

Speech for

(Joint Foreign Chambers of Commerce in Thailand: JFCCT)

By Prime Minister General Prayuth Chan-ocha

On “Open for Business: The Next Chapter in Thailand’s Competitiveness”

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Shangri-La Hotel, Bangkok

Chairman of the Joint Foreign Chamber of Commerce in Thailand

Members of the Joint Foreign Chamber of Commerce,

Ladies and Gentlemen,

It is my great pleasure to address a speech at this special event under the very important and interesting topic, “Open for Business: The Next Chapter in Thailand’s Competitiveness”. Let me first thank the Joint Foreign Chambers of Commerce in Thailand (JFCCT) for inviting me here today. I will use this opportunity to discuss about 3 important topics. Firstly, I will start with the situation in Thailand. Secondly, what the government has done and what is in the pipeline to address the country’s trade and investment issues in the short-term and long-term, at the institutional level and foundational level. Finally, I will draw out for you the picture of the future Thailand while highlighting on the business opportunities that it will represent, the facilitation that it will provide, and its road toward a Secured, Prosperous, and Sustainable Nation.

It has been over one month since Thailand has lost our beloved and deeply revered His Majesty King Bhumibol Adulyadej, who had been the Soul of the Nation and Father to every Thais. As you must all have seen, October 13, 2016, marked one of the most sorrowful days for all of us Thai people. Throughout 70 years of his reign, the Kingdom has seen tremendous progress in every aspect. The government is eternally grateful and is determined to lead the people through sorrow time and drive the country forward in order to live up to His Majesty’s aspirations to maintain the independence, sovereignty, and prosperity.

It has been 2 years since the time my Cabinet and I started to address the country’s development issues according to our Roadmap. The draft of the new constitution has passed the referendum on August 7, 2016 and will be in force after receiving the approval signature of His Majesty the new King and will then be followed by the issue of the Organic law and election for a new government with 2017.

Part 1: Today's situation

Distinguished guests,

Talking about the current situation, the world is still facing an economic regression. The growth rate is still lower than expected due to economic slowdown from major economic countries. The result of Brexit may impede England's economic performance in the second half of the year impacting its trade partner countries and the European Union's economic growth. Also, following the recent result of the United States election of its 45th President, there have been speculations that Mr. Donald Trump and his "Make America Great Again" policy may alter the face of the world' economic and the directions of the capital flows. Thailand's direct trade with the US only accounts for around 11.7% of our exports value, therefore, we remain optimist. However, the economic slowdown of the Kingdom's key trade partners', especially China, might be of greater impact. We have to adapt ourselves to the New Normal, where we are facing with more competition, complexity and uncertainty. At the same time, the fluctuation in the Thai Baht value, especially its appreciation, is working even more against Thai exporters' performance, thus, hinders their income and liquidity. Nevertheless, the office of National Economic and Social Development Board has announced that Thailand's economic is recovering gradually. We have seen more promising growth from 0.8 in 2014, 2.8 in 2015 to 3.3 in the first nine months of 2016 and it is expected to be around 3.2 for the whole year. This year's performance is the result of (1) the gradual recovery of the export sector which will enable the expansion of the industrial production and private investment, (2) a faster growth rate of the agricultural production which will enable the expansion of household expenditure, (3) the satisfying growth in government investment, and (4) the promising drive from the tourism sector.

Employment and personal income has improved slightly in the second quarter of 2016. The unemployment rate remains low. Thai people's happiness index received better ranking and has now been placed at the 2nd spot after Singapore. The numbers of people who have suffered from notifiable disease have reduced. Thailand has already become an Aging Society. Soon the country will be completely an Aging Society and will have to deal with fewer births, less active population and lower productivity. The government is, therefore, emphasizing on the population's life-cycle development which includes ensuring quality birth by providing financial support from birth to 2 years of age, reforming education in all level and improving labor skills in various areas including in foreign language communication skills

Thailand is still hindered by a number of institutional problems that prevent the country from rising above the Middle Income Trap. Thailand has long been relying mainly on international trade and its comparative advantages such as cheap resources and labor cost. This has caused the country to become vulnerable to external change. While internally, investment in R&D, technology and innovation remain low and slow with even fewer commercializations. That is why our products and service still

benefit from low value-added and our productivity and efficiency have proved unsatisfying. The financial sector's current performance still does not fully accommodate SMEs. The building of infrastructure and logistics system remain slow. The current monetary mechanism is limited in terms of efficiently integrating strategies at the national and provincial level.

Moreover, Thailand is facing with chronic problems that need immediate action. **These issues** includes the quality of education and public health service, moral and ethical degradation, corruption, inefficient law enforcement, outdated laws, and natural resources and environment degradation. Other problems that need immediate action include corruption, human trafficking, labors in fishing industry, and aviation safety standards. ***All these issues have been holding our competitiveness back and prevent our country from transcending beyond the middle-income traps.***

The government has given a special attention to the result of the Competitiveness rankings from three International rating agents; namely the International Institute for Management Development (IMD), the World Economic Forum (WEF) and the World Bank. In 2016, Thailand ranks 28th out of 61 economies according to IMD's world competitiveness index, 34th out of 138 economies according to the World Economic Forum's 2016 competitiveness ranking, and 46th out of 190 economies worldwide according to the Doing Business Report by the World Bank. These ranking results have showed us that the Macroeconomic environment is Thailand's strength. However, there are some limitations regarding the development of innovation, digital and ICT infrastructure, the quality of human resource, the government efficiency, and the private sector efficiency. In addition, in order to promote the increase in government efficiency, improvement needs to be seen in the process of paying tax, starting a business, getting credit, and registration property. This will result in a better investment environment and domestic business agility.

Second part: What the Government has done, and what to do next:

Ladies and gentlemen,

In the past 2 years of administration, the government has given priority to enhancing Thailand's competitiveness through reforms in all aspects covering institutional and chronic problems while at the same time laying the country's foundation to create a business-friendly environment and establish a firm economic stability in the long run.

Firstly, immediate actions

In order to tackle the problems and limitations that I have already mentioned, from September 2015 to April 2017, the Thai government has launched 11 key Economic Stimulus Measures worth 671,442 million baht (excluding tax measures) to take care of the income and benefits for farmers and

low income individuals and promote loan accessibility for SMEs. Six of them were launched from September to December 2015 totaled 450,942 million baht including (1) Assistance Measure for Low Income Earners and Nationwide Small Public Investment Measure, (2) Immediate Monetary and Fiscal Measures for SMEs Promotion, (3) Monetary and Fiscal Measures for the Real Estate Sector Stimulation, (4) Tax Incentive for Domestic Investment Promotion Measure, (5) Board of Investment (BOI)'s Speeding Up Investment Measure, and (6) Assistance Measure for Rubber Farmers and labor hiring measure for agricultural sector. The other five measures with the total value of 220,500 million baht were effective from January to April 2016. They comprised of (1) the Strengthening of the Grass Root Economy measure according to Pracha Rat (the People's State) Approach, (2) Assistance measure for drought victims and capacity building programs for agricultural sector by the Bank of Agricultural And Cooperatives, (3) Credit Guarantee program for Micro Entrepreneurs (Phase 2) by Thai Credit Guarantee Corporation, (4) Baan Pracha Rat (the affordable first house targeting low-income earners) and (5) Baan Thanarat Pracha Rat (low cost state's housing project under a private developer). In the first half of this year, the budget under the key economic stimulus measures that was actually disbursed accounted for 217,033 million baht, consisting of 128,407 million baht of credit allowance and 88,626 million baht of government budget spending. It is expected that in the remaining period of 2016, 100,488 million baht more will be disbursed.

Secondly, tackling institutional problems

The government has set the institutional framework for public administration reform through 6 State Affairs Administration Steering and Reforming Committees which are chaired by Deputy Prime Ministers. The committees covers the following areas (1) human resources and education system (2) economy, budgetary and fiscal policy, public investment and infrastructure (3) bureaucratic system, law, judiciary, and reconciliation (4) public health (5) security, inequality reduction, agriculture, natural resources and environment, urgent agenda and international obligations, and (6) tourism, culture, and sports. I would like to assure all of you that the government has put it utmost effort in preparing the public sector for the new business environment. The government has pushed for a faster government by enacting a series of law that will help ensuring, a more effected and reliable public service for people such as the Licensing Facilitation Act, the Bankruptcy Act, the Business Collateral Act constitution. Moreover, the upcoming Constitution of the Kingdom of Thailand stipulate an impact assessment before the enactment each new legislation, legislative reviews every five years, and a faster judiciary process.

Education Reform is another important issue that needs to bring about tangible results. This government has laid the first brick by investing in early childhood development. The study time in the

classroom has been reduced to increase the learning time outside of the classroom in order to provide children with activities that promote the development of brain (Head), ethics (Heart), skills (Hand,) and health (Health) while letting the student learn through first-hand experience. The government has launched and promoted Distance Learning through Satellite Television, Internet, and public TV. An application called Echo English and a special curriculum called Echo Hybrid have been developed to elevate the Thai people's communication skills in English. Moreover, the government has emphasized on STEM Education to create graduates that are keen in Science, Technology, Engineering and Mathematics. In order to response to the country's need, the government has been providing scholarship in the area of science mathematics and technology IT, has also created a Work-integrated Learning system coupling with bilateral co-operative education. Donations for education can be tax deductible at double value for another 3 years.

Regarding the **environmental conservation**, the government realizes the importance of maintaining resource-based security and the balance between conservation and sustainable utilization. To support green growth and the enhancement of quality of life, the government has promoted **the use of renewable energy and alternative energy**. This combines with other important plans/projects such as the promotion of plastic recycling industry, the master plan to upgrade the 11 industrial estates in 8 provinces to become Eco Industrial Towns. This includes also the Eco Champion Evaluation under which 8 industrial estates have been selected. Furthermore, the government is ready to drive for **green house gas (GHG) depletion in order to protect the environment** by following the GHG depletion in energy and transportation industries plan. Key projects under this plans includes a long-term project to encourage afforesting economic trees in order to expand economic forests that will serve as the source of income for the people. Another project is related to the promotion of sustainable production and consumption by encouraging consumer's awareness and responsibilities to buy eco-product and services.

Water management is also another major issue. The government has published **the Strategic Plan of Water Management (2015 – 2026)**. It describes solution for water shortage and quality management, water disasters prevention and mitigation and the reservation of watershed forests. There are many examples of vital projects to support the strategic plan. The first one regards a project to set up water supply system in 7,490 villages. This project has already been implemented in 5,583 villages. Another project involves the increase of water storage capacity in irrigation areas by 4,800 million cubic meters and 13,920 million square meters. Another one is a project which aims to develop groundwater to address droughts in 3,086 sites consisting of 301.65 million square meters. The last example regards the conservation, restoration and development of 592 target water projects including the opening of a mobile emergency center for water information, the first and the only center

in Asia to provide a continuously effective service on water situation in the country, especially when in emergency.

Thirdly: addressing chronic problems

The most challenging and sensitive chronic problem lies in the division in Thai society. The government has put effort in creating harmony in our society through the provincial-district and local administrative mechanism, with an emphasis on creating an environment to support the reform process and the administration of state affairs. At the same time, the government will continue this process of reconciliation to reduce conflict and prevent future problems, by promoting public participation in expressing opinion and finding solution within the framework of Thailand's national reform.

Another important problem is the fight against corruption; the government has been making effort to increase transparency, impartiality, and inspection power of the agencies directly responsible for combating corruption, such as Office of the National Anti-Corruption Commission (ONAC), Anti Money Laundering Office (AMLO), and Office of Public Sector Anti-Corruption Commission (PACC), in order to allow faster investigations of allegations of unusual-wealth of political positions holders and government officials, and to enforce disciplinary and civil process. There are currently up to 96 cases, causing more than 1.7 hundred billion baht worth of damage. The Centre for National Anti-Corruption (CNAC) has been founded to pursue litigation of serious disservice to the public interest such as the corruption cases of the rice mortgage scheme and the Klong Dan wastewater treatment project. We are improving the Constitution's Organic Act on Corruption Prevention and Suppression. We are also increasing punishments for the venality of Thai government officials and foreign government officials in Thailand and have adopted disciplinary measures to prevent corruption. We have established a complaints center to accommodate foreign investors. We have also cultivated and raised awareness against corruption through media and campaigns.

Moreover, the government is setting up anti-corruption systems to bring about long-term impact, such as the adoption of e-payment system, the use of legal measures and the cultivation of moral values, ethics and conscience for civil servants. We have adopted the Integrity and Transparency Assessment (ITA) in the operations of government agencies, which are inspired by the successful case of Integrity Assessment from the Republic of Korea. We have and integrated it with the index measuring the transparency of the Office of the National Anti-Corruption Commission (ONAC),

Another critical point is the establishment of an integrity pact that allows the private sector and the general public to participate in monitoring the Government Procurement. The integrity pact is a joint agreement between the government and the private sectors who are bidding for government contracts to jointly maintain a fair and transparent process, under a third party observation. The agreement will focus on the monitoring process and punishment in case of corruption. The Anti-Corruption Cooperation Committee has been set up and chaired by the Minister of Finance. Its mission is to formulate guidelines and procedures for the cooperation projects in order to prevent corruption in government procurement process, and to consider proposed procurement project to join the integrity pact.

Regarding the management of migrant workers, the government focuses on systemizing by clearing those who have overstayed and exercise tighter check on all entrance and exit of the Kingdom. WE are working on the amendment of the Agreement on Cross-border Labor Cooperation with neighboring countries, including Cambodia, Myanmar and Lao PDR, and formulating guidelines for labor-management cooperation to remove exiting barriers as well as the management of day-to-day migrant workers. In parallel, the government is paying more attention to the development of the Health Insurance scheme for Migrant Workers.

The government also realizes the impact of illegal fisheries on our marine resources and trade. We are still pressing on solving this problem according to the EU recommendations and the international standards. At present, we have tracked almost 100% of fishing vessels, so far 49,713 legal fishing vessels has been registered. In the 2016fiscal year, the government has inspected up to 2,376 vessels, arrested323 wrongdoers 1,007 suspects. In order to eradicate the problem of human trafficking, the government has undergone serious investigations. Everyone involved has been or will be questioned, especially the related authorities, be in line with due process.

Another issue that must achieve concrete results urgently is the solutions civil aviation standard problem. The government has already approved plans to solve this issue. This will serve as a framework for the operations and report the progress to ICAO, the regulation body for aviation safety in the European Union (European Aviation Safety Agency: EASA) and other organizations/agencies. Moreover, a technical cooperation under the Civil Aviation Safety Oversight Improvement Project with Japan has been put in place. From which, Thailand will benefit from an aircraft maintenance, technical assistance in improving the Safety Audit System and the Mandatory Safety Reporting System. Moreover, a study on the Model Law, a law which ICAO has put in place to set an example for members country in improving their own aviation law, need to be urgent conducted in order to improve Thailand's Air Navigation Act B.E. 2497 to be in accordance with ICAO's standards.

Fourthly, the foundation for national development that will contribute to the facilitation of business, trade and investment.

Ladies and gentlemen,

The government has given the priority to the foundation that will support the country to grow with security, prosperity and sustainability. This foundation will also contribute to the facilitation of business, trade and investment. Firstly, the improvement of transportation infrastructure must be put in place in order to increase the country's competitiveness and enhance the regions' connectivity while making Thailand the region's hub. The government has been advancing the development of rail transport, mass transit systems, airports, and coastal ports at Laem Chabang port in order to support the logistics linkage between important production, agricultural, industrial and tourism sites, the expansion of urban areas and major economic zone and the linkage in sub-regional and ASEAN level systematically. This represents also an effort to improve the access to telecommunications services, which is vital for business and public services.

Many projects are under development and are making progress. To give you some examples, Suvarnabhumi Airport Phase 2 is currently under negotiation with the lowest bidder. As for the project to develop U-Tapao as the country's third International Airport, the Ministry of Transport has appointed a committee to oversee the infrastructure and the connectivity with the transportation network outside the airport. The development of railway cargo transportation center at Laem Chabang is under construction and is expected to open for service in 2018. The increase of transportation effectiveness in the Pa-sak river projects in order to link the country's inland and maritime transportation bridging goods transportation from the north and northeast areas to ports in Sriracha and Laem Chabang is under construction.

Next step, the government still emphasizes in accelerating the construction of dual tracks railways, 6 routes in the first phase and 7 in next phase, the construction of railway for high-speed trains, the development of new rail routes along the important economic corridor, the construction of 10 metro lines in Bangkok and vicinity, the construction of inter-cities motorways (line number 6 Bang Pa In - Saraburi - Nakhon Ratchasima) to facilitate the access to border trade areas, the Special Economic Zones and the main border checkpoints, the development of maritime transport at Laem Chabang ports, including the Port A development, the construction of Single Rail Transfer Operator: SRTTO Phase 1 and Laem Chabang development program phase 3 to help enhance logistics service providers competitiveness. Moreover, the development of high-speed Internet network to cover all of villages in the country has been planned.

Regarding the energy sector, the government followed the Integrated Energy Blueprint (2015 - 2036) that covers all aspects of energy demand and supply chain. It consists of five plans. First, the Power Development Plan (PDP 2015) involves the construction of new power plants including North Bangkok Combined Cycle Power Plant 2 and an additional Bang Pakong power plant, as well as the development of a transmission system between ASEAN countries (ASEAN Power Grid: APG). Second, following the Energy Efficiency Plan (EEP 2015), the government has implemented High Energy Performance Standards (HEPS) by promoting high performance products and labeling highly efficient appliances amounting to 5,156,317 tickets. We also supported the development of electric vehicles, the present stage being the legal and regulatory preparation emphasizing on pilot projects including 200 of BMTA's public bus, transfer buses between Suvarnabhumi International Airport to Pattaya and within Petroleum Authority of Thailand (PTT), and related charging stations. Third, the government adhered to the Alternative Energy Development Plan (AEDP 2015), approving 276 alternatively fueled electricity projects requesting for power purchase (totaling to 1,643.72 MW), including 171 solar (leftover) projects, 17 waste-to-power plants, 56 biomass power plants, and 32 biogas power plants. Fourth, regarding to the Gas Plan, we have worked to improve Thailand's infrastructure for importing Liquefied natural gas (LNG) by expanding both the number and the size of LNG receiving terminals, having one completed project (with the capacity to import 5 million tons of LNG per year) and one extension of a terminal in development. Fifth, with the Oil Plan, the government has pushed forward the extension of the oil pipeline transportation system to the north and northeast. The government is planning to add an additional of 6 NGV stations (2 are completed) along the pipeline by the end of 2016.

Relating to the improvement of **the efficiency of labor management and protection**, the government focuses on surveying labor demand and labor shortage in the private sector. It is also important to highlights on nurturing skilled-labors in sector where there is great demand in order to solve labor shortage especially in automotive and auto parts industry, service sector and tourism industry and the industries with advanced technology. In addition, the government also pays serious attention to development of skilled-labor to support the growth of border special economic zones (border SEZs). In order to increase the labor efficiency, we have developed many kinds of facilities and systems. For examples, a skilled-labor nurturing center has been created to enhance labor standard in accordance with the professional qualification system and the National Occupational Skill Standard (NOSS). The efficiency of NOSS testing system has been elevated and benefited 53,157 persons so far. Other actions include setting minimum wage for all vocations, developing "Smart Labor" mobile application improve access to labor services, founding the National Labor Information Center (NLIC), and etc. Moreover, the government emphasizes on communicating labor information to

the public through the 19,581 volunteers, 64 branches of Ministry of Labor one stop service in 63 provinces and “1506” call center. Furthermore, to manage informal labor, “the centers of informal labor” are established in every provincial labor offices to address labor problems and promote proper protection and proper access to the government services for informal labor. The government has signed an MOU with entrepreneurs in fishing industry, textile industry and sugar cane industry to encourage the adoption of national labor standard and good labor practices (GLP) hoping to promote better labor protection especially for child labor.

Another important issue is **the development of science and technology**. The government aims to promote R&D investment, science and technology utilization and innovation creation. It is crucial to foster better integration and efficiency for science, technology, and research and innovation management system and allow all organizations to advance towards the same direction. Another key action is to build network for research, innovation and technology between SMEs, research institutes and universities that will allow translation and commercialization. Also we have established Innovation Coupon Project which is a funding program for SMEs to access innovation services from innovation service provider (ISP). Moreover, the government has supported the Industrial Technology Assistance Program (ITAP) to help R&D entrepreneurs finding new technologies within and outside the country. This along with the program to encourage technology development in clusters and Talent Mobility will enhance the capabilities and competitiveness of private sector. Furthermore, the government is focusing on creating the public-private partnership regarding R&D investment in disruptive technology and also the measures and legislation/regulation reforms for R&D translation and commercialization. The examples of these reforms includes an effort to launch a corporate income tax exemption up to 300% on R&D investment, to accelerate the enactment of (proposed) R&D Translation and Commercialization Promotion Act B.E. and the registration of Thai Invention Database and Thai Innovation Database Programs, to revise government procurement regulations and to encourage public organizations to purchase on registered Thai innovation. Other important programs covers the development of research and researchers for industry, the establishment of R&D hub in Thailand and the establishment of a database of standard testing laboratory for export.

Distinguished Guests,

My next topic should be of everyone’s interest as I will share with you our investment promotion policy. In order to ensure Thailand’s position as the region’s trade and investment hub and enhance the national competitiveness, the Thai government has launched, on November 3, 2015, domestic investment promotion fiscal incentives and investment acceleration measure. These measures add up corporate income tax holiday for investment projects submitting their applications

from January 1, 2015 to June 30, 2016 in order to support the industrial modernization and the development of special economic zones.

In order to elevate the competitiveness of our production and service sector, Thailand needs to advance its technological density and promote the linkages in the supply chain. The “Super Cluster” policy aims at laying the foundation for the industries of the future by promoting the adoption of advanced technology in targeted industries. The first group of the Super Cluster includes those who are equipped with advanced technology such as (1) Automotive and Parts, (2) Electrical Appliances and Telecommunication Equipment, (3) Eco-friendly Petrochemical and Chemicals and (4) Digital-based. Another group consists of various clusters such as (1) Agro-processing products and (2) Textiles and Garment. The investment promotion scheme includes tax incentives and support in human resources and technological development, infrastructure and logistics system development, R&D funding and rules and regulations ease. We have allocated up to one hundred and sixty thousand million baht to support this scheme.

Moreover, the “Double S-Curve” policy is another key engine of growth to drive towards becoming a developed country. This measure aims at uplifting five strong existing sectors namely Automobile for the future, Smart Electronics, High-income tourism and healthcare tourism, Agricultural and Bio technology and Processed Food industry. At the same time, it promotes the advancement in 5 new industries which are Robot for industry, Comprehensive Medical industry, Aviation industry, Bio energy and chemical and Digital. This scheme provide better tax incentives than the Super Cluster scheme and imposes the formation of the Target Industrial Competitiveness Fund that will encourage an easier investment’s decisions. To give you some ideas, from January to July 2016, the projects that have enjoyed incentives under the Super Cluster scheme represent a total investment of 157,769 million baht.

In the next phase, the government will focus on creating a suitable environment for the birth of innovative SMEs through the following actions:

- 1) Building cooperation and connecting SMEs under the Thailand, Kitchen of the World Value chain,
- 2) Setting up the National Automotive and Tire Testing,
- 3) Promoting the development of Eco industrial towns in 8 target provinces,
- 4) Rushing the development of model cities/zones that are equipped with essential infrastructure and science technology and innovation supporting human resources and enjoy harmonized cooperation between public and private organization and research and academic institutions.

- 5) Creating Thailand offset policy that will help elevate the country's technological competency level through public procurement in mega-projects.

In addition, we give priority to the development of the Border Special Economic Development zones (SEZs) and Thailand's Eastern Economic Corridor (EEC) that will help decentralize economic development. Firstly, The SEZs policy aims at creating new commercial areas near the border which benefit from trans-border trade. Ten special economic zones have been pointed in the following provinces: Tak, Sa Kaeo, Trat, Mukdahan, Songkhla, Chiang Rai, Nhonng Khai, Nakhon Phanom, Kanchanaburi, and Narathiwat. 6,168.91 million baht and 3,305 million baht worth of budget have been allocated for the implementation of this project in 2016 and 2017. Secondly, the development of EEC will serve as a mechanism to the advancement of the eastern zones to become a leading regional manufacturing and production base and to accelerate future growth of the region. The law promoting the development of the Eastern Economic Corridor has been approved by the cabinet on October 4, 2016 and is currently being prepared for submitting to the National Legislative Assembly. We have also extended the timeframe for tax holidays applied to business in special economic zones.

Furthermore, The Cabinet has issued Royal Decree (No. 586) and (No. 587) B.E. 2558 in order to provide tax benefits and enhance the establishment of international headquarters (IHQ) and international trading centers (ITC), exemption of specific business tax for the gross receipts from lending to associated enterprises.

January 2014 to October 2015, the numbers of investors' applications for investment promotion under this scheme totaled 466 projects, among with 97 are for IHQ and 369 are for ITC. Under the Royal Decree, there are 17 IHQs companies and 2 ITCs companies who are enjoying the reduction or exemption of corporate income tax, while 12 companies are waiting for approval, and 191 expatriates are enjoying personal income tax incentives. In addition, every three month, expatriates holding a work permit are able to report themselves by mail instead of going in person to the Immigration Bureau.

As for the next step, the government has planned to amend the provision and regulation which are hindering the development of business enabling factor. We will create a friendly environment and incentive favoring investment and R&D of using high-technology. We will also promote the creation, piloting and the compliance of standard for goods and services and development of the Investment portal website.

Another issue that will be of great interest to you is trade facilitation. In the past years, international negotiations have been used to increase agility and reduce trade barriers, thus expand

the markets for Thai products. Moreover, the government has accelerated the implementation of International cooperation in development, especially within the Greater Mekong Subregion (GMS), the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), and the implementation plan on APEC Projects so as to foster economic cooperation with neighboring countries.

Apart from facilitating trade and investment in ASEAN through integrating transportation and logistics, the government has also promoted investment in the Special Economic Zone (SEZ), linked transportation networks in essential border trade checkpoints, and increase the connectivity with the global value chains and cross-border investment.

Furthermore, the government has emphasized on the acceleration of electronic data linkage among government and business sectors in the National Single Window and ASEAN Single Window system. So far, 28 government agencies have already integrated with NSW.

Additionally, we have pushed for public service improvement in accordance with the World Bank's Doing Business report through the implementation of 3 mechanisms. (1) Appoint the government efficiency development working committee. Respective ministers are appointed to steer and monitor each groups and Ministries are also assigned to be in charge (2) integrate the public services procedure by analyzing the linkages between government agencies throughout the procedure from end to end and design a working process that allow an integrated service. (3) promote the adoption of technology in the modernization of service, for example, the development of Biz portal online system which is the one stop data center for business initiation, the online Land Map system and application, online financial Credit Scoring for financial institutions for easier credit reports and loan analysis, imports services equipped with a Pre-Arrival processing system that allows faster release of the imported goods, and streamline the e-filing system that has helped ease the burden of transportation cost.

Our hard works have resulted in better ranking in 2016 in 5 areas: starting a business, getting credit, protecting investors, enforcing contracts, and resolving insolvency though our overall ranking remains the same as last year, 46, out of 190 economies but our score point is 0.88 better.

In the next phase, the government has set guidelines to address problems and enhance our competitiveness in line with the ranking criteria of Doing Business. Regarding **Starting a business**, actions include (1) the link of the information among related organizations in order to reduce processes and time and (2) the development of Biz Portal. Concerning **Dealing with Construction Permits**, we plan to (1) amend the Building Control Act to require engineers' supervision during construction (2) revise the regulations relating to liability Insurance (3) re-classify type of building by

risks and site to ensure efficient operation and (4) review the related regulations to allow more efficiency. For **Getting Electricity**, actions include, (1) the improvements of parallel process between the building inspection and the internal wiring checking (2) the reduction of the duration and frequency of power failure (3) the notification of a change in tariff ahead of the billing cycle and (4) providing communication channel to the customers. Concerning **Registering Property**, we target at (1) improving the Landmap to become more comprehensive and allow more utility (2) improving land dispute resolution (3) adopting electronics database for checking and providing information and (4) enhancing the corporate transparency by using Open Data. We plan to improve the area of **Getting Credit** by (1) amending the business collateral act to be more comprehensive (2) deepen the credit information and (3) strengthen Legal Rights. Regarding **Protecting Investors**, we plan to (1) bring about the directors' liability for the damage transaction caused to buyers (2) facilitate shareholder suits (3) extend the shareholders' property right and control, and (4) enhance the corporation transparency. As for **Trading Across Borders**, we need to develop the NSW system and Risk-based inspection to enable efficient time reduction. In regards with **Enforcing Contracts** an electronics system and court automation need to be put in place. Regarding **Resolving Insolvency**, we plan to (1) modernize the initiate of insolvency and reorganization proceeding (2) improve the debtor's assets management (3) review the debt restructuring process and (4) improve the creditor's participation.

In terms of **the development of private businesses**, the government has given priority to **productivity and efficiency development of the production side**. The government recognizes that SMEs, who represent 99.72 percent of all enterprises, form the foundation for the development of the country. However, the SMEs are still quite vulnerable and not productive enough. They only accounted for 41.1 percent of the country's GDP, so it is essential to **build their capacity in the areas of production and business management**. Therefore, the government has launched *the SMEs Competitiveness Development Measure* targeting 97,503 SMEs during the 2016 fiscal year. Moreover, the government has provided the following support for SMEs: Tax Measure for SMEs and OTOP (local handicrafts manufacturers), business consultancy for SMEs covering the improvement of productivity and standards and Cluster formation as well as encouraging partnership between SMEs and large enterprises. Larger companies who have supported SMEs business will benefit from tax exemption scheme. Their financial contribution can be subject to tax exemption at double value. Besides, the government has given priority to **the Creation of Innovative and Entrepreneurial Society**. The key to achieve this goal is to promote the increase in investment in research and development and establish Pre-Industrial Research and Development Laboratory Center (Pre R&D lab) for both Thai and international companies. At present, 9 companies have joined these projects.

The government is pushing for the establishment of *the Information and Consulting Center for the New Entrepreneur*, Incubation Facilities (such as the co-working space) in main cities and Communal Digital Incubator Center for Tech Startup, SMEs, and Micro SMEs. The government is providing knowledge sharing on the establishment, planning and operation strategy of a business in order to equip potential entrepreneurs with tools that will allow them to manage their business sustainably. Currently, 4,495 people, both family business successors and potential entrepreneurs, have already joined this project.

On **the agricultural side**, the government has launched ***the Agriculture Development Strategy*** describing the development direction for the sector in general and by products such as plants, livestock and fisheries. This strategy aims at managing and developing agricultural products systematically from upstream to downstream and ultimately promote the production and exportation of safe food products. Another goal is to *nurture young and efficient farmers*. At the action plan level, we have designed projects to improve production efficiency and the quality and product standards, connect with the market and promote regulations ease, promote GAP Standards, manage agricultural lands according to their zoning which take into account their conditions and local demand, combine lands into larger and more productive field and promote sustainable agriculture farming. Plus, the government has established *the Agriculture Efficiency Development Learning Center, the Animal Breed and Plant Varieties Bank, created distribution channels* by promoting 4,000 agricultural cooperatives as the farmers' business agent, Safe products distribution center and online commercial platform. For the consumer side, the government emphasizes on raising the public awareness in safe and clean food consumption and tighter control over standard check in the market. Down the stream, the creation of *Thailand Food Valley Project and Food InnoPolis* will encourage R&D investment for food and agricultural products. Currently, 4 companies are under rental processes. Moreover, on September 27 this year, the cabinet has just approved *the Draft of Fair Agricultural Agreement System Promotion and Development*. *This law is expected to be a key tool to supervise, bring about fair and efficiency to the system in the future.*

Talking about tourism, the government has raised the standard of services in all aspects such as transportation and safety. We have also promoted the creation of *new tourism activities* and attractions in less-crowded areas. We have taken into account the interests of our tourists, especially the medical tourists. We also expand our travelling routes in connection with our neighbors in Indochina. Furthermore, the government also aims to develop MICE Cities around Thailand and promote professionally managed MICE events that accentuate Thainess. We have also expanded our main airports. Last year, the tourism industry has contributed 2.23 trillion of Thai baht to the economy. The kingdom has welcomed 29.8 million of foreign tourists. This marks the highest record in 10 years

and reflects the foreign tourists' trust in our country. The government has also been encouraging foreign film shooting in Thailand. In 2015, 724 foreign films were shot here in the Kingdom and contributed to 3,164 million baht of revenue. This marks the highest amount in Asia. Furthermore, the government also supports the development of other potential trades and services sub-sectors such as the *expansion* of logistics business networks to ASEAN level, the Outward Investment policy and *the amendment of the Competition Act* in order to promote fair competition.

Another key for the development of private businesses is **better access to investment funding**. The government is promoting investment in companies created under the Thai law and Trust to allow more venture capital. This includes also the development of financial tools, such as Crowd Funding and Venture Capital platforms, to provide Startup with better access to finance. On October 13, 2015, the Cabinet has approved *Tax Measures for Supporting Venture Capital*. This measure provides tax incentives for investment high-technology and high-value businesses from venture capital businesses and investors. Recently, on July 26, 2016, the Cabinet has approved the *Small and Medium-Sized Enterprises (SMEs) Revitalize Measures* through *SMEs Enhancement Fund* to supports SMEs who are under financial difficulties or litigation process. Criteria and conditions to access this 2 billion worth of fund is under development. Moreover, the government has also provided Soft Loan for SMEs to serve as their working capital, for machinery retrofit and efficiency improvement. Micro Entrepreneurs are benefitting from Credit Guarantee, targeting to provide access to finance for 135,000 Micro Entrepreneurs. *The Portfolio Guarantee Scheme Phase V project (revised)* has been extended. *Credit Guarantee for Start-up & Innovation Measures* has also been launched.

Part 3: The way forward

Ladies and Gentlemen,

The government has realized that in recent years the country's administration has given more weight to short term gain policies that came from the government or certain political parties than to the long-term visions, objectives or strategies. This has resulted in the lack of continuity of policy implementation when the government changed and causing the loss of opportunity and waste of national resources. Thus, it is time for Thailand to set its National Strategy to lead the country's long-term development. The National 20-year Strategy (2017-2036) is crucial to the drive this country to a united and mutually agreed goal which is "the Security, Prosperity and Sustainability of Thailand, to become a developed country with the guidance of the Sufficiency Economy Principles". The strategy comprises of 6 key areas: (1) National security (2) Competitiveness (3) Human resources development (4) Inclusive development (5) Environmental-friendly growth and (6) Government efficiency.

Furthermore, the government is emphasizing on the reform and development of the national administration system and mechanism that will help transform the National Strategy into tangible actions. The 12th National Economic and Social Development Plan (2017-2021) is the most important mechanism and marked the first 5-year period in conveying the National Strategy into actions and guiding the harmony between ministerial, area-based and function-based action plans. The 12th National Plan comprises of 10 strategies, including the 6 areas from the National Strategy while providing with more details plus 4 strategies focusing on strategic fundamental development and enabling mechanisms to bring about effective implementation of the first 6 strategies.

The first strategy emphasizes on **workforce preparation and life cycle capacity building** with aim to the development of human capital in all dimension and all ages to become high potential human capital. The second strategy highlights **the promotion of fairness and reduction of disparity** through upgrading the public services for better accessibility, especially for education and public health services. The third strategy draws attention to **the building of economic strength and sustainable competitiveness** by the improvement of the production sector and at the same time advancing towards more high-tech and innovative production and services sectors. The fourth strategy promotes **an environmental-friendly growth** through the conservation and restoration of natural resources and the upgrade of environmental quality. The fifth strategy underlines the revival of the security foundation that is vital factors to the country's economic and social development.

The sixth strategy stresses **the importance of the promotion of good governance** by preventing corruption and planting the seed of good governance in the Thai society. The seventh strategy features **the development of infrastructure and logistics system** by improving the capacity and the quality of service in order to accommodate urban and key economic zones development. The eighth strategy discusses **the development of science, technology, research and innovation** through the development and adoption of innovation in driving development in all aspects. The ninth strategy describes **the regional, urban and economic zone development** aiming to bring about quality urban growth. Last but not least, the tenth strategy focuses on **the enhancement of international cooperation and its impact to the development** through the promotion of clear operational regulation and institutional connectivity in all connecting points.

Ladies and Gentlemen,

I would like to say that the most important thing is how to drive the country towards the mentioned future goals. The government has set a policy to reform the country's economy called "Thailand 4.0". This policy will transform the country into a technological-and-innovation-based

economy with high income by emphasizing on the transformation of the country's 2 main comparative advantages which are our biodiversity and our cultural diversity into our competitive advantages. The key actions involve good management and the fulfillment of know-how with science, technology and R&D.

In order to become Thailand 4.0, Thailand will have to undertake the following transformation: firstly, from Traditional Farming to Smart Farming with help from good management and technology, secondly, from traditional SMEs to Smart Enterprises and Startups with high potential, thirdly, from Traditional Services with low value-added to High Value Services and fourth, from low skilled to knowledgeable, specialized, and high skilled labor. This marks an effort to turn the challenges that we are facing into our strength and opportunity. We are confident that the policy will result in the significant increase in the income per capita, the reduction of disparity, that Thailand will achieve Security, Prosperity and Sustainability, everyone in our society will be happy, and we will enjoy better quality of living. The implementation of this policy focuses on 2 main points. Firstly, the promotion of innovation creation, the government is pushing for the increase of R&D expenditure to reach 1% of GDP by the government investment coupling with promotion and incentives for private R&D investment among SMEs, large enterprises, Multi-national corporate and Startup. Secondly, the Digital economy transformation through Digital Infrastructure investment such as nationwide broadband network building, the enactment of cyber laws covering from security to electronic transactions, the promotion of Smart Cities to reduce the gap between urban and distant areas.

Chairman of the Joint Foreign Chamber of Commerce in Thailand

Members of the Joint Foreign Chamber of Commerce, Ladies and Gentlemen

I would like to use this opportunity to stress one more time that the government will push forward and drive the development actions according to our roadmap, solve chronic problems and lay the foundation for the country's long-term development in order to pass on the flame to the next government who will come into power mid-2017.

I strongly hope that today's discussion will provide you all with useful information for your business in Thailand as well as in our neighboring countries and in ASEAN. As the government's leader, I would like to affirm our determination in building an environment that is investment and business friendly. We will push through actions and projects that are efficient, transparent and effective to bring about better economic atmosphere and wider business opportunity in Thailand. The government is ensuring ease of business regulations, interesting incentives, good infrastructure and logistics system, labor force of quality to support your production and business and most importantly,

the government will absolutely include the private sector as our strong ally in driving the country's development.

Thank you.