

ON THE RECORD

Deputy Prime Minister Somkid Jatusripitak is confident that government policies will help the economy turn around this year. **B3**



Deputy Prime Minister Somkid Jatusripitak says all plans must be executed this year. THANARAK KHUNTON

'I am confident about 2017'

ONtheRECORD

CHATRUDEE THEPARAT

The military government brought in Somkid Jatusripitak to lead the regime's economic team in 2015, as the country was struggling with internal politics and global economic downturn.

The position meant that the onus was on Mr Somkid, a finance minister and

commerce minister in previous governments, to turn the domestic economy around.

Mr Somkid, now Deputy Prime Minister in charge of economic policy, talks with the *Bangkok Post* on what he has done and what he will do to spur growth.

Q: The economy over the past year was still a bit slow despite generous state stimulus packages. Why?

A: You might see the situation as slow, but this is normal. Don't forget when we started the job from only 0.8% gross domestic products growth. Within a year, it has risen to 3%, so give us some credit. We have given our best effort. It was not an easy achievement and not everyone can do it.

The World Bank has predicted that our growth at 3.1% in 2016 and 3.2% in 2017. That's not bad compared with our peers. We did a good job.

The fourth quarter of last year might see subpar growth but it is understandable because there were quite a few factors that emerged during the period.

Q: So, to keep the momentum, what are your plans for 2017?

A: 2016 was the period of kicking off,

so 2017 must be a year of execution.

In fact, we have sowed the seeds to get a number of projects started and for the private sector to carry on with them. Some projects have already started to bloom.

If you ask me why I am confident about the situation this year, I would say that, basically, it is because we have managed to handle the bad times.

As I mentioned earlier, last year there were a few factors that were beyond our control, some of which had severely affected the decisions of foreign investors. These have been resolved. Now we believe that we should be able to achieve growth this year that is on par with last year's.

However, we have to look at the performance of the export sector, which accounts for 70% of our GDP, but the world is still slow and we cannot control this.

I also have to admit that private sector investment has been slower than we had hoped. The problem is the private sector still lacks confidence despite the government's efforts with budgets and big incentives.

This is our priority this year. Before financial crisis [of 1997], private investment was as high as 40% against GDP. But since then, it has never been able to reach that level. It is now at only 20%, so there is a big room for growth.

I am confident that private investment will improve this year, given all the signs we are seeing. For example, the Thai Chamber of Commerce has submitted a request for an extension of the tax break for investment for another six months from the end of 2016. This could translate into companies' readiness to invest.

Thai investors are gutless, we have done our part but they have been taking such a long time to make decisions. But they are starting to regain confidence and the global market is improving gradually. It will be relatively slow but it will be better than past years.

Once the global economy picks up, our exports will be better. We can't deny that we still need the export sector to support our economy. The latest figure was in November when it had promisingly jumped quite a lot. That was a good sign.

On capital outflow, some people are worried because of the possible trend of rising US interest rates. I would say it is not a concern at all.

I have checked the stock market figures and they are better than every country in the region.

I have asked the Bank of Thailand whether they are concerned about the money outflow. You know they told me they have monitored the situation closely

to make sure everything is under control. The central bank has done all this despite the fact that our fundamentals are pretty strong; our international reserves and our short-term debt are in excellent shape. So there is no concern.

We have also seen the turbulence of fluctuations in the financial market. This is natural.

If exports are better and investment is improving, then consumption will be better. It will be a relief.

Q: People say the gap between the rich and the poor is still wide. What do you think?

A: In a country that has just recovered from internal strife, it is inevitable that groups with strong funding will do better, which will widen the wealth gap between them and those without the same resources. The government's job is to find a mechanism that can create opportunities and wealth for the poor.

At least the wealth is there. If you look at the capital market, you will find that market capitalisation and liquidity have increased a lot. Wealth has really been created, supported by many factors including our policies.

What we have to do is find the ways on how to create more wealth and effectively distribute it to the majority.

Q: The military government had big support from people who had hoped to see reforms. What reforms have you made?

A: For anyone saying we are not doing any kind of reform, please look again closely. We have implemented policy and economic reforms from the start. I will talk only on the area I have been responsible for, but then all areas are related, you can't make changes on one and not the other.

The first reform is the acceleration in investment in megaprojects. As I mentioned before, private investment is a crucial point. We have created a strategic plan, and an execution plan, on how to boost investment and reform the structure at the same time.

We have re-arranged our targeted clusters, selecting the industries that can accommodate our future growth. And then we make sure that we give them incentives.

The clear direction is really important as we need to make sure that all parties are walking at the same pace towards the same goals.

Second is the new policy on the digital economy. This is related to the investment reform as we require that our strategic clusters must support the development of digital economy.

The Chinese "internet plus" policy is a good model for us.

China has been very proud of this policy and has asked Alibaba (China's largest e-commerce platform) to help out. Alibaba is very smart. They send their staff to teach farmers in rural areas on how to use the internet to help them increase output, to check prices and how to access their clients directly.

Chinese farmers can now get all essential information related to farming, on the weather for example. And now these people are able to not only develop their products and commodity output, but they can also contact clients in the country as well as overseas.

This is what we are aiming for. Our smart farmers project is a key reform for the farm sector.

However, we must first develop the infrastructure to enable everyone to have access to the internet. How else do we share the knowledge, otherwise?

More importantly, if we are not up to speed on digital development, we might lose the opportunity to Vietnam.

China will be our strategic partner, their key player to lead the execution plan is China Telecom and we have TOT. With these two as partners, we can do it, we can beat other countries.

When the Thai government met Jack Ma (founder of Alibaba), the only thing the government asked from him was about the [smart farmer] project that he had done with South Korea, India and China.

Alibaba is great in e-commerce but for the digital technology we are looking at Huawei.

Huawei's "information superhighway" strategy would use us as a hub to reach out to all 10 Asean members. Huawei is smart. It spent US\$15 million to invest in an open platform without us asking them to do it. People can use the open platform for free and the more users there are, the bigger the market share will be for the company.

The third reform is on the industrial sector, the main idea is to insert innovation in our strategic industries.

We must have pooled three crucial players: public, private and academics.

We are strong in some sectors but really weak in others. Take garment and textiles as an example of a weak sector. I have talked to Saha Group to ask them to jointly support the innovation projects of the academics at Mae Fah Luang University. This is one way to commercialise products from the laboratory.

And for the strong one like the medical sector, I plan to look for ways to develop the wellness industry. I think Prasert Prasartthong-Osoth's Bangkok Dusit Medical Group will be a good partner for us in this project.

We also have the agreement of the state-owned Chinese Academy of Sciences, the largest research and development institute in China, to help us set up the Eastern Economic Corridor of Innovation (EECI) as the new centre that will integrate technology and innovation into the government's EEC projects.

We have also discussed the matter with the Japan Research Institute for their support on this project.

Apart from collaboration from large economies, the project would also strengthen our relations with them. By doing so, Thailand could secure a position as the centre of the CLMV group (Cambodia, Laos, Myanmar and Vietnam).

The hub project would also be a source of knowledge for startups.

Take South Korea and China as examples. They are successful because their startup sector is very advanced. They use big corporates to take the lead in funding the startups. If a country relies too much on large corporations to drive the economy, it will be hard for technology to move fast as big companies are often ponderous, whereas startups are small and can drive innovation more quickly.

Q: Some policies have worked but some have been around for decades without achieving anything. What will you do about them?

A: The clue is in the execution plan: we have to do it in a creative way and we have to make sure our people can move along with us. For example, I told the Foreign Affairs Ministry to set up strategic teams who will give clear directions with regards to Thailand's policies to foreign governments. For instance, our embassies in European countries must form one team, led by the most senior ambassador who will be supported by the other ambassadors.

We have done something similar on the domestic front.

I have already assigned related state agencies to work on grouping regional provinces, for example, Chiang Mai, Chiang Rai and Phrae, Nan and Payao. They are absolutely stronger when they work together.

So, in future the strategic development plan goes in the same direction, supporting one another instead of being rivals.

Apart from these plans, we also need funding for public investment. We have called for the return of central budget as part of our reform. We can't do it in the traditional way.