

THAILAND INVESTMENT REVIEW



BOARD OF INVESTMENT

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Newly Approved Investments Expected to Strengthen Thailand's Economic and Industrial Development

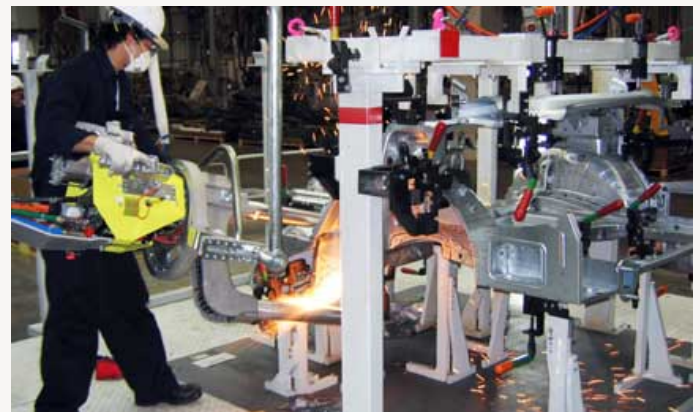
Major automotive, steel and power investments worth US\$ 5.5 billion are expected to strengthen Thailand's supporting industries, add to the value chain, and enhance economic growth by increasing exports and employment. Among the projects approved at the June meeting of the Thailand Board of Investment (BOI), those in the steel and power sectors will facilitate Thailand's overall industrial development and support production in downstream industries.

Automotive and auto parts production

Several automotive, pick-up truck and auto parts projects were approved, strengthening Thailand's position as a major Southeast Asian auto production hub. The projects will expand Thailand's automotive production capacity, develop supporting industries and create jobs.

Toyota Motor (Thailand) was granted BOI approval for two projects totaling US\$ 1.2 billion to manufacture 100,000 pick-up trucks and Sport Utility Vehicles (SUVs), 224,550 autos and 14 million auto parts. The projects will strengthen domestic industries as approximately US\$ 2.2 billion worth of steel sheets and electronic parts and components parts will be sourced locally. Almost 3,700 new jobs will be created at the Chachoengsao plants. Approximately 60% of autos and auto parts will be exported, improving Thailand's trade balance.

Siam Nissan Automobile, Siam Motors and Nissan and Nissan Power Train (Thailand) will invest almost US\$ 1 billion in three projects to manufacture pick-up trucks, autos, auto parts and engines in Samut Prakarn. The projects will expand Nissan's pick-up truck and auto production from 130,000 to 200,000 vehicles per year. More than 5 million metal auto parts, 400,000 plastic parts, 18,000 sets of car body parts, 60,000 transmissions and 265,000 diesel and benzene engines will also be manufactured. Forty percent of total vehicle production



and 20% of engines and transmissions will be exported, contributing to Thailand's foreign exchange revenue. More than 2,400 new jobs will be created. The investments will boost Thailand's supporting auto industries as US\$ 1.6 billion baht worth of parts and materials will be sourced locally, including cold-rolled steel sheets.

Steel manufacturing

Two newly approved steel investment projects will provide necessary raw materials to support Thailand's overall industrial production, particularly in the construction, automotive and electrical and electronics sectors which experience strong steel demand.

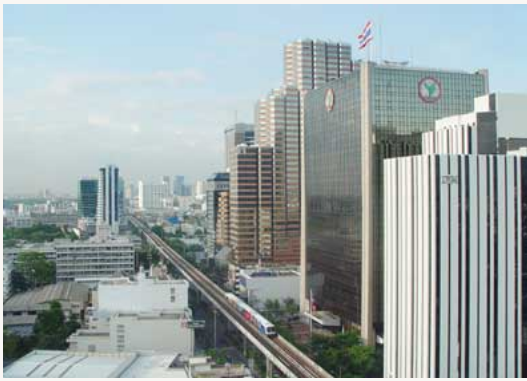
Phase one of Sahaviriya Steel's five-phase steel production facility received BOI approval to manufacture up-stream hot metal and pig iron and midstream slab, billet and bloom. The US\$ 2.3 billion project is the first to supply upstream steel products, thus contributing to Thailand's steel

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Thai government approves US\$ 42.5 billion infrastructure investments

The Thai government approved a US\$ 42.5 billion investment in mega-infrastructure projects over the next five years. The majority of the investment will fund development projects in mass transit, transport and communications, housing, water resources, education and public health. An additional US\$ 13.9 billion was approved to construct seven mass transit electric train systems in Bangkok.

E-bidding will be used to select contractors for projects worth more than US\$ 50,000.

The projects will be funded through annual budget allocations, domestic and overseas loans and the issuance of bonds, which is expected to strengthen the Asian Bond Market.

Bill Gates to fund Thai computer technology projects

Microsoft Chairman Bill Gates recently announced that his company will fund educational, commercial and technology projects in Thailand worth more than US\$ 4.5 million.

Speaking about advancing digital technology, Mr. Gates said, "Thailand is one of the countries leading the way." During his June visit to Bangkok, Mr. Gates also said that he is pleased with the government's stance on intellectual property rights.

The Microsoft investment will be used to develop the computer skills of primary and secondary school students, make schools eligible for system upgrades, fund teacher training programs and provide digital content for teaching.

Last year, Thailand became the first country to sell Windows XP Starter Edition, a low-cost introduction to the Microsoft operating system.

Seven overseas Thailand trade plazas to open

Thailand's Department of Export Promotion plans to open seven Thailand Plazas in Europe, Asia and the United States to stimulate exports. They are expected to contribute to the nation's goal of increasing exports by 20% this year to reach US\$ 115.4 billion.

The first plaza is expected to open in Tokyo or Osaka in September, and within six months plazas will open in Berlin, the SoHo district of New York City, Chicago, Singapore, Shanghai and Milan. Each plaza will showcase Thai products such as food and household items, gems, jewelry, and spa and treatment products.

1US\$ = 40 THB	2003		2004		2005 (Jan-May)	
	Number of Projects	Value	Number of Projects	Value	Number of Projects	Value
Total Foreign Investment	668	6,217	749	7,675	335	3,988
By Sector						
Agricultural Products	57	307	82	563	20	96
Minerals/Ceramics	18	460	18	1,612	9	64
Light Industries/Textiles	56	371	61	207	37	122
Automotive/Metal Processing	213	1,394	223	1,286	103	2,368
Electrical/Electronics	152	1,579	152	1,985	64	711
Chemicals/Paper	95	1,310	107	1,169	50	320
Services	77	796	106	853	52	307
By Country						
Japan	316	2,659	340	2,546	154	2,629
United States	43	1,186	39	881	20	144
East Asian NICs						
Taiwan	67	198	61	233	25	94
Hong Kong	16	311	18	65	2	9
Korea	48	163	29	73	16	23
Singapore	62	365	81	557	33	118
European Union						
United Kingdom	74	911	94	802	48	492
Germany	19	508	23	50	8	46
Switzerland	17	20	21	126	10	32
France	3	18	8	129	9	46
Netherlands	10	19	12	24	6	9
	9	241	15	271	13	385
By Zone						
Zone 1	163	1,369	194	943	91	1,037
Zone 2	380	3,569	375	5,100	182	2,626
Zone 3	125	1,279	180	1,631	62	325

Source: BOI International Affairs Division

Unit: US\$ Million

Note: Projects with more than one foreign shareholder are counted twice.

The BOI Investment Review



BOI Working Group

Dr. Atchaka Brimble
Booskorn Vutvijarn
Bussarakum Sriratana
Warisara Phungtonglow

Kenan Institute Asia Editorial Team

Don Linder, Editor-in-Chief
Paul Wedel
Susan Crawford
Renee Santo
Alisa Kukarja
Julia Hook

Printing

Kirativongsakul Co., Ltd.

Graphic Designer

Chitrawinee Wichianson

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Abbeycrest PLC Bets on Thailand for Gold and Gemset Jewelry Production



“After seeing how well the Thais accepted our new technology, we decided to transfer all of our U.K. gold manufacturing operations to Thailand,” said Abbeycrest Director Richard Oldroyd.

Thai handicraft skills and the quick adoption of engineering technology convinced Abbeycrest PLC to shift its total gold jewelry production to Thailand and triple its local gemstone jewelry manufacturing capacity. The U.K.-based international jewelry designer, manufacturer and distributor produces 2.5 million lockets and earrings and 1 million pieces of gemset jewelry per year through its Thai subsidiary, Abbeycrest Thailand Ltd. (ATL).

ATL, which was launched in 2002, currently consists of gold and gemset jewelry manufacturing divisions. Its gold and gemset jewelry are produced in separate factories in the northern city of Lamphun, with shared administrative support. The company also has a Bangkok office responsible for sales, product development, design and gemstone sourcing.

Abbeycrest entered the Thai market in 1998 in a joint venture with a Thai gemset jewelry manufacturer that produced labor-intensive, traditional Thai-style jewelry. Abbeycrest purchased the firm in 2001.

“The gemset jewelry acquisition whet our appetite for other business possibilities in Thailand and led to the establishment of our gold jewelry assembly operation,” said Abbeycrest PLC Director Richard Oldroyd.

Gold Jewelry Manufacturing

ATL received BOI incentives to build a 100 million baht (US\$ 2.5 million) factory in Lamphun, and in 2003 began assembling gold lockets and earrings from components that were stamped at Abbeycrest’s U.K. facility.

The production of gold jewelry differs from gemset jewelry in that it requires specialized engineering techniques to stamp the jewelry components from very thin gold sheets. It primarily involves engineering rather than handicraft skills, explained Mr. Oldroyd, who also serves as manufacturing and technical director for ATL.

ATL exceeded all of its production targets for the 2003 holiday season, and in 2004 Abbeycrest decided to accelerate investment plans for



the firm. “After seeing how well the Thais accepted our new technology, we decided to transfer all of our U.K. gold manufacturing operations to Thailand, including the engineering-intensive stamping process,” Mr. Oldroyd said.



Last month Abbeycrest closed its U.K. gold jewelry production facility, making ATL the Group’s sole gold jewelry manufacturer. The gold jewelry division currently employs 180 staff and plans to expand to 220 in the short-term.

In 2004, ATL started preparations to manufacture gold strip, an essential raw material, which it expects to begin producing later this year.

Gemset Jewelry Production

While Abbeycrest was establishing its Thai gold jewelry manufacturing operations, it invested 105 million baht (US\$ 2.5 million) to shore up its gemset jewelry production to ensure quality and supply stability. Abbeycrest built a 3,500 square meter factory in Lamphun, tripling ATL’s gemset jewelry capacity to 1 million units, allowing for tremendous growth potential.

ATL’s 2004 gemset jewelry sales revenue totaled 500 million baht (US\$ 12.5 million), and is expected to reach 1.3 billion baht (US\$ 32.5 million) within three years, based on production of 1 million units.

Thailand is an attractive destination for gemset jewelry manufacturing due to the availability of precious and semi-precious colored stones, along with the long tradition of Thai handicrafts. “Gemset jewelry manufacturing is very manual-oriented. One of the great things here is that Thais have fantastic handicraft abilities and they learn new skills quickly. For example, if someone has wood carving skills, they can easily transfer those talents to jewelry manufacturing,” Mr. Oldroyd said.

The gemset jewelry manufacturing division currently employs 300 staff members and expects to hire an additional 500-700 over the next three years.

The Textile and Garment Industry Adds Value and Increases Quality to Improve Global Competitiveness

The Thai textile industry is pursuing a high quality, value-added strategy to succeed in the quota-free, competitive environment.

Government-sponsored programs to advance the Thai textile and garment industry beyond OEM-based production to higher value-added design and brand development work are preparing the industry to compete in the post-Multifiber Agreement (MFA) environment.

Thai textile and garment exports grew by 7% in the first four months after the January 2005 expiration of the MFA, compared to the same period in 2004. The industry is expected to continue its expansion and development due to significant private sector technology investments and government policies to improve textile production, garment designing skills and supply chain management.

Mr. Virat Tandaechanurat, executive director of the Thai Textile Institute (THTI) believes that the textile and garment industry will grow and develop in the quota-free market due to the technology upgrades and value-adding enhancements the industry has made over the past five years. According to Mr. Virat, the textile and garment industry has invested more than US\$45 million in imported machinery over four years for fiber manufacturing, spinning, weaving, dyeing, printing and finishing. A major spinning company just invested US\$20 million for equipment to produce high quality yarn, he said.

“We will now be able to increase sales without being restricted by quotas. This is a great chance for us. If we continue to upgrade our quality and technology, we can profit from this situation,” he said.

Thai Textile Manufacturing Association President Phongsak Assakul agrees that quality and value-adding improvements are crucial for the industry’s success. “Each industry sub-sector must improve their products and increase value added in all stages including yarn, fibers and fabric. If we make higher quality products, we will face less competition,” he said.

According to Mr. Virat, progress has been made in advancing quality levels, but there are still areas for improvement and opportunities for foreign investors to contribute to the industry’s development. (See sidebar for investment opportunities and incentives.)

Most Thai textile entrepreneurs expect business to



remain stable, according to the Office of Industrial Economics, while THTI anticipates 2005 export growth to be only slightly below last year’s 17% increase.

In 2004, textile and garment exports generated US\$ 6.4 billion, according to the Thai Customs Department, representing approximately 4% of GDP. Major export markets are the U.S., the EU, ASEAN, Japan and China.

Mr. Virat outlined several strategies that have been undertaken by the Thai government and THTI over the past five years to improve the competitiveness of the textile and garment industry, such as the Bangkok Fashion City project, the creation of a Thai textile brand, a program to boost SME textile quality, and cluster development initiatives.

The Bangkok Fashion City project was launched in 2000 with a US\$ 46 million budget for an international

fashion school, textile and garment industry development programs and fashion roadshows. *(For more information about this project, see the February 2005 issue of the Investment Review available at www.boi.go.th under the publications section.)*

In 2000, the Department of Export Promotion hired a team of Italian fashion consultants who specialize in weaving, designing, dyeing and finishing to advise major Thai textile and garment firms on manufacturing fashionable textiles and garments. Mr. Virat said that in the past it was difficult to sell Thai textiles and Thai-designed garments because they did not follow fashion trends. The consultants are knowledgeable about textile trends, colors and garment designs, and help Thai firms produce stylish textiles under the “Thai Textile Trend (T3) Style in Italy” brand. So far, 15 firms have gone through the three year manufacturing training program.

Thailand has exhibited the T3 textile brand at five international fabric fairs in Paris, Hong Kong, Shanghai and Bangkok. Mr. Phongsak, who has participated in these fairs, said that international buyers react positively to the T3 textile brand. “By producing the fabrics that the market demands, we help to raise Thailand’s image among textile buyers. They realize that Thailand knows what’s going on.

They see that Thai manufacturers have the fabric they want in the color they want.”

THTI launched a project last year, “Trendy Fabric Manufacturing by SME’s,” to improve the competitiveness of smaller textile firms by helping them to upgrade their textile production quality. The project employs Asian textile industry consultants to educate SMEs about weaving, finishing, dyeing and printing. Five SMEs completed the program last year.

In addition to enhancing product quality, THTI is helping to foster clusters and cooperation among various industry players such as spinners, weavers, dyers and garment manufacturers. In 2004, the Institute established five clusters of five to six factories to provide buyers with “one-stop” textile and garment services, improve supply chain management, reduce lead time and costs and work together to supply the textile needs of the domestic garment industry. There are also opportunities to extend the supply chain to the retailers using technology which enables a textile manufacturer to monitor customers’ garment inventories or sales volume and adjust production as necessary.

Investment Opportunities and Incentives in Thailand’s Textile and Garment Industry

Although a number of quality enhancing initiatives have been implemented in the Thai textile and garment industry, there are several areas where specialized technology and expertise is required, offering prospects for foreign investors. The Thai Textile Institute has identified the following areas where foreign assistance is needed most:

- Advanced dyeing and finishing technology
- State-of-the-art printing technology
- R&D activities and technology to produce innovative and functional fibers and textiles such as breathable / waterproof fabric
- Supply chain management technology and software
- Commercial-scale fashion designers
- Expertise in fashion branding and marketing for international markets

The textile and garment industry is a priority sector, and the Thailand Board of Investment (BOI) offers investment privileges and incentives such as:

Integrated Textile Industrial Zone/Estate Developers: Production of upstream and downstream textile products

- 8 years corporate income tax holiday
- Duty-free machinery imports

Bleaching, Dyeing and Finishing Projects

- Locating in a Textile Industrial Estate: 8 years corporate income tax holiday and duty-free machinery imports
- Locating outside of a Textile Industrial Estate: Standard incentives according to zone

Any Other Textile-Related Enterprise (locating on a textile industrial estate)

- Duty-free machinery imports
- Corporate income tax exemptions of between 5 - 8 years depending on zone

Thai Delegation Aims to Attract Additional High-Value Investments from Japan



Finance Minister Somkid Jatusripitak and Industry Minister Watana Muangsook present Mr. Yasuaki Hashimoto, Vice President of Nissan Motor Co., Ltd., with a BOI Promotion Certificate during a recent visit to Tokyo.

Thailand's Finance Minister Somkid Jatusripitak and Industry Minister Watana Muangsook led a five-day investment promotion tour of Japan last month to boost high-value investment in the auto, high-tech, and electronics industries, strengthening the longstanding Thai-Japanese trade relationship.

Japan is currently the top foreign investor in Thailand accounting for 47% of foreign direct investment. In the first five months of 2005, Japan invested over US\$ 2.6 billion in Thailand, up more than 210% from last year.

In a June 15th meeting, Thailand's partner banks in Japan reported that many of their customers are investing in Thailand and that investment levels would continue to grow. The Thailand Board of Investment (BOI) currently has memorandums of understanding (MOUs) with five Japanese banks, which agree to promote Japanese investment in Thailand. Bank officials report that although Japanese firms are still increasing investments in China, many are diversifying by investing in other Asian countries as well. Thailand is well-poised to attract additional investments through continuous improvements in its investment climate, according to a 2004 study by the Japan Bank for International Cooperation (JBIC). The study ranked Thailand second, after China, as the most favorable host country for Japanese overseas business expansion.

BOI officials reported that many Japanese investors are showing increased interest in Thailand with the expectation that a free trade agreement (FTA) between the two countries will be signed in July. In a meeting with the Thailand delegation, the Japanese Business

Federation (Keidanran) said that it wants the FTA to be signed as quickly as possible.

The FTA builds on the first bilateral agreement between the two countries, the Japan-Thailand Economic Partnership (JTEP), which was signed in 2002 and facilitated the smooth trans-border flow of resources to create larger economies of scale for Japanese and Thailand businesses. The new agreement is expected to increase the amount of trade between the two nations, which totaled US\$ 36 billion last year.

In 2004, more than 35% of Japanese investment in Thailand was in the metal parts and machinery sector, which includes automotives. "Thailand is becoming Asia's premiere automobile hub," Minister Somkid said to more than 500 potential Japanese investors during the mission's investment seminar in Tokyo. This seminar was followed by visits with six top Japanese auto manufacturers to discuss increasing investment in Thailand. The BOI officials discussed a new initiative for the development of an "Agile, Clean, Economical and Safe" (ACES) car, also coined "Eco-Car" and "Best Little Car," which would help to save energy and reduce Thailand's oil consumption. Initial reaction to the ACES car concept was positive, with several Japanese auto manufacturers agreeing that Thailand would be the ideal place to begin production.

During the mission, Minister Somkid also met with the governor of the JBIC to discuss loans for infrastructure development projects planned by the Thai Government, such as the extension of the Bangkok Mass Transit system. These mega-projects designed to improve infrastructure in Thailand are expected to cost between US\$ 40 - 60 million. — *By Julia Hook*



The Thai Plastics Industry Association



Mr. Parinya Chuenmeechow is the president of the Thai Plastics Industry Association. The industry encompasses the production of upstream raw materials, industrial parts and components and consumer products. More information about the Association can be found at www.tpia.org.

What types of plastic products are produced locally?

Thailand's plastics industry produces a variety of products such as packaging materials for the food industry, engineered parts and components for industrial applications, leisure products such as windsurfing boards and household goods. Packaging represents the largest sub-sector and includes plastic drink bottles, film, bags and flexible packaging such as pouches and shampoo bottles.

The industry is made up of more than 5,000 predominantly SME manufacturers, and has developed to the extent that almost all plastic parts and components used in key industrial sectors are produced locally. For example, 100% of plastic motorcycle parts, 70-80% of plastic auto parts and 90% of plastic packaging are produced locally.

We are the top plastics producer in ASEAN due to our abundant supply of raw materials, our significant domestic industrial demand for plastic parts and components and our large export volume.

How does the Thai Plastics Industry Association support the development of the local plastics sector?

The Association supports its members by providing them with information regarding new equipment and manufacturing processes, helping to maintain production quality at international standards and negotiating with the government on industry-related policies.

What is the outlook for the plastics industry?

The plastics industry supports the development of other sectors such as food and autos, and will grow with these target sectors. For example, the government promotes Thailand as the "Kitchen of the World." As food exports increase, so will the demand for plastic food packaging.

Exports of finished plastic products grew by 15.5% in 2004 to reach 59.4 billion baht (US\$ 1.48 billion). Our major export markets are Japan, the U.S., Hong Kong, Singapore, Europe, Australia, Malaysia and China.

We expect the industry to continue to grow by about 15% this year due to new product developments such as the production of multi-layer film, which is used for food

packaging to maintain freshness, and clear PET drink bottles that can withstand hot liquids.

Where are the opportunities for foreign involvement in the plastics industry?

Most of the opportunities are related to the production of industrial parts and components that require specialized plastic materials and precision molds and dies.

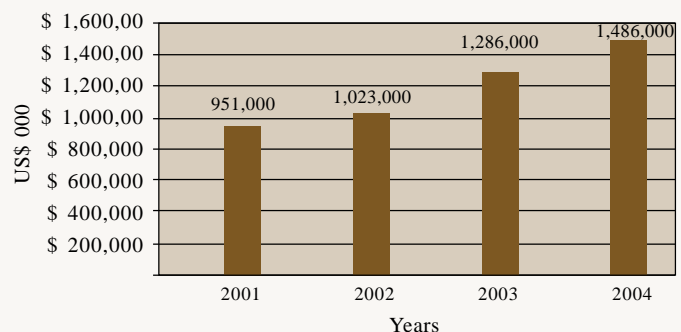
We need good molds and dies for blow molding, injection blow molding and film extrusion manufacturing processes. Approximately 30% of the molds we use are imported, particularly the high precision molds used to produce high-end plastic products.

There is demand for raw material compounders to help us manufacture plastics with special properties. For example, additives must be mixed with the raw materials to produce heat resistant plastics. These types of specialty plastics are used to manufacture parts and components for industries such as automobiles and construction.

Additionally we need mold manufacturing and plastic processing machinery and experienced technicians who can train local staff regarding new technology and production processes.

(Plastic manufacturing operations can qualify for BOI investment privileges such as tax and import duty reductions.)

Plastic Product Exports



Source: Thai Customs Department

Thailand's FTAs Facilitate Trade and Investment



Thailand's six free trade agreements (FTAs) with Australia, China, India, New Zealand and the 10 member countries of ASEAN (Association of Southeast Asian Nations) have made Thailand an even more attractive place to invest. Exports of electronics, automobiles and auto parts, sectors in which foreigners are heavily invested, have increased significantly. Not only have FTAs drastically expanded duty free access to 2.87 billion people, key industries have been liberalized, logistics streamlined and regulations on foreign investments further liberalized.

The FTAs have also provided investors with competitive advantages in the importation of raw materials, components and other production inputs by reducing and eliminating import duties on these items. Some of the free trade initiatives also opened new markets and industries to foreign direct investment, such as the ASEAN Investment Area (AIA) Agreement and the Thailand-Australia FTA, which enables Australian investors to own majority control of investments in selected industries in Thailand without BOI promotion. Some FTAs have also harmonized customs codes and product standards, speeding trade flows. Thailand's participation in multilateral agreements has meant that Thai and Thai-based international manufacturers have gained considerably, increasing Thailand's allure as a production and export base.

The following is a summary of major benefits that have resulted from each of the six FTAs completed.

ASEAN Free Trade Area (AFTA)

AFTA was launched in 1992 to eliminate tariffs and integrate member economies into a single production base

and regional market of 550 million people. Tariffs were reduced to 0-5% in 2003 for ASEAN 6 and will be eliminated by 2015 for all ASEAN members. Trade within all of ASEAN is already relatively free, however, as more than 99% of traded goods are either duty free or face maximum tariffs of only 5%.

The AIA Agreement, a component of AFTA, liberalizes and facilitates ASEAN investment for member and non-member investors. Effective January 1, 2010, ASEAN 6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) markets will be open to non-ASEAN investors in most sectors including manufacturing, agriculture, fishery, forestry, mining and related services. In addition to liberalizing investment, the AIA will facilitate freer flows of capital, skilled labor, professional expertise and technology within ASEAN. In 2003, the AIA liberalized investment in manufacturing for members in ASEAN 6 + Myanmar.

Investors will also benefit from initiatives to harmonize customs codes and develop common product certification standards. Product standards have been harmonized for 20 priority items including electrical and electronic equipment.

ASEAN is increasingly becoming a key market for Thai exports, which jumped by 29% in 2004 to US\$ 21 billion. Thailand's main ASEAN exports are computers and related parts and components valued at US\$ 2.3 billion, along with autos and auto parts and components valued at US\$1.5 billion. Through ASEAN's pursuit of FTAs with major trading partners, Thailand and its foreign investors may gain access to new markets such as South Korea, Japan and India.

This is the first of a two-part series reviewing the impact on trade and investment of Thailand's current multilateral and bilateral agreements. The second part, to be published in the August issue of the BOI Investment Review, will update the status of Thailand's FTAs presently under negotiation, including those with the U.S. and Japan.

ASEAN - China

The trade on goods agreement between ASEAN and China took effect on July 1, creating the world's largest free trade area of 1.7 billion consumers, a regional gross domestic product of approximately US\$ 2 trillion and total trade estimated at US\$ 1.2 trillion. Thai exports of tapioca, biochemicals, plastics and medical equipment are expected to profit from the FTA. Tariffs will be phased out between 2010 and 2018.

An Early Harvest Scheme between China and ASEAN-6, begun in January 2004, cut tariffs on meat, fish, dairy products, other animal products, trees, vegetables, fruits and nuts. Duties on these goods will be eliminated by 2006.

Thailand - China

Prior to the establishment of the ASEAN-China FTA, Thailand entered into an FTA with China that took effect in October 2003. It eliminated duties on 188 fruits and vegetables and, according to the Thai Department of Foreign Trade, Thailand posted a US\$ 200 million agricultural trade surplus with China from October 2003 through February 2005. Negotiations regarding additional items are on hold, as they will be covered under the ASEAN-China agreement.

Thailand - Australia

In the first four months after the Thailand - Australia FTA took effect on January 1, eliminating Australia's 5% import tax on autos and parts, Thailand's exports of autos and auto parts to Australia surged by 55% to US\$ 400 million. This benefited foreign investors who have significant investments in Thailand's auto industry.

The Thai - Australia FTA, effective from January 1, 2005, provides incentives to attract Australian foreign direct investment. Australian investors can now own up to 60% in Thai SMEs in telecommunications, computers, construction, education, distribution, tourism, mining and other sectors.

The FTA helped to boost bilateral trade to US\$ 2 billion in the first four months of 2005, up 50.4% over the same period last year. During January - April, Thai exports to Australia jumped by 24% to reach US\$ 900.5

million, according to the Thai Ministry of Commerce.

The Agreement eliminated tariffs on 83% of Thai exports and 80% of Australian exports, and by 2010, 95% of all trade between Australia and Thailand will be free.

Duties on all Thai agricultural products were eliminated, except for tuna, skipjack and bonito, which will be phased out by 2007.

Import duties on Australian wheat, barley, rye, oats, lactose, cocoa, copper bars and steel slab were eliminated, while tariffs on items such as wine, fruits, vegetables, plastics, paper, textile, garment, steel, machinery and electrical appliances will be eliminated by 2010.

Thailand - India

An Early Harvest Scheme (EHS), part of a broader India-Thai FTA, took effect on September 1, 2004 and stimulated a 129% increase in Thai exports. From September 2004 to April 2005, Thai exports totaled US\$ 150 million, compared to US\$ 65 million between September 2003 and April 2004. Thai exports of electrical and electronics parts to India increased to US\$ 59 million, compared to US\$ 11 million for the same period a year earlier. Foreign investors in Thailand have gained as they are heavily invested in this sector.

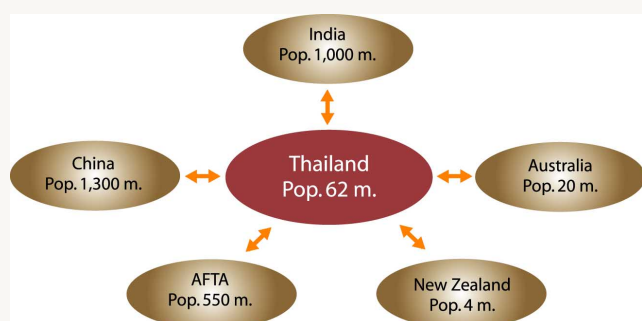
The Scheme reduced tariffs on 82 agricultural and industrial items by 50% including various fruits, wheat, sardines, salmon, mackerel and processed crab. It also covers other major Thai exports such as gems and jewelry, household electrical appliances, integrated circuits, furniture and auto parts. Tariffs on these items will be eliminated by September 1, 2006. Full liberalization will occur by 2010.

Negotiations on trade of services and investment began in January 2004 and are to be finalized by January 2006. Future negotiations will cover trade facilitation, customs procedures, visa issuance, and the reduction and elimination of non-tariff barriers.

Thailand - New Zealand

The Closer Economic Partnership Agreement between Thailand and New Zealand took effect on July 1, eliminating duties on 71% of annually traded goods. Tariff-free imports from New Zealand include machinery, wool, plastic products, paper, infant formula and vegetables. Tariff-free Thai exports include electrical appliances, gems, canned tuna, furniture, glass and ceramics.

For more information on Thailand's trade with China, Australia and New Zealand, see the March, April and June 2005 issues of the Investment Review available at www.boi.go.th under the publications section)



BOI INVESTMENT MISSIONS

Destination: China

Deputy Prime Minister and BOI Chairman Somkid Jatusripitak and BOI Secretary General Satit Sirirangkamanont led a delegation to Beijing, Sichuan and Chongqing from May 19-27 to hold seminars and sign an MOU to facilitate investment between Thailand and China.

A seminar titled 'Thailand and China: Strengthening Business Partnerships' was held in Beijing on May 20 with Thai and Chinese participants from the agriculture, automotive and electronics industries. Chinese Deputy Commerce Minister Liao Xiao Qi and Deputy Prime Minister Somkid reviewed the 30 year history of Thai-China trade and investment relations. Secretary General Satit also discussed the Thai-Chinese business relationship and Thailand's current investment climate and promotion strategies.

An MOU was signed by Secretary General Satit and Mr. Liu Yajun, the secretary general of the China Investment Promotion Agency (CIPA) to facilitate two-way investment flow and information exchange and to remove current investment barriers.

In Chengdu, Sichuan province, a seminar was held on May 23 to explore business opportunities specifically between Thailand and Sichuan province. Current Thai investment in Sichuan includes feed mills, poultry and construction machinery, while Thailand's high-tech and agro-processing sectors hold potential for investors from Sichuan.

Delegates surveyed port and logistics facilities at Jui Long Po, Chongqing's largest port. The port is strategically located close to Yangtze Jiang River, which flows through the municipality to Shanghai.



Deputy Prime Minister Somkid Jatusripitak delivers the opening speech at the May 20 seminar in Beijing.



BOI Senior Executive Advisor Dr. Atchaka Brimble (second left) meets representatives from the Liverpool Chamber of Commerce and Industry on May 26.

Destination: Italy and the U.K.

BOI Senior Executive Advisor Dr. Atchaka Brimble led a mission to Italy and the U.K. from May 22-29 to attract foreign direct investment in Thailand.

In Brescia, Italy, an investment seminar was held to promote Thailand's investment climate and privileges. BOI delegates also visited automotive tire and animal feed production factories in Milan.

In the U.K., investment promotion seminars were held at Chambers of Commerce and Industry in London and Liverpool. In Edinburgh and Newcastle, delegates visited food processing and biomass energy producing factories and promoted Thailand's investment privileges in these sectors.



Deputy Secretary General Sudjit Inthaiwong meets with potential investors at an investment seminar in Kuala Lumpur on June 13.

Destination: Malaysia

A BOI delegation led by Deputy Secretary General Sudjit Inthaiwong conducted seminars in Kuala Lumpur and Penang, Malaysia from June 12-16 to promote investment in Thailand's agriculture, auto parts and electronics sectors.

In Kuala Lumpur, delegates visited the Malaysian Rubber Board to survey its R&D facilities for rubber plantations and products. The team also visited the Multimedia Super Corridor, which serves as a one-stop investment service zone for the ICT sector. In Penang, the BOI delegates organized an investment seminar at the Federation of Malaysia Manufacturers and toured the facilities at Kulim Industrial Estate.

By Wisan Tanthawichian, Chitra Kulvanich, Shorkaew Prasongsom, Praorn Charoonrode, Alisa Kukarja

INSIDE THE BOI



Royal Decorations

On June 27 at the BOI, Minister of Industry Watana Muangsook (third right) presents the Royal Decorations of the Fourth Class of Direkgunabhorn to three business leaders who have made significant contributions to the development of manufacturing in Thailand. The recipients are Mr. Hiroyuki Maze (right), chairman of the board of directors, Fujitsu (Thailand) Co., Ltd.; Mr. Mashamitzu Horike (second right), managing director of Hitachi Global Storage Technology (Thailand) Co., Ltd.; and Mr. John Francis Coin (second left), senior director of global operations of Western Digital (Thailand) Co., Ltd.



Southeast Asia Rising

BOI Secretary Satit Sirirangkamanont discusses Thailand as a growth model for economic resurgence at the Asia Society's conference on 'Southeast Asia Rising' from June 8-10 in Bangkok. The panel discussion also covered tsunami reconstruction, Southeast Asia's energy and infrastructure needs, trade liberalization, investment attraction, and Thailand's and Southeast Asia's future growth.



Doing Business with India

Secretary General Satit Sirirangkamanont presided over a seminar entitled 'India Awakening: How to do businesses with India' at the BOI office on June 2. The participants included Thai investors and business consultants from India. The Secretary General also announced the opening of the India desk, which will facilitate two-way investment flows between the two countries.



ASEAN-China Expo

Organizers of the 2nd ASEAN-China Expo meet with Secretary General Satit Sirirangkamanont and BOI Senior Executive Advisor Suchart Phisitvanich on June 6 to discuss the event, to be held from October 19-22 in

Nanning, China. The BOI will hold investment seminars and will lead a Thai business delegation to meet with potential partners from China and ASEAN. The Expo will include seminars on commodity trade, trade in service and investment negotiations and cultural exchanges.



Foundation Stone Laying Ceremony

Deputy Secretary General Sudjit Inthaiwong participates in a foundation stone laying ceremony at Meiki Engineering (Thailand) on June 8. The new mold production factory is being built at Hitech Industrial Estate in Ayutthaya Province and will begin operations in August.

Newly Approved Investments, from page 1

industry value chain. The Prachuap Khiri Khan facility is scheduled to begin production in 2008 and will create 4,600 jobs.

Thai investor, Mr. Vijit Rattanavilai plans to invest US\$ 67.5 million in a hot-rolled steel and hot-rolled steel sheet factory in Phetchburi with annual capacity of 400,000 tons.

Power generation

Thailand's power generation capacity will expand by more than 1,500 MW when three newly approved power

projects come on-line, supporting higher industrial production levels. Gulf Power Generation plans to invest US\$ 900 million in a Saraburi power plant to generate 1,468 MW; Glow Energy Plc. will produce 58 MW of electricity and 70 tons of steam per hour at its US\$ 47.5 million facility in the Eastern Industrial Estate in Rayong; and National Petrochemical will invest US\$ 30 million to generate 35 MW of electricity and 70 tons of steam per hour in the Maptaput Industrial Estate in Rayong.

— *By Susan Crawford*

THAILAND ECONOMY - AT - A - GLANCE

Facts about Thailand

Population (2004)¹

62 million

Population of ASEAN

550 million

Literacy

96%

Minimum wage¹

US\$4.38/day (Bangkok)

GDP (2004)¹

US\$164.4 billion

GDP growth (2004)¹

6.1%

GDP per capita (2004)¹

US\$2,595

Projected GDP Growth (2005)²

4.5-5.5%

Current account balance (2004)¹

US\$7.3 billion

Balance of payment (2004)¹

US\$5.7 billion

International reserves (April 2005)¹

US\$49.2 billion

Capacity utilization (2004)¹

69.3%

Corporate income tax

10-30%

Withholding tax

10-15%

Value added/sales tax

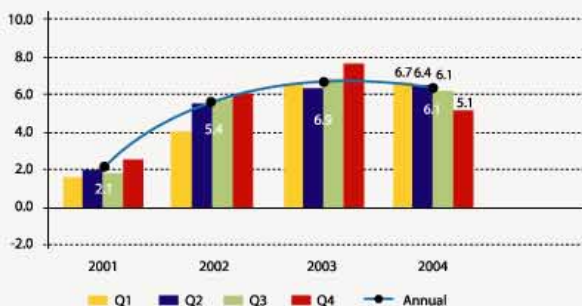
7%

Source:

1 = Bank of Thailand (BOT)

2 = National Economic and Social Development Board (NESDB)

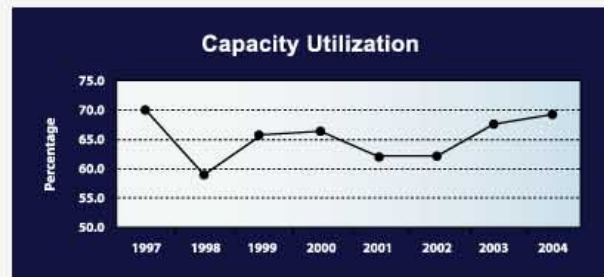
Thailand's Quarterly Real GDP Growth Rate (%YOY)



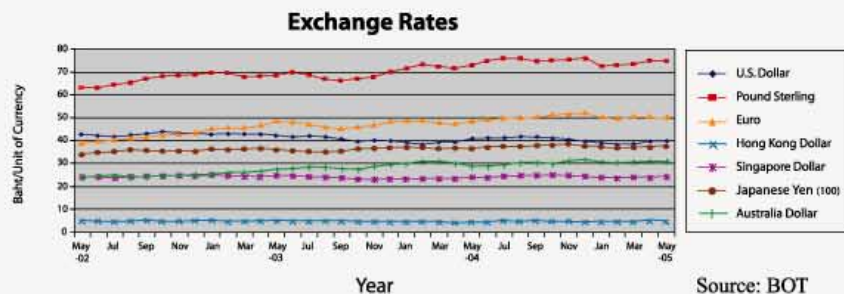
Source: NESDB



Source: BOT



Source: BOT



Source: BOT



May 05: 667.55
Source: SET

	Top 10 Exports (2004)	Value (USD MIL.)
1	Computers & components	9,302.7
2	Automobiles & parts	5,681.7
3	Integrated circuits	4,974.3
4	Rubber	3,432.5
5	Radios, Televisions	3,230.5
6	Plastic pellets	3,132.0
7	Garments	3,092.1
8	Rice	2,694.6
9	Gems and jewelry	2,647.1
10	Iron and steel	2,517.5

Source: Customs Department

	Top 10 Imports (2004)	Value (USD MIL.)
1	Crude Oil	10,730.5
2	Electrical Machinery & Parts	9,498.1
3	Industrial Machinery	9,454.9
4	Chemicals	8,121.8
5	Integrated Circuits	7,357.2
6	Iron and Steel	5,830.4
7	Computers, Parts & Accessories	4,852.3
8	Metal Manufactures	3,433.6
9	Jewelry, Silver Bars and Gold	2,984.0
10	Auto Parts & Accessories (Incl. Chassis and bodies)	2,841.5

Head Office, Office of the Board of Investment

555 Vibhavadi-Rangsit Road, Chatuchak, Bangkok 10900, Thailand Tel. (66) 2537-8111, (66) 2537 8555: Facsimile (66) 2537-8177
BOI Information Center (66) 2936 4555 www.boi.go.th E-mail: head@boi.go.th

New York

Thailand Board of Investment
New York Office
61 Broadway, Suite 2810
New York, N.Y. 10008 U.S.A.
Tel: (212) 422 9009
Fax: (212) 422 9119
E-mail: nyc@boi.go.th

Paris

Thailand Board of Investment
Paris Office
Ambassade Royale de Thaïlande
8, Rue Greuze
Paris 75116 France
Tel: (33 1) 56 90 26 00
Fax: (33 1) 56 90 26 02
E-mail: par@boi.go.th

Frankfurt

Thailand Board of Investment
Frankfurt Office
Bethmannstr 58, 5.OG
60311 Frankfurt am Main
Federal Republic of Germany
Tel: (49 69) 92 91 230
Fax: (49 69) 92 91 232
E-mail: fra@boi.go.th

Tokyo

Thailand Board of Investment
Tokyo Office
Royal Thai Embassy
8th Fl., Fukuda West Building,
2-11-3 Akasaka, Minato-ku,
Tokyo 107-0052 Japan
Tel: (81 3) 3582 1806
Fax: (81 3) 3589 5176
E-mail: tyo@boi.go.th

Shanghai

Thailand Board of Investment Shanghai
Office
Royal Thai Consulate-General
2nd Fl., 7 Zhong Shan Dong Yi Lu,
Shanghai 200002 P.R. China
Tel: (86 21) 632 19621
Fax: (86 21) 632 19383
E-mail: boishanghai@sh163.net