



# "Competitive Economy"

## Building economic strength through greater competitiveness

Address by Mr Nandor von der Luehe, Chairman, Joint Foreign Chambers of Commerce in Thailand ([JFCCT www.jfcct.org](http://www.jfcct.org))

Your Excellency Prime Minister of Thailand Abhisit Vejjajiva,

Excellencies, Ministers and Ambassadors

Dear Government Department Heads and Officials

Dear leaders of Business Organizations

Dear members of the Joint Foreign Chambers of Commerce in Thailand and guests

On behalf of the Joint Foreign Chambers of Commerce in Thailand, being the umbrella organization of the 30 foreign Chambers of Commerce and Business Associations in Thailand with a total membership of over 9,000 companies, I would like to thank you for having accepted our invitation and we are very much honored to have your Excellency with us here today. The foreign business community is very much interested to hear first hand of your government's policies on "COMPETITIVE ECONOMY" and how to build economic strength through greater competitiveness.

Before I pass the stage to you Mr. Prime Minister, please allow me to give a few remarks.

The Joint Foreign Chambers of Commerce in Thailand strongly believes – as outlined in many discussions and submissions to your government – that greater competitiveness will strengthen the economy.

Building capacity and capability through skills enhancement, productivity and efficiency gains and the right infrastructure are essential to a knowledge-based, competitive economy.

The JFCCT thus notes the importance of a range of anticipated developments, including liberalization in strategic industries, reform of State Owned Enterprises (in particular in strategic sectors), enhancement of skills in the labour force and an urgent reform of the work permit and visa regimes.



At this event two years ago, Your Excellency responded to a question on the need for a super investment body and a one stop agency, by promising a “One Start” facility. The much welcomed OSOS is testament to Your Excellency’s commitment and is a fine start in a journey of other developments and improvements. Today we are focusing on Competitive Economy.

The work permit and visa issue needs regulatory and legislative changes, to allow for much freer movement of skilled people – all of which will also have the effect of supporting centers of excellence. We very much welcome that the President of the Thailand Trade Representative office H.E. Kiat Sitthee-amorn has set up a working group with the JFCCT to look into this important matter and we hope that the necessary regulatory changes will be implemented soon but that also legislative changes needed will be supported by your government.

The JFCCT has researched and commented for some time on the potential benefits for Thailand’s economy of opening up the service sector. The World Bank, Asian Development Bank and others have made similar comments and recommendations.

The Thai economy and Thai citizens overall have benefitted from the liberalization of the manufacturing sector. However the service sector is underperforming and falling behind. Liberalisation which would bring greater competitiveness has largely not occurred. Through ASEAN integration and the ASEAN Framework Agreement on Services, foreign ASEAN equity in all service sectors was targeted for opening up to 51% by the end of last year, but there appears little progress as far as Thailand is concerned. In fact, we see competing economies moving ahead of Thailand, and thus attracting capital and skills in important sectors. The existing mechanism of the review process of the Foreign Business Act can be used to open up services. Through the review process, businesses that no longer need protection should be released – but the process has not been used since the FBA came into force in 1999.

On skills development and free movement of people it has to be noted that no competitive economy has done well by assuming that all the necessary skills and know-how reside within its own borders; a more open approach would strengthen Thailand’s regional competence. We see the potential for developing centres of great competence and knowhow via ‘made in Thailand’ brands, which could include skills and capital from a variety of sources.

Labour market effectiveness is a sound balance between providing a reasonable safety net and being cost effective with the necessary skills. We would welcome revisiting changes to the Labour Protection Act to ensure Thailand’s competitiveness.



The telecoms sector, a key strategic sector, has an unfortunate history to be sure. There were positive moves around middle of last year towards structural reforms of the sector. But these have stalled in several ways. The auction of 3G spectrum failed and concession reform stalled again. The solution seems to be the re-empowering of State Owned Enterprises and there is every indication that “Concession 2.0” is actually a policy, with similar inequalities, inequities and anti-competitive structures which have held us back in the past. The structural reforms which, consistent with global practice, would see the SOEs evolve to play a useful, competitive and productive role in the economy are not happening, rather the opposite is the case.

The sector has a dual role in the economy – as a key contributing sector in its own right and an enabler for other sectors. It is not doing well in either. We encourage the view that the benefits of a thriving, innovative sector overall are much more valuable than the revenues to be derived from single entities such as state-owned enterprises.

The JFCCT has taken a keen interest in this area and we have made a number of submissions and recommendations. To move ahead it is essential that we move to a leveled playing field. We are always ready to provide our considered suggestions and recommendations. The State Owned Enterprises should not compete with the private sector. Global trends in broadband are not about re-monopolise SOEs but about creating and supporting sustainable and competitive environments.

On the Banking and Financial services we note that the lack of available financing, especially for small businesses, is a negative factor in stimulating innovation and competitiveness. Most financing options for small businesses are expensive and limited. The banking sector consists of an oligopoly and most banks are competing for business from Large Local Companies or the Multi National Companies. Those big corporations enjoy competitive rates and easy access to finance. In the Ease of Doing Business report by the World Bank in the sector of access to funds, Thailand slipped – (despite the easy access to finance for big business) from 69<sup>th</sup> to 72<sup>nd</sup>. This low ranking highlights the need for reforms and the opening up of the sector would allow real competition and give access to a broader number of participants in the economy. The broadening of participation would enhance and strengthen Thailand’s economy.

The JFCCT welcomes your government’s policy on green energy and renewable energy has been stated as a priority. The Board of Investments promotes solar energy but the Department of Energy no longer issues licenses to new companies to generate power from Solar Energy. The reason given by the Department is that the 500 Mega Watt quota has been oversubscribed but in fact only a few projects have been implemented. It appears that license holders prefer to sell their license for a quick profit rather than to implement the project. Thus overall the renewable energy policy may be thwarted.



We are very much keen to learn your government's intention how to resolve this issue and allow new, legitimate companies to install solar power plants in Thailand.

Companies doing business in Thailand face obstacles with conflicting applications of the Revenue Code and inconsistent tax examinations. We very much welcome the efforts to have the revenue code revised but this will take time. We therefore would like to suggest to use Royal Decrees, regulations, notifications and instructions as steps to clarify the tax rules.

The lack of relevant tax rules on Transfer Pricing makes it difficult to plan and to operate business in Thailand and generally adds unnecessary costs to companies seeking to invest in Thailand.

We encourage reducing the corporate tax rates to spur growth and make Thailand more competitive in the region. Through the integration of ASEAN investors will look very carefully how competitive the tax rates are and Thailand should not lose out due to uncompetitive tax rates and structures.

While we are encouraged by the enactment of the NEW Regional Operating Headquarters scheme we believe that the new ROH is more restrictive than the former one and discourage companies from establishing ROH in Thailand. We would suggest to re-examining the scheme to make it more competitive.

Mr. Prime Minister, I have raised several issues of concern but at the same time I would like to assure you that the foreign business community is very much your committed partner to strengthen Thailand's economy and we are your ambassadors to carry policies abroad. Herewith I would like to invite you to share your thoughts on

COMPETITIVE ECONOMY – building economic strength through greater competitiveness