

Keynote Address

by

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Minister of Commerce
At the Thailand-Japan Business, Investment
and Tourism Forum
Tokyo, 4 April 2007

Excellencies,
Distinguished Guests,
Ladies and Gentlemen,
Ohayo gozaimasu,

Let me first begin by welcoming you to the Thailand-Japan Business, Investment and Tourism Forum this morning. I thank you all for your kind participation. This forum is organized to commemorate the 120th anniversary of Thailand-Japan diplomatic relation and to celebrate the signing of the Japan-Thailand Economic Partnership Agreement. I offer my sincere gratitude to all related parties from both the Japanese and Thai public and private sectors for making this event possible.

It is a great honor for me to be here amidst such a distinguished gathering of key businessmen and to have the opportunity to deliver this keynote address today. As such, I would like to take this occasion to share with you our trade policy. I hope that my presentation today will assure you of our continued support of a liberal regime and strong adherence to the intents and spirits of free and fair trade. I also wish to eliminate any misinformation and misunderstanding that you may have, with regard to Thailand's Foreign Business Act.

My presentation today will touch on five major issues;

- Thailand's Trade Profile,
- Thailand-Japan Trade Structure,
- Thailand's Trade Policy,
- Trade Opportunities from JTEPA, and
- the Proposed Amendments of the 1999 Foreign Business Act.

Thailand's Trade Profile

Distinguished Guests,
Ladies and Gentlemen,

In 2006, Thailand's total trade was registered around 250 billion US dollars. Comparing to the previous year, our exports witnessed a soaring increase of 17 percents. Imports, on the other hand, grew by 7 percents.

By structure, almost 80 percents of Thailand's exports came from manufacturing products such as computers; motor vehicles; integrated-circuits; electrical appliances; jewelry;

steel products; and textiles and apparels. While, agricultural products such as rubber, tapioca and rice, contributed around 10 percents of Thailand's exports.

By destination, our main export markets were ASEAN, the United States, the EU and Japan.

In terms of Thailand's import structure, around 40 percents of imports were raw materials and intermediate products, for example, electrical circuit panels; chemicals; steel products; gold. Another 28 percents came from capital goods such as machineries; and computers. In addition, oil and petro-chemical took up 20 percents of the import share while consumer goods such as kitchenware and tableware; garment; and footwear made up 7 percents.

In terms of origins, the majority of our imports originated from Japan, ASEAN, the EU and the United States. Japan is our number one import source.

Thailand-Japan Trade Structure

Let me turn now to the bilateral trade structure between Thailand and Japan. Japan is our 2nd trading partner in 2006, trade between Thailand and Japan was around 42 billion US dollars, a slight increase of 1.8 percents from 2005. From this figure, exports to Japan accounted for 16 billion US dollars while imports from Japan roughly recorded at 25 billion US dollars.

By product, Thailand's top ten exports to Japan, which accounted for 38 percents of our total exports to Japan, included

- integrated circuits;
- computers and parts;
- rubber;
- motor vehicles and parts;
- machinery and parts;
- radio and television;
- fish products;
- electrical equipment and parts; as well as
- aluminum products

Whereas, the top ten products that we imported from Japan, accounted for 81% of all imports from Japan were

- machinery and parts;
- steel products;
- electrical machinery and parts;
- electrical circuit panels;
- chemicals;
- automotive parts;
- medical equipments;

- iron ores and scraps;
- plastic products; and
- metal manufactures

Thailand's Trade Policies

Let me now turn to Thailand's trade policy. I wish to leave no doubt in your mind that Thailand will pursue free and fair trade regime. Foreign investment, especially in areas of strategic importance, is welcome with attractive privileges and assured protection. Thailand has never wavered from the basic philosophy, concept, spirit and intent of the GATT. In terms of overall policy directions, we have spelled out four strategic paths of being 'Trading Nation', 'Service Supplier', 'Investor Country' and 'Competitiveness'.

Thailand will remain active and fully supportive of trade liberalization both at the multilateral and regional level, especially within ASEAN. We wish to see successful conclusion of the Doha Round and economic integration of ASEAN to create a 'community where trade and investment flow freely.'

For trade in services, our main aim is to develop and promote potential service sectors such as tourism related activities, restaurants, health and spa service, international education, and construction service.

Thailand also wishes to promote outward investment, especially in the areas where we have core competency such as agriculture, agro-industry, services trade and franchise business.

To increase competitiveness, Thailand will put strong efforts in several key areas, namely capacity-building for SMEs; supply chain management; logistic development; as well as the strengthening of intellectual property regime. We cordially invite you to participate in these efforts for our mutual benefits.

Trade Opportunities from JTEPA

Distinguished Guests,

Ladies and Gentlemen,

On JTEPA, we should congratulate ourselves for the successful conclusion and the signing of JTEPA after 4 years of intense and constructive negotiations. This marked the beginning to another era and new phase of our relationship. The key word is in 'Partnership' for shared and mutual benefits from the opportunities that arise from globalization and liberalization. The three pillars—liberalization, facilitation and cooperation—form solid foundations for our partnership. Greater trade and investment facilitation and expansion as well as public-private partnership deriving from the agreement will lead to better quality living for the people of our two nations. An ultimate goal that is well-placed in our mind.

In terms of trade in goods, gradual tariff elimination can be found in several key industrial and agricultural products. Japan will be able to enjoy greater market access into Thailand in products such as auto parts, passenger vehicles with the engine over 3,000 cc, iron

and steel products as well as certain fruits and vegetables such as apple, pear, peach, strawberry, melon and carrot.

Likewise, Thailand will also gain greater market access into Japan of certain products such as jewelry; chemical products; textiles and apparels; frozen shrimps; tropical fruits (mango, mangosteen, durian, papaya, rambutan, and coconut); and frozen chicken.

As for trade in services, Thailand has, in addition to its commitments under the WTO, agreed to open up 14 service sectors to Japan. These include sectors such as advertising services; computer-related services; logistics consultation services; maintenance and repair services; wholesale trade and retailing services; and management consulting service.

Japan on the other hand offered more than 135 service sectors to Thailand ranging from construction-related engineering services; distribution services; educational services; financial services; health related and social services; recreational, cultural and sporting services; tourism and travel related services; and restaurant and spa services.

On the movement of natural persons, both Japan and Thailand are interested in the exchange of talented and qualified human resources. Thailand, for example, will grant Japanese short-term business visitors with work permits for up to 90 days and may extend such granting to one year from the arrival date. On the Japanese side, several concessions such as the easing of requirement for entry and temporary stay will be granted to certain professionals including Thai cooks.

In terms of cooperation, Thailand and Japan has agreed to assist one another in nine specific fields of cooperation. They are

- agriculture, forestry and fisheries;
- education and human resource development;
- enhancement of the business environment;
- financial services;
- information and communication technology;
- science, technology, energy and environment;
- small and medium enterprises;
- tourism; and
- trade and investment promotion.

Under such cooperation, several key projects have been initiated and agreed by both sides, namely

- Kitchen of the World,
- Textile and Apparels Cooperation,
- Steel Industry Cooperation,
- Automotive Human Resource Development Institute,
- Energy Conservation,
- Value-Creation Economy, and
- Public-Private Partnership.

Distinguished guests,
Ladies and Gentlemen,

While we may indulge ourselves in celebrating the signing of JTEPA, we should not forget the fact that the successful conclusion is only the beginning of another chapter of our economic and trade cooperation endeavors. The opportunities that are provided require no less than concerted efforts to reap the potential mutual benefits.

The continued rise of China, the integration of ASEAN, the slowdown of the Doha Round, the global imbalances and the strengthening of the Asian currencies are some of the opportunities and challenges that must be jointly addressed.

Cooperation at the level of government is an important key. But private-to-private and people-to-people contacts are more than imperative.

We already have many decades of good foundation of cooperation behind us. Let us utilize JTEPA to the maximum level through those channels.

Proposed Amendments of the 1999 Foreign Business Act

Let me touch briefly on the Foreign Business Act. There are numerous views and reactions based on constructive intention. But some reactions are a result of misinformation and misunderstanding.

I don't want to waste too much of your time but simply want to emphasize certain crucial points.

First, the FBA has been in place for a few decades with a number of loopholes and unclear interpretations. We seek only to plug these holes and to clarify certain ambiguities. We have no intention to impose new restrictions.

Second, foreign investors have the same rights and treatments to invest as our citizens, except in certain areas where foreign equity participations over 50% would need to be approved. Only 8 activities of highest sensitivity are not permitted to operate whenever foreign involvement is over 50%.

This, by no means, is a new invention. Similar concepts and regulations are found in other countries to give some safeguard to their nationals.

Third, the amendment is not final, parliamentary process is still on-going. However, the intention is to create transparency, good governance, law compliance, better enforcement and restatement of the basic thrusts of the existing law. Not much of a change in reality.

Fourth, we shall honor our right and obligations under international agreements – multilateral, regional and bilateral. Their provisions will supersede the general FBA provisions.

Fifth, if it comes into effect, the existing right of investors will be either grandfathered or given flexibility to adjust.

Sixth, most real sectors will not be affected. Investment under BOI privilege promotion programs have been exempted from this law.

Let me assure you and the world that your legitimate concerns will be taken into account in the law making process. That said, I also ask you to honor our right to regulate as enshrined in the GATS.

Distinguished guests,
Ladies and Gentlemen,

I would like to end with a note of assurance that Thailand values highly the principle of free and fair trade. We treasure our cooperation and Japanese's role in our development process through trade and direct investment. We shall continue to do so, on the basis of partnership, good governance and co-prosperity.

The government is doing all it can to restore confidence in our economy. With greater government spending and budget outlay and acceleration on disbursement, growth will pick up in later part of the second quarter. Economic growth should be in the region of 4%. The date for the General Election has been set around mid-December. Both political and economic scenarios should now be clearer. We hope that this development and the political timeline should bring about greater confidence among the business sectors worldwide.

Distinguished guests,
Ladies and Gentlemen,

Japanese businessmen and society are well known for their discipline, determination, decisiveness, decency, and among others, fairness. We have learnt from these qualities and shall reflect them all in our conducts of business.

The JTEPA will give ample opportunities for us to work together, to advance hand in hand and to intensify and strengthen our relationship. I hope that you share our attitude, aspiration and optimism.

Thank you for your kind attention.