²⁰¹⁴
Population - market size (millions)	64.87 ²⁰¹⁴ 13
Gross Domestic Product (GDP) (US\$ billions)	373.8 ²⁰¹⁴ 30
GDP (PPP) per capita (US\$)	14,972 ²⁰¹⁴ 50
Real GDP growth (%)	0.7 ²⁰¹⁴ 50
Consumer price inflation (%)	1.9 ²⁰¹⁴ 34
Unemployment rate (%)	0.84 ²⁰¹⁴ 2
Labor force (millions)	38.58 ²⁰¹⁴ 11
Current account balance percentage (%)	3.81 ²⁰¹⁴ 17
Direct investment stocks inward (\$bn)	185.5 ²⁰¹³ 25
Direct investment flows inward (%)	3.17 ²⁰¹⁴ 19

A full day workshop ('MegaDive') was held by MOC and IMD in January 2016 to identify issues and policy measures to improve competitiveness. JFCCT played a leading role in that workshop.

Banking and Financial Services

Thailand's banking and financial services sector is not providing the level of innovation and value which the communities it serves might expect. It is hamstrung by regulation in many respects. A number of areas are identified where changes could usefully be undertaken.

Financial services is regarded as a strategic sector in the economy. As with the telecoms and logistics sectors, a well – functioning, innovative, cost effective services sector has a positive multiplier effect on the economies which they serve. The 'dual role' of each such sector is important – an industry in its own right and a service to the rest of the economy. Thus key user groups – especially business users and of those, especially small business users, need to be able to access the benefits in order to realize this vision.

Disruptive changes are taking place in the industry where payment, financial and banking services are provided by service providers (eg telcos) which have not provided banking and financial services in the past.

These changes need a coordinated approach amongst various concerned agencies including the Ministry of Finance, the Bank of Thailand, the Securities and Exchange Commission, the Office of Insurance Commission, the Consumer Protection Board, OSMEP and other relevant agencies. Action on this agenda would help move Thailand forward in this era of global competition and allow it to be a leader within the AEC.

- (i) Creating a digital friendly environment
- (ii) Access to non branch banking channels.
- (iii) Promoting the use of modern and convenient payment products
- (iv) Promoting e payments (there are positive legal developments)
- (v) Liberalizing Thailand's financial markets to bring more effective competition, innovation and overall value.
- (vi) Making finance available on a cost effective basis to a wide variety of companies especially SMEs
- (vii) Recognise that service providers from other sectors (eg telcos) are providing financial services of some kind
- (viii) Amending the 70/30 rule applicable to International Banks deployment of resources
- (ix) Tax regime support to maintain increased Capital

Logistics

Thanks to its strategic geographical location, Thailand has a unique opportunity to position itself as the leading logistics hub in ASEAN. The Royal Thai Government has a laudable objective of lowering logistics costs significantly in order to improve Thailand's competitiveness as the ASEAN Economic

Community (AEC) entered into force in 2015. The quality and cost of logistics services depend on conditions such as foreign ownership rules, opening hours of ports and airports and customs procedures.

Services sectors have a critical role in supporting the growth of strategic manufacturing sectors. An increasing share of the value of manufacturing goods is made up of value-added services. The quality of supporting services sectors thus contributes significantly to competitiveness in manufacturing. Production in global value chains (GVCs) critically depends on coordinating and transportation services. An increase in services appears to promote the export of goods for the manufacturing sector. Input services such as transport and logistics that improve productivity and competitiveness could also result in larger export market shares. In Thailand, foreign logistics providers are crucial for connecting Thai manufacturers with buyers abroad. This applies broadly to all exporting sectors.

The ASEAN Logistics Roadmap contains a list of sectors where ASEAN member countries “shall endeavour to achieve substantial liberalisation” by 2013, which, in the AEC, translates into commitments on foreign (ASEAN) equity participation of 70 per cent by that year. Most ASEAN countries, including the CLMV countries, already comply with these requirements, but there are still significant gaps in other countries. There is room for Thailand to review its regime for foreign investment, in particular for such services sectors which have a critical role in supporting the growth of strategic manufacturing sectors.

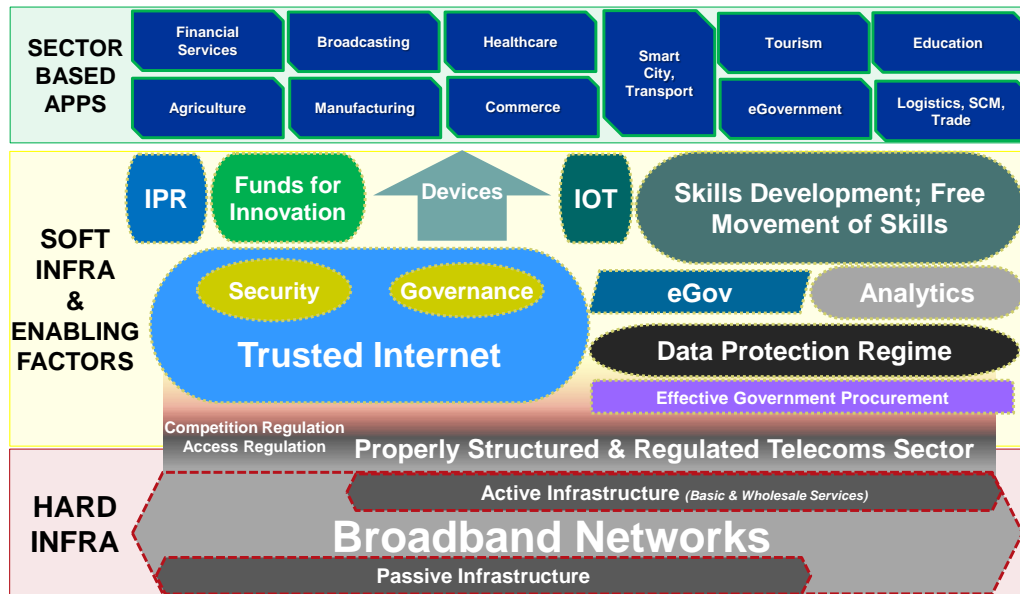
Studies highlight the fact that regulatory requirements can hinder these developments, for instance when manufacturers are not allowed to establish themselves in certain service sectors. The case for comprehensive liberalisation in services, goods and information flow is compelling. Inadequate transport infrastructure and insufficient supply of private distribution and logistics services will constrain competitiveness by limiting efficient product and service delivery. Small and medium-sized enterprises (SMEs) have fewer resources to overcome inefficiencies in infrastructures than larger companies. For that reason, the development of services in transport, packaging and distribution, as part of policy measures directed at fostering a well-functioning business climate, is particularly important to SME internationalisation and growth. This is especially important for sales channels in which SMEs have a large opportunity to benefit from internationalisation, such as e-commerce.

Digital Economy

The ICT sectors including what has come to be known as ‘digital economy’ can represent more than ten per cent of a nation’s GDP, and are regarded as strategic – an efficient and innovative sector can have a multiplier effect on the rest of the economy. The ICT sectors are ‘strategic’ in a way similar to banking / financial services and logistics.

For the Digital Economy, the ICT Group developed a concept or vision, and made a schematic in three layers:

Digital Economy Schematic



A definition was developed, which recognised the underpinning of any Digital Economy by telecoms infrastructure.

The ‘digital economy’ is all economic activity mediated by software and enabled by telecoms infrastructure.

This includes core telecoms services such as **voice, messaging, data, and video**.

The goods and services within the digital economy can be broadly grouped as:

- **intrinsically digital** – streaming video, ebooks, computing services, Software-as-a-Service, social media (e.g. Facebook, LINE)
- **substitutes for established equipment and services** – virtual private communications networks, security services, virtualised PBXs, and services delivered on-line (e.g. accounting / other business processes, graphic design, software development, Software-as-a-Service, data analytics, knowledge-based outsourcing)
- **marketing, sale, logistics, etc. of physical goods** – e.g. Amazon, eBay, Alibaba, Tarad.com, Pantipmarket

Digital Economy is the means of enabling participation by all in social and economic enterprise, and also includes the role played by governments in developing infrastructure and services.

As the schematic shows, an efficient and effective telecoms structure and market is essential for innovation. Thailand’s telecoms industry is almost unique in the world for an upper middle income economy (and even including many economies at a lower state of development) in that the SOEs have not evolved beyond being corporatized and are still 100% state owned, there is no effective and efficient wholesale market for base infrastructure and services, and competition regulation is lacking.

JFCCT/EABC ICT group has thus identified these two significant gaps in the family of digital economy laws. Unless and until the telecoms sector is reformed there will always be limits on how its digital economy can meet the promoted vision.

Historically the SOE evolutionary path in the sector based on global practice has been:

- i) Government departments providing monopoly post, telephone and telegraph (hence the term 'PTT') services
- ii) A separated regulator which becomes independent.
- iii) Corporatisation, often with postal services restructured to another entity (we stalled about here in Thailand about 2002-2003)
- iv) At least partial privatisation (we stalled about there in Thailand about 2002-2003)
- v) Injection of different financial targets and seeking out value-adding roles
- vi) The reformation or restructuring of the SOE

We may consider the varied development paths of British Telecom (BT), Telstra, Singtel, Telekom Malaysia (TM), and PLDT. Over some years, all have become listed entities in reasonably to very competitive markets which have strengthened the players in those markets and in most cases enabled the former SOE to invest overseas. The TM evolution story in particular is an impressive one. The transformations may have come with some pain but they were not ultimately avoided. These are 'root cause' issues critical to success.

These developments have brought benefits to businesses, government and consumers in the home market, strengthened the former SOE (since evolved), added wealth to the home economy, well beyond what it might have enjoyed from an unreformed SOE and the industry with an unreformed SOE, and contributed skills and innovation to the overseas markets in which they have invested. No such development has occurred in Thailand, indeed the SOEs have been given special privileges around the time of recent auctions which cause market distortions. There needs to be an evolution plan.

Overall ***governance of digital economy*** sees too much power is planned to be concentrated in a committee and in the case of ***NBTC*** the regulator, regulatory independence is doubtful. JFCCT has long recommended an ***independent and effective regulator***.

Security and the Trusted Internet

Proper engagement through Internet governance is essential; Security and freedom are not opposites. The multi-stakeholder model (MSM) has been adopted by the majority of the world now.

The internet is an essential tool for business – we must be able to continue to have confidence in it. There is a fear that if government controlled and under constant surveillance, data not just metadata may be made available to competitor. A trusted internet is also a key enabler for an intelligent society.

Security should start with network / operational security; but a broadband network and its likely dominance by an SOE will not give such confidence. An SOE should not have a special role like that, the SOEs need to evolve to being competitive, focused operators, not organs of government policy.

Liberalising all aspects of international gateways and addressing bottleneck issues such as at cable landing stations will improve the ability to access affordable bandwidth for international use.

Industry collaboration is encouraged, but producing a new government-controlled SOE-led collaboration should be reconsidered.

For **National security** issues, a separately managed overlay – not tied in with capacity building or fundamental infrastructure operation will give a proper focus on purpose and avoid many concerns. Such a body should be quasi-autonomous also and have proper transparent governance and oversight. **Cybersecurity and Computer Crimes** recognised real threats. The governance of these areas needs to be independent and separate from the management of networks and a more balanced approach to Computer Crimes is needed.

JFCCT commends all initiatives to enhance the development of critical thinking skills in the education and training context, but Work Permit and Visa regulation for ICT skills in particular are in dire need of review. JFCCT does not recommend the use of Thailand-based certifications for IT functions. There are already various industry-based certifications etc. Not all sectors are the same and while MRA's in an AEC context may conceivably work for the medical profession, applying the same approach to IT skills will dampen the ability to attract good talent and stymie Thai nationals working overseas.

Digital flows

A recent McKinsey Global Institute (MGI) study "[Digital globalization: The new era of global flows](#)" showed that although the global goods trade has flattened and cross-border capital flows have declined sharply since 2008, globalization is not heading into reverse. Rather, it is entering a new phase defined by soaring flows of data and information. Extracts:

"Remarkably, digital flows—which were practically nonexistent just 15 years ago—now exert a larger impact on GDP growth than the centuries-old trade in goods...

"The amount of cross-border bandwidth that is used has grown 45 times larger since 2005. It is projected to increase by an additional nine times over the next five years as flows of information, searches, communication, video, transactions, and intracompany traffic continue to surge. In addition to transmitting valuable streams of information and ideas in their own right, data flows enable the movement of goods, services, finance, and people. Virtually every type of cross-border transaction now has a digital component.

"Approximately 12 percent of the global goods trade is conducted via international e-commerce. Even the smallest enterprises can be born global: 86 percent of tech-based start-ups surveyed by MGI report some type of cross-border activity.

"Individuals are using global digital platforms to learn, find work, showcase their talent, and build personal networks. Some 900 million people have international connections on social media, and 360 million take part in cross-border e-commerce. Digital platforms for both traditional employment and freelance assignments are beginning to create a more global labor market.

"Although there is substantial value at stake, not all countries are making the most of this potential. The latest MGI Connectedness Index—which ranks 139 countries on inflows and outflows of goods, services, finance, people, and data—finds large gaps between a handful of leading countries and the rest of the world. Singapore tops the latest rankings,

followed by the Netherlands, the United States, and Germany. China has grown more connected, reaching number seven, but advanced economies in general remain more connected than developing countries. In fact, each type of flow is concentrated among a small set of highly connected countries.

“Lagging countries are closing the gaps with the leaders at a very slow pace, and their limited participation has had a real cost to the world economy. If the rest of the world had increased its participation in global flows at the same rate as the top quartile over the past decade, world GDP would be \$10 trillion, or 13 percent, higher today. For countries that have been slow to participate, the opportunities for catch-up growth are too substantial to ignore.”






For policy and regulation, several points relevant to the JFCCT Forum emerge:

- a) Logistics efficiency
- b) Support from better transport infrastructure
- c) Skills development for ‘digital literacy’ – not parochial, Thai-based certifications
- d) Good governance of systems in support of telecoms effective operation, internet governance etc
- e) Maintain an open internet while respecting privacy and supporting security.
- f) Easy of doing business generally; avoid data nationalisation

In the big data arena, **personal data** needs a Rule of Law based governance regime which includes objectives about protecting privacy, allowing for collection, use and disclosure with consent and for a cross border regime so that data can be processed outside Thailand were needed. The cross border regime should be based on a predictable rules, not something determined from time to time by a committee, as the one line treatment of cross border use of data in the current draft Personal Data Protection law provides.

The chart below from MGI illustrates the enormous dependence on cross border trade, in goods and services, supported by data. Thus getting the cross border data regulation regime right in way which is predictable, supports privacy and security is essential if Thailand is to be an attractive location where cross border data plays a significant role.

Digitization is transforming business models in ways that enable more cross-border activity

		Flow type				
		Data	Goods	Services	Finance	FDI
Cross-border implications of digitization						
Remote monitoring	Remote tracking	●	●			
	Remote maintenance	●	●			
Supply-chain management	Remote inventory management	●	●			
	Supplier management	●	●			
Access to global markets	Cross-border access to customers	●		●	●	
	Cross-border access to labor	●		●		
	Cross-border access to finance	●			●	
Business operations and strategy	Centralized back-office operations	●		●		
	Cross-border digital payments	●			●	
	Real-time communications and collaboration	●		●		
	Data sharing and analytics-driven decision making	●	●	●	●	●

SOURCE: McKinsey Global Institute analysis

Source: MGI.

Start Ups and innovation

Source of innovation in many economies are often SMEs over MNCs and often tech start-ups over any other activity. Spend on well-managed R&D is also has an important role in a nation's innovation and competitiveness. Tech start-ups can represent the most valued source of innovation because innovation is not just a product of tech talent and research but a sum of tech talent, efficient processes (i.e. Lean and Agile), flexible decision-making structures, creative work cultures and a sufficient level of assumed risk. Thailand is favorably positioned to become a center of innovation in Southeast Asia based largely on some strengths in its tech start-up ecosystem which has largely been developed by the private sector today, with some government –supported incubators. But there are gaps – eg funding, and intellectual property protection and weaknesses in regulation and policy which are often impediments.

Very often a venture achieves a stake of development but then needs real funding, which if often done in Singapore or Hong Kong for example. The issues of availability of finance, IP protection, and general business regulation appear to be key impediments.

Direct public funding of start-ups is less likely to be successful than change to law and regulation which create a conducive eco-system. BOI promotion for software development is a positive but it is one activity. The Business Collateral Act allowing for a wider range of security for finance is surely a positive but

Other regulation in the area of revenue, work permit/visa and business licensing and registrations are prohibitive and often unnecessary for cash starved start-ups. The cost and effort to comply with monthly filings etc are both excessive and seem unnecessary, and are not friendly for pre-revenue start-ups. Foreign ownership requirements and repatriation of funds either dissuade foreign investors from investing in Thai-registered entities or compel Thai start-ups to register a corporate entity abroad to attract investment funds which has been typically the case.

A trusted internet policy will also be attractive for tech ventures.

Education and Skills

Services are mainly delivered by people. Increasing a nation's intellectual capacity enhances its ability to deliver more innovative services and to enquire, solve problems. Enhancing skills needs to be done in two ways: by allowing for freer movement of skilled people, and by enhancing the native skills base.

Based on the surveys conducted in 2014-15, JFCCT's Education & Skills Committee identified needs of international business communities which included soft skills, work ethics, and language proficiency as well as technical and instrumental knowledge. Soft skills which are needed enable students to work in a team through shared responsibility and cultural difference. Critical thinking and communication with broadened international viewpoints are also needed.

Education should not start only when students enter the 1st grade at the age of six years old. Research has concluded that learning and brain development begin at very young age. Early childhood education needs to be integrated into Thailand's educational system. Despite the focus on education and skills at the upper secondary, vocational, and university levels, JFCCT Education & Skills Committee would like to recognize the importance of early childhood education and encourage government and the companies alike to search for more effective ways to help improve the calibre of staff and quality of facilities of daycare centers throughout the country. Therefore, the committee would like to urge for more active roles and responsibilities by local municipalities (or governments) in education and skills.

Team teaching through integrated/ co-ordinated lesson plan and project-based learning, after restructuring the pre- and in-service teaching practices in Thailand, is needed to help reduce classroom time. Open government with collaboration and networking with the private and people sectors (such as JFCCT) should be encouraged and promoted through various initiatives; e.g., social enterprise and social Public and Private Partnership or PPP.

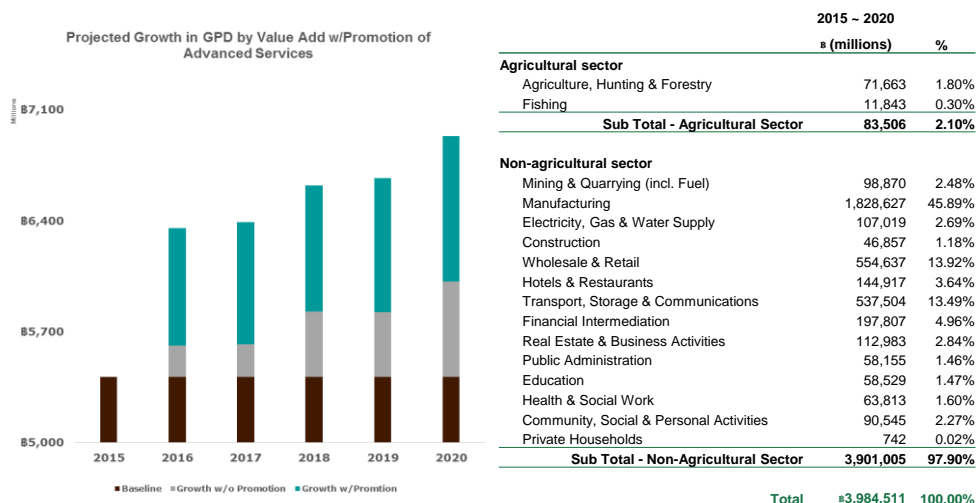
Finally, upgrading the educational system for Generation Z should be the priority. This preparation includes how a teaching trainee (or the 5th-year student from Faculty of Education) is mentored to

become a future teacher, how peer-to-peer training among the teachers should be encouraged, how student and classroom psychology is applied, etc. Furthermore, evaluating the effectiveness of the current education structure which is handled by the central government (through Ministry of Education) and the local municipalities under Ministry of Interior, including BMA and Pattaya City Administration should be conducted in order to achieve the balance among the roles of a policy maker, auditor, regulator, and school operator.

Higher end services – Thailand as a centre?

Advanced services such as those shown in the chart below, show noteworthy potential development. The unpromoted and promoted cases are shown. An extension of outsourcing by use of Knowledge Process Outsourcing (KBO) as an enhancement to BPO (Business Process Outsourcing) should be pursued.

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The Joint Foreign Chambers of Commerce in Thailand is the umbrella body for various Thai-foreign chambers or business associations operating in Thailand. There are 32 chambers and business associations representing more than 9,000 companies in this wide membership. JFCCT has taken a keen interest in the services sector

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