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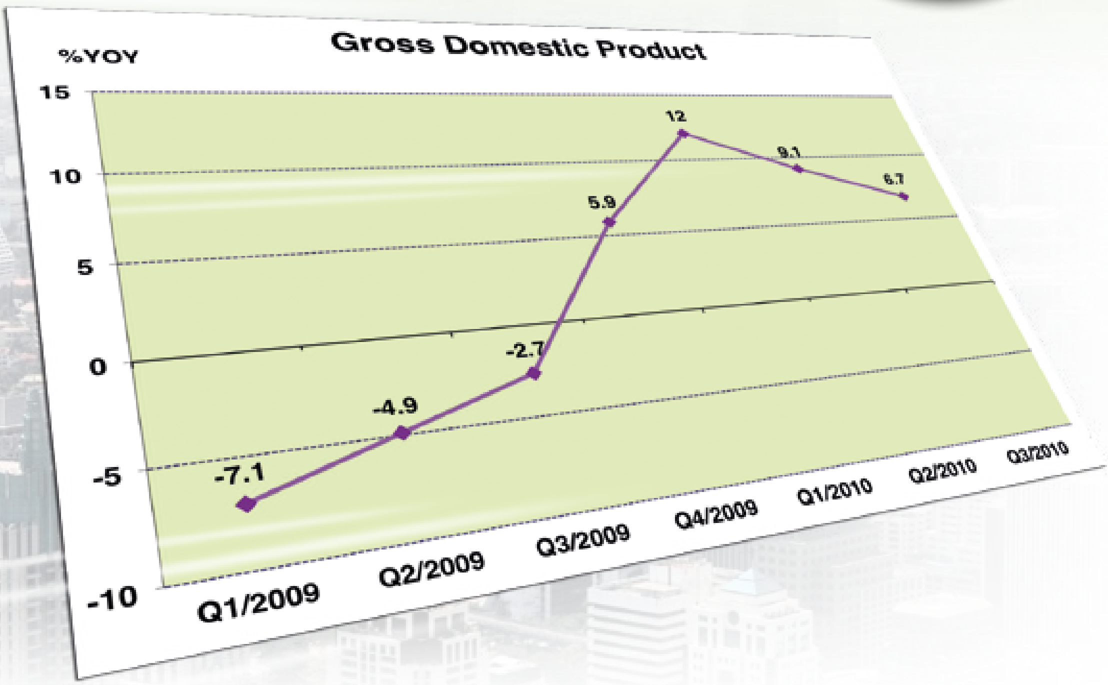

Economic Growth Continues

Thailand's economy continues to race along the path of growth as the National Economic and Social Development Board reports 6.7 percent growth for the third quarter (Q3), which translates into 9.3 percent growth for first nine months of the year. The NESDB forecasts full year economic growth in Thailand of 7.9 percent, which falls within the range set by the Bank of Thailand of up to 8 percent.

The Kingdom's successful recovery from recession has been in tandem with the global economic recovery, as well as increasing consumer confidence within the country, with unemployment at a low of 0.9 percent. This has led exports to reach an historic high of 49,721 million US dollars, which represents a year on year 22.2 percent increase. Looking closer at which areas are the top performers, there has been a 60.1 percent growth in autos and parts and accessories, 17 percent growth in integrated circuits, 38.2 percent growth in air conditioners and a 93.9 percent growth in rubber.

According to the Commerce Ministry, exports for the first ten months of the year were valued at US$160 billion, with imports at US$148 billion.

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NEWS BITES

National Broadcasting and Telecommunications Commission

The Government will accelerate the formation of the National Broadcasting and Telecommunications Commission (NBTC), following the passage of the frequency allocation bill in Parliament. The bill was endorsed by the Senate on November 15 after it was approved by the House of Representatives on November 10. It calls for the establishment of NBTC to supervise the operations of the broadcasting and telecommunications sectors and the issuance of licenses for the use of broadcasting and telecommunications frequencies. As a new body to regulate the broadcasting and telecommunications industries, NBTC will replace the existing National Telecommunications Commission

November Board Meeting

The Board of Investment (BOI), meeting in November 2010, approved measures to help flood-afflicted businesses and adopted new measures to provide companies some relief from the impact of the strong baht. Those affected by the floods will be granted an import duty exemption for machinery imported to replace that damaged by the floods. This measure covers businesses in all zones in Thailand, including those that may be afflicted by floods in the future. Applications to receive this benefit for replacement machinery must be submitted by 31 December 2011.

Those companies affected by the strong baht may be eligible for a three-year corporate income tax exemption for up to 70 percent of the total investment value (excluding land and capital), for machinery replacement for efficiency upgrade. BOI has also relaxed its rules for small and medium sized enterprises by raising the investment ceiling per application from 20 million baht to 80 million baht (excluding land and revolving capital).

BOI NET APPLICATIONS

	2008 (US$ = 33.23THB)		2009 (Jan-Oct) (US$ = 33.36THB)		2010 (Jan-Oct) (US$ = 29.96THB)	
	Number of projects	Value	Number of projects	Value	Number of projects	Value
Total Investment	**1,262**	**1,343**	**880**	**9,709**	**1,243**	**11,271**
Total Foreign Investment	**788**	**10,555**	**547**	**4,718**	**691**	**5,837**
By Sector						
Agricultural Products	79	1,148	57	370	61	491
Minerals / Ceramics	14	1,012	12	246	17	865
Light Industries / Textiles	54	116	40	62	50	222
Automotive / Metal Processing	176	1,502	125	1,113	181	1,118
Electrical / Electronics	164	2,954	111	1,367	133	1,884
Chemicals / Paper	72	498	48	390	90	588
Services	229	3,626	154	1,169	159	670
By Economy						
Japan	266	2,329	201	1,568	284	2,381
Europe	153	2,417	102	455	99	1,240
Taiwan	73	610	31	166	36	123
USA	56	1,042	34	766	35	110
Hong Kong	20	416	16	61	20	131
Singapore	70	1,031	50	510	52	316
By Zone						
Zone 1	252	1,664	202	1,030	206	867
Zone 2	357	5,899	229	2,679	340	3,367
Zone 3	179	2,993	116	1,009	145	1,603

Unit: *US$ Million*
Note: *Investment projects with foreign equity participation from more than one country are reported in the figures for both countries.*

Continued from P. 1

Export markets continued to expand during Q3, particularly in ASEAN which increased by 27.5 percent. China, Japan the United States and the European Union all increased as well, by 26.9, 25.4, 32.0 and 19.4, respectively. Increases were also experienced in the newer markets of Hong Kong, Taiwan, India and South Korea, at 21.7, 38.6, 24.7 and 12.6, respectively.

Economic Projection Year 2010 and 2011

		2010		Projection	
(% YOY)	2009	H1	Q3	2010	2011
GDP (at 1988 price)	-2.3	10.7	6.7	7.9	3.5-4.5
Total Investment (at 1988 price)	-9.2	11.7	8.0	9.7	8.0
•Private	-13.1	15.8	14.5	13.9	9.8
•Public	2.7	0.3	-5.2	-1.3	2.5
Total Consumption (at 1988 price)	0.1	5.9	4.5	5.0	4.1
•Private	-1.1	5.2	5.0	4.9	4.3
•Public	7.5	9.7	2.0	5.5	2.7
Export of Goods (Value)	-13.9	37.0	22.2	25.1	11.7
Export of Goods (Volume)	-13.6	22.6	13.1	16.4	6.2
Import of Goods (Value)	-25.2	53.4	30.7	33.5	13.4
Import of Goods (Volume)	-23.1	37.5	24.9	25.5	7.9
Current Account to GDP (%)	8.3	4.6	2.6	4.3	3.3
Inflation	-0.9	3.5	3.3	3.2	2.5-3.5
Unemployment Rate	1.5	1.2	0.9	1.1	1.2-1.3

Source: NESDB November 22, 2010

Tourism, which had been negatively affected earlier in the year, has returned to normal levels and in fact grew by 12.5 percent, with increased arrivals from China, Malaysia and India. This has helped to facilitate a 10.1 percent growth in hotels and restaurants. According to NESDB, the signs of recovery in the tourism sector were listed as "(i) an increase in number of inbound tourists by 12.5 percent, accelerated from a contraction of 3.6 percent in the previous quarter; (ii) an average occupancy rate of 48.4 percent, accelerated from 39.3 percent in the previous quarter; and (iii) an increase in number of flights and passengers of Low-cost carriers (LCCs) by 13.9 and 26.7 percent respectively compared to the same period of last year." There were 11.2 million tourists in the first three quarter, and an additional 4 million expected in Q4.

The business sentiment index has improved during the quarter to 50.4 percent, which is an increase from the previous quarter when it was at 49.3 percent. During this period, the manufacturing sector saw an expansion of 11.5 percent, which was the fourth consecutive quarter of expansion. That expansion is attributed to the increase in exports as well as the increase in domestic demand. Again, leading the way in manufacturing during the third quarter was the automotive industry, which saw a 43.3 year on year increase. This was followed by office machinery industry, electrical appliance industry, and the electronics industry, at 37.1, 15.7 and 2.6 percent, respectively.

As the global economy begins to cool in 2011, a similar drop in domestic economic growth is seen likely to occur. "Regarding the economic outlook, exports are projected to grow by 11.7percent while private consumption and private investment are forecasted to expand by 4.3 and 9.8 percent respectively. Other key economic indicators are forecasted as follow: (i) headline inflation between 2.5-3.5 percent; (ii) unemployment rate in the range of 1.2-1.3 percent; and (iii) current account surplus of 3.3 percent of GDP."

All in all, Thailand continues to perform well and the strength of its economic foundation is repeatedly reflected in the quarterly economic performance. With infrastructure projects going forward, political stability restored and continuing good reviews as a good place to do business, investors will continue to recognize all that Thailand has to offer.

Grant Thornton: Bright Economic Prospects

Grant Thornton, a leading professional services firm, has released its International Business Report: Thailand Country Focus 2010, comparing Thailand with 35 other countries using indicators on economic optimism, employment, revenue expectations, business constraints, profitability expectations, support of lenders, merger and acquisitions, and foreign talent.

"Thailand has seen brighter prospects for new business opportunities as well as a recovery for exports, despite the political unrest and sluggish tourism industry in Q1-2."

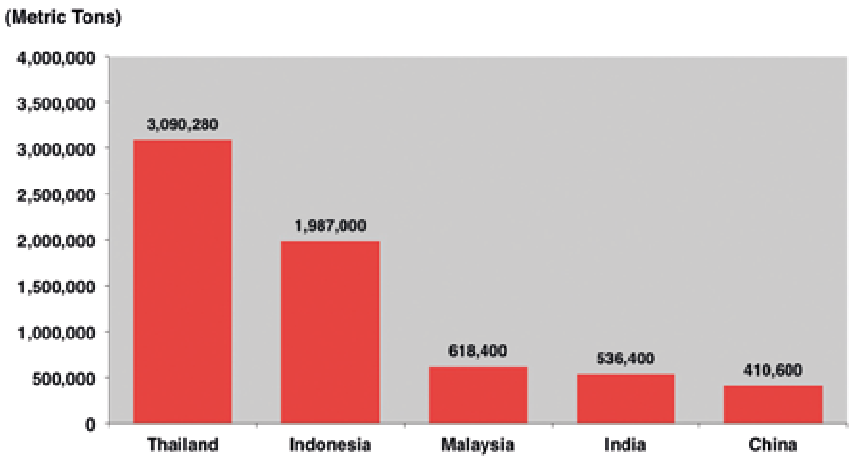
The report mentions the fact that Thailand had achieved double digit year-on-year GDP growth in the first quarter of 2010. It should also be noted that the first quarter GDP growth was the highest in 15 years. Although the report sees 2010 GDP at 5.5 percent, it has been forecast by the Bank of Thailand to reach 8 percent. Among the key indicators listed is the improved optimism among businesses in Thailand for 2010 and that the expectation for profitability is higher than the Asia Pacific average.

"Our report shows that businesses in Thailand are considerably more optimistic this year with the outlook for the economy, although less than half expect to see an upturn in the global economy by the end of 2010. Moreover, the profitability expectations of businesses has increased significantly and the balance of businesses expecting to increase profits in Thailand has risen this year by 50 percentage points to + 30 percent.", according to Ian Pescoe, Managing Partner of Grant Thornton Thailand.

Thailand Leads World in Rubber Production and Advanced R&D

Blessed with natural and man-made advantages, Thailand has developed into the world's largest producer and exporter of natural rubber. The country turns out more than 3 million metric tons of natural rubber annually, and progress in the industry remains vigorous.

World's Top 5 Producers of Natural Rubber in 2009



Source: The Thai Rubber Association, as of May 10, 2010

Perfectly positioned to lead, Thailand rose to prominence because of its abundant resources of natural rubber, cost-effective workforce, and strategic location in the Asia-Pacific region. According to the Thai Rubber Association, the Asia-Pacific currently accounts for 57% of global rubber demand and will remain the world's strongest growth area through at least 2013. This represents continued lucrative opportunities for Thai rubber businesses.

Besides a prime location, Thailand offers rubber investors an ample water supply, a low incidence of power outages, and a reliable transportation infrastructure for smooth operations.

Moreover, Thai rubber businesses are flourishing because of solid government policies promoting the industry. This includes the lower tariffs resulting from the country's free trade agreements with trading partners such as China, Australia, New Zealand, and ASEAN states. In addition, Thailand is a member of the Association of Natural Rubber Producing Countries, which also consists of Indonesia, Malaysia, Vietnam, China and Sri Lanka. All of this is conducive to increased business in the region, with Indonesia being the world's second-biggest rubber producer, followed by Malaysia, India and China.

Many considerable developments enriched the Thai rubber industry in 2010. Of major importance was the Thai government's announced plans to launch the next phase of its initiative to expand rubber plantations nationwide. An initial budget of 11.42 billion baht will create new plantations of rubber saplings in the northern, eastern and central regions, with the southern area long well-established. More than 100,000 planters are expected to benefit from this expansion, which aims to increase Thailand's natural rubber supply by an additional 250,000 metric tons per year from 2017.

The first part of 2010 also saw several new projects in the country's growing tire sector, a vital cog in the Thai rubber machine. Thai Bridgestone Co., Ltd. unveiled plans for a US$25 million retread plant. Goodyear (Thailand) Public Co., Ltd. is also investing in a radialization project for airplane and automobile tires, and Dunlop Tire (Thailand) Co., Ltd. has launched a plant featuring an innovative production system.

In other major industry developments, condom manufacturer Thai Nippon Rubber Co. is spending 600 million baht to build a large production facility in Chonburi Province. The plant will increase the company's capacity by 75% from the current 800 million pieces. Moreover, the Sri Trang Group said it will double its annual capacity within five years to 20 billion gloves and 160,000 metric tons of other products such as block rubber and technically specified rubber.

As another forward step taken in 2010, the Thailand Board of Investment (BOI) in August organized a mission to Chennai and Mumbai to strengthen investment and business collaboration with India. Rubber products and automotive parts were high on the agenda.

The BOI classifies the manufacture of natural rubber and rubberwood products as a priority activity. Eligible investment projects in the industry can therefore receive benefits such as tax breaks and exemption from duties on imported machinery.

As the world's leading producer, Thailand attracts substantial investment by foreign, joint venture and domestic manufacturers in the rubber industry and related sectors. The top rubber exporting companies in Thailand are Von Bundit, Sri Trang Agro-Industry, Thai Hua, Thaitech Rubber, Southland, Bridgestone Natural Rubber, B.Right, Teck Bee Hang, Tavorn, Hadsyn, Siam Indo, A One, Numhua, and Thai Rubber Latex.

Major rubber products manufactured in Thailand include gloves at 10.93 billion units in 2009, inner tubes at 58.76 million, motorcycle tires at 19.95 million, passenger car tires at 19.58 million, bicycle tires at 18.29 million and rubber bars at 800,759 units.

Based on statistics from the Rubber Research Institute of Thailand (RRIT), in 2009 the country's rubber exports reached 2.72 million metric tons and domestic consumption totaled 399,415. By material type that year, standard Thai rubber output was 1.06 million, ribbed smoked sheet was 837,294, concentrated latex was 703,817 and crepe was 487,160 metric tons.

The country now exports about 90% of production, or US$4.26 billion worth in 2009. The Thai rubber industry is clearly on a growth path, and the Office of Industrial Economics projects export value hitting US$6.6 billion in 2012.

Thailand is also a significant importer. In 2009, inbound shipments of rubber products, scrap, and rubber materials were worth US$1.12 million.

Tire and Non-Tire Demand Strong

The heart of Thailand's rubber production remains the area in the south from Chumpon Province all the way to the border with Malaysia. A monsoon climate helps Thai farmers achieve high yields of about 1.76 tons of rubber per hectare. Small landholders with four hectares or less represent 95% of cultivation in the country. The industry, however, is mainly controlled by large processing plants that purchase the material through local dealers.

With manufacturing sectors such as the all-important automotive industry recovering from the global downturn, rubber output is expected to continue growing steadily in coming years. Demand is also on the upswing in sectors such as rubber gloves and condoms because of greater consumer concerns for good hygiene.

In fact, some industry experts predict that non-tire rubber demand will outpace that for tire rubber due to expanding industrialization in developing countries. This involves products such as moldings, gaskets, cushioning, adhesives, padding, belting, wire and cable sheathing, roofing and adhesives. Thailand rubber is also used to make balloons, rubber bands, pulleys, toys, sports and leisure goods, medical devices and carpet underlay.

Along with being the No. 1 exporter of high-quality rubber, Thailand is also a trendsetter as a leading R&D center for the material. The country's 100,000 science and engineering graduates annually fuel local innovation. Added product value and greater environmental sensitivity are two trends emerging with the Thai rubber industry seeing steady advancement. Of all rubber produced for domestic consumption in Thailand, 65% is now processed into value-added goods such as better tires, gloves and elastic. Work is also accelerating on popularizing rubberwood as an environment-friendly alternative to hardwood timber.

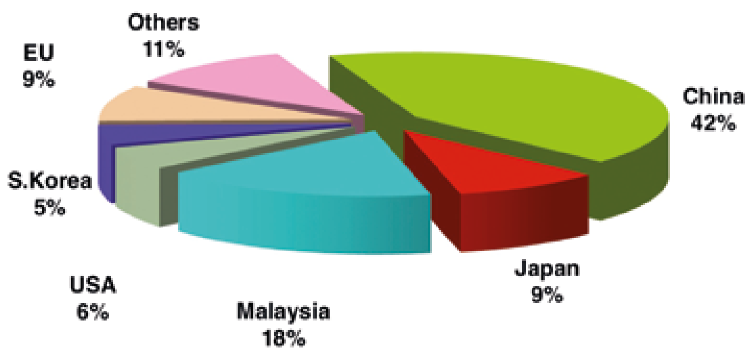
Solid Support Amid Challenges

Thai natural rubber is prized in markets around the world. The top destinations in terms of export value are China, Malaysia, Japan, South Korea, the United States and the European Union. According to the RRIT, China absorbed the lion's share of exports in 2009 at 42%.

Support of rubber businesses in Thailand is resolute, with policies in place for continued development. Government bodies, trade associations and R&D institutions are all active in promoting the industry's competitiveness. In addition to the BOI and the RRIT, these include the National Science and Technology Development Agency, Department of Industrial Promotion, National Metal and Materials Research Center (MTEC), National Center for Genetic Engineering and Biotechnology (BIOTEC), Research and Development Institute of Industrial Production Technology at Kasetsart University, Prince of Songkla University, Thai-German Institute, Rubber Estate Organization and Polymer Society.

But the industry still faces growth challenges amid its stable development. For one, the market price of rubber has been in decline, threatening the margins of suppliers. Sales of smoked rubber sheets, a major product line in Thailand, are also falling off. This is putting pressure on some operators to undergo an upmarket shift to higher-quality products such as rubber blocks and concentrated latex. However, such a move will require spending on new advanced technology.

Thailand's Natural Rubber Export Markets 2009

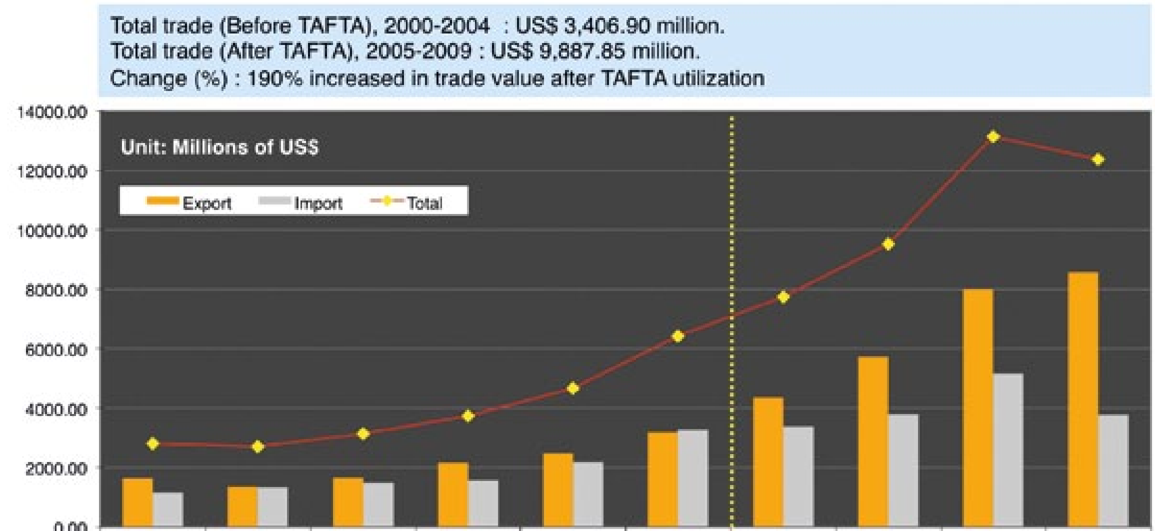


Source: Rubber Research Institute of Thailand as of May 11, 2010

Value-added production will play a key role as companies, institutes and the government look at ways for the Thai rubber industry to evolve while maintaining its leadership position.

Investment Community Praises TAFTA and Looks for More

Trade Value between Thai-Australia, 2000-2009



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Export	1636.10	1361.70	1641.70	2160.20	2468.10	3174.60	4351.40	5726.20	7982.50	8579.10
Import	1164.40	1346.30	1495.80	1568.00	2197.50	3253.00	3396.70	3800.40	5160.20	3787.40
Total	2800.50	2708.00	3135.50	3728.60	4665.60	6427.70	7748.10	9525.60	13142.70	12366.60

Source: www.dtn.go.th

With strong government backing and testimonials by manufacturers, the Thailand-Australia Free Trade Agreement (TAFTA) stepped into the spotlight at a jam-packed seminar in Pattaya, Chonburi Province's world-class beach resort.

Thailand and Australia, two countries that are top international tourism destinations, are also keen on generating more growth in bilateral trade and investment. The TAFTA pact, which has been in force for six productive years and is facing review in 2011, is the main vehicle for accomplishing increased business between the two partners.

"Through meetings such as this one, we can draw attention to the benefits of free trade agreements (FTAs) and inform the business community on how to take advantage of what FTAs offer," Duangjai Asawachintachit, deputy secretary general of the Thailand Board of Investment (BOI), said in her welcoming remarks.

Held on 18 November 2010 in the ballroom of the Holiday Inn Pattaya hotel, the "Making TAFTA and other FTAs Work for You" seminar was co-organized by the BOI, Australian Trade Commission (Austrade) and Australia-Thailand Institute (ATI).

Launched in January 2005, TAFTA has greatly liberalized trade in goods, services and investment between the two countries, although the results remain lopsided. In 2009, bilateral shipments totaled 424.54 trillion baht, with Thailand exporting products worth 294.52 trillion baht to Australia. For January-September 2010, total trade climbed to 388.60 trillion baht, some 105.41 trillion baht in Thailand's favor.

Thailand's leading exports to its partner Down Under are automobiles and parts, with those shipments growing 68% y-o-y in January-September 2010. Other major categories are precious stones and jewelry, iron and steel products, air conditioners and parts, and glass products. Australia's principal exports to Thailand are metal ore, jewelry, crude oil, and vegetable products, the last of which doubled over the past year.

"There is also a lot of movement of business people between the two countries," said Mark Wood, a counselor at Austrade and one of the seminar's guest speakers. He noted that in 2009, Australia approved 9,000 visa applications by Thai entrepreneurs. For the first quarter of 2010, the number was 4,000. When extrapolating that for the whole of 2010, the total would be 12,000 visas, representing a 30% y-o-y increase.

Even with the upbeat comments by government representatives, perhaps the best testimonial to the effectiveness of TAFTA in particular and FTAs in general came from an actual manufacturer at the event. "Thailand's FTAs have put our company at a real price-competitive level," Lachlan McCann, managing director at Off Road Accessories Thailand, told the large audience of entrepreneurs. "Last year was the biggest for our Thailand operations, and I urge everyone to use the BOI and agreements such as TAFTA to your advantage."

A subsidiary of Melbourne-based ARB, his company has been manufacturing auto products in Thailand for four years, exporting mainly to the aftermarket for Thai-made pickups in Australia. Off Road Thailand is clearly prospering. A few months ago, the company staffed up from 85 to 165 workers at its factory in a Hemaraj industrial estate. It has also expanded by recently establishing a trading company in Thailand as facilitated through opportunities available under TAFTA.

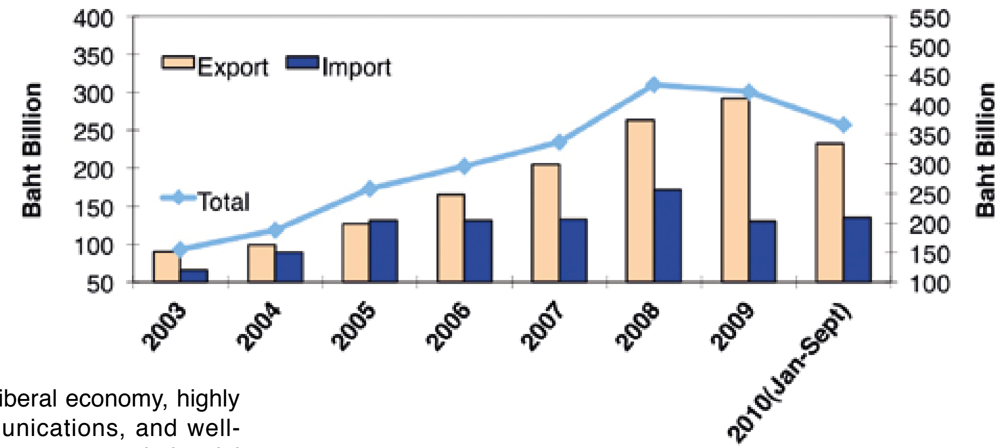
"Our Thailand operations are hugely beneficial," McCann said. "We are cost-competitive and can maintain quality standards easily. It is a credit to the BOI that companies such as ours come here. There is a real can-do attitude in Thailand."

Mutual Competitiveness

Since TAFTA's launch, some 96% of all goods for export from Thailand to Australia have now gone down to zero tariff rates, and 94% of items for export from Australia to Thailand are likewise at zero. "This has enabled Australian companies to become more competitive in Thailand, and likewise for Thai companies seeking to do business in Australia," Duangjai said.

Most of the categories where Thailand still imposes duties under TAFTA involve apparel and textiles, and from the Australian side mainly dairy products are left. If processes continue as expected, within four years 100% tariff removal could be achieved.

Trade Summary Thailand/Australia



Source: MOC, as of Nov 12, 2010

Bonggot Anuroj, executive director of the BOI's Investment Marketing Bureau, spoke on the many things that make Thailand an ideal investment destination. Besides the country's expanding regime of FTAs, Thailand is a gateway to markets throughout Asia. The country's liberal economy, highly qualified workforce, modern telecommunications, and well-developed infrastructure with excellent deep-sea ports, industrial estates and international airports also help local businesses run smoothly.

Perhaps most important, she emphasized, is the fact that investors in Thailand receive the full support of the government. This includes the fiscal and non-fiscal incentives that the BOI offers to investors, and such benefits continue to attract new investment. In 2009, the BOI approved applications worth 723.4 billion baht in investment value, a record high.

Approved Australian investment in Thailand for January-October 2010 totaled 6.07 billion baht. In one particularly impressive project, Akara Mining Ltd. is itself investing 4.02 billion baht. Mining continues to be the top sector for investment by Australian companies, followed by metal products and machinery, agriculture, light industry, electrical appliances and electronics, chemicals and paper, and services.

However, Australian investment in Thailand remains small compared with that by other countries. Japan is still the leading foreign investor here with projects totaling 71 billion baht in January-October 2010. The United States, the European Union, Singapore, China and India along with Australia round out the top seven investor countries.

From Good to Great

TAFTA is seen as a very good FTA, but seminar participants agreed that it can be made even better. Planning is under way for the next phase of the agreement. The two governments will convene a body in the first quarter of 2011 to review the pact and explore ways to improve it for traders and investors.

"What's different this time around is that now both sides are more experienced in FTAs," said Simon Farbenbloom, deputy head of mission at the Australian Embassy in Thailand.

Over time, Australia has increased its number of FTAs to include current pacts with New Zealand, Singapore, the United States, Chile, ASEAN and Thailand. Under negotiation are China, Malaysia, Japan and South Korea.

As a member of ASEAN, Thailand now enjoys FTA benefits under several regional pacts that are already in force. These include ASEAN-China, ASEAN-Japan and ASEAN-Korea. Besides TAFTA, Thailand is also a signatory of the ASEAN-Australia-New Zealand Free Trade Area that became effective in March 2010.

In addition, Thailand has an FTA with India. A Thailand-Peru FTA is effective from January 2011. In March 2011, the country will start negotiations with Chile on a free trade pact. Moreover, Thailand has talks pending with the United States and the European Union. Other initiatives on the horizon include discussions through ASEAN with MERCOSUR and the Gulf Cooperation Council.

"The trade negotiations that Thailand has made in the past decade are a tremendous achievement," Chaveng Chao, director at Bayer Thai Co., Ltd., said to the business people in attendance. "I encourage all of you to take advantage of Thailand's FTAs. These agreements can give you ease of doing business, lower your costs and open up opportunities."

FTAs have an important role that goes beyond just increasing exports. As Thailand begins its transition to high-value-added goods and services, these agreements must drive private enterprises to become more competitive in order to survive in today's increasingly globalized economy.

But as Pimchanok Vonkorporn, executive director of the Thai Ministry of Commerce's Trade Negotiation Bureau, so colorfully put it, "An FTA is a little lamb when compared to ASEAN."

As the region grows in economic power and becomes more interconnected, Thailand will certainly benefit from its role as a leading hub in ASEAN. With nearly 600 million people, ASEAN will become one of the world's most vibrant economic centers when it forms a massive single market called the ASEAN Economic Community (AEC) as planned by 2015.

The successful Pattaya seminar carries the BOI into the year ahead with a full slate of investment-promotion projects. Besides the TAFTA review and polishing up agreements with Peru, Chile and other countries, the Board will be promoting sustainable development, a balance between environmental protection and economic growth, and more Regional Operating Headquarters in Thailand.

The sparkling gem of the forthcoming investment year will be BOI Fair 2011, scheduled for 10-25 November. Part of nationwide celebrations marking King Bhumibol Adulyadej's 84th birthday in 2011, the huge Fair will also showcase the country's industrial capacity, modern technology and innovations.

Top Economists Call for More Investment in Thailand

Economic Performance & Outlook 2010

Economic Projections	2009	2010		
	Year	H1	Q3	Projection
1) GDP (at 1988 price)	-2.3	10.7	6.7	7.9
2) Export, FOB value (percent y-o-y)	-13.9	37.0	22.2	25.1
3) Import, CIF value (percent y-o-y)	-25.2	53.4	30.7	33.5
4) Industrial Capacity Utilization (%)	61.0	62.9	64.3	NA
5) Headline Inflation	-0.9	Q1:3.8 Q2:3.3	3.3	2.8-3.8
6) Core Inflation	0.3	Q1:0.4 Q2:0.9	1.2	0.5-1.3

Source: NESDB and Bank of Thailand

The investment environment in Thailand is robust but certain sectors still require attention before sustained development can be achieved. This was the consensus of World Bank representatives and top Thai economists at a seminar on the impressive recovery and looming challenges.

"Thailand needs more investment," Frederico Gil Sander, the World Bank's Thailand economist, told participants of the 16 November 2010 seminar in Bangkok. Machinery is one area ripe for local investment, as over 85% of equipment in the country is imported. The services sector is another example where opening the door to more investment would promote sustained economic growth in the country, he noted.

"It is easy to invest in Thailand's manufacturing sector, easier than in all of Asia in fact. But the reverse is true in services here. Thailand is falling behind in services," Sander said. He suggested the reform of regulations to open the sector, emphasizing there is "a lot of potential for high-quality services investment."

Ivailo Izvorski, the World Bank's lead economist for East Asia and the Pacific, stressed that Thailand's overall level of investment is too low at about one-fourth the size of the economy.

The seminar, held at the Federation of Accounting Professions, was presented by the World Bank, Faculty of Economics of Thammasat University, Thai Listed Companies Association, and Money Channel.

"Amazing" was the word used at the event to describe Thailand's and other Asian nations' rapid recovery from the 2008-2009 global economic crisis. Driven by its resilient manufacturing sector, the Thai economy shot up 10.6% in the first half of 2010 and the GDP should expand by 7.5 percent for the whole year, according to the Word Bank.

Manufacturing capacity utilization in Thailand has now snapped back to pre-crisis levels at close to 70%. Seminar participants agreed that a shining example of this is the country's vibrant automotive sector, which in 2010 for the first time even began exporting cars to Japan. The sector is on the way to becoming a global Top 10 automaker by 2014, when local capacity is projected to hit 2.3 million units.

"Production, sales and large investments have surged, and large investments are planned," Sander said of Thai automotive performance.

But even with the recovery solidly in place, Thailand and other developing economies across the region now face a different global environment called the "new normal." This is because growth in advanced economies that are important export markets will remain sluggish for some time. "Advanced economies are expected to grow at only half of what they were before the crisis," Sander said, adding that the result will be lower demand for Thai exports.

Sander conceded that over the next five to 10 years, Thailand can still get some mileage out of export reliance. For example, tapping deeper into emerging markets would offset some of the weakness in external demand.

What the country really needs, however, is to devise a long-term strategy beyond export reliance for "shared and sustainable" growth, he stressed.

Calling this a big task, Sander urged Thailand to achieve shared and sustainable development by accelerating growth in the services sector, boosting agricultural productivity, building social insurance mechanisms to address the aging population, and enhancing manpower skills. A better environment for R&D and innovation is also needed.

It was suggested that linking the country's North and Northeast with Myanmar, China and Laos would also promote Thailand's economic development by generating new opportunities for local businesses.

Izvorski said rising inflation is among the emerging risks to macroeconomic stability in Thailand. "This must be tackled," he stressed, recommending use of a combination of policies instead of a blanket measure.

He added that hefty capital inflow is another issue that must be addressed.

Other economists speaking at the forum were Bhanupong Nidhiprabha, associate professor of Economics at Thammasat University; Don Nakornthab, head of the Bank of Thailand's Balance of Payments Division; and Supavud Saicheua, head of research at Phatra Securities.

COMPANY INTERVIEW

Michelin Managing Partner Discusses Thai Operations

Michelin is a household name worldwide. A giant in the tire industry, the France-based company likes to say it is in the mobility business. Indeed, Michelin makes tires for nearly everything that moves: passenger cars, trucks, SUVs, vans, motorcycles, buses, tractors, bicycles and jetliners. Michelin entered the Thai market in 1988 with the establishment of Michelin Siam Co., Ltd., a joint venture with the Siam Cement Group, one of Thailand's biggest conglomerates. In the 23 years since, the Michelin Group's presence in Thailand's fertile business environment has expanded robustly to include several plants for tire and parts manufacture, molding and steel cords. The company turns out a mix of 10 million tires annually in Thailand, for sale in the domestic market and throughout Southeast Asia.

As further signs of Michelin's confidence in Thailand as a prime investment location, the company has set up a major R&D and testing laboratory in the country and is moving its Southeast Asia regional headquarters here.

In the following interview conducted in Bangkok, Mr. Jean-Dominique Senard, a managing partner of the Michelin Group, discusses the company's core values, proud accomplishments and future goals with the Thailand Investment Review (TIR).

TIR: Please describe Michelin's historical presence in Thailand. Do you have further growth plans here?

Mr. Senard: Michelin has a long history in this country. We have built up a major industrial base in Thailand. We also now have a significant research center here. In addition, Michelin is currently in the process of moving its regional headquarters for Southeast Asia operations to Bangkok.

As we speak there are 6,500 Michelin employees in this country – that is major. We are proud to see our Thai workers regularly taking over responsibilities and we are proud of our very strong presence in Thailand. Moreover, Michelin certainly has clear intentions to increase its presence here. We have some projects in front of us.

TIR: What are the advantages of choosing Thailand as an operating location?

Mr. Senard: A big factor attracting us here is that Thailand is a major consumer country for our products. That was the case in the past and it will remain so in coming years. In addition, the population of Thailand really provides our business with very skilled people. Each time we have opened a new operation here, we have been very happy to see that the people are well trained and well motivated in helping the group to progress.

Of course there is also the fact that Thailand is a top producer of natural rubber. We are close to raw material sources and that is key. More than one-third of our rubber is sourced in Thailand. The proximity is fantastic for Michelin and this involves not only natural rubber. We are also close to supply sources for carbon black and other raw material necessities.

Thailand's location is a big advantage. Sixty-four percent of our production in Thailand is exported, most notably to Asia.

TIR: How important were the incentives offered by the Board of Investment (BOI) in your decision to locate and continue investing here?

Mr. Senard: The BOI has been an incredible help for the progress of Michelin over the past years, from giving us advice to the very attractive incentive programs. The BOI has provided a friendly environment, and this helps Thailand to be competitive against other countries in the region. If this remains so in the future, we would be very pleased because it has been one of the major aspects of our presence here.

TIR: Does Michelin consider it important to engage in social-care and environment-protection activities in Thailand?

Mr. Senard: Most certainly. Social and environmental care is part of the Michelin spirit. Michelin has very strong core values, two of which are to care for and respect people and show respect to the environment. We promote actions that reflect these values. One example is road safety. We have been working with the Thai government and with non-governmental organizations to deploy best practices to save lives through road safety. In fact, Michelin has been granted Thailand's Road Safety Award by the prime minister.

To protect the environment, we also have strong actions around our different industrial sites. We push our people to conduct good environmental behaviors in the plants and to help their communities increase awareness of the environment. We train, educate, and try to trigger new initiatives in the communities.

Another very important point is the recycling of tires. Michelin does a lot of work on that. It is key to protecting the environment and will be increasingly important in the future. We have helped to create tire-recycling areas at 280 playgrounds of schools and communities in Thailand. We are very keen on promoting this respect.

TIR: Please put the current market situation in perspective.

Mr. Senard: The crisis in 2009 was felt in this country, although much less than in other parts of the world such as Europe and North America. But it is really behind us now. As we speak business is good and growth is here. We need to meet demand in every sector, and that sort of pressure is good news.

The prospects in our business, which is the mobility business at large, are extremely good. We are in front of a major period of growth, during which the Michelin Group is going to implement new investments in Southeast Asia. Thailand is going to benefit from that.

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BOI-JFCCT

Meet to Confirm Improvement in Business Environment

The Thailand Board of Investment and the Joint Foreign Chambers of Commerce (JFCCT) met on 19 November 2010, holding their first such gathering at the One Start One Stop Investment Center at Chamchari Square.

Speaking the assembled heads of foreign chambers of commerce for the first time since becoming Industry Minister, H.E. Chaiwuti Bannawat touched on the fact that the year-long injunction of new projects at Map Ta Phut was over and that the necessary guidelines had been put in place for companies to comply with constitutional requirements for environmental and health safety. The Minister underlined the government's commitment to help facilitate all investments.

He also noted the progress that was being made in implementing the second stimulus package, TKK, stating that as of that point in time 69 percent of the funds had been disbursed to the amount of 327 billion baht. Water resources, logistics, energy and other fields were all being improved as a result, making Thailand's infrastructure even stronger.

Speaking on Thailand's commitment to free trade, the Minister also remarked that Thailand was eyeing the construction of a high speed train that would connect countries within the region, including China. This project was part of the effort to ensure that Thailand is ready to compete and reap the full benefits offered when the ASEAN Economic Community enters into being in 2015.

Among the other points touched on in his opening remarks was the government's new policy offering enhanced promotion benefits to make Thailand a more attractive location to invest as a regional operating headquarters (ROH). The new policy was printed in the Royal Gazette on 5 November 2010, making it effective as of the following day. Also was the fact that Moody's Investor Services had upgraded Thailand's credit rating due to economic recovery, and that Thailand was recently ranked the number one location for expat lifestyle by HSBC.

Responding to the remarks made by the Industry Minister, Mr. Nandor G. von der Luehe, Chairman of the JFCCT, remarked that Thailand needs to look at value-added services as the new locomotive to drive the economy. Under the AEC, the services sector will open-up by 70 percent in 2015 and Thailand needs to address shortcomings. Also, he drew attention to the difficulty that small and medium sized enterprises (SMEs) have in gaining access to credit.

The Secretary General of the BOI gave a short presentation to update the members on new policies that had been adopted by BOI over the preceding months. In May, for instance, there were changes in the criteria for visas and work permits that streamlined the application process. In September, BOI adopted new promotion incentives for Data Centers and Rice Milling, and had granted permission to use foreign non-skilled labor in promoted projects, with certain conditions and criteria that must be met.

The full meeting lasted several hours and entailed open and frank discussion on a wide range of issues. The JFCCT touched on the need for innovative non-tax incentives to attract investment, as well as mentioning the importance of reforms in the telecommunications sector. Several members indicated the usefulness of a business visa for Thailand that would facilitate the entrance into the country of short-term experts and others from overseas offices. It was suggested that due to overlapping authority for this among various government agencies, a task force could be established with a view to implementing reforms that would harmonize the labor laws. The BOI had agreed that this matter would be taken up at the highest level in the next Board meeting. Licenses for generating power from solar energy, customs issues and treasury centers were also among the topics that were discussed.

The meeting was also informed of the details for the BOI Fair that is scheduled to be held from 10 to 25 November 2011. The Fair will be a part of the celebration of the 84th birthday of His Majesty the King, highlighting the achievement of Thai industry under his reign. It will also provide an excellent opportunity for investors to meet and network with one another, and strengthen confidence in Thailand's economy and as a location for investment.

In 2009, BOI and JFCCT met a couple of times and each agreed that meetings should be held on a more frequent basis, which will occur over the coming year. This will allow for better and timely communication on the range of issues of concern to all parties. The BOI will also give this its serious consideration, as it maintains its commitment to being open and transparent with all investors.

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TIR: What trends do you see in the tire industry?

Mr. Senard: There is a tremendous amount in the pipeline. Perhaps the main trend involves technology to produce tires that are highly efficient in terms of fuel savings. The Michelin brand is well known for characteristics of reliability, quality and innovation. We are carrying through with new technology for fuel efficiency as well as safety and longevity.

In fact, Michelin was a pioneer in fuel-efficient tires, and we are already in our fifth generation of so-called "green" tires. We invented the concept in 1990 at a time when nobody else really cared. In recent years, there has been a change in public opinion for fuel efficiency. People now realize that by using Michelin tires they have not only safety but also can save money through efficiency. The concept of fuel-efficient tires for cars, trucks and aircraft has become an important feature of our products. Our studies tell us that in the coming years, the need for that type of tire is going to increase dramatically.

BOI INVESTMENT MISSIONS

From 7 to 10 November, Industry Minister Chaiwuti Bannawat led an investment mission to France, where he also addressed 90 participants at the Paris Chamber of Commerce and Industry (CCIP), which hosted a seminar on investing in Thailand.

From 10 to 14 November, Industry Minister Chaiwuti Bannawat led an investment mission to Germany, meeting with several auto companies in Germany, including Evonik (as seen above), Daimler AG and BMW.

On 25 November 2010 Vice Minister for industry Buddhipongse Punnakanta addressed a Networking Lunch at the Bangkok International Trade and Exhibition Center (BITEC), speaking on Thailand's economy and its position as one of the best ranked locations for Japanese investment.

On 29 October 2010 Deputy Secretary General Duangjai Asawachintachit welcomed a group of visiting investors from Korea at the One Start One Stop Investment Center, where she spoke with them about the current situation in Thailand and the investment environment.

On 23 November 2010 Deputy Secretary General Duangjai Asawachintachit attended a breakfast meeting hosted by the Thai Swedish Chamber of Commerce, where she addressed the members on revisions to BOI promotion policy over the preceding months, as well as on opportunities for investment in Thailand.

From 7 to 10 December Deputy Secretary Duangjai Asawachintachit led an investment mission to Hobart, Australia, where she met with business leaders to discuss opportunities and benefits of investing in Thailand.

THAILAND ECONOMY-AT-A-GLANCE

Facts about Thailand

Population (2009)	67 million
ASEAN Population	584 million
Literacy Rate	96%
Minimum Wage (1 Jan 10, Bangkok)	206 Baht/day
GDP (2009)	US$ 263.3 billion
GDP per Capita (2009)	US$ 3,936
GDP Growth (2009)	-2.2%
GDP Growth (2010, projected)	7.3 - 8.0%
Export Growth (2009)	-14.0%
Export Growth (2010, projected)	25.5 - 28.5%
Trade Balance (2009)	US$ 19.4 billion
Current Account Balance (2009)	US$ 21.9 billion
International Reserves (2009)	US$ 138.4 billion
Capacity Utilization (2009)	60.93%
Manufacturing Production Index (2009)	180.44
Customer Price Index (November 2010) (2007 = 100)	108.8
Corporate Income Tax	10-30%
Withholding Tax	10-15%
Value Added Tax	7%

September Average Exchange Rates

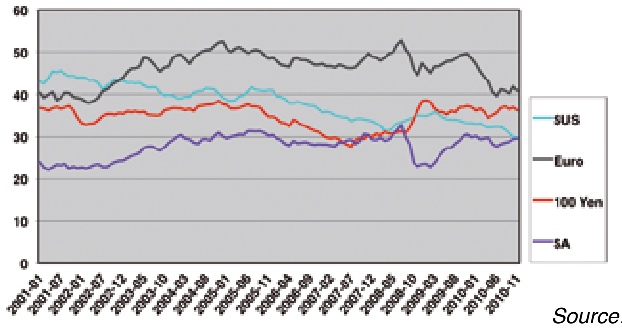
US$ 1 = 29.89 Baht
€1 = 40.89 Baht
£1 = 47.74 Baht
100¥ = 36.27 Baht
CNY1 = 4.50 Baht

Top 10 Exports 2010 (Jan-Oct)

	Product	Share	Value (US$ bn)
1	Automatic data processing machines and accessories	9.72	15.57
2	Motor cars, parts and accessories	9.31	14.92
3	Precious stones and jewellery	5.96	9.55
4	Electronic integrated circuits	4.18	6.70
5	Rubber	3.89	6.23
6	Refine fuels	3.62	5.80
7	Rubber products	3.28	5.26
8	Polymers of ethylene, propylene, etc in primary forms	3.20	5.12
9	Chemical products	2.88	4.62
10	Machinery and parts thereof	2.52	4.05
	Total		**160.28**

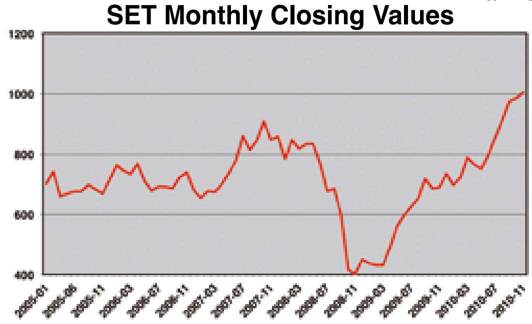
Source: Ministry of Commerce

Exchange Rate Trends



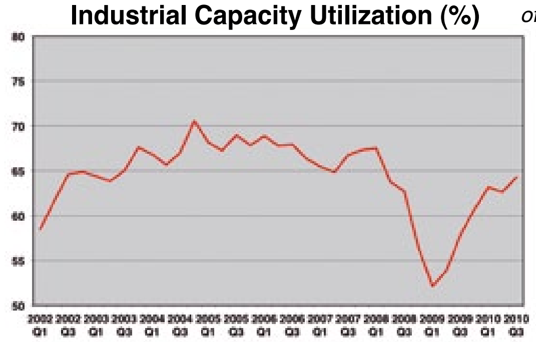
Source: Bank of Thailand

SET Monthly Closing Values



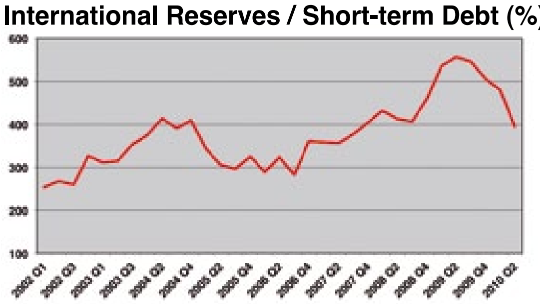
Source: Stock Exchange of Thailand

Industrial Capacity Utilization (%)



Source: Bank of Thailand

International Reserves / Short-term Debt (%)



Source: Bank of Thailand

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