

**Speech by  
His Excellency Thaksin Shinawatra  
Prime Minister of Thailand  
at the CLSA Virtual Forum  
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**Distinguished Members of the Private Sector,  
Ladies and Gentlemen,**

It is a great pleasure for me to speak at this CLSA Virtual Forum and to have the opportunity to address some 1,000 leading institutional investors from around the world. Through the wonders of modern technology, I understand that I am now appearing on stage concurrently at four different financial centres of the world – in London, Hong Kong, Singapore and New York. This technology certainly allows us to economise on travel expenses although I am not sure how much good it would do the airline industry.

I recall that my first participation as Prime Minister of Thailand in an Investors' Forum organised by CLSA was almost exactly two years ago, shortly after I had come to office. Much has happened since then, both globally and in Thailand. Therefore, I very much welcome this opportunity to inform you of the latest developments in my country and to answer any questions you may have.

**Ladies and Gentlemen,**

Upon assuming office in February 2001, my immediate task was to oversee Thailand's recovery from the worst economic turmoil in the country's history. After two years of implementing our Dual Track, people-centred policy, focused on both promoting exports and strengthening the domestic economy, the results of our endeavours have already borne fruit. We are convinced that we are on the right path to sustained economic development.

It is particularly gratifying that Thailand's GDP growth of 5.2 percent last year was our highest since the 1997 Financial Crisis -- a great improvement from our 1.9 percent growth in 2001. I am confident of doing even better this year, notwithstanding the adverse international situation of the past few months.

Fuelled by strong domestic demand, our economic growth during the first quarter of the year, prior to Iraq and SARS, registered over 6 percent. In March, our exports grew by 21 percent the biggest monthly growth ever recorded in the country's history. Our private consumption index expanded by 6.6 percent. The farm income increased by almost 19 percent. The revenues from value added tax have grown by over 15 percent. At the same time, our manufacturing production index rose by 13.5 percent. These are *all the very positive indices* of the first quarter of this year.

Despite the recent disruptions to the international economy, I am confident that growth in the second quarter will reach 4 percent. As for the second half of the year, I am convinced that the Thai economy will continue to see sustained growth as a result of increased domestic demand and strong exports. Therefore, despite SARS, our growth prospects for the entire year should still exceed 5 percent, or may be even higher.

We are particularly proud that Thailand's strong growth has been accompanied by a decline in debt levels -- a remarkable combination in any circumstances. Thailand's external debt currently stands at just over 57 billion U.S. dollars, accounting for approximately 45 percent of our GDP. Of this amount, only one-third is from short-term loans. This means that our debt ratio has been cut by more than half from the post-Crisis peak and is now at a healthy level. To ensure fiscal soundness, we aim to keep the ratio of public debt to GDP below 55 percent, while the debt service burden on the budget is kept under 16 percent.

We have successfully managed to keep our budget deficit to a level below 1 percent of GDP during the first half of this fiscal year due to our strong export growth and increased capacity utilisation. This is a remarkable achievement, since our initial target had been 2.2 percent of GDP. The strong fiscal discipline and the strategic use of government spending will bring about a qualitative change and improve the infrastructure of the economy. With the present trend of a current account surplus and low inflation, I am confident that the Government will be able to achieve a balanced budget within the next few years.

Our foreign reserves currently stand at around 38 billion U.S. dollars despite the fact that we are paying back our IMF loans two years ahead of schedule. This represents a 2.7 times coverage of our short-term debts. You can therefore rest assured that we will not be busting the bank or threatening our fiscal position in the process of repaying our debts.

Given all these conditions, you can understand why I am highly optimistic about the future of the Thai economy. We are convinced that Thailand will continue to enjoy sustained growth, **which** will greatly facilitate your investments. And if we are resolute in our efforts and relentless in our determination, I hope to see poverty eradicated from this country within 6 years' time.

### **Ladies and Gentlemen,**

Let me now turn to a less appealing subject. Many of you will, no doubt, be interested to know what impact the SARS outbreak has had on the Thai economy. Economically speaking, the fear of SARS has caused greater harm than SARS itself. The fear of SARS has depressed consumer demand as well as obstructed trade and investment. As you are already aware, this deadly epidemic has taken a heavy economic toll on the tourist industry in many countries in the region. Since Thailand's receipts from tourism, as a percentage of GDP, are among the highest in Asia, widespread reluctance to travel bears direct effect on our economy. But luckily, its toll has not been as grave as might have been expected.

As for Thailand, the month of April saw a drastic decline of almost 49 percent in the number of tourists traveling to the country, compared with the same period the previous year. This was offset, however, by a 61 percent decrease in the number of Thai tourists traveling overseas, thus helping to conserve our foreign exchange. So, for the whole of this year, the loss of revenue from the decline in the number of tourists due to the fear of SARS will likely be offset by the decrease in foreign exchange expenditures due to the big fall in the number of Thais traveling overseas. It is projected that the Thai tourist industry **would** stand to lose just approximately 70 million U.S. dollars from its net earnings compared with the previous year. It is interesting to note, however, that if the number of Thais traveling overseas continues to decline more than projected up to a point, then Thailand could actually see an increase in overall earnings from the previous year.

With regard to the epidemic itself, my government realised immediately that we had to react swiftly to curb **both** the spread of the disease **and** the panic among the public. It was my spontaneous conviction that we should rather do too much than too little in coping with the spread of the disease into our territory. I, therefore, took no time to instruct the Public Health Ministry and all authorities concerned to implement immediately a number of vigorous measures **to** monitor and prevent the disease from spreading to Thailand. I am pleased and relieved that our swift and instant

actions have paid off. *Thailand is a zero transmission country as far as SARS is concerned.*

Indeed, SARS may have caused some temporary disruption to Thailand's path of economic growth. However, with our Dual Track policy firmly in place and with our successful anti-SARS measures, I do not expect that Thailand's growth projections would need much adjustment as a result of the SARS epidemic.

**Ladies and Gentlemen,**

Allow me to turn this part of my presentation to responding to some questions that may already be on your mind.

As shrewd investors, you are probably concerned about the problem of non-performing loans, or NPLs, in the country. In this regard, I am pleased to inform you that, as of the end of March 2003, the Thai Asset Management Corporation, or TAMC, has already administered a total of over 5,000 debtor cases. The TAMC has managed to transfer a large volume of impaired assets from financial institutions with a combined book value of over 761 billion baht. This is almost 34 percent of the book value.

The TAMC has also found resolutions for some two and a half thousand debtor cases, with a total book value of 534 billion baht. Of these cases, more than half have good potential, and have been approved for debt restructuring or business rehabilitation in the Central Bankruptcy Court. It is expected that the TAMC will achieve an expected recovery rate of over 45 percent of the total book value from repayment by such debtors. However, the remaining 47 percent of NPL cases belonged to debtors who would be proceeded with foreclosure.

In short, we are confident that the TAMC will succeed in its task in dealing with the country's NPL problem and restoring the healthy banking system, thus ensuring the country's fiscal sustainability.

Turning to another "hot issue", there has been a great deal of interest -- and misunderstanding, I must add -- about the recent ruling made last month by Thailand's Bankruptcy Court concerning the TPI Case. In particular, the Court's ruling and opinion were mistakenly cited as proof that the Government was trying to intervene in the TPI Case.

As many of you may know, the Bankruptcy Court on 21 April made a **ruling** which removed Effective Planner Ltd. as Plan Administrator, and appointed the Official Receiver and the Debtor Group as Temporary Plan Administrator until the Creditors propose a replacement Plan Administrator. The Court also made a **non-binding suggestion** that “the Creditors should consider appointing a new Plan Administrator that would be acceptable to the debtor, or appoint a government entity or representatives from public institutions overseeing the resolution of financial problems or asset management as the new replacement Plan Administrator.” This suggestion sought to ensure that the new planner was “neutral” and would have the capability to manage the business and rehabilitate TPI successfully.

In the TPI Case, both the Thai Court’s decision and my own view on this case in no way contravene Thai law, or legal and economic sensibility. The Court made the decision to remove the “non-effective planners” and requested the Creditors to submit to the Court a new Plan Administrator. The selection decision would be solely the responsibility of the Creditors. During the transition period, from the time of removal to the appointment of a new administrative entity by the Court, the Official Receiver and the Debtor Group would merely serve as Plan Administrator on a **temporary** basis. Submission of the name of the new Plan Administrator would be by the Creditors, not by the Thai Government.

In the **opinion** of the Court, – (Yes, in any civilised country, in case some of us do not know, legal courts are allowed opinions which may not be binding) – all parties should try to structure the new administrative entity with care. Moreover, the Court also offered the opinion that the relevant government authorities should facilitate such process where possible.

In this regard, I wish to reassure you that the Thai Government fully respects the creditors’ rights under the Thai law and will not act contrary to the law. Given the importance of the case to the Thai economy, the Government stands ready to facilitate matters wherever it can in order to reach a satisfactory solution to this problem. The Government’s actions, however, will only be undertaken at the request of the Creditors, aimed at helping to rehabilitate TPI. In so doing, the Government will be both neutral and fair, with a view to arriving at a mutually beneficial compromise. In short, the Government is prepared to serve as a neutral facilitator, if requested, but its role will not infringe upon existing laws and the Court’s decision. This point is absolutely clear.

Another popular question that I am regularly asked is whether Thailand can avoid the impact of China on the region's economic scene. To this, I would simply reply that the impact of China as a major economic power is unavoidable, nor do we seek to avoid it in any way. In fact, we are prepared to engage China fully with a very positive and constructive attitude. In the world of business, no one is ever exclusively a competitor or a partner. The same applies to China, whom we regard more as an opportunity than a threat. We are presently negotiating a free trade arrangement with China, which will enable us not only to freely receive Chinese goods, but also to provide services and products to the huge Chinese market. I am convinced that this would lead to a win-win situation for both sides.

Finally, Ladies and Gentlemen, even after two years of outward-oriented policies, I am from time-to-time still asked the question: "Does the Thai Government welcome foreign investment?" In many respects, the question is so absurd that I would prefer not to reply. Let me simply point out that, during my two years in office, there has been a continued flow of foreign investment into Thailand, with FDI over the past two years totaling some 5 billion U.S. dollars. This is probably not due to the fact that the Government has a disregard for foreign investment! On the other hand, for those cynics who still insist on believing that my government is opposed to investment, then the favourable FDI statistics must mean that the Thai economy is so attractive that foreign investors keep pouring in, despite our strongest efforts to keep them out! I shall leave this question for you all to answer yourselves.

**Ladies and Gentlemen,**

On this note, I wish to conclude my brief presentation today and to thank you for your interest and confidence in Thailand. I would be only too pleased to take your questions and to clarify any points you may wish to be expanded.

Thank you.

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