International Experts Rank Thailand as the World’s #4 FDI Destination for 2004-2007

Global surge in FDI expected, particularly in Asia-Pacific

By Renee Santo

On April 14, 2004 UNCTAD (United Nations Conference on Trade and Development) and the British magazine Corporate Location released the key findings of a worldwide survey of 87 international location experts in foreign direct investment (FDI). The report, known as the Global Investment Prospects Assessment (GIPA), is designed to “equip governments and businesses alike with a critical instrument” to analyze “future patterns of FDI flows at global, regional, national, and industry levels” in order to develop policies and investment strategies.

The report ranks Thailand as one of the four “top hot spots for FDI” in the world over the next four years, preceded only by China, India, and the United States. Thailand is ranked as the “Top 3” most attractive country for FDI flows in two separate categories - “Asia” and “Developing Economies” - listed only behind China and India.

Reflecting broad-based bullish sentiments for FDI prospects in the Asia-Pacific, GIPA predicts almost all sectors in Asia and the Pacific to profit from an increase in FDI. Heading the list were vehicle production, machinery & equipment and chemicals. The report further identifies the developed countries and Asia as possessing the most balanced profiles, “implying that these regions are expected to attract FDI in all the different corporate functions.”

### The most attractive countries for FDI flows

<table>
<thead>
<tr>
<th>Global Ranking</th>
<th>Top 1</th>
<th>Top 2</th>
<th>Top 3</th>
<th>Top 4</th>
<th>Top 5</th>
<th>Top 6</th>
<th>Top 7</th>
<th>Top 8</th>
<th>Top 9</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>China</td>
<td>India</td>
<td>USA</td>
<td>Thailand</td>
<td>Poland</td>
<td>Czech Republic</td>
<td>Mexico, Malaysia</td>
<td>UK</td>
<td>Singapore</td>
</tr>
</tbody>
</table>

**Source:** UNCTAD-DITE, GLOBAL Investments Prospects Assessment (GIPA) 2004

---

**INSIDE**

- New HDD Policy 3
- #1 in HDD 5
- Thai Auto Conference 6
- Mission to Japan: Foodex 7
Increasing Germany’s investments in Thailand

By Tanita Sirisup

A mission to Germany, led by Thailand’s Minister of Industry Phinij Jarusombat, from March 29-31, focused on strengthening Thai-German business ties in the automotive sector and expanding the investment network with German partners.

Among the highlights was a high-level working lunch hosted by the Board of Investment at the Adlon Kempinski Hotel in Berlin to discuss Thai-German automotive investment opportunities with CEOs of German automobile manufacturers and parts suppliers. Attending the luncheon were high-level executives from Audi, BMW, DaimlerChrysler, Volkswagen, MTU Friedrichshafen, MB Tech, VDA and Konvekta. Along with Minister Phinij, Thailand was represented by delegation members Dr. Vachara Phanechet, Vice Minister of Industry, Mr. Somphong Wanapha, Secretary General of the BOI, and Dr. Kantathi Suphamongkhon, Thai Trade Representative, among others.

Mr. Karl-Heinz Heckhausen, President and CEO of DaimlerChrysler (Thailand) Ltd., stated that Thailand has the potential to become the center of automotive excellence in Asia. He reported that his company recently added an additional 200 Thai suppliers to its purchasing system and that it plans to export to more countries in the region. A representative from BMW AG articulated his support for his company’s policy to develop and expand Thailand’s manufacturing base to be the “Munich of Asia.” He stated that Thailand will soon to be home the company’s second plant in the world to manufacture all three renowned BMW models, namely, Series 3, 5 and 7.

Minister Phinij emphasized Thailand’s intentions to become not just an automotive manufacturing hub but also a center for R&D and design. In fact, during the mission, an MOU was signed between the Thailand Automotive Institute and MB-Technology GmbH, an R&D arm of DaimlerChrysler. The MOU will work to promote Thai-German cooperation in R&D in automotive and supporting industries by outlining cooperation in areas such as transfer of competitive technology, training of Thai engineers and technicians, provision of expert technical consultants and other areas related to the production, operations and development of vehicles, parts and components.

MOU with Augsburg AG: Increasing investments from environmentally responsible businesses

An MOU was also signed between Thailand’s Board of Investment and Augsburg AG, a company wholly-owned by the City of Augsburg and which is responsible for the city’s outward-inward investment promotion. Augsburg is a center for world-renowned German machinery and automotive manufacturers and a base for high-tech German industries.

With its expertise in environmental management and protection, Augsburg is interested in cooperating with Thailand in environmental industries such as recycling and pollution prevention. Under the MOU, BOI and Augsburg AG will assist and coordinate in the organization of investment promotion activities to encourage German direct investment into Thailand, especially from the Augsburg-Swabia region. The alliance will also work to support the establishment of the Environmental Competence Center in Thailand to consult and facilitate German companies, especially SMEs, to invest in environmental management and protection in Thailand and the Southeast Asian region.

The MOU signing ceremony between the BOI and Augsburg AG on March 31, 2004.
Thai-Chinese Investment Opportunities

By Paveena Sirisuthikul

highlighted during a visit to the Chengdu Hi-Tech Industrial Estate, as well as investments into the hotel and tourism industries. Thai auto industry delegates were highly interested in opportunities for joint ventures during a visit to the Chang An Automotive Factory, one of the largest in Chongqing, which is planning to invest overseas.

The mission concluded successfully, and investment cooperation between the BOI and the China Council for the Promotion of International Trade (CCPIT) of Sichuan and Chongqing Provinces is well underway. Indeed, the BOI hopes to sign an MOU to match those already signed with Shanghai, Yunnan and Beijing, further expanding the BOI’s partnerships in China.

“BOI officials are optimistic that the newly forged Thai-Chinese business partnerships are part of the growing trend of closer economic ties between the two nations.”

Visits to Guangzhou, Shenzhen and Hong Kong

On a separate mission from March 28 to April 1, Mr. Piromsakdi Laparojkit led a delegation to visit the rapidly-developing southern industrial cities of Guangzhou and Shenzhen and made a visit to Hong Kong for a networking meeting with InvestHK. The industries targeted on this mission included primarily the chemical, food, jewelry, electronics/ICT, agriculture and automotive sectors in Guangzhou.

Mr. Nimit Prathomvari, Thai Consul-General of Guangzhou, and Mr. Ye Yao, Chairman of CCPIT Guangdong Province, jointly opened both the Guangzhou and Shenzhen investment seminars. Deputy Secretary General Piromsakdi delivered presentations on investment opportunities in Thailand and detailed the BOI’s investment strategies and incentive packages. The seminar in Guangzhou also featured a presentation by Mr. Richard Lee on his positive experiences as a foreign investor in Thailand. Mr. Lee is the Deputy Director of a Thai telecom service company, Huawai Technologies Co., Ltd.

In addition, Mr. Piromsakdi met with several key Guangdong provincial government and business figures and proposed the idea of signing an MOU with the CCPIT of Guangdong in an effort to solidify the partnership fostered by the mission. Officials reciprocated this interest and indicated that Thai agricultural products would be especially well-received in Shenzhen, a city highly dependent on agricultural imports.

After the success of the two March missions, BOI officials are optimistic that the newly forged Thai-Chinese business partnerships are part of the growing trend of closer economic ties between the two nations.

BOI Deputy Secretary General, Mr. Piromsakdi Laparojkit delivering a speech on investment opportunities in Thailand during an investment seminar in Guangzhou City, PRC, on March 29, 2004.

BOI Deputy Secretary General, Mr. Piromsakdi Laparojkit delivering a speech on investment opportunities in Thailand during an investment seminar in Guangzhou City, PRC, on March 29, 2004.
Thailand: Investing Boldly in Infrastructure

By Renee Santo

Thailand is definitely on the move economically. Recently named the fourth most desirable country for Foreign Direct Investment, and priming up for future economic expansion, in December 2003 Thailand’s government moved forward on a 5-year, US$38.5 billion budget for new infrastructure projects, including new roads and a satellite city located in Nakorn Nayok to be serviced by a Japanese-style bullet train.

The huge infrastructure spending package will go hand-in-hand to support other on-going infrastructure projects, such as the Suvarnabhumi International Airport expected to open in December 2005, expansion and upgrading of domestic highways, improved mass transit, and integration measures to connect with the Asian Highway and Trans-Asian Railway.

All these measures taken together give added meaning to a comment by Barry Cable, Director of Transport & Tourism at UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific): “One of the exciting things now is that many overseas investors can see the strength of Thailand’s economy... [which] ... gives an important reason to invest in Thailand.”

5-Year Infrastructure Budget

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost (in billion baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railway system</td>
<td>900</td>
</tr>
<tr>
<td>Bullet train</td>
<td>140</td>
</tr>
<tr>
<td>New roads &amp; highways</td>
<td>400</td>
</tr>
<tr>
<td>Infrastructure for Bangkok’s new satellite city</td>
<td>100</td>
</tr>
</tbody>
</table>

Investors in Thailand to Benefit from UNESCAP Asian Highway Agreement and Trans-Asian Railway

Linkages among ASEAN, the Far East and Europe to have broad economic impact

The signing of the Asian Highway Agreement on April 26, 2004 marked an important milestone in the development of land-based trade and transportation linking 32 countries in Europe and Asia. Gathering in Shanghai, twenty-four signatories officially pledged to continue their efforts to finish the last 17% of upgrades to complete the 140,000-kilometer highway. The agreement outlined final routes, highway standards, signage and border crossing facilities.

From Japan in the East, Turkey and Finland in the West and Indonesia in the South, the Asian Highway and its sister project, the 80,000-kilometer Trans-Asian Railway, are capturing the imaginations of governments, the public and the business community. Investors can look forward to a day when shipments from Bangkok to Ireland will be taxed once and delivered faster and cheaper than by marine transport.

Under the agreement signed this month, Asian Highway 1 (AH1), for example, will start in Tokyo and pass through North and South Korea, China, Vietnam, Cambodia, Thailand, Myanmar, India, Pakistan, Afghanistan, Iran and Armenia, ending in Istanbul. Over the next 10 years UNESCAP expects the distance of linked roads, bridges and highways in the Asian Highway to further increase 50%.

With the Asian Highway Agreement completed, substantial negotiations for the Trans-Asian Railway are expected to take place over the next 2 years with a draft agreement expected in November and a possible signing date in 2006.

Continued on Page 5
Much funding for the Asian Highway will be provided by the more economically advantaged nations participating as well as the World Bank, the Asian Development Bank and the Japan Bank for International Cooperation.

It is expected that the Asian Highway and Trans-Asian Railway will bring about a boom in economic activity and trade as experienced in Europe when a similar project was completed in those nations after World War II.

**Greater Regional Cooperation**

This greater regional cooperation is seen as a major step forward for developing countries to keep apace with the expansion of developed countries’ trade integration measures, as seen in the North American Free Trade Agreement (NAFTA) and the inclusion of 10 new member countries into the European Union on May 1.

“Trade is increasing quite rapidly, about 40% last year, and Asian countries realize they need this infrastructure to service that growth,” said UNESCAP Poverty and Development Division chief Raj Kumar.

Admittedly, the largest potential bottleneck is the efficiency and transparency of border crossings. UNESCAP is working directly with governments and the Asian Development Bank to improve border crossing procedures such as customs, visas, health checks, and other regulatory obligations. UNESCAP expects important negotiations on intergovernmental agreements on the transport of goods across borders to be completed by 2005.

**Thailand taking a lead in promoting regional transport linkages**

“[It is] particularly exciting working with Bangkok to identify highway linkages to Laos, Myanmar, Malaysia, Cambodia and to the wider sphere connecting India, China and Vietnam. This holds great promise for Thailand,” stated Barry Cable, Chief of UNESCAP’s Transport and Tourism Division in an interview with the *Investment Review*.

“Overseas investors can recognize the strength of Thailand’s economy and the expansion of the domestic market as important reasons to invest in Thailand, both in terms of servicing the Thai market and in using transportation linkages to wider markets, as well as using Thai production to supply GMS and ASEAN countries,” Cable noted.

“Thailand has been a center of ASEAN and GMS development, playing a central role in efficient transportation among all continental linkages especially landlocked Laos. In the near future there will be increased access to China through Yunnan Province, and much of it channelled through Thailand.

“Thailand’s policies to collaborate more closely with neighboring countries have been reflected in practical investments in infrastructure. For Thailand,” Mr. Cable noted, “this type of investment will expand economic development and include other areas of the country so they can share in globalization.”
Department of Highways Projects Support Economic Growth in Thailand and the Region

By Kanchana Noppun and Sanlaya Aksharamat

Foreign tourists and resident ex-pats alike often express an appreciation for the extensive and well-maintained network of roads and highways throughout the Kingdom. Indeed, Thailand’s road network is considered among the best in ASEAN.

However, Thailand’s fine ground transportation system is not just a convenience factor - it is good for business. With 91% of Thai transport of goods dependent on land transport, the quality of the road systems is an important support for business operations.

In an interview with the Board of Investment’s Investment Review, Mr. Terdsak Sethamanop, the Director General of the Department of Highways, Ministry of Transport and Communications, graciously shared his outlook on priority projects for the next 5-10 years, all of which will have a directly positive impact on conditions for foreign and domestic investors. The following is a summary of that interview.

Director General Terdsak identified 28 new projects supporting three main strategies:

1) Construction/expansion of four-lane highways in two phases totaling 5,400 km and linking to neighboring countries
2) Construction of 4,150 km of high-speed Motorways
3) Means to relieve congestion in Bangkok and other major cities.

1) Four-Lane Highways Expansion Project-Linking to the Asian Highway

The first phase of building four-lane highways will focus on major routes such as Bangkok to Chiang Rai, Mae Sai, Trat, Sungai Kolok and Ubonratchathani.

The second phase will work to further linkages to all parts of the country. Construction of the Mae Sot-Mukdahan route from the Myanmar border in the west to the Laos border in the Northeast will begin again, after being put on hold during the last recession. Plans are also in place to build a four-lane highway to the south.

Mr. Terdsak noted that “The current government’s policy is to promote the establishment of factories in the border areas to use our neighbor countries’ low-cost labor or to invest in the neighbor countries in order to enable us to compete with China.” Thus, Thailand has embarked on a number of cooperative projects with Myanmar, Laos and Cambodia to develop infrastructure linking into the Asian Highway system. Thailand has partly or wholly financed several of these projects.

2) Motorway Project

A primary aim of the Motorways Project is to support areas of current and future industrial growth. In 1997, a 20-year budget of THB 472 billion baht was approved for the Motorway Project to build 4,150 km of inter-city motorways allowing speeds of 120 km/hour and fitted with barriers to prevent pedestrians and other slow vehicles from entering onto the road. The priority is to connect Bangkok to provinces within 250 kilometers. To date, 160 km of motorway from Bangkok to Chonburi has been built, and the next 5-10 years promise significant expansion.

Within 10 years the motorways will radiate 500 kilometers out from Bangkok to cities such as Nakhon Sawan, Khon Kaen, Udonthani, Ubonratchathani, and Chumporn. Within 15 years, it is hoped the motorways can be extended to Chiangmai, Chiangrai and Nong Khai in the North and Hat Yai in the South, as well as to the Eastern Seaboard area as industrial growth warrants.

3) Relieving congestion in Bangkok and major cities

The third major project is to solve the overwhelming traffic problems in Bangkok and surrounding areas which impede the productive flow of goods and services. At present, 800 cars/day are newly registered, and the number of vehicles in Bangkok today stands at nearly 6 million. Plans to tackle this congestion include a number of construction projects:

- An Outer Southern Ring Road (Suksawad-Bang Plee)
- A Highway Network linking the East and West Ring Roads from Bang Yai to Kasetsart to Sukhapiban 1 and connecting to the Outer Eastern Ring Road
- A Chaeng Wattana Road Network
- A Ramintra highway (Pak Kred - Minburi)
- A Klong Prapa Elevated Road Project

For large cities in other provinces, such as Chiangmai, Khon Kaen, Udonthani, Ubonratchathani, Nakhonratchasima, Chiangrai, the Department of Highways will develop routes linking them to nearby provinces and at the same time build roads ringing these cities.