



## JFCCT *Press Release September 2012*

The JFCCT supports the aims of **ASEAN** to create the ASEAN Economic Community (AEC) as there is real potential for Thai citizens to benefit through access to cheaper and better quality goods and services, and better employment opportunities for skilled workers. Business operators of all sizes also stand to gain by having easier access to a market 10 times the size of Thailand.

However, the JFCCT is concerned that there are mixed messages in the media, and that the Thai Government is behind in the implementation actions required. This is creating confusion for businesses and making long term decision making difficult.

The JFCCT is urging the Thai government to develop a detailed plan for implementation of the changes required and communicate this clearly to all parties. This will include providing clarity on key areas such as the definition of ASEAN citizens and an ASEAN company (as most of the opportunities will only apply to these groups) and the details and timing of enabling changes.

The JFCCT sees an important opportunity for the Thai government and economy to play a leadership and central role in ASEAN and secure positive outcomes for the Thai economy for many years to come.

While good progress has been made on goods classification and tariff removals, there are still open areas of concern in the **free flow of goods**.

As to **free flow of investments**, there is much to be done yet to support the 'equal treatment' and non-discrimination against foreign (ASEAN) investment that the ACIA calls for.

Within the AEC agreements covering **free flow of skilled labour**, there are already Mutual Recognition Agreements in place for 7 professions, yet today there are no processes to allow an ASEAN citizen to work in Thailand under these agreements, and no system in place to allow a Thai citizen with the appropriate qualifications to take advantage of the agreements and work in another ASEAN country. Further, there does not appear to be any other implementation plan covering the wider scope of free movement of skilled labour generally.

In the Services sector, **free flow of services** remains unclear for business owners and this is leading to loss of potential investment and revenues for Thailand. Liberalisation of the services sector is an essential engine of growth and development. It is not just about raising foreign equity limits (FEL), but also:

- dealing with work permit and visa issues to support the free delivery and supply
- dealing with sector specific regulations which remain impediments, and allowing for sector-specific market access
- effecting structural change in certain sectors to enhance efficiency and effectiveness to support market entry

But even considering only the FEL, Thailand is clearly behind in the commitment to liberalise for ASEAN citizens, considering AFAS (ASEAN Framework Agreement on Services). The AFAS



agreement sets out a plan for moving first to FEL of 51% and then to 70%, and that some business types should have been able to do this by 2010. Despite signing these agreements, Thailand is now proposing new guidelines to interpret the Foreign Business Act (FBA) which would have the effect of further reducing all permitted foreign participation.

JFCCT continues to recommend the lifting of FELs for all investors as neighbours are already doing. FDI inflows into Thailand are down but are up in some other ASEAN economies.

Due to the uncertainty of how the AEC will be implemented in Thailand, there is now a serious danger that Thailand will start to lose not only new Foreign Direct Investment (FDI), but also new investments, re-investment of profits, and repatriation of profits from other ASEAN countries back into Thailand by the foreign business community already based in Thailand.

To make long term investment decisions, businesses (Thai and Foreign) need to understand what the new rules will be. Many JFCCT member companies make investment decisions for 10 or more years. Decisions about the location of new factories, employment and training needs, prices and procedures for importing and exporting, communications needs and many other areas that may change based on the various AEC agreements which Thailand is party to.

Other governments in the region are already moving ahead with many of the changes, and some of these are taking steps to encourage and assist their nations' companies to take advantage of the opportunities across ASEAN's 10 countries and 600 million potential customer base.

JFCCT has discussed these issues with the department responsible for implementing the changes, and have suggested some approaches that may be used. However, this department does not have the authority to actually make changes within other areas. For many of the changes there are a number of options for implementation and in many cases laws or regulations may need to be changed or updated in multiple areas at the same time. This requires considerable effort and co-ordination.

The JFCCT would like to see a single co-ordination group given the authority to establish a clear plan of action with details of the changes and their timetable so that all of our members and the whole Thai economy can take advantage of this critical once in a lifetime opportunity. This needs to be fast-tracked and widely communicated.

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**ABOUT JFCCT:** The Joint Foreign Chambers of Commerce in Thailand (JFCCT) is the umbrella organization covering some 27 foreign chambers of commerce and business associations in Thailand with over 8,000 end member firms. The JFCCT has always taken a keen interest in matters of trade and investment; it maintains a dialogue with many arms of government and aims to contribute to economic enhancement in a positive way.

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