

Keynote Speech

“The Roadmap to Real Opportunities for Thailand and ASEAN” (30 minutes)

by H.E. Kittiratt Na Ranong
Deputy Prime Minister and Minister of Finance
at MOF Tokyo Roadshow, May 22nd, 2013
Peninsula Hotel

Outline

1. Introduction

2. Recent economic development

- Recent GDP figure + breakdown
 - Theme: domestic demand drove 2012 economy
- Recent economic indicator
 - Q1 2013 GDP
 - Other indicators: export
- Economic stability
 - Strong internal stability
 - Robust external position
 - Strong banking system
 - Fiscal sustainability

3. Economic Benefits and Fiscal Aspect of 2 Trillion Infrastructure Project and Dawei Deep-sea Port Project

Distinguished Guests,
Ladies and Gentlemen,

Konichiwa Minna-san.

It is always a great pleasure to be back among friends in Japan. Before I begin, I would like to take this opportunity to thank all of you for your presence here and more importantly for your continuing support for Thailand.

Strong Growth as a Result of Government Policies

Japan and Thailand are old friends. As our economies are intricately linked to one another. Our future prosperities are tied to one another. And our relationship has been tested many times and every time emerged even stronger. I sincerely thank the Japanese government as well as private sector for always being there by our side, and I am happy to report that with your recent supports, Thailand has swiftly recovered from our great flood two years ago as evident by our strong growth of 6.5% in 2012 and low unemployment of 0.6% in the first quarter of 2013.

In addition, just two days ago, our National Economic and Social Development Board announced our official GDP during the first quarter of this year at 5.3 percent from a year earlier. Although, I believe we should have done better. This growth rate is an affirmation on economic resiliency despite global economic uncertainties. More precisely, during the first quarter, our private consumption and private investment grew by 4.2 and 3.1 percent from last year respectively, thanks to the stable consumptions of durable goods and construction investment in the regions.

Needless to say, government policies have played a “front seat” role in steering the economy. Our policies during the first year of this administration have focused on the well-being of all Thais, especially the less fortunate.

Specifically, with the increase in the minimum wage and with the rice pledging scheme, we have raised living standards for workers and farmers. With lower excise tax on energy as well as a debt moratorium for farmers and low-income earners, we have reduced the expenses of those in need. With tax and financial incentives for first-car and first-home purchases and with the Business Start-up Fund and Women’s Fund, we have supported alternation for new entrants to the job market.

Besides the benefits of higher incomes, lower expenses and greater opportunities, our first-year policies have resulted in stronger domestic demand that have supported the Thai economy in a time of weak global demand.

Having said that, let me point out that the Q1 export figures give us a real wakeup call. We start to witness the impact of the softer pace of recovery in the global economy. We cannot deny that the stronger value of Thai baht coupled with slower external demand has some impact on our export competitiveness. It has become evident that our endeavor to build a strong domestic sector is not only timely but utmost necessary.

Resilient Economic Stability

Ladies and Gentlemen,

The stellar performance of the Thai economy does not stand on a feeble ground. Our economic stability remains more than robust, with strong banking sector, ample international reserves, low unemployment, and contained inflation rate.

Our banking system used to be very weak back before the 1997 crisis. If you remember, it was our banking system that ignited the spark in the impetuous gusts of capital influx that eventually evolved into the 1997 Asian financial crisis. Sixteen years have passed, and our banking sector is solid as a rock.

Internally, our economic position is strong. Unemployment is very low at 0.6 percent of total labor force, thanks to the highly mobile labor market. Inflation, both headline and core rates, is contained well within a manageable range. Furthermore, over the years we have run a surplus in Balance of Payment causing out reserves to accumulate to as high as almost 180 billion US dollar, or around 3 times of total short-term external debt.

I strongly wish that these figures would give you another affirmation that the Thai economy was built on a solid foundation of the strength in stabilities.

Infrastructure Investment

Ladies and Gentlemen,

In addition to that, I am here today to share with you our plan with much potential for our countries and our region. As ASEAN Economic Community (AEC) 2015 is drawing near, Thailand stands to gain from the regional economic integration, given our opportune location at the heart of ASEAN region that bridges

South Asia and Northeast Asia economies together. And with Japan as our largest investor and our most important industrial partner, you will also greatly benefit.

Yet, we recognize that “Connectivity” is the key for us to leap forth the full benefits from the regional integration. That is why we plan to invest 2 trillion baht or around 6.7 trillion yen to upgrade our logistics infrastructure over the next 7 years. Specifically, our plan covers dual-track railway, high-speed train, port improvement, and upgrades of customs points with the aim to improve the efficiency of our logistics network as well as to spread prosperity throughout Thailand and the region.

The Act that allows our Ministry of Finance to borrow for the said infrastructure project is at the final stage of our parliamentary process. It is expected that the law will be passed by the middle of this year. We expect the investments to gradually ramp up beginning this year onwards. Moreover, we have put in place a system to enhance transparency and efficiency in our procurement processes in order to ensure good value for our people and fairness to all participants.

As for the benefits for the economy, during the construction period, the infrastructure investment is predicted to further stimulate our GDP level on an average of 1 percent per year. After completion, the infrastructure investment is estimated to help reducing the logistics cost by 2 percent of GDP, lowering energy consumption by 100 billion bahts per year, reducing travel and transportation time by as much as one third, and ultimately transforming the way we live and do businesses.

It is important that I point out to you that as the Minister of Finance, we keep closed watch to our public debt sustainability. Specifically, our Public Debt Management Office projected that even with infrastructure borrowings, our Debt-to-GDP will gradually rise reaching the peak at around 50 percent of GDP, which is well below our Fiscal Sustainability Framework of 60 percent of GDP.

Dawei Deep Sea Port Development

To truly leap forth the benefits from AEC, we must connect ASEAN. Given the recent improvement in political situation in Myanmar comes revival interest in the deep sea port development in Dawei.

Dawei Special Economic Zone Development Project is one of the biggest Special Economic Zone Project in South East Asia, which will benefit the region as a new gateway that will enhance ASEAN connectivity both inter-regional and intra-regional. The project will enhance logistical connectivity and benefit not only to Thailand and Myanmar, but also surrounding countries around GMS Southern Economic Corridor of, such as Vietnam and Cambodia. To further extent, the project will link ASEAN to South Asia, Middle East, and Europe.

Dawei Project will improve regional infrastructure and lower logistic cost of production chain, which will enhance efficiency and competitiveness of the region. Especially, in regional scale, the project could alter the freighting route to South Asia, Middle East, and Europe. For example, the freight from Bangkok to Chennai via Dawei could save up to 3 days through this route. Currently, Thailand has to import more than 10 million tons of

steel, 300 million barrels of oil, and 320 million cubic feet of natural gas to fulfill the industrial demand. Moreover, the existing the Eastern Seaboard is reaching its carrying capacity and facing environmental issues as well as scarcity of energy. In this regard, the Dawei deep seaport is a growth driver and gateway of the GMS Southern Economic Corridor, which will be an important driving force of ASEAN with great potential of off-shore production base, especially in petrochemical and steel that enhance energy security of the region.

Given strong presence and influence in Southeast Asia region, Japan has the unique opportunity to leverage on Dawei. At the same time, Dawei deep sea port project would benefit from favorable financing and interested private industries from Japan. And as such, I truly believe that we are on the right track in fine tuning the business structure that would benefit our partner countries and the region as a whole.

Closing

Ladies and Gentlemen,

With me today is *His Excellency Chadchart Sittipunt*, Minister of Transport, who will elaborate on our plan to upgrade our logistics infrastructure. Also, *His Excellency Niwatthamrong Boonsongpaisan*, Minister attached to Prime Minister's Office, will update you on the latest development of the Dawei deep sea port project. Also with us are high-ranking officials from our Ministry of Finance and our Office of the National Economic and Social Development Board to help answer any inquiries that may arise.

As mentioned earlier, it is our intention for today's event to paint for you the clear picture of our future plan. And it is our hope that as old friends, you will join us in our future plan towards our joint prosperity together.

Doumo Arigatou Gozaimasu