

Opening Address by H.E. Somkid Jatusripitak, Deputy Prime Minister, Kingdom of Thailand

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ปาฐกถาพิเศษโดย รองนายกรัฐมนตรี นายสมคิด จาตุศรีพิทักษ์  
งาน Nikkei Asia300 Global Business Forum  
วันศุกร์ที่ 14 กรกฎาคม 2560 เวลา 13.00 น  
ณ โรงแรมอินเตอร์คอนติเนนตัล กรุงเทพฯ

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President of Nikkei and Distinguished Guests,

First, I must thank Nikkei for choosing to hold this event in Thailand and for inviting me to participate in the event today

Ladies and Gentleman, on this month, 20 years ago, one of the events that I believe the Thai People of the time and many other nations will never forget is the large financial crisis of Asia, which started in Thailand and spread to various nations in Asia. That crisis not only caused such great economic and financial damages as never before before but also created conflict and enormous societal damages that followed. At that time, I was the Secretary to the Minister of Finance and therefore was closely in touch with the situation. I remember that the business sector in every segment either fell into bankruptcy or faced substantial financial losses. People lost jobs; financial institutions were either shut down or were bailed out by the government. The foreign exchange reserves were so depleted that the government had no choice but to submit itself to IMF regulation in exchange for a return of financial stability. These events not only happened to Thailand but also spread to various nations in Asia. Japan, on that day, tried to push for the establishment of an Asian Monetary Fund to mitigate the crisis of fellow Asian nations but did not succeed due to the lack of sufficient support, especially from the western nations. During that period, it seemed like a darkness had covered all of Asia and any future light could hardly be found.

Ladies and Gentlemen, even though the damage was substantial but that damage, from that day, did create an opportunity for the future. The financial crisis that occurred became a lesson for both the public and the private sector to learn from and to adaptively change. Today, 20 years on, the status of those countries that once faced the crisis has become strong again. Nikkei Asia Review Magazine recently reported on the economic recovery and stability of foreign exchange reserves of countries including Thailand, Malaysia, Indonesia, Philippines, and South Korea with each having such impressive economic growth that they have become an enticing spot for attracting foreign investment. Bloomberg has forecasted that at least 45 billion U.S. Dollars would be invested in the capital and bond markets of this group of countries. Moreover, today - other countries in Asia that survived the crisis of 20 years ago but still needed to fight for development to escape from poverty - these countries have risen and grown impressively whether it be China, India or countries in ASEAN.

Ladies and Gentlemen, Asia - that once could not see the future on that day - today 20 years on, have all risen to prominence in unison. Their outstanding growth rates have become the hope and the driving force of the new world economy when the world economy is weak and fragile, especially with the new U.S. policy has formed what is now the so called "Upside Down Geopolitics". The Asia region is, on the other hand, moving to become a center of the world economy. Asia Rising that has been long spoken of today is now no longer just rhetoric, but the wave is really forming and the opportunity has already arrived for the Asian region.

However, Ladies and Gentlemen, although the opportunity has arrived, not every nation or every country in Asia can access and capture the benefit from this wave in the same manner. In my view, these following 4 factors will be significantly important for deciding which country will be able to reap the full benefit from the opportunity that has arrived at this time.

**First Factor is the capability of each country and its competitiveness.**

When a whole region has economic growth, the country that has a higher comparative advantage in competitiveness will have the opportunity to step in and become the important economic trade and investment center for that region and will then have the opportunity to reap the highest economic benefit therefrom. Over the past few decades, Japan, Singapore, Taiwan, and Hong Kong have all been able to elevate themselves to Countries with a high level of development and leave other countries in Asia behind by building and accumulating the capabilities of their country. This is the reason why Thailand has exerted every effort over the last two years to elevate the capability of the country in every dimension.

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Ladies and gentlemen, geographically, it is undeniable that Thailand is situated at the center of the sub-region but the real competitiveness of a country is not only measured by the geological location but also determined by its condition and context for the future. The structure of the Thai economy today may enable us to achieve satisfactory growth but will not propel us out of the middle income trap. Thailand must adjust its manufacturing structure from relying on cost for competition to relying on innovation and creativity. We want to transform our agricultural sector that has a low production value to a value added processing and build a high-value bio economy to generate sufficient income to support the farmers who are the majority of the country. We are shifting our industry from labor-based to building new targeted industries that focus on adding value, technology, and innovation; from a manufacturing base that was only an assembly plant to a focus on cluster development and being a hub of the region in the targeted industries that we are already competent; whether it be automotive, food of the future, high level petrochemicals, medical and wellness that we are well known for, or tourism hub of the region etc. To be a base for these industries, the Eastern Economic Corridor was pushed forward - together with a major infrastructure investment at the national level - to be the largest center of manufacturing and logistics in the CLMVT sub region. The 4.0 economic policy, and investment in internet and IoT, that will transition Thailand into the digital age together with preparedness on Human Resources Development and prioritizing investments on Research and Development have become the most important policy that the Government is driving. One other point that cannot be neglected is the transformation in the ease of doing business, reducing redundancies, reforming outdated regulations, building transparency, and elimination of corruption. Ladies and Gentlemen, while the endeavor stills remain as yet unfinished and more time is necessary, the fruits of our labors over the past two years have steadily elevated us in the competitiveness rankings.

Ladies and Gentlemen; Thailand isn't the only country that has this determination. Other countries also have this determination but, at the least, I believe Thailand is moving in the right direction and believe that these diligent efforts will elevate the capabilities of the country and propel Thailand forward to become an outstanding trade and investment center of the region.

**The second Important Factor is the strategic positioning of the geopolitics of the country, which will build prominence and interest on the world stage which is an important condition for the economic success to follow.**

For large countries such as China or Japan, this issue will probably not be a problem but for a small country, this issue is very important. Singapore is an example of a country that has notable capability in this area. I still remember a speech by the Former Prime Minister Lee Kuan Yew that stated that Singapore was a small country, which, if considered by size, would hardly have a significant role in the world. The important question was how to make a small country have a meaningful and significant role on the world stage. We can follow Singapore's role in this dimension over the past few decades; from its role in ASEAN, in the linkage between Eastern and Western World such as the U.S. and EU, the role to push for the establishment of ASEM, and the role to collaborate in the push for a TPP. Along with these role, Singapore has been able to outstandingly establish itself as a financial center of the region in the past. Alternately, the example of Hong Kong, that faced uncertainties after the return to China but Hong Kong managed to maintain its strategic positioning clearly. Not only did it maintain its role as an important trading port city and an important financial center of the world but it also became an important spearhead for business groups from mainland China to use as a base for making investments into countries that lie along the China's One Belt One Road Policy route. It also became the broker for product sourcing from various suppliers in Asia to serve the global retailers, which more and more set procurement conditions that are not easy for any other country to compete with the Hong Kong businesses that can comply with such conditions. The more the Chinese economy expands, the more the role of Hong Kong will be seemingly more significant. Thailand is one such small country, just like Vietnam, Malaysia, Laos, Myanmar, and Cambodia, with the size of their individual economies and population, nearly insignificant on the world stage. But together, especially the combination of CLMVT, this sub-region becomes an altogether interesting market, an important supply chain, and when combined with other ASEAN countries, will become an important connection that is indispensable both in the politics and economics of Asia. Whether we talk about ASEAN plus Six, or about the connection linking the one belt on the mainland with the maritime silk road by sea, about the RCEP or the TPP, small

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countries that seems meaningless become both a meaningful linkage and very significant. For this reason, the policy to grow together or “stronger together” policy and the push for collaboration in formulating a joint strategy for the CLMVT group of countries is therefore an important geopolitical step for this government. It will synergize and connect the sub-region’s strategic stance with ASEAN. Connecting and being a part of the One Belt One Road, collaborating in the push for RCEP, and being a part of TPP, are all important strategic positionings that will create meaning, importance, and economic benefit for the whole sub-region.

### **The third factor is the strength and capability of private sector.**

The role of the Private Sector is similar to that of a warrior but an economic warrior. The country, abundant in its number of strong economic warriors and capable in its chosen industry, will surely be in position to have high economic success. Japan, South Korea, Singapore, Taiwan, and Hong Kong are all examples that stood out in the past. However, for the future, China is becoming the interesting example that should be studied and closely followed. In the early phases of development, China relied on the power of large State Owned Enterprises that started from taking over the Chinese market and then expanded into foreign markets. However, in the past 10 years, we have seen the capability of China in building millions of new businesses or new Startups from various provinces – to be a spearhead for building value added innovation and to quickly penetrate the world market - by relying on support from public policy, education institutions, research institutes, and large enterprises that switch to creating new Start Ups that compete not on size but on capability. Most importantly, these new Startups are not bound by the business model structures of the past but their successes come from technology, innovation, and business models that can better respond to the consumer, especially business models that rely on support from technology. India is another country that stands out in terms of technology and human resources, especially in terms of IT and digital. This helps drive Indian businesses to be leaders in Asia. From the ranking of businesses that had an outstanding performance in Asia by Nikkei, Indian businesses had 10 in the top 30 of the Nikkei 300, more than any other nation in Asia.

Ladies and Gentlemen, in the world of the future, technology, innovation, and a sharp business model are the important weapons that a future economic warrior will need to have. Internet, IOT, Big Data, and AI are now crucial factors for responding to the diverse and fast-changing demands of consumers in the modern age. Business models that are quickly adaptable and reach out directly to the consumer, to respond to their unfulfilled demands, are replacing the traditional business structure. Size is no longer an important factor and size may even be a hindrance if lacking the aforementioned elements. The latest issue of Nikkei Asian Review has reported the fact that large companies, listed on the stock exchange, are still slow in moving to invest for the future, which causes investors to harbor a lack of confidence in their future potential and consequently impacts the growth of the stock price. On the other hand, large companies that are fast-moving, dedicated to investing in technology to build new innovations, could retain its leadership and continuously expand its business empire and have an impressively outstanding business performance. This is one reason why the Thai government intends and is determined to give strength to the Thai private sector. On the one hand, we want to push large Thai corporates to acquire strength in technology, research and development, capable enough to step in to compete at the global level. Currently Thailand has over 500 large and medium sized businesses that are listed on the stock exchange. The government wants these companies to further elevate its strength especially in the technology and innovation areas to prepare it for the digital age. On the other hand, we want to transform the SME sector that is still weak, not ready for changes in technology, not ready for the new structure of doing business in the future world. Most importantly, we must create a new species of Startups whether in the agricultural, industrial, creative and digital economy areas, both in the manufacturing and services that can access technology, understand and have the capability to develop new business model structures that can compete in the future world. Certainly, this dream will become a reality with integrated development and with the collaboration and support from our ally countries. During my latest travel to Japan, I was bolstered in both morale and support from Chief Cabinet Secretary Suga and the Minister of Economy, Trade and Industry (METI). The minister also signed a MOU with the Thai Minister of Industry in development of the EEC, in attracting businesses in the targeted industry, and in collaborating to drive the development of Thai SMEs. The minister himself will travel to Thailand with Keidanren and a group of Japanese private companies to meet with Thai public and private sector early this coming September.

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**The last factor that I believe is most important and hardest to achieve is the unity and the integrated power of society.**

Looking back in the past, If we ask what was the key success factor of Japan, in my view, it is clear that it was the seamless collaboration of the Japanese public and private sector in defining the direction of the strategic steps, and the powerful driving force derived from the unity of the people in the nation that led Japan to build the great economic miracle in the past. Now this occurrence is happening in China and has enabled China to build the economic miracle in the past 2 decades. Strategically lead by the public sector, enacting policies that created a supportive environment, coupled with the capability of the private sector, under a continued environment of solidarity and unity, even though under a political regime that the west might not agree with, China was able to miraculously grow by leaps and bounds.

Ladies and gentleman, during the time when the world is full of tension from conflict, unity and social solidarity is becoming the new indicator for countries that will be a shining star of the future. Eurasia Group, one of the largest consulting companies in political risk analysis - which various investors follow – recently published an analysis revealing that investors are turning their backs to countries that are filled with internal conflicts. These countries have faced a stall in their development because most of their time is spent on putting out the fires of in-house conflict. For example, both Germany and the U.S. each were faced with the rumor of election intervention from Russia. The rumor didn't have any impact on German society while the domestic politics in the USA is severely fractured; or in the case of India, the Indian leader was able to lead roadshows to foreign countries to powerfully build an attractive India, because he was able to create a stable unity within the country. This analysis also pointed to the trend that both Germany and India are becoming economic centers not only because of the size of their economy but also because of the social solidarity and unity within the country that creates an air of confidence on the safety of investments when compared to a country that is full of internal conflict. This is the reason why the Thai government has placed the highest importance in reducing the conflict in the society and in building a collaborative power within the country to drive a fruitful reform. Over the past 2 years, the government has pushed for the "Pracharat" initiative, which will synergize the power of the public sector, the private sector, and the people to energize the drive in all dimensions. Even though the initiative is at an early stage, it is well accepted and is expanding rapidly. The government is now trying to harness the power of the network of citizens, spread out all over the country, to collaborate with the private sector, both Thai and foreign, especially with the over 500 publicly listed companies on the stock exchange for building a collaborative power in reforming the country whether it be in economics, social, or politics. I firmly believe that this "Pracharat" power will be the great power that will empower the country to strength and successfully move towards its goal.

Ladies and gentlemen; we are in the age where the "America First" Policy is becoming an important disruptive factor to balance in world politics and economics, and brings with it uncertainties and insecurities all around; we are also in a world where technology is the important disruptive factor that can change the competitive landscape and key success factors completely. Only those that are aware of the technologies, those that are aware of the situation, and those that are prepared to not only confront but to reap the benefit from it will be the winner. Opportunity is shifting from the western to the eastern world. Countries that have unity, a capable government, a strong private sector, and is prepared to build itself for the future are the ones who will be successful and able to move towards the front line of development. On the opposite end, are countries that remain asleep, stuck in the past, and filled with a private sector that are timid, outdated, and dare not change - I express my regrets in advance that not only will they be unable to reap the benefit from the approaching opportunity but will also face deterioration and recession that can hardly be avoided. Opportunity will only be for the brave and the prepared. Therefore, for Nikkei to hold the event today can be considered very concordant, in terms of both timing and topic so as to warn both the public and private sectors in Asia to be aware and prepared.