

Record of Discussions
On
Upgrading Research and Development (R&D)
And Human Resources Development (HRD) of Thai Industries

The Office of the National Economic and Social development Board,
The Ministry of Science and Technology (Thailand),
The Embassy of Japan in Thailand,
and
The Japan External Trade Organization Bangkok

This Joint Policy Recommendation was signed in quadruplicate as a non-legally binding document in Thailand, September 28th, 2015 in English language.

MR. ARKHOM TERMPITTAYAPASITH
SECRETARY-GENERAL OF THE NATIONAL
ECONOMIC AND SOCIAL
DEVELOPMENT BOARD
OF THE KINGDOM OF THAILAND

MR. PICHET DURONGKAVEROJ
MINISTER OF SCIENCE AND
TECHNOLOGY (THAILAND)

H.E. SHIRO SADOSHIMA
AMBASSADOR
EMBASSY OF JAPAN IN THAILAND

MR. MASAYASU HOSUMI
PRESIDENT
JAPAN EXTERNAL TRADE ORGANIZATION
BANGKOK

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And Human Resources Development (HRD) of Thai Industries

The Office of the National Economic and Social Development Board (NESDB), The Ministry of Science and Technology (Thailand), The Embassy of Japan in Thailand, and The Japan External Trade Organization Bangkok hereinafter referred to as the “Four Representatives”, have held a series of discussions to identify necessary measures for Thailand to move toward high value added industry. The Four Representatives shared the view on the following points:

1. Promising Thailand as R&D Center

- (1) The Embassy of Japan in Thailand and the Japan External Trade Organization Bangkok acknowledged the potential to be a competitive edge of Thailand as R&D base for many Japanese companies as a result of proximity to production bases, central location for promising emerging markets, and willingness of related ministries to discuss preferential and regulation policy.
- (2) In this regard, the Four Representatives recognized that many Japanese companies especially in automotive industry plan to invest in enhancing R&D and HRD in Thailand in order to realize the product development mainly by Thai people.
- (3) The Four Representatives shared the recognition that Thailand’s next step is drastically enhancing the capability of product development. For that, it is essential to improve testing and evaluating capacity for product development in Thailand, to encourage the advanced green technologies and to enhance HRD for product development in Thailand and for utilization of resources in CLMV.

2. Collaboration in Automotive Industry

- (1) The Four Representatives shared a vision that automotive industry is very important not only for Thailand but also for Japanese companies.
- (2) In this regard, the Four Representatives showed willingness to cooperate in moving Thailand to be Product Development and Vehicle Testing Hub, Pick-Up Truck and Hybrid Vehicle (HV)/Electric Vehicle (EV) Production Hub and HRD Hub, as there are strong demands from many Japanese automotive companies.
- (3) The Four Representatives recognized that being hubs in automotive industry is very important for Thailand's competitiveness and will benefit Thailand by accumulating the technologies and know-how in product development, attracting R&D related investment from many Japanese automotive makers, enhancing product development according to market and cost competitiveness, and promoting HRD.

3. Collaboration towards being Product Development and Vehicle Testing Hub

The Four Representatives shared a vision that being Product development and Vehicle Testing Hub is essential for Thailand. In order to promote this, Thailand, in collaboration with Japan, is encouraged to move towards the following directions:

- Establish Government Test Facilities for Crash Test, Hi-Speed Test, Wind Tunnel Test and Durability Test.
- Subsidize automotive companies, which implement Vehicle Testing Facilities especially in facility sharing.
- Reduce or eliminate import duty and excise taxes related to prototype R&D test cars, by establishing new category for R&D test cars (separate from used cars).
- Facilitate technical procedures for emission test and testing R&D cars on the road.
- Promote the use of patent search system.

4. Collaboration towards being Pick-Up Truck and HV/EV Production Hub

The Four Representatives shared a vision that development and expansion of HV/EV models are an opportunity for upgrading Thailand's automotive industry to become an additional industry hub in order to cope with other potential HV/EV hub particularly from ASEAN countries. In order to promote this, Thailand, in collaboration with Japan, is encouraged to pioneer in taxes and other incentives as government policies to attract related industries as follows:

- Maintain excise tax privileges and other favorable conditions for 1 ton Pick-Up Truck that meet emission standard to keep its Pick-Up industry base for improving development capability.
- Reduce or eliminate excise tax on non-locally supplied parts of Hybrid/EV cars imported for assembly in Thailand to expand the market for HV/EV.
- Implement measures, such as elimination of tariffs, to favor simple assembly of HV/EV with respect to auto-parts that have not yet available locally or in the process of market development.
- Promote a technology transfer to strengthen local capabilities.

5. Collaboration towards being HRD Hub

The Four Representatives shared a vision that supporting localized product development and promotion of cars, strengthening quality and quantity of Thai engineers and workers in CLMV at various levels are essential. In order to promote this, Thailand, in collaboration with Japan, is encouraged in development of engineers as follows:

- Support Thai engineers to receive training in Japan, enhance universities' engineering educational level to meet the industry requirements/expectations in engineers by developing capability in "reading/designing" drawing and understanding composition/denaturation of raw materials by providing hands-on training courses/lectures in universities across Thailand.
- Establish a sustainable scheme to promote highly qualify post-graduates to return to work in Thailand,

- Improve engineers' social status, and collaborate with university and Japanese companies in setting up study programs in Thailand.
- Strengthen efforts at both company and university levels for increasing number of engineers that meet automotive companies' demands.
- Promote international student exchanges between Thailand and Japan as well as strengthen Japanese language education in Thailand.
- Create short-term training visa for CLMV workers especially in automotive industry in order to support Thailand's automotive industry competitiveness.

6. R&D Budget

The Four Representatives shared a vision that securing a sufficient number of researchers through the basic and higher education system is a fundamental role of the public sector.

Then it is essential to increase R&D budget and consider mobilizing financial resources on upgrading industries and HRD.

7. Continuing Dialogue

The Four Representatives recognized the necessity to have continuing dialogue on broader sectors, for instance, auto-parts, materials, services, agriculture, to set out a medium-term plan to upgrade Thai industry structure in collaboration with related ministries, Japanese companies and universities.
