

## Board of Investment Transcript

### Master of Ceremonies ("MC") – 10:04 AM

Good morning ladies and gentlemen. On behalf of the Thailand Board of Investment and the Office of the Prime Minister, we would like to welcome you to the seminar on the Seven-Year Investment Promotion Strategy (2015 – 2021) Investment Promotion Criteria and Activities.

To introduce the new investment promotion policy we would like to show you a video presentation to demonstrate the new direction of the BOI.

*[Video Presentation]*

I would like to ask the Acting Secretary-General of the Board of Investment, Mrs. Hirunya Suchinai to come on stage and introduce you to the seminar.

### Mrs. Hirunya Suchinai – Acting Secretary – General of the Board of Investment

Dear Prime Minister, Deputy Prime Minister, Ministers, Secretaries, ladies and gentlemen and the media; I, on behalf of the Thailand Board of Investment, would like to thank the Prime Minister for presiding over the opening and launch of the BOI's Seven-Year Investment Promotion Strategy.

The BOI feels that over the past decade, due to external and internal factors and due to social and economic factors, there exists an urgent need to change the direction of our current investment policy to cope with these challenges. This policy has been created in accordance to the Eleventh National Economic and Social Development Plan (2012 – 2016) to ensure the competitiveness of Thailand as a whole and for the support of sustainable development of the country. The BOI conducted various studies on several factors that impact investment and subsequently consulted with various governmental arms and private counterparts, to ensure that we can have a suitable investment plan for the next seven years.

The policy is aimed to ensure valuable investment both domestically and overseas, and to enhance the competitiveness of Thailand internationally and in the region in order for Thailand to effectively leave the middle income trap. We thus want to explain our strategy to our investors, both public and private, and allow the participants here to get clarifications via a question and answer forum to understand the various conditions and requirements.

Today we have over 2,000 guests, and also the representatives of the media and various research institutes. The entirety of this seminar will be conducted in the Thai language but we have translators on hand to translate simultaneously into both English and Japanese.

At this point, I would like to invite the Prime Minister to come on stage and introduce to you the Seven Year Investment Promotion Strategy.

## Prime Minister – H.E. General Prayut Chan-O-Cha

Thank you. Greetings Deputy Prime Minister, Ministers, foreign investors, ladies and gentlemen, today is another happy day for all Thai people. If we want to succeed, history is now in the making. I am pleased and have the incredible honor to introduce to you the new Seven-Year Investment Promotion Strategy in order for Thailand to achieve sustainable development over the period 2015 – 2021.

A couple of years ago, we had seen some conflict, which had wider implications than expected; however, presently, the situation is back to normal to a certain degree. At this point it is not known how long the situation will persist but we have successfully stabilized it to a certain degree. Our objective is to make the situation stable and we will be required to do anything which is necessary so Thailand can be successful. Recently things have become better and our economy is now also doing better. The economy is recovering but its current rate of expansion is still not satisfactory, while recent economic numbers are still alarming. However, we expect everything to be better in 2015, when Thailand's economic growth should be able to expand by 3.5-4.5 per cent. This new Board of Investment strategy will play a key role in this expansion.

The tourism industry is also improving. Tourism peaks during this season and hotels are now almost at full capacity. That being said, the numbers are still lower than last year. The situation is now on the right track. Despite nobody coming here in the first half of the year, the number of expected inbound visitors for 2014 is still at 25 million, while the number of tourists for October had accumulated to 2.2 million. These are actual numbers despite the suggestion that there is a law which prevents people from visiting here. So I strongly urge the cooperation of travel operators; you have to sacrifice yourself to be a good host to tourists. We have to impress all those who come to Thailand.

We must unify in our approach to make Thailand a clean nation. This has not been done before and several changes are needed:

- Cleaning up the streets whilst being mindful to street vendors who have to also make a living;
- Safety of the nation;
- Controlling of counterfeiting activities; and
- Taking care of the agriculture.

Changes of this magnitude take time so I urge you to give us more time to address these problems; as these problems have persisted for decades and will not be resolved overnight. Primarily, we need to take care of agricultural commodities. To do so, effective cooperation with various ministries is required. We thus ask for your cooperation as without it we will not progress forward.

Corruption, raising gas prices, structural reform; we cannot continue to live like this anymore and we need to consider shifting to a more sustainable strategy. Take International Headquarters (“IHQ”) for example. Some of the smaller countries in the region have a policy related to this form of entity and they recognize that this is a type of entity which is capable of generating income for the country. We are addressing these requirements. In addition, we have to push forward with a sustainable economic system, and develop a digital economy. These two concepts are essential, and it is important to start small. Small is beautiful. Whilst the production goods are of good quality, we must raise questions whether management is going to be in line with the global economy. It is ultimately up to all of us to lend a hand; I cannot do it by myself. I do not ask that you love me but please make sure your love for the country lasts. If we are united we can move the country forward.

Support for the digital sector is also essential so that we can develop a more competitive atmosphere where everyone is linked. Achieving sustainable development and enhancing competitiveness are all ideas that are connected to form a bigger picture of putting Thailand on equal footing with other countries. Look at both the hardware and software industries. They have been successful because we tried and erred, and we learned from our mistakes. Many people argue that Thailand is not a guinea pig; I argue that other countries have done the same and why should Thailand be any different. We need to adequately test and reinforce our infrastructure.

Let us now talk about the high speed railway system. When I was young I remember going on trains, and to this day I can still remember the unclean smell in the trains; they ran day-in and day-out. We need to improve the image of our country by having an interconnected system. Overseas, one can see trains that start in the ground and then end up above, these systems are all connected. Infrastructure, rail, mass transit systems have to be worthwhile for investors. These changes have to happen here in Thailand. In terms of infrastructure development, the airport expansion of Suvarnabhumi airport must also happen.

For all those involved in these sectors, we need to upgrade. Take Thai Airways International for example, it is in limbo. There are lots of pending problems which they have begun to address. One indication of this improvement is that the onboard meals are getting better; I've tasted it. So fly Thai International, the food is getting better!

The new policy introduces Special Economic Zones. I recently went to the Lao PDR, and they are a perfect example of these zones working. We need these Special Economic Zones to be abundant, and we need to be able to look at the development of the global economy and bring it back to Thailand. The new policy promotes the creation of these zones especially in border areas, to create economic connectivity with neighboring countries and to prepare Thailand to enter into the ASEAN Economic Community. Economic slowdown means we must be stronger. I invite all investors to not sit idle and take advantage of the benefits being offered. We will address your concerns, we will tackle problems related to trafficking and illegal immigrants. All antiquated legislation needs to be changed for foreigners to full enjoy Thailand. This is not joke and we will address these changes seriously.

The BOI will be the one stop service center for foreigners to establish their business. I encourage ministries to effectively communicate with embassies and provide information for foreign investors. Use this new policy to facilitate your businesses in Thailand, while we the government focus on policy reforms.

Environmental protection is also essential to achieve sustainable development and energy saving, and alternative energy generators will benefit from this policy. Each year in Thailand we have millions and millions kilograms of trash and rubbish. We must use this to create energy. The rubbish and garbage produced in Thailand is of good quality. We eat and drink good things, which make even our waste useable. Pollution reduction is something we must address together, and if we do not address this problem now it will become a bigger problem in the future. Having no pollution will lead to a better quality and healthier life for all people.

Speaking of health issues, this morning I received a call from a province that was getting prepared to combat Ebola. To date, Thailand has not seen any cases of Ebola, and we have prevented it from coming into the country by conducting testing at airports. I invited all countries to Thailand to show them that we are ready to take on Ebola if ever it comes to the country. Representatives from China, Korea and Japan joined us, and we effectively showed them the progress we had made in limiting the risks if Ebola came to our shores. We should not just focus on Ebola because after Ebola there will be more diseases which we will have to fight proactively.

Putting sustainable development and balancing of social and political issues to one side, we must ask questions such as: Do we have enough innovation? Are the benefits granted to businesses enough? These are questions we must ask ourselves. We need to bring in investors, we need to have a strengthened infrastructure, and our plants and factories must be of higher standards and not contain antiquated machinery. Investors must know that they have privileges for new and improved machinery that is up to international standards.

The new policy also aims to encourage and assist Small and Medium Enterprises in competing. SMEs are important as they comprise 90% of all businesses. Some SMEs don't even know that they are classified as SMEs. So we encourage SMEs to come to us and seek advice on getting new equipment and other benefits. We have laid our cards on the table. If you are afraid of taxes, come to us, or else the Minister of Finance will come for you.

We have the funding to be able to support these SMEs and we even have associations to help guide you. Take the rice associations, we now have 4-5 different rice association. Together we will be able to assist you in being strong, be it small to medium or medium to big; this is economic change. To facilitate this economic change, big businesses should also assist SMEs. We would like to send a message to bigger business to tell them to come to Thailand and use our resources and co-invest with local expertise. Enter into joint ventures so as to give these SMEs the opportunity to work directly with foreign investors.

While this policy is the Seven-Year Investment Promotion Strategy, I believe we can achieve the results even faster. Today marks the day of change. Our new privileges are expected to be better, there are less delays and no corruption. Where privileges have been reduced, these activities are still encouraged and we encourage businesses to go to the provinces to develop them.

The new policy is not just aimed at foreign investors but also for Thai businesses wanting to set-up overseas. With this new policy, Thailand would like to send a message to foreign investors; please invest in Thailand. We do not quarrel and we do not fight.

Thank you BOI for today's seminar. With this clear direction and policy we can achieve sustainable development together, so aid me in helping Thailand progress forward.

## **MC**

Thank you Mr. Prime Minister. Next we will have remarks by the Deputy Prime Minister H.E. M. R. Pridiyathorn Devakula on the topic of turning Thailand into a global business hub.

## **Deputy Prime Minister H.E. M. R. Pridiyathorn Devakula**

Dear Ministers, senior officials, investors, I hope you have listened to the Prime Minister and enjoyed what he said.

To start, I will give you background on why we need to head in this direction. Since 40 years ago, we have primarily focused on developing Thailand's industrial sector. For the first 20 years of this period, our GDP growth was 7.53%. Our GDP was at a constant rate of growth because of the downstream products produced in Thailand. These production activities were labor-intensive and functioned due to the cheap labor costs involved. After this period, over the next 7 or so years, our GDP declined and dropped to 5%, which was due to a lack of upstream production. Luckily during this period we found oil and gas in our country, and began building our refineries, and used the abundant propane to produce ethylene and propylene, which are the best bases for producing petrochemical products.

After this period we developed mid-stream and alternative downstream production activities that differed from the initial phase. For the next 7 years we grew at a phenomenal rates. I remember this period well as I was working at the bank. During this period we even had growth of 13%. Why? Because our foreign investment was high. After this period, there occurred the financial crisis, which I will not delve into, but as a result our growth was in the negative figures. Again, in the early 2000s, we recovered and once again started growing. To grow we have developed further on the base we had started on, but unfortunately could not achieve the rate of growth as previously expected because we had a labor shortage.

In the past, we would make 100,000 baht into 1 million baht because we relied heavily on migrant workers, and thus our investments declined during the period 2000 – 2007. After 2007, unfortunately the situation worsened. So much so, that in 2008 we grew at a rate of only 2.9%, and we had a dreadful economy. In addition to this, we were not short of other problems, like environmental problems, which affected large industries. Thailand has been stuck in the mid-income trap, and thus change is begging. We have the resources to emulate European countries where we move towards environmentally friendly activities and progress towards a more creative and innovative economy.

What I would like to stress today is that we cannot continue on this path any more due to labor problems. Although we are addressing problems, we cannot aim or expect to grow at rates between 7-9% anymore, as it is impossible. When something is impossible we cannot ask help from God, we have to push ourselves. We have to promote other industries, and the BOI will facilitate such investment as it has done in the past.

For the past 10 years, Thai businesses have begun to move and invest overseas. In 2011 and 2012 Thailand's outbound investment was higher than inbound investment into the country. This is interesting. Why so? It is because, in terms of investment, Thailand can invest in consumer product development. Thailand remains the champion in this industry and no one in the region can compete with us. Be it construction equipment, sugar, canned tuna, coffee, we have expanded overseas to places like Vietnam and Indonesia. Both PTT and SCG now have plans to invest in the region.

Investing outside Thailand also helps our internal economy. Take for example PTT, they bought half of Nature Works who is the leader in bio-plastics in the region. CPF also recently purchased Top Foods of Belgium. By doing such activities these companies are able to enhance their knowledge and technological bases. I also have an example of an SME who produced drinking water. They now have a presence in Lao PDR and are the current market leader there, and they now have plans to expand into Myanmar. They want to sell their products in these new markets. Upon entering these markets, they realize that their labor costs are cheaper and can produce more goods at a cheaper price.

Taking SCG again for an example, they produce goods for export and now have production bases in other countries. These companies earn on top of the market as they have different segments of their products that cover different markets. In Thailand there are many companies who wish to follow in these footsteps. These companies have said that our investment regime is troublesome, especially our taxation scheme. They complain Thai companies have to pay tax wherever they set up. As such, many companies would prefer to set up in Hong Kong or Singapore.

These companies are required to have a headquarters in Hong Kong or Singapore. Even Thai companies who do not have a regional headquarters are moving to neighboring countries due to our taxation system. These companies considered setting up a base in Thailand, but are unable to do so. Why? Because they have to pay tax.

Buying and reselling activities all have to pay tax. We thus needed to review and see whether we want trading companies here in Thailand. The profit that we make from production, the revenue earned is

minimal and trading profits are higher. If we do not promote trading, then Thailand will lose this profit to other countries. We must thus do whatever is necessary to upgrade Thailand to be trading hub from a production center.

We have developed out technology for a long time and moved it to other countries. If we have International Trading Centers and International Headquarters in Thailand, the income-generating activities will increase. We have to promote cross-border trading and provide more services to neighboring ASEAN countries. Thailand, I would say, is the most ready for overseas subsidiary companies. For our present government, we aim to support Thai businesses to invest in neighboring countries, and at the same time attract foreign companies to establish more trading companies here.

On 25 November, we came up with an incentive package for establishing International Headquarters and International Trade Centers where an income-tax exemption will be granted for out-out transactions, whilst in-out transactions will be eligible for a reduced income-tax rate of 10%. Foreigners who come to work in IHQs and ITCs will be taxed at a reduced rate of 15% on income tax. We understand that our taxation cannot remain at 30% or else people will not come to our country. This incentive package, which includes revamped non-tax incentives, is aimed to enhance Thailand to become a trading nation like Japan or a trading hub like Singapore.

To further assist investors, we will facilitate in other ways, such as setting up foreign currency bank accounts and faster issuance of permit and license applications, to which several ministries have made a commitment. In terms of implementing this strategy, we asked the BOI to be the starting point who can assist you with all your needs. For example, if you have a subsidiary located overseas, apply to see if you can get IHQ benefits.

Foreign companies, I urge you to submit your applications. Our new policy is aimed at being more convenient for you. It is important to note that you do not get these benefits automatically and have to make an application though the BOI. The supporting policies will soon be here also. We have an agreement with the BOT and the departments of labor and immigration to implement these changes, and it is now our job to reform the taxation laws.

I have learned from countries like Japan where they developed in a similar fashion to the direction Thailand is now taking. Japan turned from an agricultural industry to a more service industry and expanded production to other countries, and as a result they not have one of the largest production bases in Brazil. Japan serves as a trading country, and Thailand cannot be 100% like them. However becoming a trading hub would not be impossible, and together we can achieve to become the trading hub for the ASEAN region. No other country is as prepared as we are. Singapore does not have a production base like Thailand.

In the past no one dared to change our investment policies and attract more and better investment. I would thus personally invite investors and friends to come and see that we have provided many facilities and benefits for you, and you can use Thailand to expand your business activities. So investors, please invest. The new policy is based on things you have asked for and by January this policy will be effective and we will be ready for you.

**Disclaimer**

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