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Japan urges Thais to head east

Thai investors should take advantage of the Japanese government's positive policy on foreign investment by exploring further opportunities in Japan, especially in renewable energy, says Hiroyuki Ishige, chairman and chief executive of the Japan External Trade Organization (Jetro).

"Thailand has the potential to invest in Japan. The UN Conference on Trade and Development's information showed that Thailand's overseas investment was worth US\$10.6 billion in 2011, and the figure increased substantially to \$12.9 billion in 2012," Mr Ishige told a meeting of the Japan Symposium, a group of about 200 Thai and Japanese companies.

Japan's government wants to attract more foreign investment to boost the economy.

Thailand ranked as one of Japan's top 10 foreign investors last year, with total investment value of \$154 million.

The Japan Symposium was co-hosted by Thailand's Joint Standing Committee on Commerce, Industry and Banking.

Mr Ishige said the Japanese government would support foreign investors by providing investment privileges including a cut in the corporate income tax of 20% starting this year.

The Japanese government plans to restructure its energy policy to ease government domination of the energy business and provide opportunities for private investors.

"Thai investment in Japan includes the real estate sector, resorts and tourism," Mr Ishige said. "The most famous Thai investment in Japan is in the food sector, with more than 1,800 Thai restaurants there. We hope Thai investors will continue to increase investment in Japan in the future."

Siam Cement Group (SCG), Thailand's biggest industrial conglomerate, is seeking a presence in Japan through mergers and acquisitions, president and chief executive Kan Trakulhoon said.



Kan: SCG studying acquisitions in Japan



Pridiyathorn: Export outlook brightening

"SCG is also seeking ways to create added value for the group by acquiring small and medium-sized enterprises overseas, and Japan is one of our targeted countries," Mr Kan said.

The conglomerate has extensive experience in foreign investment, with numerous production sites across Asean.

It has studied investment in Japan for many years and sees a few potential acquisitions there, Mr Kan said.

"SCG plans to acquire Japanese companies because most Japanese companies are run with innovation and technology that match our strategy," he said.

It has had a strong partnership with Japanese companies for more than 30 years through its venture with Osaka-based Kubota Corporation.

As Japan is the second-biggest client for Thai shipments, the government hopes the export situation will improve in the second half of this year, Deputy Prime Minister MR Pridiyathorn Devakula said in his keynote speech to the symposium.

"Exports to China and Japan have shrunk the most, but the rate of reduction has improved, and it is expected that the export ratio will pick up in May," he said.

MR Pridiyathorn said China was Thailand's top export destination, followed by Japan and the US.

Thai exports are signalling a nascent recovery in the second quarter after a smaller contraction last month.

Shipments to the major economies remain on course, although the yen has depreciated considerably as a result of the Bank of Japan's aggressive monetary stimulus, making Thai exports to Japan more expensive, MR Pridiyathorn said.

The Commerce Ministry on Tuesday said April exports fell by 1.7% year-on-year to \$16.9 billion.

For the first four months of the year, total exports were worth \$70.3 billion, down by 3.99% year-on-year.

"We have to wait a little bit more for our currency to weaken slightly further," MR Pridiyathorn said.

He said growth rates for tourism and public investment remained in line with government targets, and the economy was expected to continue its recovery momentum in the second quarter.

Nalin Chutchotitham, HSBC's Thailand economist, said robust demand from the US and South Asia had partly offset weak demand elsewhere.

Shipments of electronics and automobiles have seen steady growth, but several other sectors remain sluggish.

The sequential bounce in exports last month is encouraging, but risks remain given the slowdown in Thailand's key Asian markets, Ms Nalin said.

"While we're not too concerned that the trade balance turned into a deficit due to seasonal factors, the tepidness of the export recovery is likely to pose downside risks to the trade balance and economic growth going forward," she said.

Ms Nalin said exports were projected to grow by 1.6% for the full year, although that forecast was made in March.

A major downside risk for this year's shipments is the slowdown in major Asian economies, namely China and South Korea, which could subsequently affect Thailand's exports to these markets, she added.

