



Weekly Economic News
[2nd – 8th March, 2015]

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➤ **Bilateral**

Call for WTO ban on Indian sugar subsidy

Thai Sugar Millers Corporation Limited (TSMC) has urged the Thai government to seek a World Trade Organization (WTO) action to stop an Indian sugar export subsidy because it hurts major regional sugar exporters, including Thailand and Australia. TSMC chairman Mr. Sirivuth Siamphakdee sent a letter to the Commerce Ministry's Trade Negotiation Department outlining the request. He added that the subsidy makes Indian sugar prices unrealistically lower than market prices. In 2014, the Indian government started subsidizing raw sugar exports by paying a "marketing and promotion services" fee to exporters of 3,300 Rupees per tonne, or around US\$54 (1,750 baht), making Indian sugar cheaper than its competitors. India exported 4 million tonnes last year, or around 2% of total sugar consumption across Asia. TSMC Chairman also said that this eroded the market share of Thailand and Australia, which exported 7 million and 4 million tonnes, respectively. India has subsidised 1.4 million tonnes of sugar exports this year, increasing its subsidy rate to 4,000 rupees a tonne. Traders said that the sugar subsidy had put pressure on global sugar prices, which have fallen by more than half from a record high of 36 cents per lb. The New York raw sugar futures, which sets global price trends, recently moved in a range of 14-15 cents per lb.

BoI makes inroads into India with roadshow

Thai Board of Investment welcomes Indian investment in the Kingdom while extending incentives to Thai investors to reciprocate. During "Thailand: Gateway to the Asean" roadshow in the last week of February, 2015, Mr. Ajarin Pattanapanchai, a senior executive adviser to the BoI, pointed out that Thailand is at the geographical centre of Southeast Asia and can act as a regional gateway for India. Highways are currently being constructed to facilitate inland transportation routes connecting Vietnam, Laos and Cambodia through Thailand to Myanmar and south to Malaysia and Singapore. Mr. Ajarin was speaking during an event in Mumbai organized by the Commerce and Tourism ministries aimed at promoting bilateral trade, tourism and investment. Two other sub-sessions were organized by Thai Commerce Minister General Chatchai Sarikulya and Tourism Minister Kobkarn Wattanavarangkul in the first joint presence of Thai ministers in India. Attending the three sessions were executives from the Thailand Chamber of Commerce and the Federation of Thai Industry.

The BoI offers investors up to eight years of corporate tax exemptions for qualifying activities. Promoted projects are given either activity-based incentives or merit-based incentives. To encourage Thai companies to invest in India, the BoI has been supplying information and will now increase this effort, although Thai investment in India was only about \$184 million, ranking Thailand 35th among foreign direct investment to India over the past 15 years. With the support of the Indian government, along with the "Make in India" policy, the BoI was able to make that amount grow in the near future.

➤ **Internal**

Plan to build 2 cruise liner ports

Thailand plans to build two new cruise liner ports — one in Krabi and the other in Surat Thani — and host an international yacht show to boost trade and tourism. Deputy Transport Minister Mr. Arkhom Termpittayapaisith said that the growing popularity of cruise liners and the high-spending tourists who generally travel on the vessels will help boost tourism and increase national revenue. Tourism and Sports Deputy permanent secretary Mr. Kajorn Weerajai said that about 100,000 tourists visit Thailand aboard cruise liners each year. However, due to the restricted capacities of the current cruise liner ports, some vessels have to dock at cargo ports. Thailand currently has cruise liner ports in Phuket, Laem Chabang in Chon Buri and Bangkok. Authorities at the Marine Department have been asked to carry out a feasibility study to see if the ports can be built in Krabi and Surat Thani. In another move to boost trade and tourism, the Transport Ministry and Tourism and Sports Ministry will co-host an international yacht show to be held in November 2015. Manufacturers would be invited to display and sell new yachts and super yachts. The event is scheduled to be held in either Pattaya or Phuket. Mr Arkhom added that the Transport Ministry is also working on plans to improve the boat services on the Chao Phraya River. A campaign to improve the safety of tourists in Phuket, Surat Thani and Krabi provinces is also part of its plan.

'Superboard' to oversee state enterprises

The State Enterprises Policy Commission or superboard has approved in principle the establishment of a holding firm to supervise state-owned companies in a move to prevent political interference and ensure management transparency. The holding firm will function as a supervisory body to govern state-owned companies listed on the Stock Exchange of Thailand such as PTT Plc, TOT Plc, CAT Plc, MCOT Plc, Thai Airways International Plc (THAI) and Airports of Thailand Plc (AoT). The State Enterprise Policy Office (Sepol), however, will be retained to supervise state enterprises that have been established by specific laws. These include the Electricity Generating Authority of Thailand, the Metropolitan Electricity Authority and the Provincial Electricity Authority. Thailand has 56 state enterprises. Some are financially ailing, while most have been criticised as vehicles used by politicians to enrich themselves and reward their cronies. Strengthening state enterprises, shielding them from political influence and giving them a clear-cut role in the country's development are among the priorities of the National Council for Peace and Order. The superboard earlier instructed loss-making state enterprises including THAI, the Islamic Bank of Thailand, the Small and Medium Enterprise Development Bank of Thailand and the State Railway of Thailand to rehabilitate their businesses. It has also cut perks offered to board members and executives by some state enterprises. These include THAI's 15 international and 12 domestic free flights a year for board members. A working committee had been established to study in detail the law governing the establishment of the holding firm, state enterprises' supervision, the process to screen board members, good governance, the evaluation process of the board and the authority and scope of the holding firm. The new law will be enforced for both state-owned companies under the holding firm and state enterprises under Sepol's supervision. In the long term, state enterprises under Sepol's supervision will also later be moved to be under the holding company.

BoI applications drop 48% in January

Applications for investment privileges through the Board of Investment dropped 48% year-on-year in January 2015. According to a BoI source, a total of 36 projects were proposed, with a value of 7.66 billion baht, down 62%. The decrease reflected the fact that a large number of expansion-minded investors rushed to submit applications before the end of year 2014. The BoI this year has changed from a region-based system of incentives, such as tax breaks, to one based on sectors, emphasizing those that support the digital economy, including technology, research and development, and design. In December, the BoI approved 2,092 projects with a total investment value of 1.43 trillion baht. As a

result, investment projects approved last year hit a 50-year high of 3,469 projects worth 2.19 trillion baht.

Four panels to speed policy implementation

Local media reported that Thai government has set up four committees to speed up the implementation of their policies. Prime Minister Prayut Chan-o-cha chairs the first committee tasked with driving important and urgent policies forward. Defence Minister Prawit Wongsuwan heads the committee to drive the National Committee for Peace and Order's strategies. Prime Minister's Office Minister Suwaphan Tanyuwardhana chairs the committee to speed up the execution of the government's other policies. The fourth committee consists of 38 representatives from every key ministry and state agency to coordinate and integrate the driving of policies at the ministerial level. The appointments came after delays in the government's budget disbursements and slow execution of the military regime's policies affected the economic recovery.

➤ **External**

Ital-Thai, Rojana in Dawei deal

Two Thai construction companies are expected to sign an agreement with the Myanmar government to start developing the first phase of the Dawei megaproject. Mr. Somjet Tinnapong, managing director of Dawei Development Co, a subsidiary of Italian-Thai Development Plc, said that a signing ceremony was expected in March, 2015 for Ital-Thai and Rojana Industrial Park Plc. The first phase will cover 17,000 rai of land or about 27 square kilometres at a cost of 20 billion baht. He added that the investment budget will be for infrastructure systems such as a small deep-sea port, an electricity power plant, LNG terminal, reservoirs and a road that will lead to the first phase. The first phase of the special economic zone (SEZ) will be completed over the next two years, after which project authorities are due to start selling land to investors interested in the Dawei project. Mr Somjet also said that Japan had signed an agreement to provide soft loans to finance construction of a 130-kilometre road worth between 3.5 and 13 billion baht to link Ban Phu Nam Ron in Kanchanaburi province with Dawei. He added that the road will link the Thai border with Dawei, but the size of the road will depend on the size of the investment projects.

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[Inputs for this Report have been garnered from various media reports, press releases and communications issued by various government and private agencies]