

Appendix 9: Standard speech with presentation slides

A speaker's guide

The presentation materials included in this appendix comprise both overhead transparencies to be used as graphic materials to illustrate the various points as well as "speaker's notes" to guide the discussion of each transparency and provide additional details. The materials are designed to be used flexibly, depending on the occasion, the audience, and the time available. In order to facilitate use of the materials, a list of the transparencies is presented below.

The speaker's notes and slides are somewhat independent; that is, it is not necessary to use all of the slides, or use them in strict order. Speakers can therefore give short or longer presentations, and can perhaps adjust the presentation content to the issue at hand.

In some respects, the speaker's notes could form the basis for a "standard speech" that could be given at a variety of different functions. The slides and notes focus on the following topics:

1. An overview of Thailand's economic experience and the roots of the present crisis
2. A discussion of the IMF program elements
3. An outline of recent measures to encourage investment
4. An enumeration of Thailand's economic and social strengths despite the current weaknesses
5. An examination of selected investment opportunities
6. A summary of reasons to invest in Thailand along with an expression of confidence that the economic restructuring is bearing fruit in 1999 and beyond.

A series of useful maps are also included. These should be used at appropriate times to illustrate geographical points in the presentation.

The entire series of slides could be expected to take 45 minutes to present, depending on the speed of presentation and expected depth of coverage. These materials would provide the audience with a very detailed picture of the Thai business climate and future business potential.

All speakers are urged to add in personal anecdotes and humorous remarks building upon the materials included in the standard transparencies and "speaker's notes". Spontaneity in place of simply reading notes adds greatly to any presentation. And good preparation is essential.

List of transparencies

1. Thailand: A base for doing business in Asia
2. Rapid growth slows down
3. Economic and social fundamentals
4. What went wrong? Major economic challenges
5. At the crossroads
6. Lessons learned from the crisis
7. A comprehensive five-point program to recovery
8. Right time for investment
9. Improving the business climate – 1
10. Improving the business climate – 2
11. Investment promotion zones
12. Top incentives for investments in Zone 3 - away from Bangkok
13. Policies to promote export industries
14. Short-term measures incentive enhancement
15. The business-related services of the Board of Investment
16. What are the key Investment opportunities?
17. Thailand's economic and business strengths
18. Thailand's policy Strengths
19. Thailand's social strengths
20. In conclusionan invitation to do business in Thailand
21. Map of Thailand: A base in East Asia
22. Map of Thailand in the Greater Mekong Sub-region
23. Map of Thailand's investment zones

Standard speech

The following is a sample speech, with indications where the accompanying Power Point transparency would be shown.

Transparency 1

Transparency 2

Where is Thailand coming from in terms of its economy and investment environment?

In the 1960s, Thailand began a rapid course of industrialisation which continues today. This growth continued through the turbulent 1970s and really caught the attention of business people and economists around the world in the 1980s.

Perhaps the most dramatic “boom” period came in the late 1980s. Indeed, Thailand was recognised by the World Bank as the fastest growing economy in the world from 1985 to 1994, with average per capita GDP growth of 8.2 percent.

Thailand became known as the “Kingdom of Growth,” an investment promoters dream with double-digit export growth for many years; rapid industrialisation of the economy and the growth of supporting industries; significant inflows of foreign investment; enviable macroeconomic stability; and fiscal surpluses and growing foreign reserves for almost a decade.

Transparency 3

During the 1990s, Thailand implemented judicious policies and built on the strong fundamentals of the Thai economy which include a strong and vibrant private sector, steady liberalisation, prudent macro-economic policies, cost-effective labour and abundant natural resources, its strategic location at the heart of Southeast Asia, a very favourable approach to foreign investment, and social stability with a strong emphasis on personal freedoms

All in all, these factors combined to support the development of a strong and dynamic productive sector as the driving force behind Thailand’s economic success. Many of these factors remain strengths of the Thai economy and form the basis for the current economic recovery.

Clearly mistakes were made in the management of Thailand’s economy and the signs of overheating and over-extension were ignored. Looking back we can see that Thailand’s economy began its historic slowdown in mid-1996.

Transparency 4

What went wrong? The core of the problems was increasing globalisation and economic integration, combined with policy management systems and regulatory frameworks that were not adequately developed. Rapid economic growth occurred without sufficient controls on both public and private sector activities. However, the financial instability that precipitated the crisis was preceded by a steady decline in the economic competitiveness of Thailand’s real sector. Warning signs were evident in 1996.

Exports stagnated for the first time in decades. Economic growth slowed from 8.6 percent to 6.4 percent – still high by international standards but very low for Thailand. The current account deficit remained at a critical level equivalent to eight percent of GDP. As the warning signals became more obvious, the Bank of Thailand revised downward its export and GDP growth targets, and the stock market began to its steady meltdown.

In 1997, the situation worsened beyond what even the most pessimistic observers expected. The stock market continued to slide and non-performing loans, especially those in the property sector, rose to unsustainable levels. This eventually led to a crisis in the financial sector. Officials suspended a total of 58 finance companies and eventually nationalised several commercial banks on a temporary basis.

The baht was floated on July 2 after an extended and expensive attempt to defend the currency from speculative attacks in May and June. Finally, on August 20, the government announced an IMF-led rescue package to bring the economy out of its financial difficulties and regain domestic and international confidence in the financial sector.

Transparency 5

Thailand suffered in the second half of 1997 due to the convergence of two broad trends. First, the shorter-term financial crisis resulted in a loss of confidence in Thailand's financial markets and system. Second, the longer-term deterioration of industrial competitiveness in Thailand's real sector became more obvious than ever before.

Faced with these developments, it is fair to say that Thailand's policy makers were complacent and ignored the warning signs. Private companies also failed to adjust to the evolving business realities and borrowed heavily from abroad to finance less-than ideal projects.

On the policy front, Thailand's macro-economic stability became an Achilles heel as the Thai baht became over-valued and the battle to defend the currency became too expensive.

On the international front, Thailand faced increased global liberalisation and greater competition, in part from lower-cost competitors in South and Southeast Asia.

On the domestic front, businesses turned to foreign borrowing to fuel their expansion dreams without adequately hedging for the future. Government was too slow in providing adequate physical infrastructure. Both industry and government failed to allocate adequate resources and attention to developing human resources and the technological capability needed to maintain Thailand's competitiveness and carry us into the next century.

Transparency 6

The severe impact of the economic crisis has taught us several important lessons. First is the critical need for more effective and transparent regulatory frameworks and public sector accountability. Both of these were lacking before the crisis, which in turn compounded many of the economic inefficiencies.

Second, we must have a stronger financial system. Weaknesses in our financial infrastructure were clearly exposed in 1997 and 1998, and the repercussions extended throughout society. Several banks and finance companies faltered, healthy borrowers could not access financing, and tax payers became burdened with a large public debt.

Third, there is a need to focus on improving corporate regulatory and legal frameworks and building better corporate governance. Good corporate governance is crucial if companies are to manage themselves with transparency and accountability, and take steps to increase productivity and improve social responsibility.

Fourth, and perhaps most importantly, is the urgency for enhanced efforts at human resource development and technological upgrading.

The Thai government has not been complacent in the face of the tremendous economic and social challenges. In addition to the hard short-term medicine that was required, major steps have been made toward laying the foundation for a return to steady economic growth and ensure that the economic, financial, and social turmoil of the past is not repeated.

Transparency 7

Thailand received IMF financial assistance between August 1997 and August 1999, but along with this our government began implementing a comprehensive package of measures to rehabilitate the economy. The road to recovery comprises five main strategies:

First, *macro-economic stability and growth* have been achieved through the government's fiscal and monetary measures. The currency has stabilised at around 40 baht to the dollar, inflation is well under control, and GDP growth for 1999 is expected to reach 3-4 percent. With exports and foreign reserves rising, Thailand decided in September 1999 to forego the next disbursement of funds from the IMF.

Second, *financial sector reforms* have included the introduction of international best practice standards in Thai financial institutions to address the present non-performing loan problems and to prevent bad debt levels from reaching such heights again. Modern bankruptcy and foreclosure laws were passed by parliament, and a voluntary debt restructuring process is proving to be successful. Also, privatisation of all of the troubled nationalised banks is well underway--with foreign financial institutions being welcomed as partners in many of these institutions.

Third, *industrial and agricultural restructuring* are being undertaken to improve their efficiency and international competitiveness. These improvements, along with Thailand's sound economic fundamentals, will restore the vitality and sustainability of our economy in the long-term.

Fourth, *political and civil service reforms* must go hand in hand with economic reforms. Thailand is commitment to extensive changes such as fully implementing the 1997 constitution and its required legislation, streamlining the bureaucracy, privatising state-owned enterprises, and greater decentralisation.

Transparency 8

The reforms to date appear to be paying dividends. Economic data released in mid-1999 indicate that Thailand's economy is starting to recover, albeit gradually. Inflation has been brought under control, with expected consumer price index growth of less than one percent for 1999. The currency remains steady within a range of 36-40 baht to the US dollar, while Thailand's external debt is dropping. Manufacturing, agriculture, investment, consumption, and exports all showed gains in the second quarter of 1999 compared to a year ago.

The positive signs of recovery have led the Thai government, the World Bank, and the IMF to revise their initial GDP growth projections for 1999 from one percent to the current estimate of three to four percent.

The World Bank and the Asian Development Bank have sponsored numerous job training and skills enhancement programs, while the Thai government continues to promote increased technological capabilities among the labour force. Also, wages have declined to pre-crisis levels, making Thai labour extremely competitive with lesser developed neighbouring countries.

Thailand's Board of Investment, or the BOI, offers numerous incentives for foreign investors, and some of the short-term measures designed to attract investors during the crisis are expected to be extended. Hence, the time to invest in Thailand is now in order to take advantage of the opportunities provided by the crisis and to catch the economy on the upswing.

Transparency 9

The BOI is the first stop for most foreign investors and has always worked to be responsive to the needs of investors – both Thai and foreign. To facilitate investment in Thailand's future, the BOI is implementing a number of new measures.

We are intensifying promotion of supporting industries in a wide range of areas, through the provision of attractive incentives regardless of location and focussed investment promotion activities.

Additional support is available for industrial upgrading through facilitating import duty exemptions on imported machinery to replace old machinery in BOI-promoted firms in textiles, footwear, and food processing, as well expansion projects of existing BOI-promoted companies in 36 key activities.

We are actively promoting Thailand as a base for regional trading & investment activities by offering a broad range of non-tax incentives for regional offices, and also for trade and investment facilitation offices in a wide range of activities, including technical services and business support.

The BOI has set up a One-Stop Service Centre for Visas and Work Permits, which opened in mid-1997. This office is committed to processing applications for work permits and one-year visa extensions within a few hours. This initiative was in direct response to the requirements of the business community that had long spent too much time getting work permits and visas.

Transparency 10

Additionally, the BOI is assisting foreign companies that want to own land for residential and business purposes. Under certain conditions, firms can now own from between five to 20 rai of land for offices and for residences for company executives and workers.

Permanent residence permits for foreign investors are available under relaxed conditions.

Other measures include reducing import duty guarantee requirements for around 500 top exporters from 50 percent to five percent.

Greater assistance will be given for expansion projects, especially those that create foreign exchange, use higher levels of domestic inputs, or employ large numbers of workers.

Transparency 11

In order to promote decentralisation of industrial activities away from Bangkok, the BOI has divided the country into three Investment Promotion Zones.

Projects in Zone 1 (Bangkok and surrounding provinces) enjoy the least incentives. Projects in Zone 2 (the 10 provinces surrounding Zone 1) are eligible for more incentives than those located in Zone 1. However, projects in Zone 3, the region furthest away from Bangkok, enjoy the greatest incentives for investments.

Transparency 12

Zone 3 incentives include the following:

<read the bullet points of the slide>

These incentives have contributed to a large number of investors locating their activities in Zone 3. This has brought several benefits to both the investors and the communities. Investors in Zone 3 enjoy the advantages of being out of Bangkok's congestion and have ample space to build their production sites and offices. For the local communities, the arrival of investments offers job alternatives to farming and brings about a corresponding increase in support industries and services.

In order to promote export production, the BOI offers even further incentives, which include exemption from import duties on imported raw materials, components, and re-export items.

In addition, the BOI has classified export-oriented business as a priority activity, making them eligible for maximum benefits, regardless of location.

Transparency 14

During the economic downturn, the BOI offered several enticing incentives on a short-term basis to investors. Although the original deadline was set for December 31, 1999, the BOI is considering extending some of the measures. Among the current short-term measures are:

- Relaxation of location requirements to permit export-oriented projects to locate in any zone
- Provide corporations with tax exemptions for expansion projects that export at least 80% of sales and substantially increase employment.
- Provide non-BOI promoted projects in 11 industries with import duty exemption on raw materials used in production for export.
- Foreigners are allowed to hold all or a majority of shares in existing consumer product wholesaling and or retailing projects.
- For new manufacturing projects, foreigners are allowed to hold all or a majority of shares without any export requirement.

Transparency 15

The BOI's other services include its network of overseas offices in major Asian and Western countries. These offices assist foreign investors in numerous ways, such as providing extensive investment and business information and matchmaking services through its BUILD program.

The BOI also publishes information on and promotes investment opportunities in the Greater Mekong Sub-region. The Greater Mekong Sub-region, known as the GMS, consists of Cambodia, Lao P.D.R., Myanmar, Thailand, Vietnam, and Yunnan Province of China.

Thailand serves as a gateway to the GMS, which is emerging as one of the new frontiers for investment. The combination of a potentially large market (over 240 million people), vast natural resources, low-cost labour, closer economic Co-operation, and competitive investment incentives renders the GMS as an attractive business opportunity.

Equally important are the facilitation services provided by the BOI. Its one-stop visa centre has cut the time previously spent in applying for work permits and visas for foreign workers from weeks to just a few hours.

Transparency 16

Most investors are now wondering what are the best opportunities as Thailand begins its road to recovery. Clearly certain industries benefit from the baht's depreciation. For example, higher value-added agro-industry activities such as food processing and biotechnology have tremendous potential in Thailand. The baht's lower value provides a significant advantage to these activities that rely largely on domestic inputs but are sold in the international markets.

Thailand's automotive industry is a regional leader in the manufacturing of automobiles and parts, but yet there is more room for expansion. The decline of the baht has made Thailand's exports more competitive, which makes up for the declining domestic demand. Scheduled tariff reductions within ASEAN will also boost exports in the near future.

Electronics is Thailand's leading export industry, and it too has benefited from the reduced value of the baht. Most notable is Thailand rapidly developing computer and hard-disk drive industry, which complements the already strong consumer electronics and telecommunications equipment industry.

The government's policy to privatise several state enterprises and liberalise select sectors will open up a number of new opportunities for foreign investment capital and technical expertise. The main sectors are communications, energy, banking and finance, transportation, and water.

Transparency 17

Despite the crisis, many of the economy's strong fundamentals remain intact. First, the Thai economy is diversified and resilient. Business sectors span a wide variety of activities and respond quickly to domestic and international demand patterns. The astonishingly rapid recovery, nearly as fast as the collapse, demonstrates the resiliency of the Thai economy.

Second, the Thai economy is in the process of deepening and broadening the relevant support industries for its manufacturing and agriculture sectors. Not only does this provide new business opportunities but it also enhances the existing industries by making them more productive and efficient.

Third, Thailand is endowed with abundant and diversified natural resources and remains one of the few net food exporters in the world. The country is a leading exporter of rice, tapioca, rubber, sugar, and tin. Over 30 minerals are commercially produced in Thailand, and natural gas and oil production continues in Thailand's coastal regions.

Fourth, Thailand has a large and highly productive labour force with competitive wage costs. Wage rates in baht terms will remain stable for the next few years, so in foreign currency terms wage rates are actually falling. The work force is 34 million strong and rapidly increasing its technical capabilities.

Fifth, Thailand has a domestic market of 61 million people with significant purchasing power.

Sixth, due to its geography, Thailand provides an ideal springboard for doing business in the ASEAN region or the Greater Mekong Sub-region.

Finally, the Thai government, particularly the BOI, encourages and facilitates foreign investors with its numerous support services and incentives.

Transparency 18

Despite Thailand's history of frequent political change, economic policy has been more stable. Under the IMF package, Thailand is receiving the best policy advice available.

Importantly, there is a consensus among politicians, policy makers, and the general public that economic restructuring is necessary to get back on track. We expect to look back at 1997 and 1998 as a period in which we took the necessary steps to redress structural weaknesses and set a firm course for long-term sustainability.

The private sector in Thailand has always been the main engine of growth with the government actively playing a promoting and supporting role. Furthermore, the government has taken a favourable stance towards foreign investors, recognising their importance to Thailand's economic and technological development.

Over the past 30 years, the policy environment has been steadily liberalised and reformed, particularly since the crisis. Tax structures have evolved in line with economic needs and realities and economic distortions have been removed. Numerous sectors have been opened up to investment and global competition including energy, water, telecommunications, transportation, banking and finance, and industrial estates.

Transparency 19

Despite the economic troubles that plagued Thailand the past two years, our society is stable and strong with the Monarchy and the Buddhist religion being the main pillars of society. As a result, Thai society has neither religious nor ethnic conflicts, and the unique institution of the Monarchy and the revered position of the King create a sense of identity and national pride that promote social cohesion and stability.

Building on these factors, Thailand has very strong traditions of personal and economic freedom. Freedoms of expression, mobility, and economic activity are widely enjoyed, as is the freedom of the press and other media.

For investors considering a move to Thailand, living conditions in Bangkok are comparable to most major cities in Asia. Good housing, an international array of restaurants and other shops, an increasing number of international schools, quality health care, including specialised hospitals, and world class sports facilities are all conveniently available.

Transparency 20

To conclude, I would like to extend an invitation to all of you to do business in Thailand. The time now is right to invest in Thailand as the worst of the crisis is behind us and we are now in the recovery phase due to our diligent efforts and the assistance of the IMF, the World Bank, and the Asian Development Bank.

The improved business environment in Thailand is highlighted by the growing convergence between the goals of government and the goals of the private sector. Recognising the importance of foreign investment in this increasingly globalising world, the government has opened much closer channels of communication with the foreign business community in Thailand. We value the insights and contributions that foreign investors can give with regard to improving efficiency, increasing productivity, and sustaining competitiveness.

The strengths of the Thai economy are real, as seen in the rapid recovery, and the structural weaknesses in both the economy and political system are being addressed. Hence, Thailand offers excellent opportunities for private sector investors.

We would like to invite you to visit Thailand and explore the potential offered by the Thai economy and the dynamic East Asian region as a whole. We look forward to working together with you as partners to meet the challenges of the 21st century; sharing the benefits and solving any problems as they arise.

Thank you for your attention today.