

2016 JFCCT FORUM – MODERATOR’S NOTES

Session: Strategic Service Sectors & Competitiveness

Introduction

สวัสดีครับทุกคน, I am Greg Thomas, Operations Director of 375 Park Associates and I will serve as moderator for our second Topic Session this afternoon - Strategic Service Sectors & Competitiveness.

As a reminder, page 12 of your Forum booklet contains additional background information on this Topic Session.

Strategic service sectors are those which act as enablers for the broader economy. **They have a dual role.** Imagine trying to build an export-dependent economy without a properly functioning banking or logistics sector. It would be near impossible. Payment for goods would grind to a halt and the physical delivery of said goods would be encumbered by mountains of red tape.

In the view of the JFCCT, there are four sectors, which can be considered ‘strategic’:

- Banking & Financial Services;
- Logistics;
- ICT – *which includes Telecoms, and which is a key enabler of e-Government services and the ‘Digital Economy’ as a whole;*
- And finally, advanced levels of BPO & KPO.

These strategic service sectors enhance the competitiveness of Thailand and create opportunities to bolster the ‘Made in Thailand’ brand on the world stage. As you heard in the first topic session, liberalization of the service sector is vital if Thailand is to escape the ‘Middle-Income Trap’.

However, there are challenges. An air of protectionism, in some cases rent-seeking **and** an ever growing list of regulations are out of touch with ‘doing business’ efficiently in a digitized world. These affect the nation’s ability to attract investment and by extension the competition and innovation required for a flourishing service sector.

Thailand’s competitiveness may possibly rise this year, but the World Bank ranked the country as 49th in their most recent Ease of Doing Business report and IMD noted it at 30th of 61 economies assessed in their World Competitiveness Yearbook.

To their credit, the Ministry of Commerce has sought to address this with initiatives such as the Mega Dive event this January, run by MOC and IMD.

Globally, trade is shifting towards services at hyper-speed. According to the McKinsey Global Institute, the ‘amount of cross-border bandwidth ... has grown 45 times larger since 2005’. Despite this, the World Bank estimates internet penetration in Thailand remains below 40% of the population.

Nearly 75% of Thailand’s online population is under the age of 35 - and this represents an opportunity. The promotion of strategic service sectors has the potential to transform the Thai economy by increasing innovation and competitiveness.

With that in mind, we are honored to hear from three speakers who will discuss the opportunities within strategic service sectors and their importance for the nation’s competitiveness.

As a reminder, a full bio for each speaker can be found, starting on page four, of your Forum booklet.

Introduce Darren

At this point I would like to introduce Darren Buckley. Darren is the Thailand head of Citibank. Darren.

Introduce Asa

Thank you, Darren, for that inspiring vision of the future.

Next, I would like to welcome Asa Larsson, Senior Director, Corporate Public Policy, South East Asia, Deutsche Post DHL.

From what I understand, she speaks Bahasa Indonesia as well – so, *Salamat Datang Asa*.

Introduce Dr. Bandid

Terima Kasih Banyak, Asa for the brilliant insights.

I would like to say สวัสดีครับคุณครู Bandid Nijathaworn (Nee Jaa Tha Vorn), the President and CEO of Thai Institute of Directors and the Secretary-General of Thailand's Private Sector Collective Action Coalition Against Corruption.

Dr. Bandid will discuss how Thailand can be competitive in the fast-changing service sector, and reduce a key negative factor - corruption.

Platform Discussion

ขอบคุณมากคุณครู Bandid.

Thank you, Dr. Bandid. Could I ask you to remain on the stage and for Asa and Darren to join us for a brief platform discussion on the importance of strategic service sectors & competitiveness.

(everyone gets organized)

1. Asa, first up, thank you for your talk. I was intrigued by your insights on intra-regional trade especially the ASEAN Logistics Roadmap. With that in mind, has the National Single Window and the ASEAN Single Window positively contributed to the logistics industry, or is there still a way to go?
2. Thank you, Asa, now Dr. Bandid, you gave an interesting talk on competitiveness. As you know, the median age in Thailand is roughly 37-years-old. In brief, how can we be competitive in a digital world when more than half of the population is not online.
3. Thank you, Dr. Bandid. Darren, I was surprised to find out Citi has actually been in Thailand since the 1960's. Given the restrictions on foreign-owned banks, what are the two regulatory changes you think would increase foreign investment in the sector?
4. We've seen HSBC and GE Cap pull out, while Asian players such as CIMB, Bank of Tokyo-Mitsubishi, Bank of China, and ICBC have expanded their presence in the kingdom. Will we ever see the same sort of industry consolidation in Thailand as we have seen in other markets and briefly how would such consolidation contribute to greater innovation and competition?
5. Asa, you brought up some excellent recommendations during your talk. It would seem integration, within government ministries and with neighboring countries, is paramount to increasing the effectiveness of cross-border trade between Thailand and its neighbors.

What would you say are the top two policy changes required to make this a reality?

6. Dr. Bandid, e-Government is supposed to be a contributor to competitiveness and would help to reduce corruption. In fact, the JFCCT issued a paper which found widespread implementation of e-Government services could add roughly \$2Bn to the nation's economy every year.

However, the track record has been spotty.

For example, the smart Baht Prachachuen (national ID cards) has yet to be fully utilized.

And the use of electronic signatures, which were recognized by the Thailand Electronic Transaction Act of B.E. 2544, is rare as most quarters in the public and private sector still rely on hard-copy signatures only.

So my question is this. In the work you've done on anti-corruption, have you found any evidence to support the idea that resistance to e-Government penetration is due to the motivation to hide corrupt practices?

7. Darren, your business deals with the government on an almost daily basis, what are the one or two things you would like to see your regulators implement as part of an e-Government initiative?

(if there is time, can ask Asa the same thing, but it would be a repeat of questions 1 and 5)

8. It is said that some companies like to join private anti-corruption groups because of the CSR or PR value, but in some cases there is little evidence of real reduction in corruption by virtue of joining such a group.

Is there another ingredient which would be needed to reduce corruption in addition just to joining?

9. **As a wrap-up, I'd like a quick answer from all three on this. Do you think policymakers are getting the message about strategic services and the importance of liberalization in the service sector?**

Closing Remarks

Thank you Asa, Dr. Bandid, and Darren for your insightful presentations and your candid remarks.

As you can see the strategic service sectors of Banking & Financial Service, Logistics, ICT, and advanced BPO/KPO play a key role in ensure the nation's competitiveness. **However, the time to act is now.**

With that in mind, I will hand the microphone over to Linda as we present the speaker's gifts and to explain more about the next session.

Thank you very much. ขอบคุณมากครับ.