



# BOI

## 2010 Foreign Investor Confidence Survey Report

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### SUMMARY REPORT



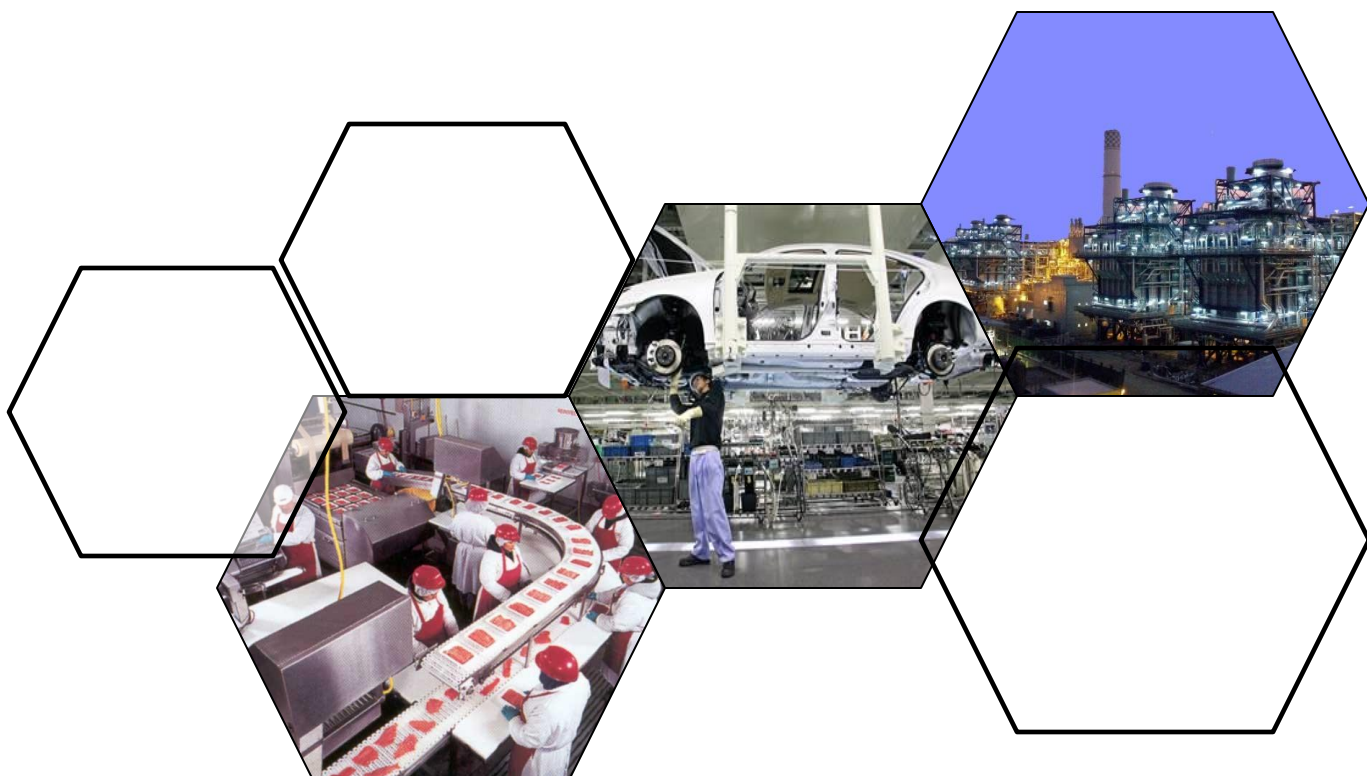


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### SUMMARY REPORT



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## Executive Summary

During the study and analysis of foreign investor confidence in Thailand in 2010, the Centre for International Research and Information distributed questionnaires to 5,626 entrepreneurs of businesses with a proportion of foreign investment of 20% or more in February 2010. 3,103 of the entrepreneurs (55.2%) had received investment promotion privileges from the Board of Investment of Thailand (BOI) while 2,523 entrepreneurs (44.8%) had not received these investment promotion privileges. This year, 686 entrepreneurs completed and returned the questionnaires, corresponding to a response rate of 12.2%. Of this figure, 607 of the respondents were BOI promoted companies while 67 entrepreneurs were non-BOI promoted. Twelve remaining questionnaires could not be included in the analysis due to incomplete data.

The majority of the companies who provided the information were invested by Asian investors, mostly Japanese. In terms of workforce, most are companies consisting of less than 200 employees. But in terms of asset value, most are companies with assets exceeding 50 million baht. In general, most of them have been operating in Thailand for at least 5 years.

Aside from the information gathered from the questionnaires, this survey also included in-depth interviews with foreign investors, both receiving and not receiving promotion privileges from BOI. This year, the interviews were conducted during two separate periods: twenty-one investors were interviewed in March 2010 and fifty were interviewed during June and July 2010, after the political rally. The interviews were conducted across 7 industrial categories, namely, 1) agriculture and agricultural products, 2) mining, ceramics and basic metals, 3) light industry (e.g., textile, jewelry, leather, etc.) e 4) metal products, machinery and transport equipment, 5) electronic industry and electric appliances, 6) chemicals, paper and plastics, and 7) service and public utilities.

### Foreign Investor Confidence Level in Thailand

The signs of continuous global economic recovery from 2009 until early 2010 persuaded investors to believe that the business outlook for this year would be better. As a result, the confidence index of these foreign investors exceeded 50<sup>1</sup> in terms of revenue, profitability, liquidity and investment. However, the prolonged and violent political rally in April and May raised concerns among foreign investors, particularly shareholders and customers from abroad. However, foreign investors who were not overly sensitive to the situations still believed that the government would soon find a resolution. A certain amount of damage was incurred by certain companies during the declared public holidays and the imposed curfew, or due to their location within or in the proximity of the political rally. But after May, when the situation started to be resolved, the confidence of these investors rose to the same level as in March, when the first part of the survey was conducted.

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<sup>1</sup> For the analysis of business confidence where the result is determined in the form of BSI (Business Sentiment Index) whereas BSI = 50 means that business confidence remains unchanged. BSI > 50 means that business confidence is increased. BSI < 50 means that business confidence is decreased.

According to the in-depth interviews, few of the companies, who were sensitive to the violent incidents during May, expressed their concerns over the possibility of a recurrence of any violence in the near future and did not believe that the government would be successful in solving the problems. As a result, confidence dropped from the level surveyed during the first period. The parent companies decided to slow down their investment or hold investment expansion during this period. Aside from the unsettled political situation, the Maptaphut incident, which remains unclear, was also a factor that lowered the confidence of some investors.

### **Investment Plan in 2010-2011**

Overall, 50.9% of foreign investors maintained their investment in Thailand at the present level, while 35.5% planned slight business expansion and 9.6% planned significant business expansion. Foreign investors who are expected to slightly reduce the size of their investment in Thailand are only 2.5%, while 1.2% are expected to significantly reduce their investment. 0.3% of foreign investors are expected to withdraw their investment from Thailand altogether.

### **Present Level of Thailand's Competitiveness**

From the view point of the foreign investors, the geographical location of Thailand, the living environment in Thailand, and investment promotion privileges from BOI, are factors drawing investment into Thailand, aside from labor costs and other operating costs, which are competitive when compared to other countries. The instability of government policies and non-transparent working procedures are at the root of an unfavorable atmosphere for investment.

Comparing Thailand's levels of competitiveness in various investment factors against 6 competitors – Vietnam, the Philippines, Malaysia, Indonesia, India and China, Thailand's labor costs are about the same as Indonesia but lower than Malaysia and the Philippines while they are comparatively higher than those in Vietnam, India and China. Thailand's image of uncertainty of government policies is not different from the Philippines, Indonesia and India, while Malaysia, China and Vietnam have a better image. In terms of transparency of working procedures in the government sector, although foreign investors perceived that Thai government procedures are not as transparent as those in Malaysia, Thailand still present a better image when compared to the Philippines, Indonesia and India.

### **Satisfaction to Services from BOI**

This year's survey revealed that 64.2% of foreign investors were fully satisfied with the services of BOI, 32.8% were moderately satisfied, and 3.0% dissatisfied and highly dissatisfied. Foreign investors were most satisfied with the investment privileges from BOI (72.0%), followed by services received from the One Stop Service for Visas and Work Permits (65.5%) and speed in delivering services (52.4%).

### **Current difficulties according to priority**

- Unclear communication of information such as the scenes of the political unrest situation resulted in a decrease in confidence in Thailand by the parent companies and customers from abroad. Although explanations to promote understanding by overseas companies in Thailand resulted in a more relaxed disposition and better understanding of the situations, the most sensitive group still believed that the current situation had not come to the true end.
- Political uncertainty led to an image of instability of the Thai government and is perceived as a cause of Thailand's reduced competitiveness.
- Unclear laws and regulations including documents from the government sector, which are mostly published in only Thai language, contribute to a reduction in the efficiency of communication between foreign investors and Thailand's government agencies.
- Indiscipline and a lack of diligence amongst the Thai labor force made the benefits of low labor costs and skill of workers appear less attractive.

### **Recommendations from foreign investors and analysis from the in-depth interviews**

#### *Recommendations resulting from the political unrest*

- The reconciliation program must be expedited transparently to achieve concrete results.
- Support and remedial measures must be provisioned to foreign investors who affected from the political unrest, in the same way as Thai entrepreneurs, in order to recover confidence.
- Frequency of communication and promotion of correct understanding to foreign investors must be improved through requesting cooperation from various groups of foreigners living in Thailand such as ambassadors from various countries, foreign investors in Thailand, foreign tourists, etc., in providing information.
- Law enforcement must be made to bring peace to the nation very quickly. Furthermore, law enforcement must not be discriminating or self protective, which may lead to separatism and cause similar problems.
- Thai politicians should be fostered with the conscience for ideology and working towards the common interest.
- Designated venues for political gatherings must be provided in locations where any potential impact to the economy can be controlled to a minimal level. The government should also provide definite measures in advance to anticipate problems that may arise from political rallies. Assurance must be made to prevent activists from blocking airports, seaports or traffic routes.

#### *Recommendations to upgrade Thailand's level of competitiveness*

- Improvement of laws/regulations must be made for better understanding and must be available in multiple languages

- There must be a control to keep exchange rates/interest rates at appropriate levels to be competitive with other countries.
- Working procedures in government agencies must be reformed for transparency and nondiscrimination.
- Guidelines must be provided for criminal proceedings related to foreign investment, for example, the Maptaphut incident which must be transparent and proceed without delay.
- Appropriate working attitudes need to be embedded in the culture of the Thai workforce for discipline and diligence.

## Chapter 1

### General Information

#### 1.1 Objectives

The Study and Analysis of Foreign Investor Confidence in Thailand is a project that the Thailand Board of Investment has been continually conducting every year, with the objectives of surveying the confidence of foreign investors about the current situation in Thailand, establishing short-term investment plans, and knowing requirements of various services of BOI. This information will serve as the basis for reviewing the policy of investment promotion and related measures to promote a positive investment atmosphere.

#### 1.2 Data collection

The study and analysis of foreign investor confidence in Thailand in 2010 contains information received from 674 entrepreneurs having foreign investors with a share holding of not less than 20%. This number represented 12.0% of 5,626 entrepreneurs who replied back during February and March. Aside from being a quantitative survey, this study also included the in-depth interviews with foreign investors in all nationalities across all 7 industrial categories. This year, the interviews were conducted twice – firstly with 21 persons in March, 2010 and the second time with 50 persons in June-July.

#### 1.3 Company status

Of the companies who answered questionnaires, those who receive in investment promotions accounted for 90.1%, while companies who did not receive made up 9.9% of the total. The ratio of BOI-promoted to non-promoted companies, classified by business activity, is shown in figure 1, and the ratio of companies classified by business activity is shown in figure 2.

Figure 1 Percentages of BOI-Promoted and Non-Promoted Companies

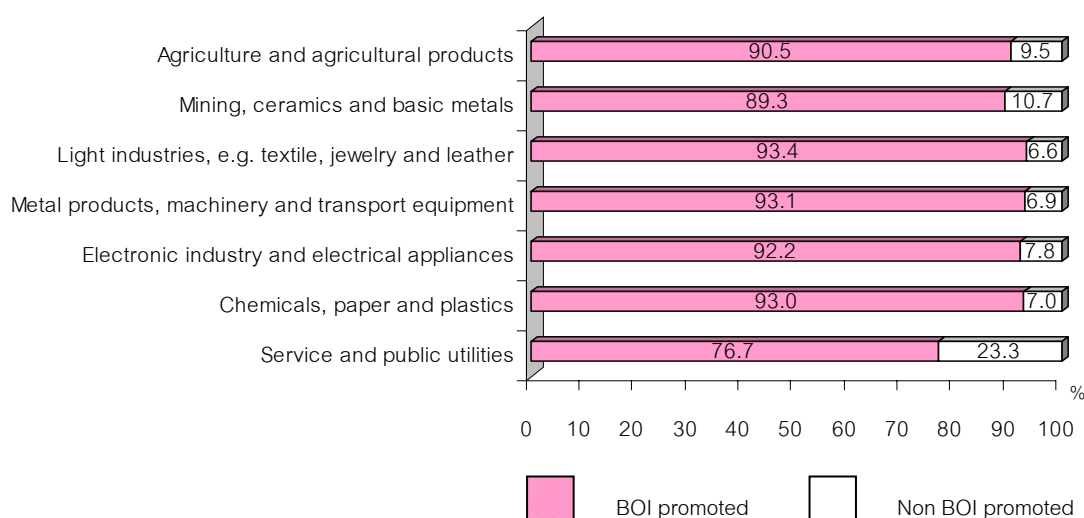
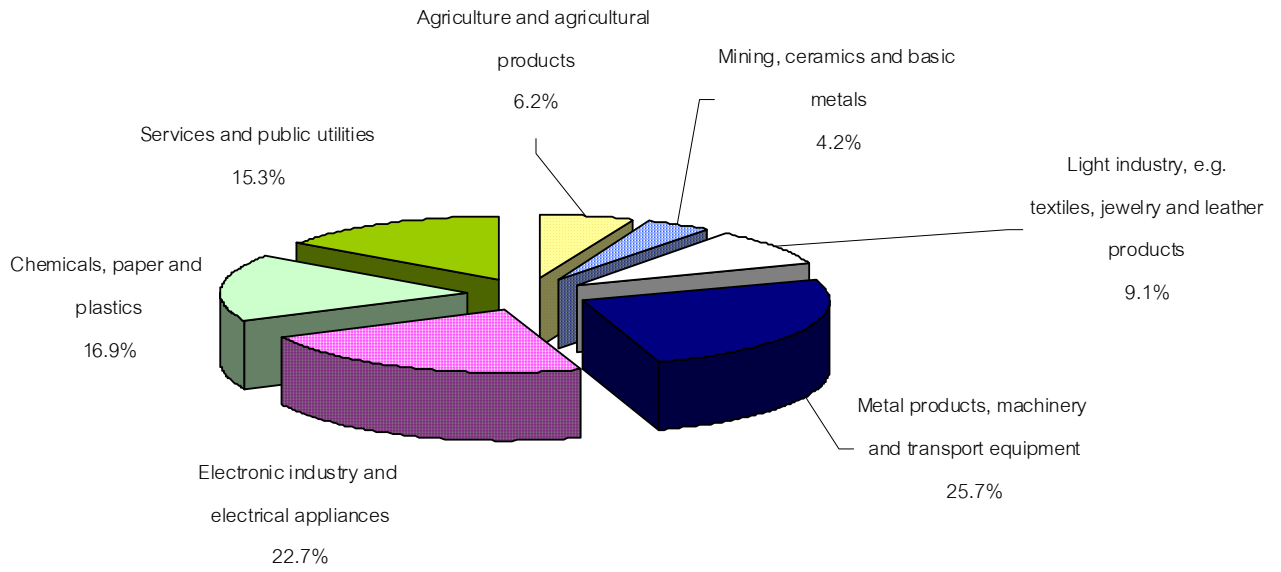


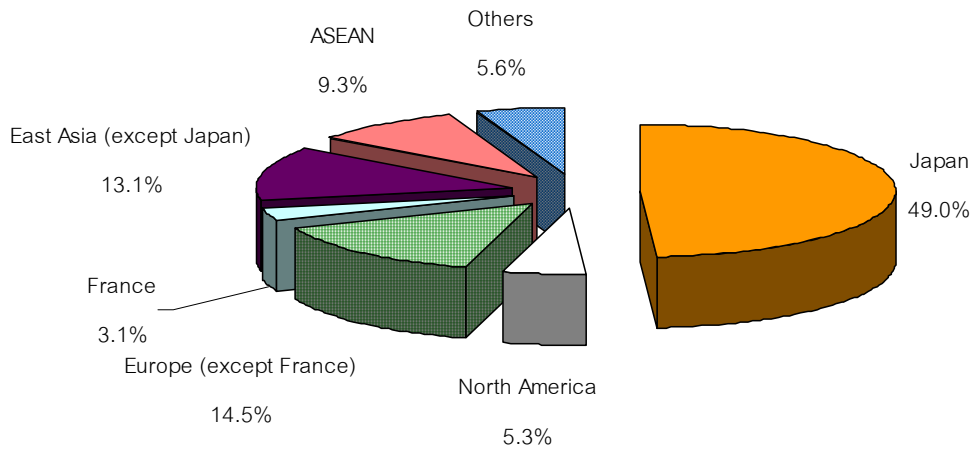
Figure 2 Percentages of investors classified by business activities



#### 1.4 Nationality of Major Foreign Investors

The top 3 nationalities of major foreign investors among the sampled companies were Japanese (49.0%), European except French, (14.5%), and East Asian except Japanese (13.1%), as shown in figure 3.

Figure 3 Percentages of major foreign investors classified by nationality

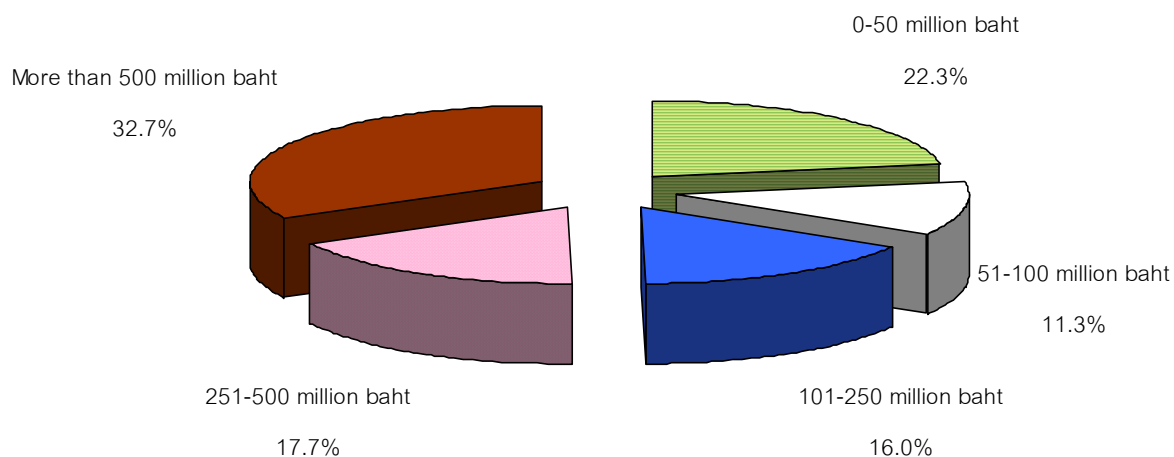


## 1.5 Company performance in 2009

### 1.5.1 Company total asset value

32.7% of foreign investors in the sample group had assets of more than 500 million baht, 22.3% from 0-50 million baht, and 17.7% from 251-500 million baht (figure 4).

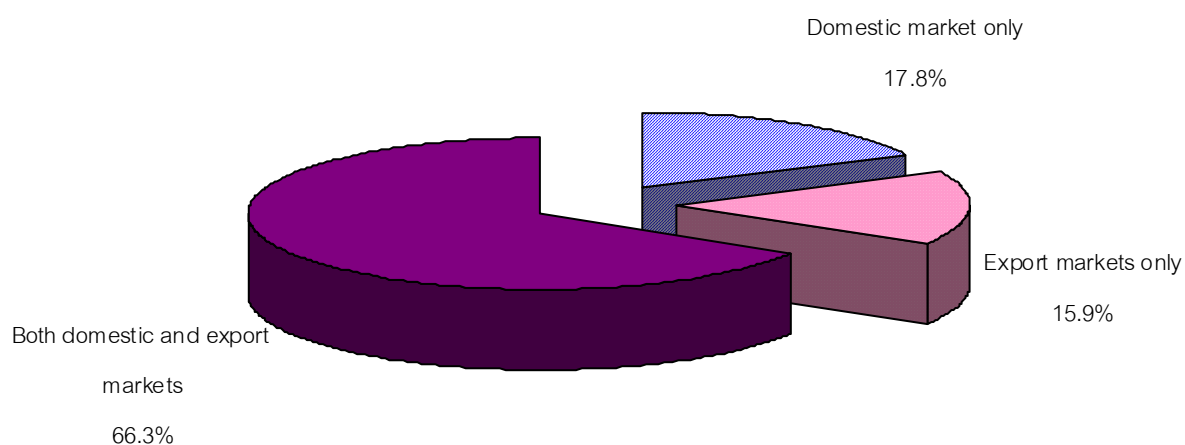
Figure 4 Percentages of foreign investors classified by total asset value



### 1.5.2 Sources of revenue

In 2009, 66.3% of surveyed foreign investors generated revenues from sales to both domestic and export markets, 17.8% from domestic sales only, and 15.9% solely through exports (figure 5).

Figure 5 Percentages of foreign investors classified by sources of revenue

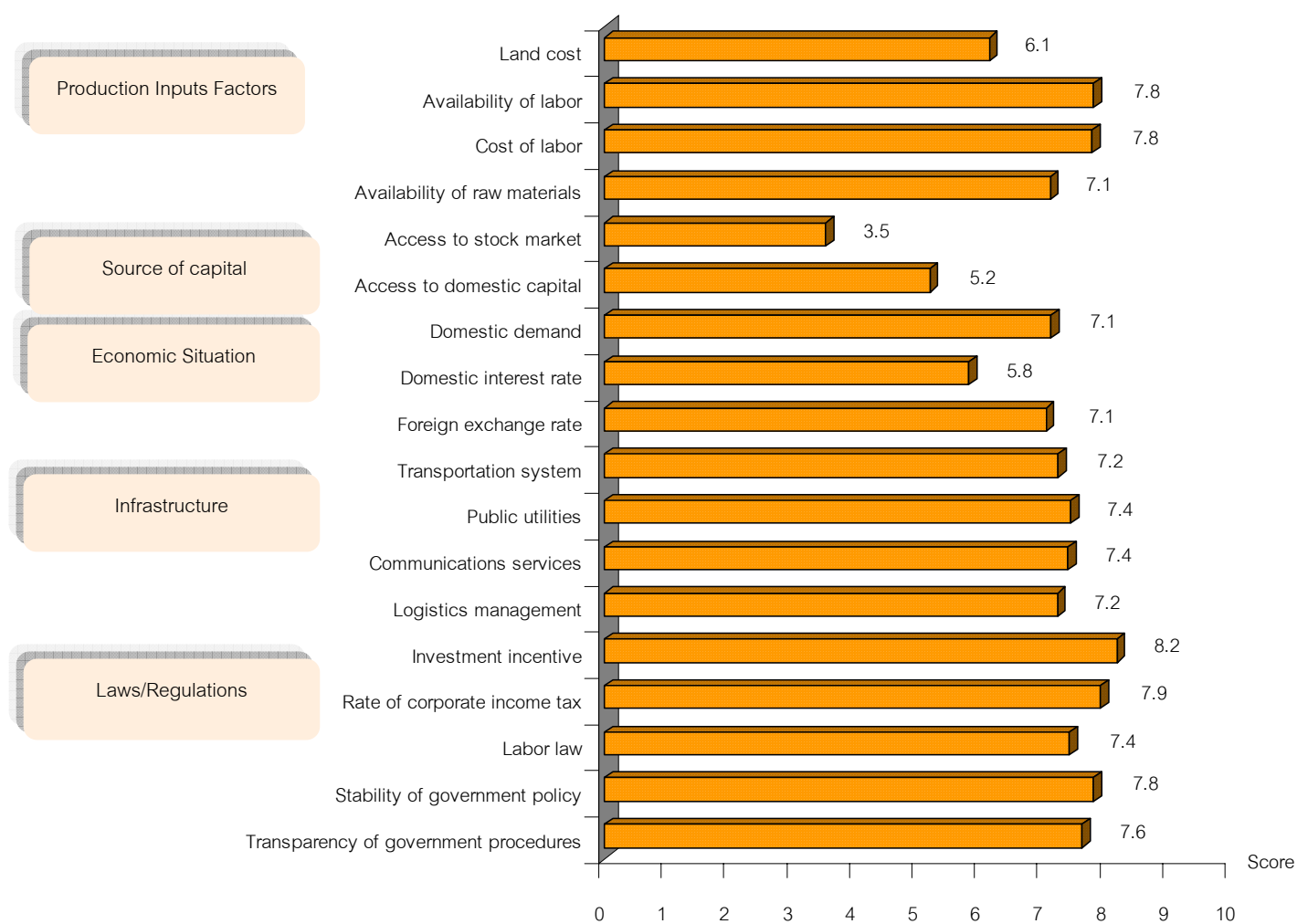


## Chapter 2

### The 2010 Confidence Levels of Foreign Investors in Thailand

#### 2.1 Factors influencing investment decisions (survey results for 2010)

Figure 6 Factors influencing investment decisions



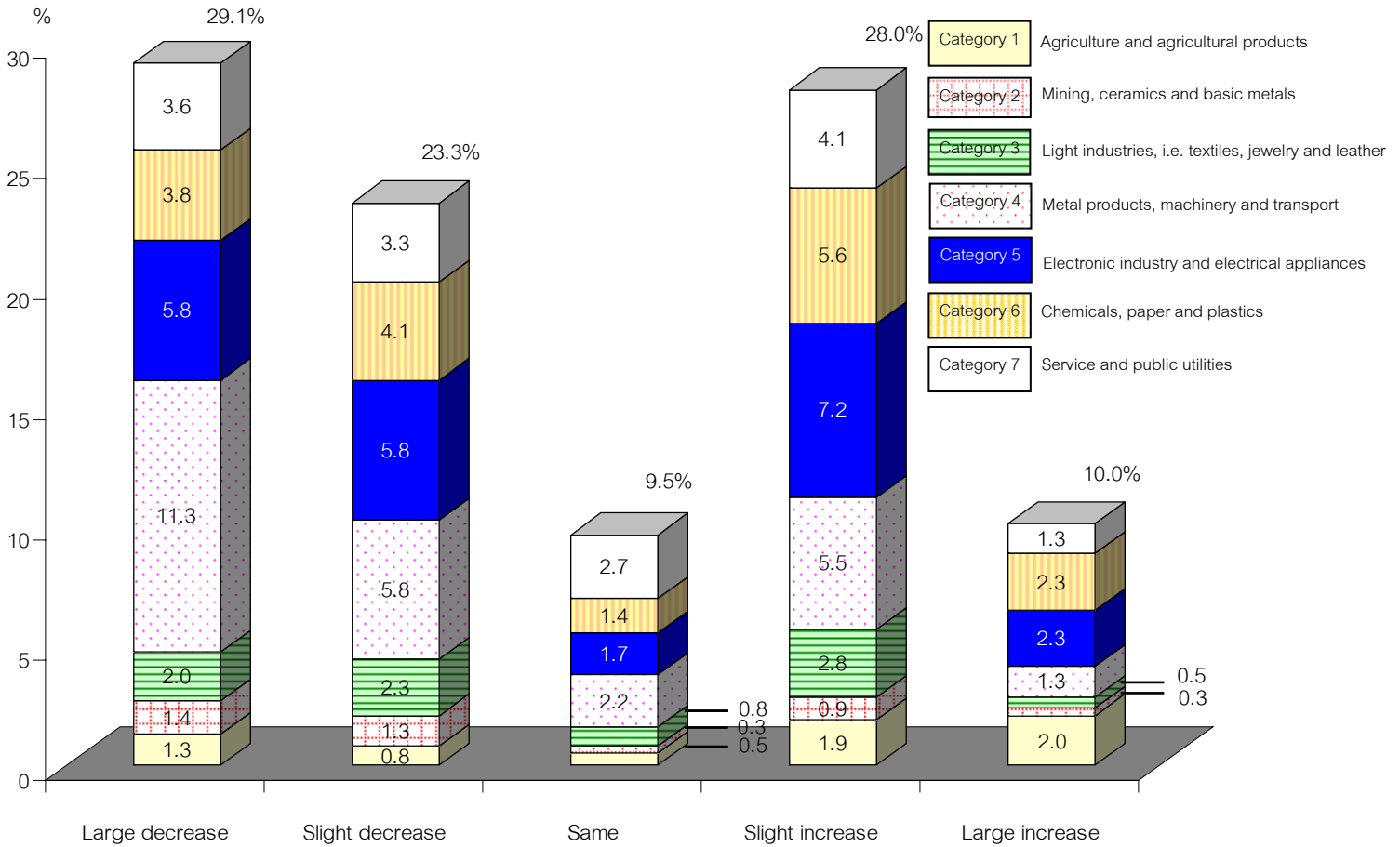
Regarding the importance of factors influencing investment decisions, the survey revealed that investment promotion privileges were the most important, followed by corporate income tax rates, available labor force, labor cost, stability of government policies and transparency in government procedures (figure 6).

## 2.2 Current confidence levels within Thailand's corporate, industrial and overall business environment

### 2.2.1 Performance of foreign investment in Thailand in 2009 on the corporate level

Foreign businesses operating in Thailand in 2009 were classified, according to performance, into the following 3 categories: 38.0% with increased profits over 2008 (slight and significant increases), 9.5% with flat profit levels, and 52.4% with falls in profits compared to 2008 (slight and large decreases) (figure 7).

Figure 7 Performance of foreign investment in Thailand in 2009 on the corporate level (profit) classified by business activity

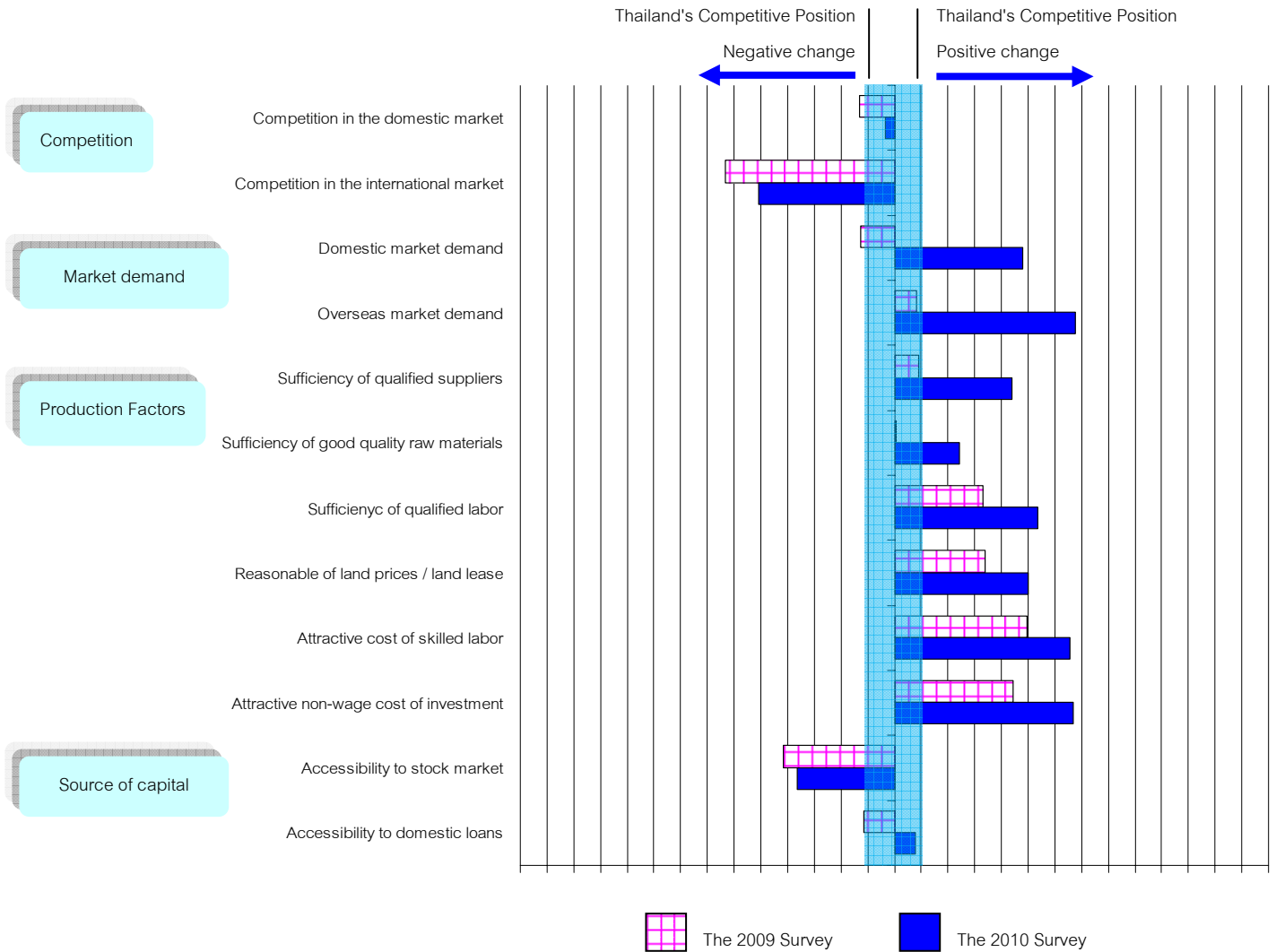


Companies with increased profits in 2009 included those with both slight increases (28.0%) and large increases (10.0%). Most were operating in the electronic industry and electric appliance, chemical products, and paper and plastics industries. Companies who earned less profit included those with slight decreases (23.3%) and large decreases (29.1%). Most were operating in the metal products, machinery and transportation equipment industries (figure 7).

### 2.2.2 Economic situation in Thailand for 2010 on the industrial level

The survey of foreign investor confidence on the industrial level consisted of 4 primary aspects – market demand, competitive environment, production inputs and sources of capital, as shown in figure 8. Survey results are summarized below.

Figure 8 Foreign investor perception of production factors in Thailand and the current business environment (2009 vs. 2010)



Note: Where the bar extends to the right, Thailand is in a strong competitive position, according to factor. If the bar extends to the left, Thailand's position is weaker than its competitors. A bar remaining in the shaded area represents a satisfactory competitive position, but not good enough to attract new investment.

### *Market demand*

The survey data was analyzed in terms of market demand and competitiveness, both domestically and globally. The results can be summarized as follows:

The global economic recovery resulted in an increase in export orders, while the domestic economy contracted in 2009. However improving conditions in late 2009 served to alleviate concerns, as is evident by the increase in domestic spending. Investors were therefore more confident that domestic demand would sustain its upward momentum (figure 8).

A comparison of domestic and export markets during early 2010 revealed greater opportunities in foreign markets, largely due to the unstable domestic political situation which had yet to be resolved. (Source: in-depth interviews)

### *Competitive Environment*

The survey analyzed the competitive environments of both domestic and foreign markets. Data revealed that competition in foreign markets was less intense than last year, but remained at a high level (figure 8). This situation was due to both the implementation of various measures in foreign markets and the consequences of the availability of goods from countries with lower costs of production. (Source: in-depth interviews)

Competition in the domestic market was less intense than the previous year, which had experienced a severe decline (figure 8). Investors felt this was due to the strong overall market growth. (Source: in-depth interviews)

### *Production Inputs*

Foreign investors were surveyed in relation to adequacy and suitability of production factors in Thailand, in terms of quality of suppliers, raw materials and labor, the suitability of land costs/leasing, labor cost and other costs.

The study found that of all the labor was perceived as having the strongest competitiveness. In particular, Thai labor was considered to be of a higher quality than neighboring countries. In addition, last year's economic recession led to a reduction in employment in an effort to reduce production costs, thus preventing a labor shortage as happened in the past.

In comparing various production factors with last year's results, investors perceived that land costs/lease, labor cost, and other costs were more favorable to investment and reflected actual costs more accurately than last year; one positive aspect resulting from the global economic contraction in 2009.

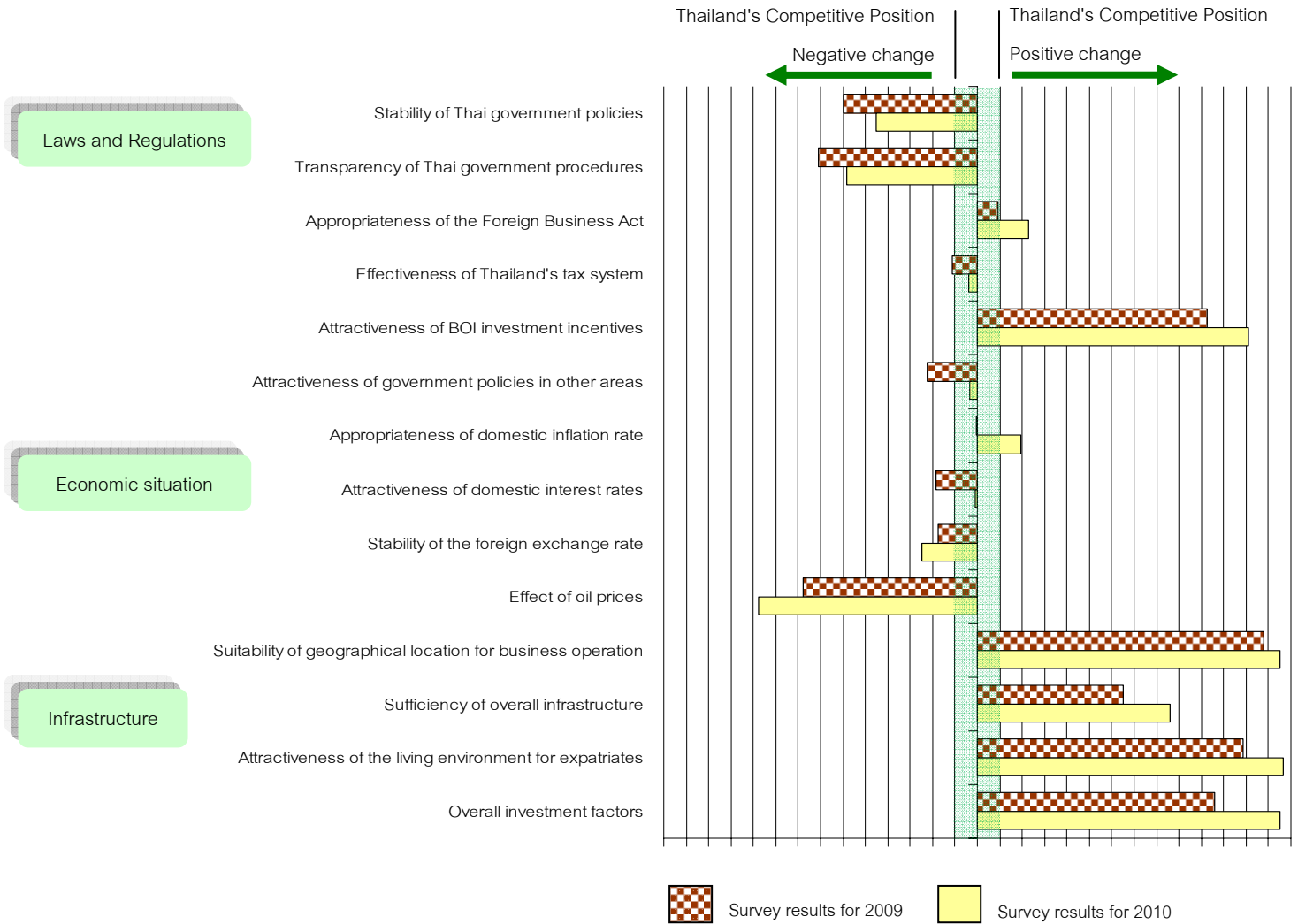
### *Sources of capital*

Considering sources of fund, including such factors as the ability to raise capital in the stock market and accessibility to local lending institutions, the study showed that foreign investors continued to feel that the stock Exchange of Thailand's regulations were too restrictive to effectively raise funds in the stock market as previous year. (figure 8).

### 2.2.3 Thailand's overall business environment in 2010

Regarding Thailand's overall business environment, the survey was classified into 7 categories – government policy and procedures, relevant laws and regulations, foreign direct investment policy, monetary and fiscal policies, oil prices, infrastructure, geographical location of Thailand, as well as the quality of life for expatriates (figure 9). The results are summarized as follows:

Figure 9 Thailand's overall business environment (2009 compare 2010)



Note: A bar extending to the right represents Thailand in a strong competitive position, according to factor. If the bar extends to the left, Thailand's position is weaker than its competitors. A bar remaining in the shaded area represents a satisfactory competitive position, but not good enough to attract new investment.

#### ✦ Government policy and procedures

Although attempts to improve government administration in the past have been unsuccessful in persuading foreign investors that Thailand's government policies and procedures are coherent and transparent, these efforts have nonetheless helped mitigate some of the negative feelings as compared with last year's survey results.

#### ✦ Laws and regulations regarding business operations

The impact of Thailand's economic contraction in 2009 compelled the government to develop various policies and measures to help alleviate the situation; e.g. exemption of corporate income tax where net profit is less than 150,000 baht, reduction of corporate income tax where net profit is more than 150,000 baht, and a reduction of social welfare contributions from 5% to 3%. It was found that such measures have indeed contributed to Thailand's stronger competitive position compared with 2009. (Source: in-depth interviews)

#### ✦ Foreign direct investment policy

Foreign entrepreneurs considered investment promotion privileges a very important factor in selecting a country in which to invest. While provisions and privileges offered by the Thailand Board of Investment were well accepted, investors felt the policies and measures of other government agencies to promote investment in Thailand were not sufficiently attractive.

#### ✦ Monetary and fiscal policies

Signs of continuous global economic recovery since 2009 and continuing through early 2010 were reflected in an increased volume of exports and stronger consumer spending. While economic expansion generally results in increased production costs, the political situation was an important risk factor that had an impact on further economic expansion. In response, the Bank of Thailand fixed interest rates at levels that were more advantageous to investors than last year. However, due to a strong Thai baht and high inflation rates domestically, foreign investors perceived government policies in this regard as not being particularly effective for competitiveness of exporters.

#### ✦ Oil Prices

The global economic recovery also increased demand for oil, resulting in a continuous increase of oil prices from late 2009 to 2010. Investors predicted that oil price fluctuations would negatively impact production costs, and that prices would continue to rise if government energy policies were ambiguous. Investors concluded that this was a major factor that could weaken Thailand's competitive position.

#### ✦ Infrastructure

Investors regarded the continuous development of basic infrastructure as a positive competitive indicator for business operations and investment in Thailand.

✦ Quality of life for expatriates and Thailand's geographical location

Attempts to develop Thailand as a regional hub for trade, culture and health care were seen as a positive factor in enticing foreign entrepreneurs to invest in Thailand. Furthermore, the hospitality and warmth of the Thai culture made Thailand a pleasant place to live in. However, the political unrest caused foreign investors to adopt a wait-and-see attitude pending a final resolution of the situation.

## 2.3 Confidence levels in Thailand for 2010-2011 on the corporate and industrial levels, and the overall business environment

### 2.3.1 Foreign investor confidence in 2010-11 on the corporate level

The economic recovery since late 2009 improved the confidence levels among foreign investors during the survey period, with expectations of **stronger performance** in terms of profitability and liquidity over the previous year, as well as an increase of investment plans. In addition, foreign investors believed that the situation would continually improve during the following year (table 1).

Table 1 Foreign investor confidence index on the corporate level

Issue	Overall foreign investor confidence index		
	2009	2010	2011
Total revenue	41.5	71.9	75.8
Revenue from domestic sales	40.7	69.3	72.7
Revenue from export sales	43.2	68.2	72.9
Profit	41.6	66.5	71.7
Liquidity	47.8	60.8	66.2
Total investment	47.8	61.1	63.2

BSI = 50: confidence unchanged

BSI >50: confidence increased

BSI <50: confidence decreased

### 2.3.2 Foreign investor confidence in market demand, production inputs and sources of capital

✦ Market Demand and Competition

The global economic recovery reinforced investor confidence this year, with expectations that demand for products and services would increase significantly over the previous year. As a result, the confidence index rose from 51.8 to 62.5 (table 2). Even though domestic demand grew because of various stimulus programs initiated by the Thai government in 2009, the violent demonstrations during the survey period had the affect of weakening confidence in the domestic market. So, although it was an improvement over the previous year, confidence levels were still lower for domestic market demand than for foreign markets.

Non-tariff barriers and manufacturing in countries with lower costs than Thailand raised the concerns of investors who depended on exports for their source of revenue. However, this year's confidence index saw a slight improvement over the previous year. The confidence index for the domestic market increased from 47.1 to 47.7, while the index for foreign markets increased from 36.0 to 39.1 (table 2). This was primarily the result of aid programs implemented by the Thai government during the survey period.

#### + Production Inputs

Economic contraction in 2009 spurred entrepreneurs and labor alike to improve their relative positions in readiness for the anticipated economic recovery. As a consequence, Thailand's confidence index in production inputs increased over 2009 in terms of quality of suppliers (where the confidence index increased from 51.8 to 57.5), high quality raw materials (index increased from 50.1 to 54.5), and quality labor force (index increased from 56.2 to 59.7) (table 2 and in-depth interviews).

In addition to higher quality, a greater balance between supply and demand contributed to more appropriate levels of land costs/leasing and labor cost, as well as other costs. As a consequence, confidence levels in production cost factors also increased over the previous year. (Source: in-depth interviews)

#### + Sources of capital

Investors felt that terms and conditions for listing on the Stock Exchange of Thailand were too inflexible, restricting access to sources of capital. This factor kept the confidence index below 50. However, the costs of borrowing from Thai financial institutions were lowered due to interest rate controls issued by Bank of Thailand. Despite the strict criteria in granting loans imposed by the Bank of Thailand, investor confidence in this area increased from 47.8 in 2009 to 51.4 (table 2 and in-depth interviews).

#### + Overall Confidence

The tendency towards a healthier global economy, combined with economic stimulus programs initiated by several countries, including Thailand, all served to alleviate investor concerns and raised this year's overall confidence level from 52.0 to 54.5 (table 2).

Table 2 Foreign investor confidence index in terms of market demand and competition

Thailand's production factors and sources of capital				
Issue	Foreign investor confidence index			
	2007-2008 (1)	2008-2009 (2)	2009-2010 (3)	2010-2011 (4)
<b>Market Demands and Competition</b>				
Competition in the domestic market	50.3	42.4	47.1	47.7
Competition in the international markets	49.0	36.3	36.0	39.1
Domestic market demands	56.5	61.1	47.2	59.3
Overseas market demands	58.9	64.9	51.8	62.5
<b>Production inputs</b>				
Sufficiency of qualified suppliers	53.3	51.3	51.8	57.5
Sufficiency of good quality raw materials	52.1	48.8	50.1	54.5
Sufficiency of qualified labor	48.1	53.0	56.2	59.7
Reasonable of land prices/ land lease	n/a	56.4	56.2	57.8
Attractiveness of labor cost	n/a	51.9	58.4	61.1
Attractiveness of non-wage/leasing investment costs	n/a	54.6	57.9	59.8
<b>Source of capital</b>				
Accessibility to stock market	n/a	48.4	42.1	43.9
Accessibility to domestic loan	n/a	48.7	47.8	51.4
<b>Overall confidence index</b>	<b>52.1</b>	<b>51.7</b>	<b>52.0</b>	<b>54.5</b>

BSI = 50: confidence unchanged

BSI &gt;50: confidence increased

BSI &lt;50: confidence decreased

Source: (1) Foreign Investor Confidence Survey: 2006/07

(2) Foreign Investor Confidence Survey: 2008

(3) Foreign Investor Confidence Survey: 2009

(4) This year's survey.

### 2.3.3 Foreign investor confidence in 2009/10 in the overall business environment

The survey of foreign investor confidence relating to the overall business environment can be summarized as follows: (table 3)

#### + Government policy and procedures

Foreign investor confidence levels were below the 50 mark in respect of government policies and procedures, indicating current procedures were considered ambiguous and lacking transparency. This low vote of confidence did not have a significant impact on current business operations, but it was a discouraging factor for new investors and the expansion of existing business in Thailand.

#### + Laws and Regulations

The confidence index regarding the Foreign Business Act was over 50, indicating the Act did not present any serious concerns among foreign investors. However, the confidence index for Thailand's tax system fell below 50, reflecting that regulations and operating procedures of related tax agencies were not as conducive to the business operations of foreign investors as they should be. However, higher indices from last year suggest that government operations have improved somewhat in this area and are more attuned to the needs of investors.

#### + Foreign Direct Investment Policy

The confidence index of investment promotion privileges offered by the Thailand Board of Investment was higher than 50, indicating that recent BOI operating procedures were appropriate to the requirements of foreign investors. However, the confidence index for other support programs was slightly below 50, suggesting the privileges and operating procedures of other programs were not meeting the needs of investors.

#### + Monetary and Fiscal Policies

Confidence levels concerning inflation rates exceeded the 50 mark, indicating that policies enacted during this period were effective in controlling inflation. However, the confidence index of Thailand's interest and exchange rates was below 50, reflecting that the ceiling on interest rates and measures to control the Thai baht during this period did not favor the business operations of foreign investors; particularly in the case of exchange rates, where the Thai baht appreciated slightly.

#### + Oil Prices

Fluctuation in oil prices throughout 2009 and the tendency for oil prices to increase since late 2009 contributed to a low confidence level of 50, which was due to concerns that this would increase production costs and reduce competitiveness.

#### + Infrastructure

The confidence index of Thailand's infrastructure was over 50, an increase over last year, indicating that infrastructure was considered sufficient and advantageous to the business operations of foreign investors; in particular, areas within industrial parks that were developed to support the expansion of industry. Infrastructure outside industrial parks was also considered adequate and of a good standard.

#### + Quality of life for expatriates and Thailand's geographical location

Foreign investor confidence in the living environment and location of Thailand was higher than 50 and remained relatively constant, reflecting Thailand's optimal location and its efforts to become the regional economic hub. These factors reassured investor confidence, providing incentives for further investment in Thailand.

Table 3 Foreign investor confidence in terms of laws and regulations

Economic situation and infrastructure				
Category	Foreign investor confidence index			
	2007-2008 (1)	2008-2009 (2)	2009-2010 (3)	2010-2011 (4)
<b>Laws and Regulations</b>				
Stability of government policies	42.3	39.7	38.4	40.7
Transparency of Thai government procedures	48.7	35.7	36.1	38.8
Conduciveness of Foreign Business Act	n/a	50.4	51.8	53.9
Effectiveness of Thailand's tax system	47.5	47.8	48.0	49.1
Attractiveness of BOI investment incentives	51.3	67.3	67.8	70.4
Attractiveness of other government policies	50.6	48.1	46.2	49.2
<b>Economic situation</b>				
Reasonable level of domestic inflation rate	45.1	41.4	50.0	52.9
Attractiveness of domestic interest rates	46.7	44.8	46.9	49.6
Stability of the foreign exchange rates	39.4	39.5	42.6	46.1
Effect of oil prices	40.4	36.2	32.9	31.3
<b>Infrastructure</b>				
Suitability of geographical location for business operations	n/a	67.9	68.9	69.7
Sufficiency of public infrastructure	59.5	57.0	61.6	62.9
Attractiveness of the living environment for expatriates	n/a	67.0	69.1	70.6
Attractiveness of overall investment factors	50.4	61.1	64.8	67.2

BSI = 50: confidence unchanged

BSI &gt;50: confidence increased

BSI &lt;50: confidence decreased

Source: (1) Foreign Investor Confidence Survey: 2006/07

(2) Foreign Investor Confidence Survey: 2008

(3) Foreign Investor Confidence Survey: 2009

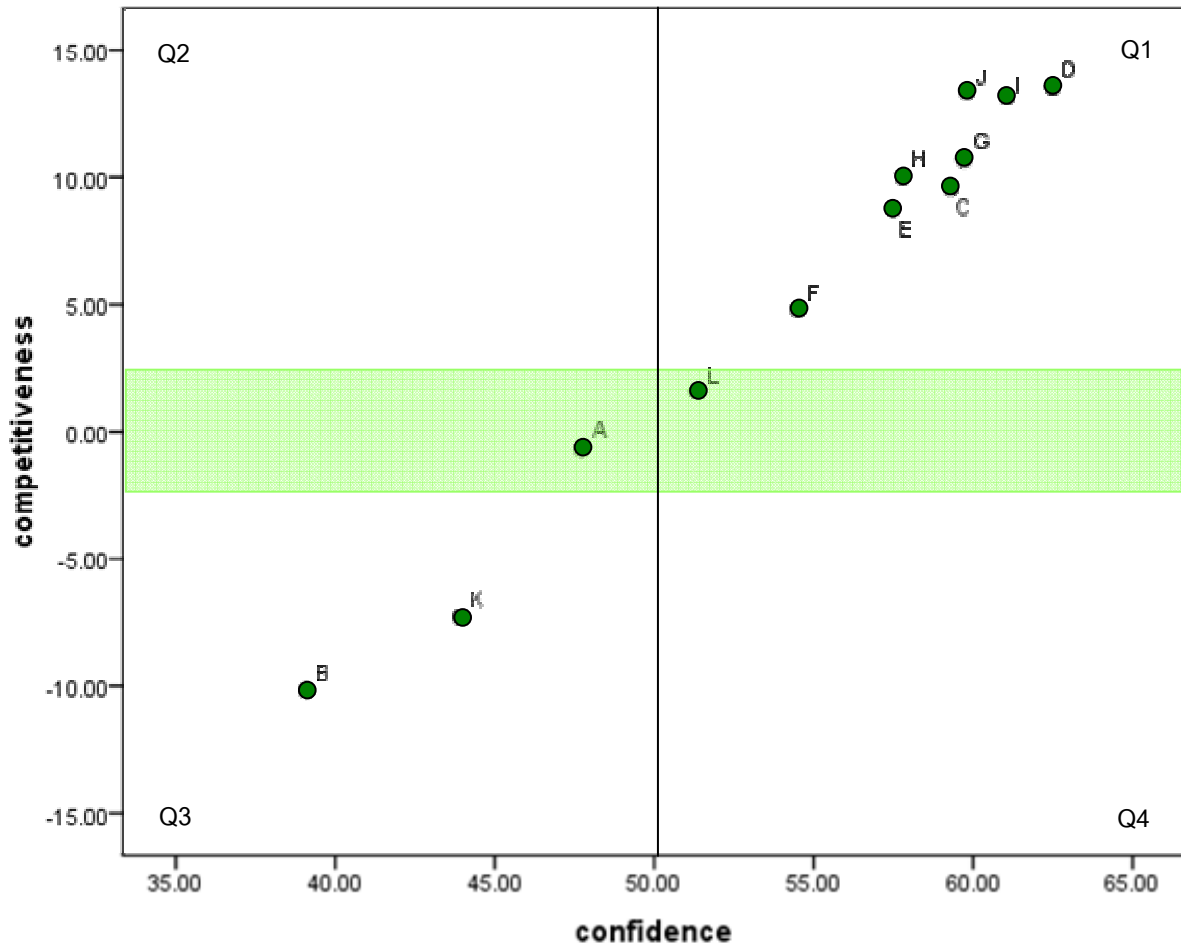
(4) This year's survey.

2.3.4 Comparison of foreign investor confidence index in 2010-2011 and current competitive position

2.3.4.1 Comparison of competition, market demand and production inputs with current production costs and competitiveness in Thailand

Analysis of foreign investor confidence indices in 2010-2011 in terms of market demand, competition, production inputs and production costs compare to Thailand's current competitive position is shown in figure 10.

Figure 10 Investor confidence index in terms of competition, market demand, production inputs and production costs in 2010-11 compare to Thailand's current competitive position



- |  |   |
|--|---|
| A = Competition in the domestic market | B = Competition in international markets      |
| C = Domestic market demands            | D = Overseas market demands                   |
| E = Sufficiency of qualified suppliers | F = Sufficiency of good quality raw materials |
| G = Sufficiency of qualified labor     | H = Reasonable of land prices/ land lease     |
| I = Attractiveness of labor cost       | J = Attractiveness of non-wage/leasing costs  |
| K = Accessibility to stock market      | L = Accessibility to domestic loan            |

The global economic recovery, implementation of economic stimulation programs across several countries, as well as Thailand's political uncertainty, were all considerations affecting investor confidence in relation to market demand, competition and production inputs. These factors were classified into 4 groups – strong competitive position with good potential for the future, moderate competitive position with good potential, moderate competitive position with weak potential, and low competitive position with weak potential. Details of each group are summarized below.

- ✦ Factors contributing to a current strong competitive position, with higher potential for the future (Q1)

From the point of view of foreign investors, production inputs and business operating costs were both factors contributing to Thailand's current strong competitive position, with higher expectations for the future. Various stimulus programs resulted in the expansion and a stronger momentum in both domestic and export markets.

- ✦ Factors contributing to a current moderate competitive position, with higher potential for the future (shaded area in Q1)

The raising of capital through borrowing from domestic financial institutions is a factor that foreign investors agreed that it has moderately competitiveness with an upward future trend.

- ✦ Factors contributing to a current moderate competitive position, with lower potential for the future (shaded area in Q2)

Competition in the domestic market was one factor where Thailand's competitive position was considered moderate, with lower potential for the future.

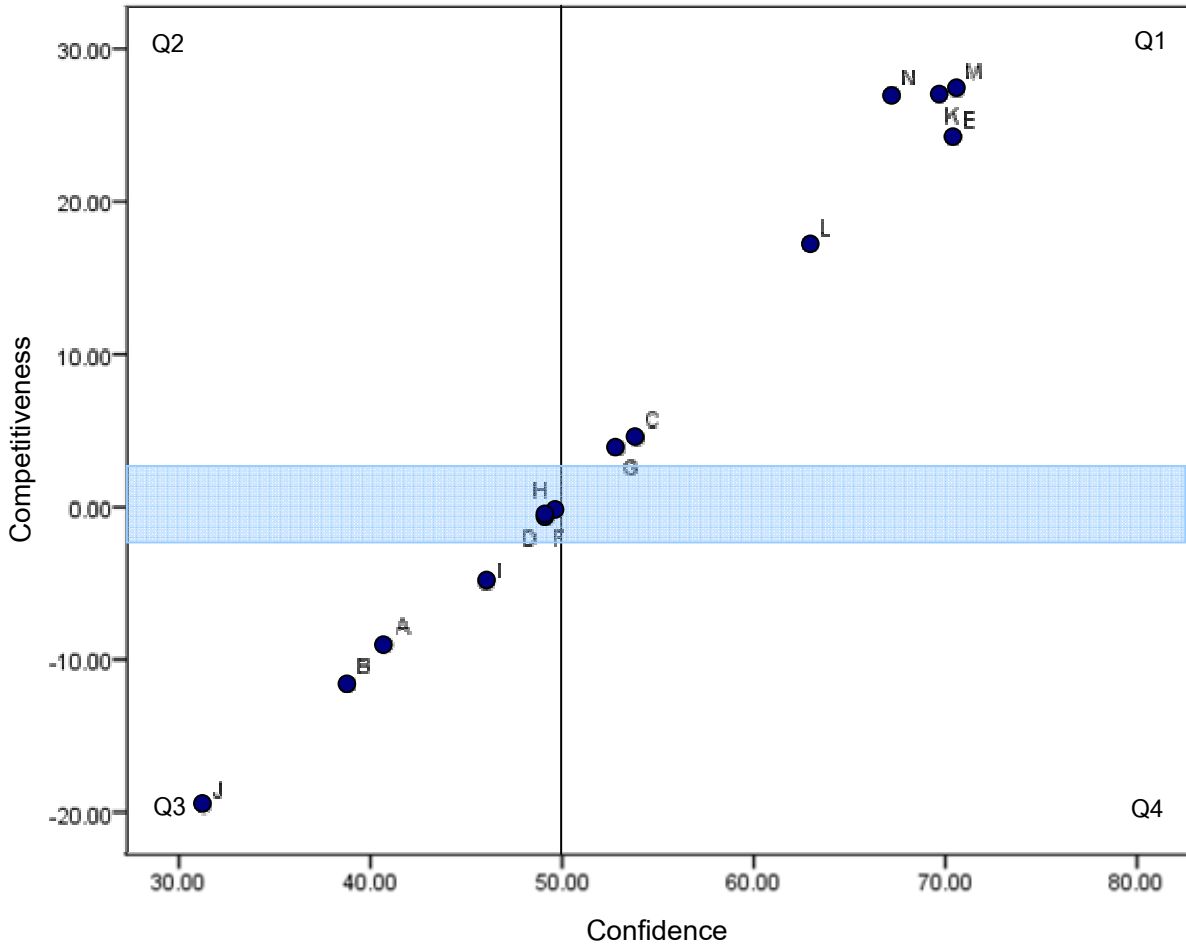
- ✦ Factors contributing to Thailand's current weak competitive positions, with lower potential for the future. (Q3)

Competitiveness in foreign markets and capitalization in the stock exchange were both contributing factors to foreign investors seeing Thailand's competitive advantage as weak, with a downward future trend.

### 2.3.4.2 Comparison of the overall business environment in Thailand and current competitive position

Figure 11 shows analysis results of the foreign investor confidence index for 2010-2011 with regards to the business environment in Thailand in relation to Thailand's current competitive position.

Figure 11 Investor confidence index of Thailand's business environment during 2010-2011 in relation to Thailand's current competitive position



A = Stability of government policies

B = Transparency of Thai government working procedures

C = Appropriateness of the Foreign Business Act

D = Effectiveness of the Thai tax system

E = Attractiveness of BOI investment incentives

F = Attractiveness of other government policy

G = Appropriateness of domestic inflation rate

H = Attractiveness of domestic interest rates

I = Stability of the foreign exchange rates

J = Effect of oil prices

K = Suitability of the geographical location for business operation

L = Effectiveness of public infrastructure

M = Attractiveness of the living environment for expatriates

N = Attractiveness of overall investment factors

Recent economic stimulus programs, in addition to various promotions and control measures, have resulted in diverse levels of investor confidence in Thailand's business environment, as follows:

- ✦ Factors contributing to a current strong competitive position, with higher potential for the future (Q1)

Provided that government measures continue to be supportive of business operations, the factors that foreign investors most valued regarding Thailand's current strong competitive position, with higher potential for the future, included BOI's investment promotion privileges, basic infrastructure, Thailand's environment and geographical location, the Foreign Business Act, and stable inflation rates.

- ✦ Factors contributing to a current moderate competitive position, with higher potential for the future (shaded area in Q1)

This survey did not find any factors in this group.

- ✦ Factors contributing to a current moderate competitive position, with lower potential for the future (shaded area in Q2)

The factors that foreign investors viewed as contributing to Thailand's current moderate competitive position, with lower potential for the future if there is no improvement, included the tax system, interest rates and other government support measures.

- ✦ Factors contributing to Thailand's current weak competitive positions, with lower potential for the future. (Q3)

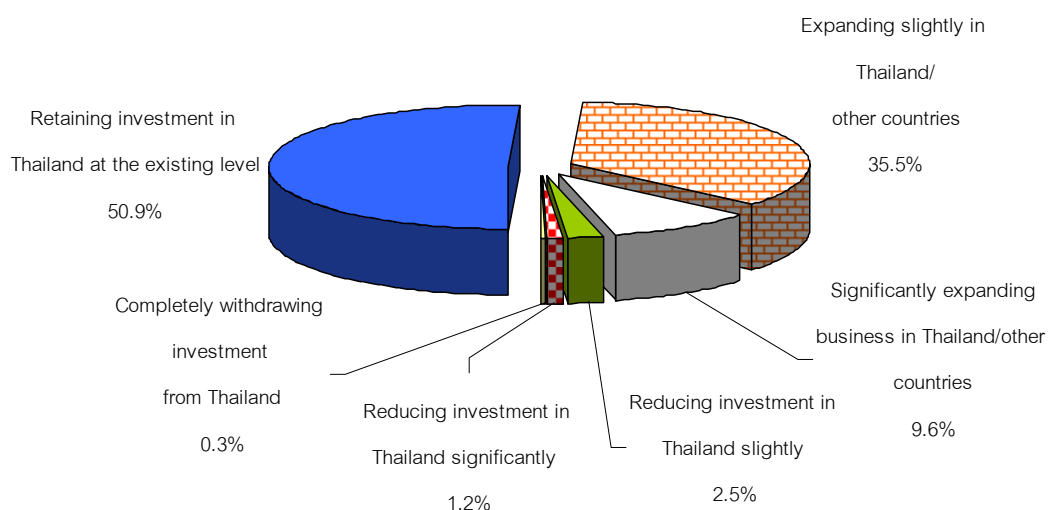
Instability of government policies and working procedures, considered not as transparent as they should be, as well as a strong Thai baht, all contributed to a current weak competitive position. If changes are not effected, Thailand's competitive edge was expected to trend lower in the future.

## 2.4 Investment plan for 2010-2011 and principal factors influencing implementation decisions

### 2.4.1 Investment plan for 2010-2011

Overall, 50.9% of foreign investors maintained their investments in Thailand at current levels, while 35.5% planned a slight business expansion and 9.6% planned significant expansion. 2.5% of foreign investors are expected to slightly reduce the size of their investments in Thailand, while 1.2% are expected to significantly reduce investment. 0.3% of foreign investors are expected to withdraw from Thailand entirely (Figure 12).

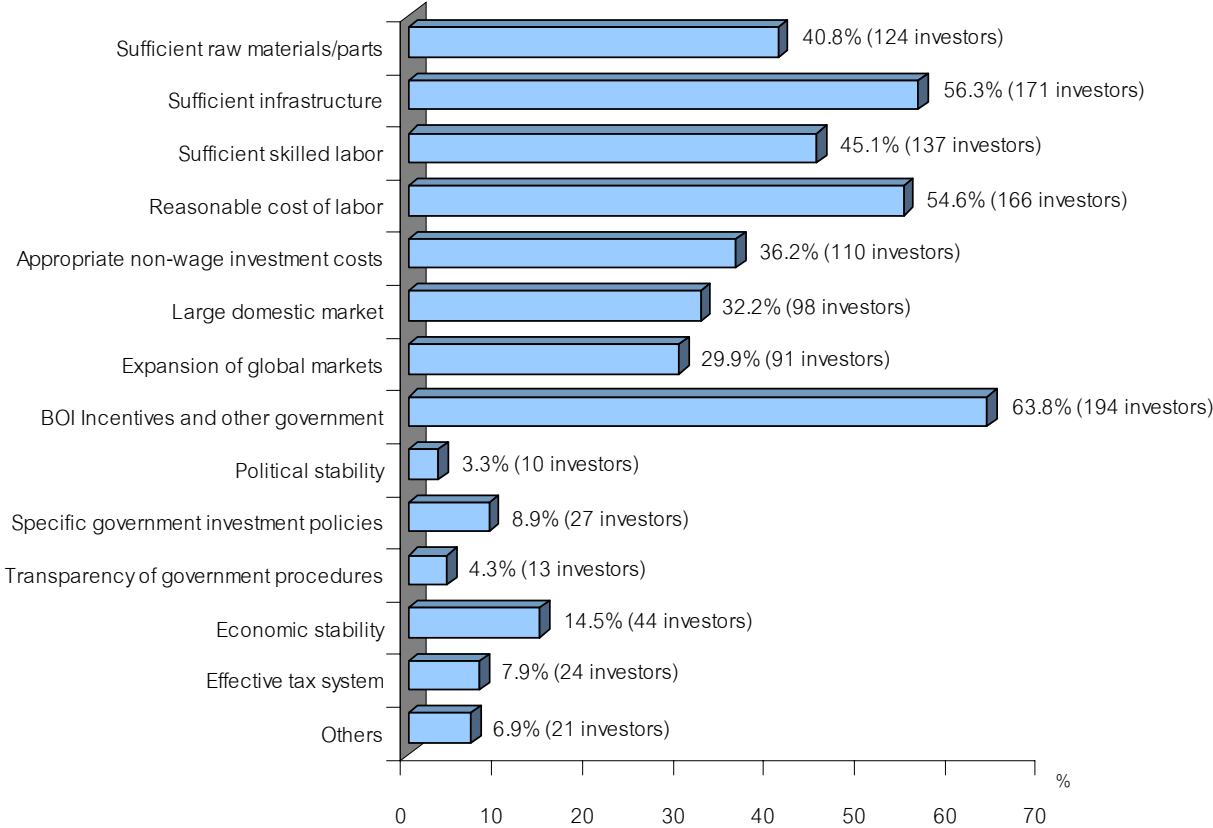
Figure 12 Proportion of foreign companies classified by investment plan for 2010-2011



2.4.2 Principal reasons for expanding investment in Thailand

Overall, the top 3 reasons for foreign investors expanding investment in Thailand were BOI privileges and other government support measures (63.8%), sufficient infrastructure (56.3%), and reasonable labor rates (54.6%). (Figure 13)

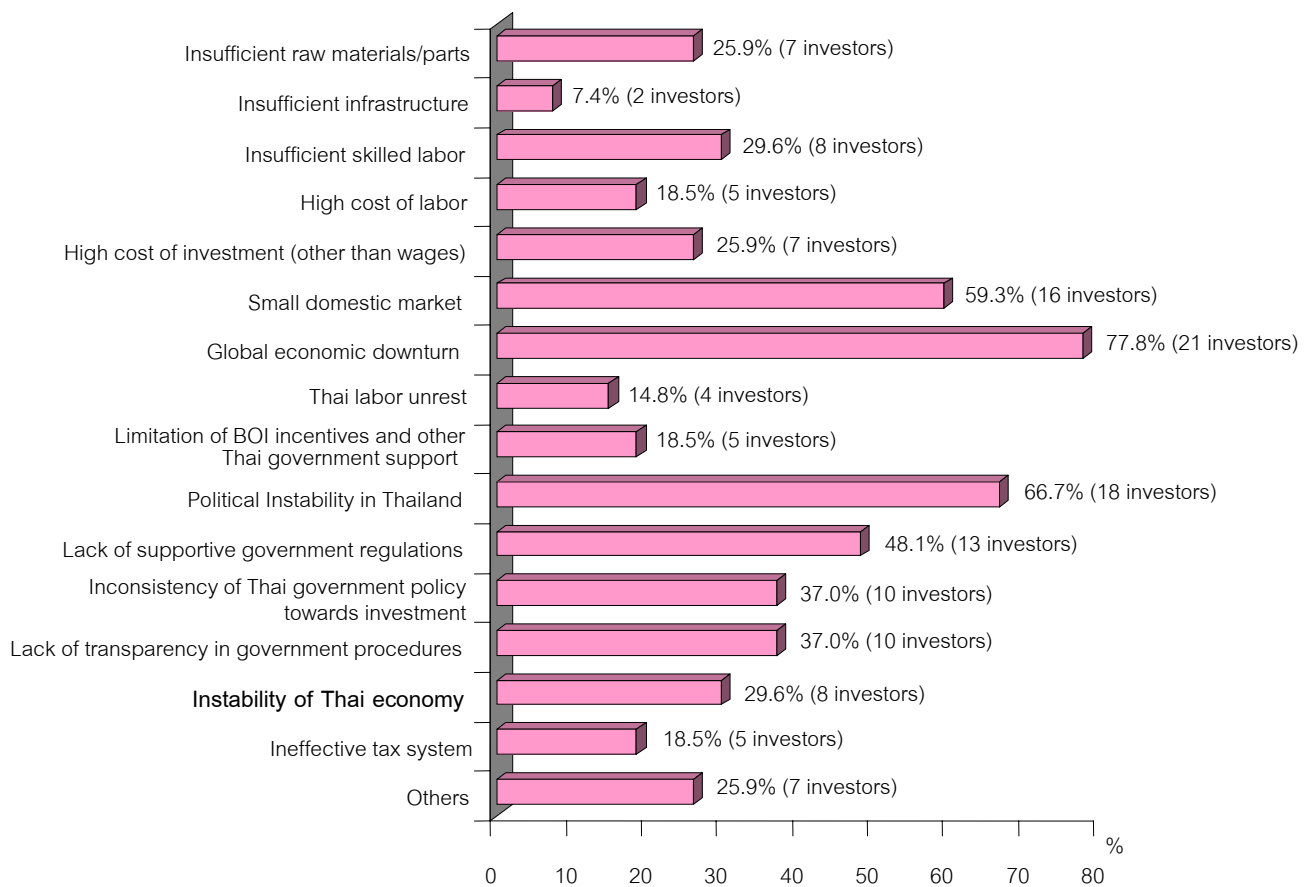
Figure 13 Foreign companies classified by principal reason influencing investment expansion in Thailand



### 2.4.3 Reasons for business deciding to expand investment in other countries, reduce investment in Thailand, or withdraw their investments from Thailand

The top 3 reasons for business deciding to expand investment in other countries or reduce investment in Thailand (figure 14), were the global economic recession (77.8%), Thailand's unstable political climate (66.7%), and the small scale of Thailand's domestic market (59.3%).

Figure 14 Proportion of foreign companies classified by reason to expand investment in other countries, reduce investment, or withdraw from Thailand



## Chapter 3

### Influence and significance of factors affecting investor confidence

Factors affecting investor confidence were classified into 2 main categories – factors affecting industrial production and factors affecting the overall business environment. The first category in this analysis comprised 13 factors, while the second included 12 factors. The analysis further reclassified these 25 factors into 15 sub-groups, as shown in table 4. They were then analyzed to determine the relationship between confidence levels and significant factors affecting investment decisions. The results of the study can be summarized as follows:

**Table 4 Classification of factors affecting investor confidence according to group**

Factors affecting investment decisions	Major factors	Minor factors
1. Thailand's existing production factors	1. Land	<ul style="list-style-type: none"> <li>✚ Suitability of location</li> <li>✚ Suitability of land prices/ land lease</li> </ul>
	2. Human resources	<ul style="list-style-type: none"> <li>✚ Sufficiency of a qualified labor</li> </ul>
	3. Labor cost and production costs	<ul style="list-style-type: none"> <li>✚ Suitability of labor cost</li> <li>✚ Suitability of cost other than labor cost</li> </ul>
	4. Suppliers and raw materials	<ul style="list-style-type: none"> <li>✚ Sufficiency of qualified suppliers</li> <li>✚ Sufficiency of high quality raw materials</li> </ul>
	5. Stability of domestic oil prices	<ul style="list-style-type: none"> <li>✚ Suitability of domestic oil prices</li> </ul>
2. Thailand's Capital Market	6. Accessibility to source of capital	<ul style="list-style-type: none"> <li>✚ Accessibility to the stock market</li> <li>✚ Accessibility to domestic loan</li> </ul>
3. Thai Economy	7. Market demand	<ul style="list-style-type: none"> <li>✚ Sufficiency of domestic market demand</li> <li>✚ Sufficiency of foreign market demand</li> </ul>
	8. Competition	<ul style="list-style-type: none"> <li>✚ Intensity of competition in the domestic market</li> <li>✚ Intensity of competition in international markets</li> </ul>
	9. Government policy and procedures	<ul style="list-style-type: none"> <li>✚ Consistency of government policies</li> <li>✚ Transparency in government procedures</li> </ul>
	10. Inflation and interest rates	<ul style="list-style-type: none"> <li>✚ Suitability of inflation rate</li> <li>✚ Suitability of interest rates</li> </ul>
	11. International trade	<ul style="list-style-type: none"> <li>✚ Stability of foreign exchange rates</li> </ul>
4. Thailand's Infrastructure	12. Infrastructure	<ul style="list-style-type: none"> <li>✚ Sufficiency of infrastructure</li> </ul>
	13. Living environment for expatriates	<ul style="list-style-type: none"> <li>✚ Attractiveness of the living environment for expatriates</li> </ul>
5. Law/Regulations	14. Investment support	<ul style="list-style-type: none"> <li>✚ Attractiveness of BOI investment incentives</li> <li>✚ Attractiveness of other government support measures</li> </ul>
	15. Business law and regulations	<ul style="list-style-type: none"> <li>✚ Suitability of the Foreign Business Act</li> <li>✚ Efficiency of the Thai tax system</li> </ul>

Figure15 Influence and significance of factors affecting investor confidence

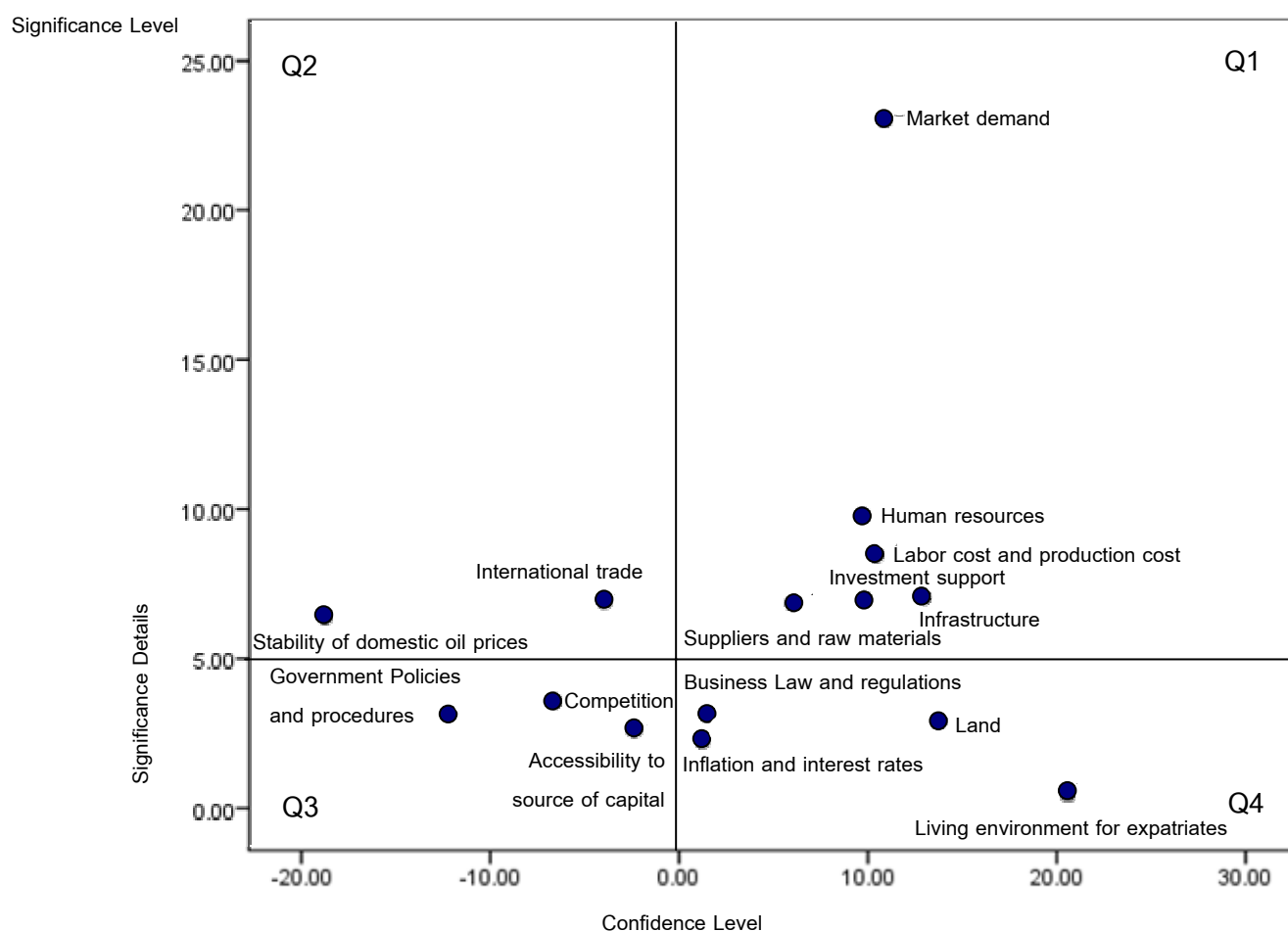


Figure 15 shows that different factors have varying levels of significance in their impact on investor confidence. Our analysis classified these factors into 4 groups (Q1-Q4), where each group can be summarized according to significance and recommended guidelines, as follows:

- ✦ Group 1 (Q1) These factors were rated as most important by foreign investors expecting Thailand's competitive position to strengthen in the future. Factors in this category included market demand, human resources, labor cost and production cost, investment support and infrastructure, as well as sufficient suppliers and raw materials. Although this study shows that Thailand is now able to compete favorably, the government should continue to pay attention to the situation by developing support guidelines and implementing measures to attract new investment in its efforts to enhance competitiveness and sustainability.
- ✦ Group 2 (Q2) These factors were also considered important by foreign investors who expected Thailand's competitive position to weaken in the future. Factors in this category included international trade and stability of domestic oil prices. These are areas where government measures to increase competitiveness should be implemented as quickly as possible.

- ✦ Group 3 (Q3) These factors were considered less important to foreign investors who expected Thailand's future competitiveness to weaken compared to current levels. Factors in this category included competition, accessibility to source of capital, and government policies and procedures. In regard to public policy and operations, guidelines for improvement and remedial action can only be provided by the government.
- ✦ Group 4 (Q4) These factors were considered less important to foreign investors who expected Thailand's future competitiveness to strengthen compared to current levels. Factors in this category included Business laws and regulations, inflation and interest rates, land, and the living environment for expatriates. Although the importance of factors in this group may not be quite as prominent as in the first group, Thailand's current status was considered to have a favorable competitive advantage. Therefore, the government should continue to maintain the strengths of each factor by offering incentives encouraging foreign investment in Thailand.

An analysis of this section concluded that Thailand's competitive position in relation to basic factors influencing investment decisions; i.e. human resources, suppliers and raw materials, and labor cost and other costs, was at a level where foreign investors could feel confident. In addition, investment promotion privileges and supporting measures from the government, which are the important factors in investment decisions, are capable of attracting foreign investment and maintaining competitiveness with other countries. Nevertheless, foreign investors were still concerned about government policies regarding oil pricing and international trade policies, as well as capital market policy. Related government agencies must work together to strengthen Thailand's competitive position in the future.

## Chapter 4

### Thailand's Competitiveness Compared to Other Countries

#### 4.1 Thailand's competitive position in terms of production factors

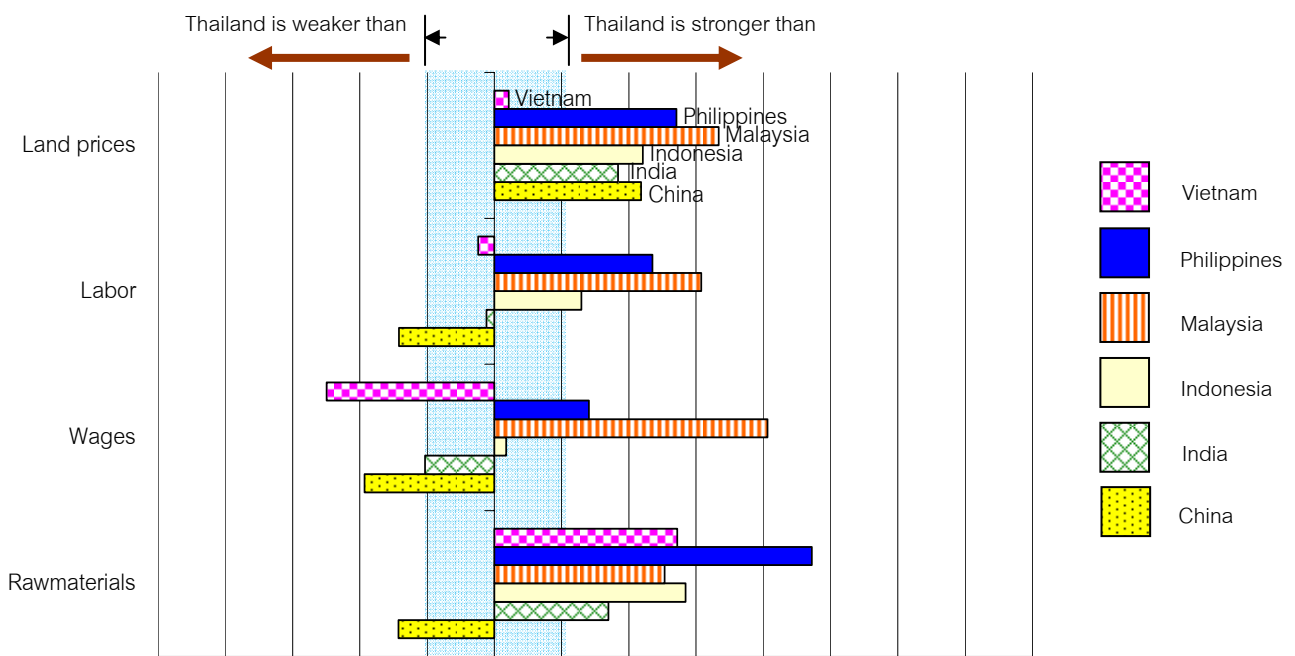
The comparison of production competitiveness was analyzed by 4 factors – land cost, availability of labor, labor costs and raw materials. Comparing Thailand to six of its competitors, as shown in figure 16, Thailand's current land costs were favorable when compared to 5 competitors – the Philippines, Malaysia, Indonesia, India and China; especially so in the case of Malaysia. However, when compared to Vietnam, Thailand's land costs were only slightly lower, and not nearly as distinctive when compared to the other countries.

In terms of labor, Thailand currently has more skilled workers in demand than the Philippines, Malaysia and Indonesia. Although competitiveness in this factor was slightly weaker than Vietnam and India, Thailand was still competitive. However, competitiveness was much inferior to China in this regard.

Foreign investors viewed Thailand's competitive advantage in labor cost as higher than Malaysia and the Philippines, comparable to Indonesia and India, slightly lower than India, but much lower than Vietnam and China.

Regarding raw materials, Thailand gained a competitive edge over almost every country, especially the Philippines, while Thailand's capability in this sector was much inferior to that of China.

Figure 16 Thailand's competitive position in production factors

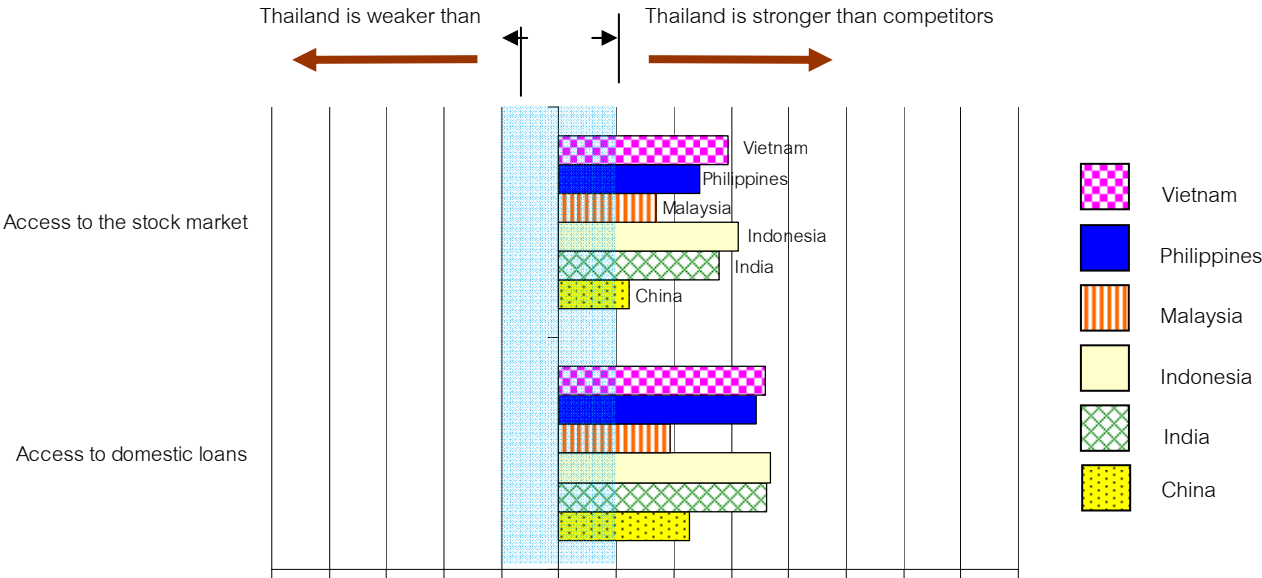


Note: A bar extending to the right represents Thailand in a strong competitive position, by factor (e.g. land prices). If the bar extends to the left, Thailand's position is weaker than its competitors. A bar remaining in the shaded area represents Thailand being at the same level as its competitors.

4.2 Thailand's competitive position in terms of accessibility to sources of capital

From the viewpoint of the foreign investors, Thailand's competitiveness regarding accessibility to sources of capital, including accessibility to stock market and accessibility to domestic loan, was perceived to be superior to all other countries in this study, especially in comparison with Vietnam, the Philippines, Indonesia and India. (Figure 17)

Figure 17 Thailand's competitive position regarding sources of capital



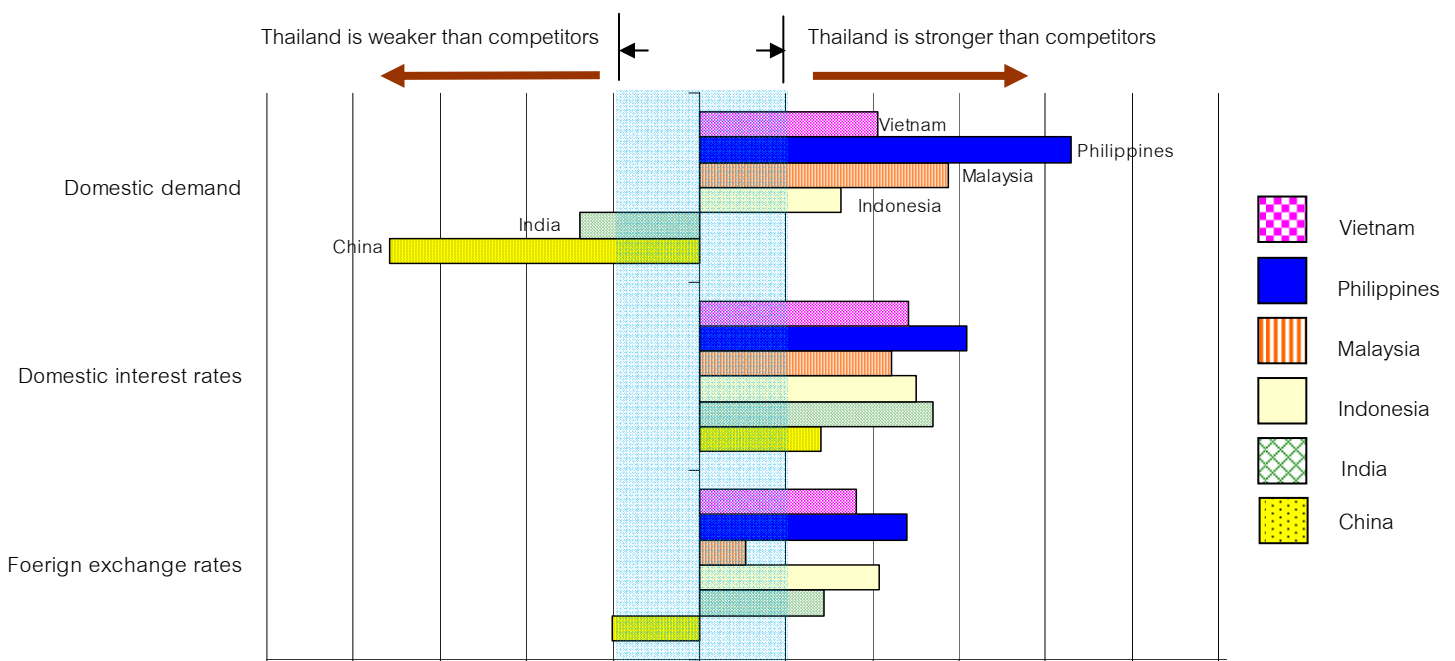
### 4.3 Thailand's competitive position in terms of economic conditions

Comparison of competitiveness in terms of economic conditions (figure 18) took 3 factors into consideration; domestic market demand, domestic interest rates and exchange rates. This study determined that domestic market demand in Thailand was greater than that of Vietnam, the Philippines, Malaysia and Indonesia, but lower than India and China.

Foreign investors understood that various government programs were responsible for Thailand's domestic interest rates being more advantageous to business operations when compared with all other competitors, especially so in comparison with the Philippines.

Regarding exchange rates, Thailand was found to be in a superior competitive position when compared with Vietnam, the Philippines, Indonesia and India, similar to Malaysia, and starting to lag slightly behind China.

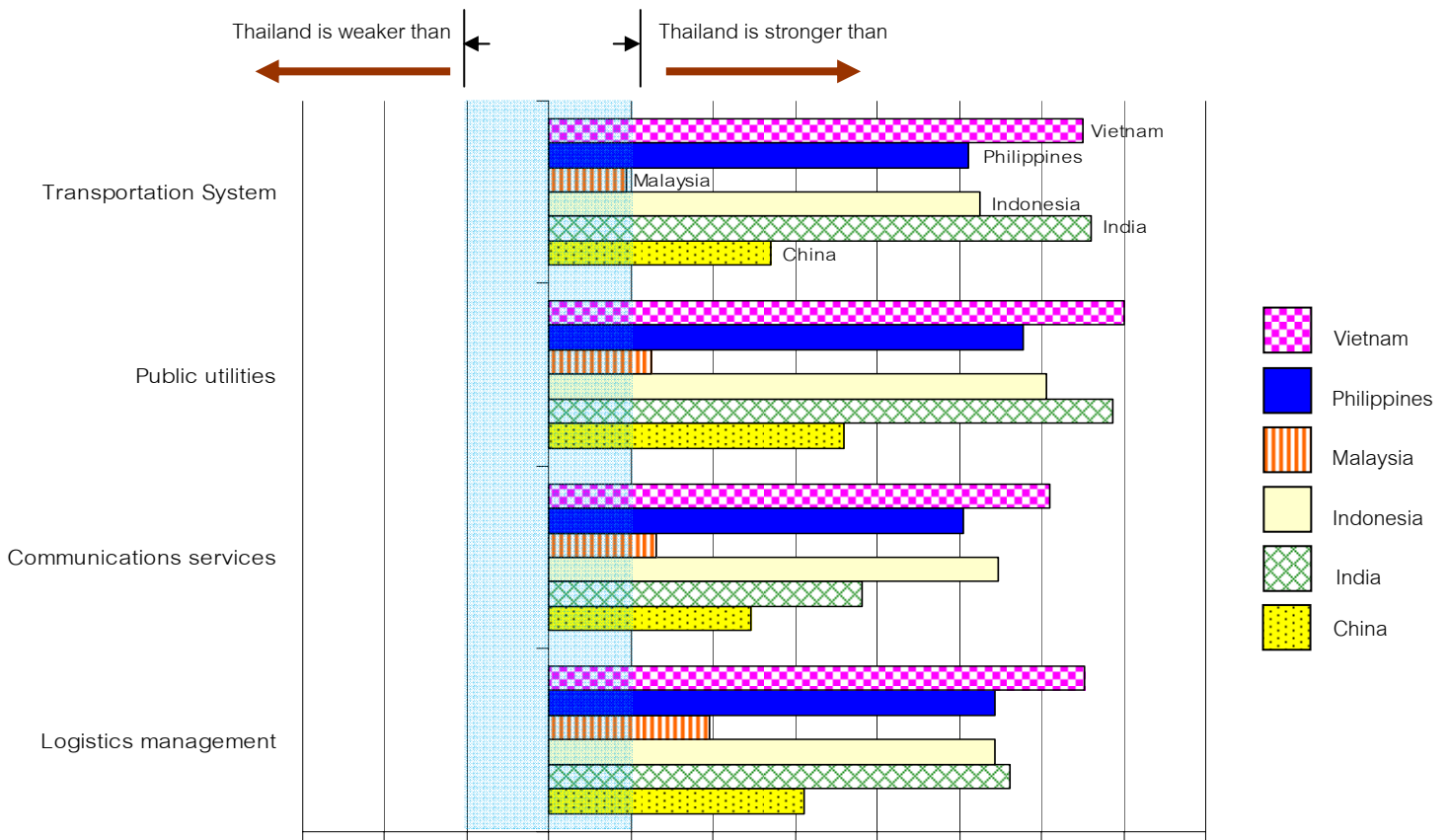
Figure 18 Thailand's competitive position in terms of economic conditions



#### 4.4 Thailand's competitive position in terms of infrastructure

Comparison of Thailand's competitiveness in terms of infrastructure considered such factors as transportation systems, public utilities and communications, and logistics management. From the viewpoint of foreign investors, Thailand was perceived to be superior to 5 competitors in terms of transportation systems. However, there was no clear distinction when compared to Malaysia. In terms of public utilities and communications and logistics management, Thailand was found to be superior to all 6 competitors. (Figure 19)

Figure 19 Thailand's competitive position in terms of infrastructure



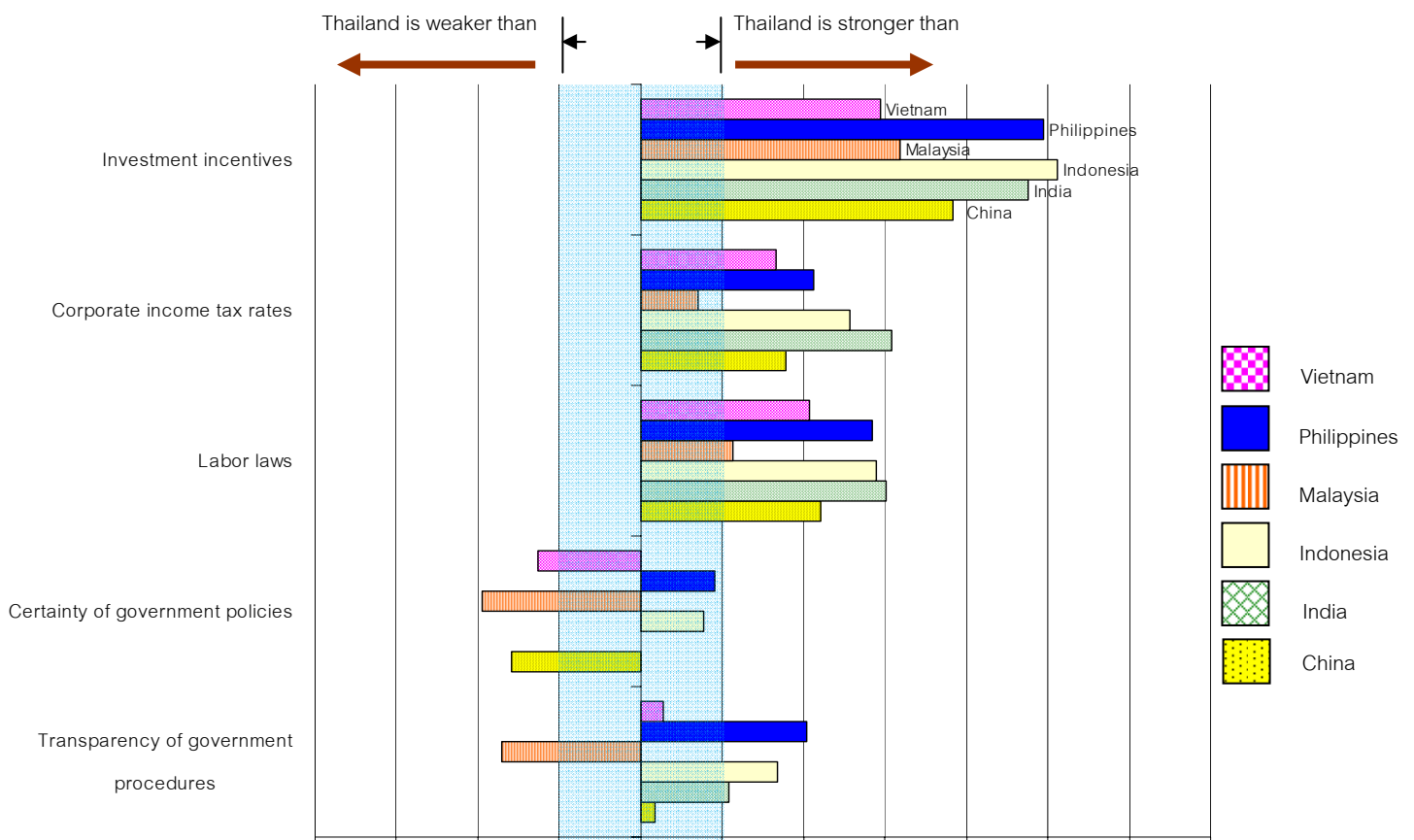
#### 4.5 Thailand's competitive position in terms of laws and regulations

Although many countries have implemented measures to attract investment, foreign investors rated investment incentive and labor law in Thailand as more advantageous compared to all other competitors. In terms of corporate income tax rate, investors agreed that Thailand was more competitive than Vietnam, the Philippines, Indonesia, India and China, but at the same level as Malaysia.

Comparison of Thailand's competitiveness in terms of stability of government policy revealed that foreign investors rated Thailand at the same level as the Philippines, Indonesia and India. However, Thailand's competitive position in this area was lower than Vietnam, Malaysia and China.

In terms of transparency of government procedures, foreign investors were clearly more confident in Thailand's government compared to the Philippines and Indonesia, and slightly more confident than India. However, transparency in Thailand was perceived to be at the same level as Vietnam and China, and very much less so than Malaysia. (Figure 20)

Figure 20 Thailand's competitive position regarding laws and regulations



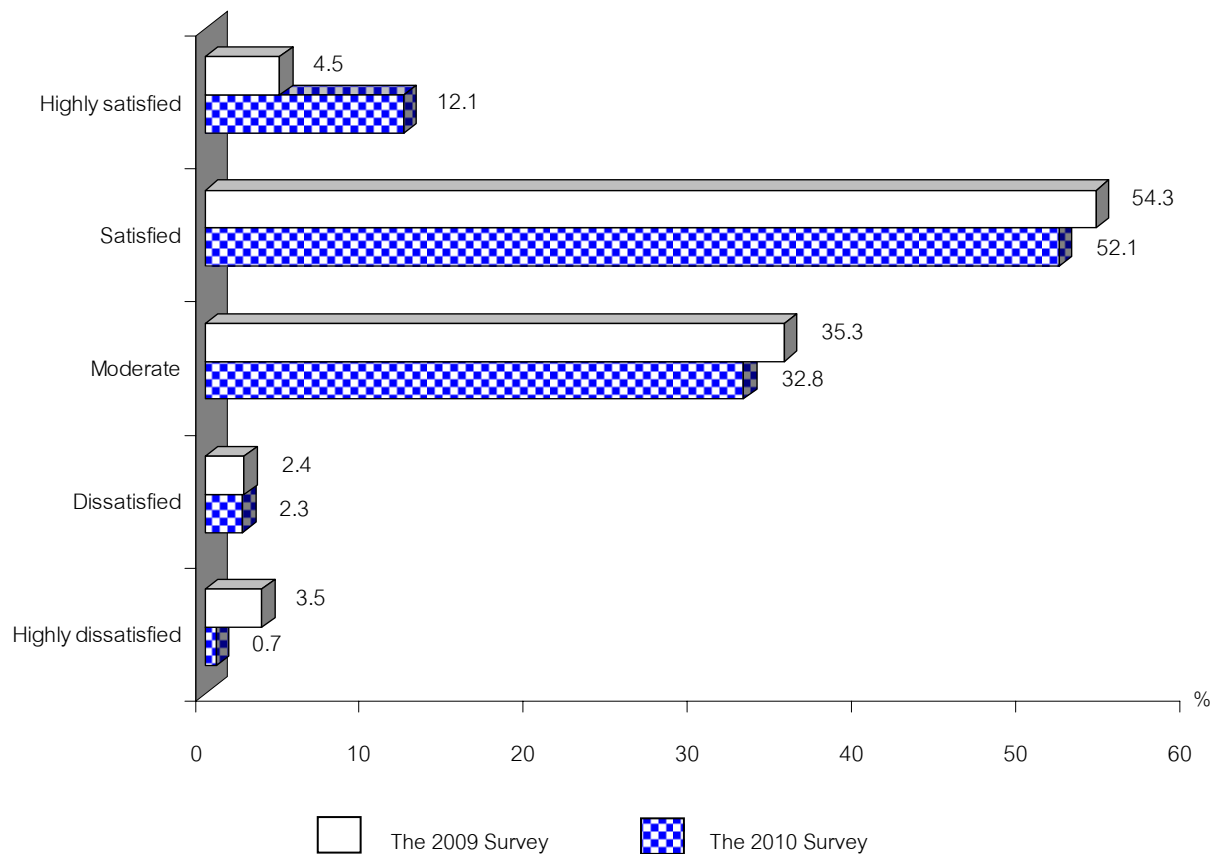
## Chapter 5

### Foreign investor satisfaction with services provided by the Thailand Board of Investment (BOI)

#### *Satisfaction with services provided by BOI: Overview*

This year's survey revealed that 64.2% of foreign investors were highly satisfied with services provided by BOI, (highly satisfied and satisfied). 32.8% were moderately satisfied, and 3.0% indicated dissatisfied and highly dissatisfied. A comparison of satisfaction scores with last year showed that the proportion of highly satisfied investors increased by 7.6%. The highest level of satisfaction decreased 2.2% from last year, but the combined score for the top two levels was 5.4% higher than last year. Foreign investors who were least satisfied with services provided by BOI declined 2.8% from last year. (Figure 21)

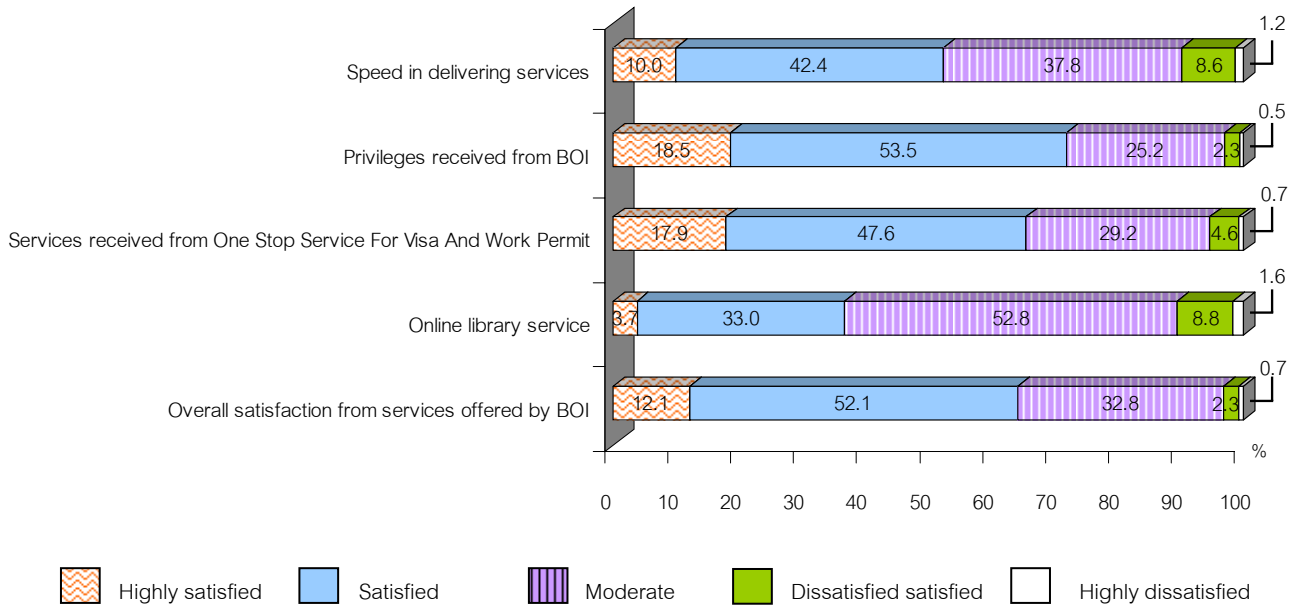
Figure 21 Proportion of overseas companies classified by satisfaction level of services provided by BOI (comparing 2009 and 2010)



*Satisfaction with each and every service*

The survey of foreign investor satisfaction with services provided by BOI consisted of 4 categories; speed of BOI's services, BOI's privileges, services received from One Stop Service for Visa and Work Permit, and the online library. Foreign investors showed the highest satisfaction (highly satisfied and satisfied) with privileges received from BOI at 72.0%, followed by services from One Stop Service for Visa and Work Permit at 65.5%, and speed in delivering services at 52.4% (figure 22).

Figure 22 Proportion of foreign companies classified by level of satisfaction with services received from BOI



## Chapter 6

### Analysis of Foreign Investor Confidence Survey in Thailand for 2010

The content provided in this chapter is the result of analysis based on survey data gathered during two periods of this year. The first consisted of a qualitative survey and in-depth interviews conducted in February and March, 2010. The second period consisted of additional interviews in June and July, 2010. The additional interviews were conducted to ascertain if there were any changes in investor sentiment that may have arisen due to the political unrest. In terms of workforce size, most companies that provided information had less than 200 employees. But in terms of asset value, most surveyed companies had more than 50 million baht worth of assets. And most of the companies have been operating in Thailand for at least 5 years. The study can be summarized into the following key aspects:

#### 6.1 Foreign Investor Confidence and Investment Plans for 2010-2011

The impact of the global economic recession since late 2008 resulted in a decrease in turnover for most foreign investors operating in Thailand over the past year when compared to 2008. The most severely affected were sectors related to the automotive industry, such as producers of automotive plastic parts, lamps, etc. In particular, the most severely affected companies were those primarily owned by Japanese shareholders. As such, turnover in 2009 declined compared to 2008.

Signs of continuous global economic recovery since 2009 and continuing through early 2010 were reflected in an increase of purchase orders in domestic and foreign markets, as well as in supporting programs implemented by the Thai government and its major trading partners targeting consumers and entrepreneurs alike. Both of these factors contributed to investors believing the business outlook for this year would see improvement. Hence, the confidence index of foreign investors exceeded 50 in terms of revenue, profitability, liquidity and investment. This degree of confidence is indicative of investor expectations of increased revenue and greater liquidity, which will further stimulate an increase in investment in order to accommodate greater market demand.

In early 2010, an increase in confidence prompted 45.1% of foreign enterprises to expand investment in 2010. In particular, companies in the agriculture and agricultural products sector saw greater expansion compared to all other sectors. However, most investors expected to maintain their investments at last year's levels. Approximately 4.0% of foreign investors who were concerned about the political situation in Thailand and the fragile world economy forecast a decrease in investment plans for 2010. Also, 2 of 686 overseas companies in this survey expected to withdraw their investment from Thailand because their parent companies were severely impacted by the global economic recession.

During the nonviolent political rally which started in early March, investors believed the government would achieve resolution within a very short time. But after the prolonged and violent political rally of April and May, foreign investors became more concerned, particularly overseas shareholders and customers. However, foreign investors not overly sensitive to these events still believed the government would soon resolve the situation. Some damages were also incurred by certain companies due to the declared public holidays and imposed curfew, or because of their location within or near the proximity of the political rally.

But when the situation started to dissolve after May, the confidence of these investors returned to the same levels as in the first part of the survey.

Companies that were very sensitive to the political unrest expressed their concerns over the possibility of a recurrence in the near future, and did not believe that the government would be able to achieve resolution. This was the key factor in lowered confidence levels compared to the first part of the survey. Some parent companies decided to slow down investment, or to suspend expansion plans in Thailand during this period. And aside from consequences stemming from the violence of April and May, the Maptaphut case, which is still pending clarification, also contributed to lower confidence levels.

## 6.2 Thailand's Competitive Position

This study revealed the primary factors that foreign investors considered most significant, and those that most influenced their investment decisions; namely, investment promotion privileges, corporate income tax rate, availability of skilled labor, labor cost and government policy. Currently, foreign investors are satisfied with the investment promotion privileges provided by BOI. However, the imposed corporate income tax rate is not as attractive to investment as it should be.

In terms of labor, although Thailand's labor costs are higher than its competitors, its labor skills are nevertheless competitive. In addition, because of a variety of recent programs designed to improve the skills and quality of the workforce, conducted by both the government and private sectors, the severity of the skilled labor shortage has improved. However, Thai labor has other weaknesses that lower Thailand's competitive position; namely, indiscipline and a lack of application.

Instability regarding government policies and lack of transparency were both factors contributing to investor confidence and a weakening of Thailand's competitive position. Although the government developed various measures in recent years to improve these issues, lax enforcement of the new laws/regulations did not result in a significant change from an investor point of view, especially so when compared with Malaysia.

In terms of accessibility to sources of capital, although most foreign companies, and particularly parent companies located abroad, do not depend on Thai sources of capital, investors felt that the conditions and provisions of the Stock Exchange of Thailand restricted the raising of capital through the stock market and were not as flexible as they could be. In addition, stricter rules regulating loan grants, enacted to prevent unprofitable loans (NPL), prevented easy access to domestic loan from Thai financial institutions; especially so for small businesses. However, when compared to competing countries such as Vietnam and Indonesia, foreign investors agreed that Thailand's accessibility to loans was more flexible and convenient.

### 6.3 Current obstacles according to priority

- Unclear communication of information

Images that appeared in the media raised the concerns of all foreign investors over Thailand's political situation, and led to a lack of confidence in government stability. Foreign investors, in particular those with overseas parent companies, had less confidence. Consequences included a slowdown in investment, a halt in expansion and new investment, and the transfer of investment funds to other countries.

- Political uncertainty and government stability

Political uncertainty along with the protest rallies carried out by various groups were important causes of concern among foreign investors over the stability of the Thai government and had a severe impact on foreign investor confidence. Although the situation was resolved by late May, confidence levels of most foreign investors remained unchanged from the earlier period at the beginning of the year. Most companies remained unconvinced that the political situation had come to a final conclusion. As such, any recurrence of political unrest would be sure to further dampen investor confidence.

- Ambiguity of laws/regulations

Laws/regulations were considered too broadly defined, resulting in ambiguity and inefficient communications between the public and private sectors. In addition, foreign investors require documentation from government that is mostly published in Thai only. Such documentations then have to be translated, where mistakes may occur and lead to further misunderstanding and failure to conform to the required laws/regulations.

- Quality of the Thai labor force and labor cost

At present, the quality of Thai labor and labor cost are at an acceptable level. However, a lack of discipline and application are weaknesses that the government must seek to address in order to prevent Thailand's comparative advantage from diminishing in the future, with a concurrent loss of interest by foreign investors.

### 6.4 Recommendations from foreign investors and analysis of in-depth interviews

#### 6.4.1 Recommendations resulting from the political unrest

- Rapid, clear and concrete realization of the reconciliation program

Foreign investors believed that the reconciliation program was a very good approach. However, more than half of the companies interviewed were unsure whether the reconciliation program could ever be realized, or when concrete results would clearly take hold. Therefore, to regain investor confidence, the government must proceed with the reconciliation program as quickly as possible.

- Assistance for affected entrepreneurs

Foreign investors were supportive of government assistance to Thai entrepreneurs affected by the political unrest. However, they felt the government should also compensate foreign investors who suffered damage. This would assure foreigners that their investments in Thailand were as protected and safe as they are for Thai entrepreneurs.

- Communication and understanding for investors in foreign countries

Although the violence arising from the political unrest occurred only in certain places, the news media abroad portrayed events such that a great many concerns were raised among shareholders and customers due to the mistaken perception that the violence was spreading throughout Bangkok and other provinces. Clearly, proper communication and understanding of the situation are extremely important factors in these situations. To ensure Thai government pronouncements to the international community are being properly disseminated and understood, related Thai government agencies should seek the cooperation of ambassadors from various countries in Thailand. Foreign investors residing in Thailand, as well as tourists, could also be invited to participate in such a program.

- Rapid enforcement of laws to bring about social harmony

Foreign investors suggested that the government should enforce all applicable laws in order to bring about social harmony as quickly as possible. Prolonging the situation and allowing it to spread, as it did last April and May, would raise concerns, particularly among overseas shareholders and potential new investors. In addition, law enforcement must be non-discriminating to prevent separatist sentiment from growing and a return to the same old problems.

- Raising awareness of Thai political ideologies and acting more for the common interest.

Many foreign investors said that if Thai politicians had stronger ideological commitment and acted for the common interest of the people rather than for personal interests, problems would be reduced from the current situation. Related government agencies should find an approach to breed a new generation of politicians in order to truly develop a democratic society.

- Allocation of designated zones for political activities and measures for definitive conflict resolution

Political activity in a democratic country is normal. However, the government should provide designated zones for political rallies of all kinds, in locations where the potential impact to the economy can be minimized. The government should also implement definitive measures in advance, to deal with any problems that may arise. Appropriate measures must also be readily available to prevent activists from blocking airports, seaports or the flow of traffic.

#### **6.4.2 Recommendations for improving Thailand's competitive position**

- Amendment of laws/regulations towards a better understanding, made available in multiple languages

The government should amend relevant laws/regulations to improve clarity and comprehension. They should also be published in foreign languages; for example, English, Chinese, Japanese, etc. to facilitate efficient communications between investors and related government agencies.

- Maintaining exchange rates/ interest rate at attractive levels

Exchange rates are a key variable for companies whose revenues are earned primarily through export, while loan interest rates are a fundamental factor in the expansion of investment. If the government and related agencies can provide measures to control these two rates at attractive levels, entrepreneurs operating in Thailand would be able to attain a stronger competitive position, further enhancing Thailand's stature as a prime destination for new investment.

- Reform of government procedures towards transparency, fairness and consistency

Corruption and inequities practiced by government officials are two important factors which negatively impact Thailand's competitive position. Reform of working procedures in government agencies towards transparency, fairness and consistency would not only enhance Thailand's image but it would also reduce the cost of business operations, thus strengthening Thailand's investment climate and competitiveness.

- Reforming the processing of legal issues affecting foreign investment in order to improve transparency and timeliness

Foreign investors who were ordered by the administrative court to temporarily suspend operations, due to the Maptaphut incident, mentioned that if government were to achieve resolution quickly and define clear guidelines, confidence could, in fact, be regained. Investors already operating in Thailand would be encouraged to increase their investment, while new investors would be induced to select Thailand as their investment destination.

- Fostering correct working attitudes in the Thai labor force

The government should delegate responsibility to related educational institutes, and any other training agencies, to foster correct working attitudes in students and the labor force, with the aim of becoming more responsible and disciplined in their work ethic. A disciplined workforce would result in improved efficiencies throughout every sector of the country.



# Think Asia, Invest Thailand

GEARED FOR THE FUTURE

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