n a little over one month’s time, His Majesty King Bhumibol Adulyadej, the ninth king of the Chakri Dynasty, will celebrate his 60th anniversary on the throne and add to an already unprecedented tenure as the world’s longest-reigning monarch.

Recognized at home and abroad as a source of national stability and moral fortitude, King Bhumibol is a skillful guardian of his Kingdom, successfully guiding its entry into the 21st century. He has presided over its growth from a largely agricultural-based developing country to its current status as a global center of industrial production and an exporter of high-technology products. The King’s continuous devotion to his subjects and country has served to strengthen the relevance of the monarchy in this modern constitutional democracy, and forged its role as the embodiment of Thailand’s national spirit.

The Chakri Dynasty, responsible for creating the Thailand that exists today, dates back to King Buddha Yodfa Chulalok, who reigned from 1782 to 1809 and who was responsible for moving the capital city to Bangkok, as well as for the construction of the Grand Palace, which houses the Emerald Buddha, the symbol of Thailand’s centuries-long fight to remain independent of foreign rule.

This royal line also includes such great and renowned leaders as King Mongkut, the father of Thai science, who encouraged greater political and commercial interaction with other countries, and modernizing Thailand to meet the global challenges of his day.

And, of course, King Chulalongkorn the Great, who continued to modernize Thailand politically, economically and socially and remains a revered and beloved symbol for all Thais.
Thailand’s shining light

Continued from Page 1

The love and adoration that the Thai people have for King Bhumibol comes not solely through a deep and abiding respect for the royal title and his accomplished ancestors, but has been earned many times by the Herculean effort made by His Majesty to enhance the lives of all his subjects, particularly those most vulnerable.

Throughout his life, he has taken a hands-on approach, visiting every region of the country, observing first-hand the needs of his subjects and listening to their concerns, their hopes and their aspirations. He has encouraged and often personally financed the use of new technologies and cutting-edge agricultural methods to improve production and raise standards of living, and he has measured the progress of development initiatives. The results are clearly reflected in Thailand’s GDP growth, which is anticipated to be near 6% for the first quarter of this year, with the full year projection in the 4.5-5.5% range.

Royal projects have accounted for vast improvements in agricultural production, irrigation and water supply. In fact, Chitralada Palace, the royal residence in Bangkok, has set aside land for use as an experimental farm for dairy cattle and to test various new strains of rice seed in different soil compositions, in order to discover which seed is best suited for the diverse conditions that exist in the provinces. His Majesty has also encouraged farmers to adopt integrated farming to reduce their risks of relying on a single crop.

Concerned not only with identifying the best means of production for farmers, the king has also responded to the difficulties faced in food preservation and delivery of products, whether it be construction of new roads to provide better access to markets or even the construction of low-cost powdered milk facilities. Over the years, His Majesty has initiated thousands of development projects and established Royal Development Study Centers in various regions of the country.

Speaking on the occasion of his birthday last December, the King spoke eloquently on many issues about which he remains concerned, including the need for Thailand to adopt alternative sources of energy. There is, in fact, a Royal car that today operates not on gasoline, but completely on bio-diesel that is produced 100% from palm oil.

These lifelong efforts and initiatives to enhance the lives of Thai people and provide security to the country have received global acclaim. Among such international recognition, in 1995 the United Nations Food and

A TRIBUTE TO HIS MAJESTY THE KING

The following is an excerpt of remarks made by United Nations Secretary-General Kofi Annan as he presented the UN Development Programme’s inaugural Human Development Life-time Achievement Award to His Majesty King Bhumibol Adulyadej on the occasion of the 60th anniversary of His Majesty’s accession to the throne.

“For the United Nations the ceremony has special significance as it marks the first time that we recognize outstanding contributions to development through this Award.

Human development, reduced to its essence, is a very simple concept: it is about empowering people, not the few, not even the many, but all people. It is about empowering them through education, through opportunity, through health care and nutrition. It is about empowering individuals with choices so they may live healthy, knowledgeable and creative lives.

At his coronation in 1946, His Majesty uttered the famous Oath of accession: ‘We shall reign with righteousness, for the benefit and happiness of the Siamese people.’ Ever since, His Majesty has lived this Oath, selflessly devoting his time and efforts to the well being and welfare of the people of Thailand regardless of their ethnicity, religion or legal status. As the world’s ‘Development King’, His Majesty reached out to the poorest and most vulnerable people of Thailand, listened to their problems, and empowered them to take their lives into their own hands. His Majesty’s rural development projects have benefitted millions of people across Thailand. They have prompted small-scale agriculture; appropriate farming techniques, sustainable use of water resources; conservation; and flood and drought mitigation.

His Majesty’s development agenda and visionary thinking are an inspiration to His subjects and to people everywhere.”

Continued on Page 3
Agriculture Organization awarded King Bhumibol its Agricola Medal, its highest distinction given for contributions to the promotion of sustainable food production, world food security, the eradication of poverty and international cooperation. In 2004, UN-Habitat awarded the King the Habitat Scroll in recognition of his outstanding contribution to improving water resource management in Thailand. This year, the Secretary-General of the United Nations (See Page 2) will again recognize the development initiatives of the King and present him an award of the United Nations Development Programme for his many contributions in this field.

Thailand has indeed enjoyed many years of healthy economic development under the wise stewardship of King Bhumibol and for several decades has enjoyed the status as one of the fastest-growing economies in the world. In 1997, at the onset of the Asian economic crisis, Thailand witnessed an overnight stinging revaluation of its currency that pushed many people to the brink of poverty and placed a heavy weight on the shoulders of the poor.

Once again, the Thai people found strength and direction from their King, who promulgated the philosophy of a “Sufficiency Economy”. His Majesty cautioned the Thai people about over consumption and excessive materialism, and encouraged rather a life of moderation, self-support and self-reliance. Within three years, the economy was stable and rebounding.

The sense of devotion that His Majesty has exhibited over his 60-year reign has truly reflected the virtue of Thailand’s other pillar of existence, the Buddhist religion. As a devoted follower and practitioner of his faith, he has also worked assiduously to fulfill his constitutional role as Defender of all other Faiths in Thailand, promoting peace and tolerance, making Thailand a bastion of religious freedom.

On this occasion, the fifth cycle of the reign of His Majesty Bhumibol Adulyadej, we join the people of Thailand in joyous celebration and most humbly offer our deep and abiding gratitude and respect.

Strength of the Land with Incomparable Power!
Thailand records 4.5% growth in 2005

Despite external shocks, such as the skyrocketing price of oil, and the impact of the tsunami on the tourism industry, the Thai economy was still able to record gross domestic product (GDP) growth of 4.5%. This was lower than originally forecast, but those projections did not anticipate a US$20 per barrel rise in the price of oil.

Economic growth in 2005 was largely fueled by exports, which set a new record of US$109.2 billion, 15% higher than in 2004, in large part due to the export of hi-tech manufactured products. Exports of electrical apparatus for electrical circuits (e.g. integrated circuits and parts, telecommunications equipment and miscellaneous electrical parts) totaled US$12.5 billion, while computers and parts reached US$11.5 billion. The two sectors accounted for almost 22% of total exports.

Other major Thai exports in 2005 included electrical appliances (US$8.9 billion), vehicles and parts (US$8.2 billion), agricultural products (US$7.8 billion) and textile products (US$5.5 billion).

At the same time exports of Thai goods and services increased, so did the value of imports. While many imports were in the form of intermediate goods used to support the export drive, oil was the single-largest import item in 2005.

The impact of the oil shock on the Thai economy cannot be overstated. According to BIO Energy Database, as reported by Morgan Stanley Research, Thailand’s oil consumption, as a percentage of GDP, is the second highest (behind only Singapore) of the export-oriented economies of East and Southeast Asia. The rising prices therefore have had a profound effect on the country’s balance of trade and, hence, the current account balance.

Not only did the volatility in global crude oil prices during the year put pressure on production costs in numerous industries, it also shook consumer confidence. A central bank research paper noted that “every $10 per barrel increase in the Dubai crude oil price raises retail fuel prices by 3.60 baht per liter and household expenditure by 0.8%.”

Not surprisingly, then, inflation reached 4.5%, up sharply from 2.7% in 2004.

The tourism sector, which had suffered in the aftermath of the December 26, 2004 tsunami, began to rebound during the second quarter of 2005, as many tourists simply changed their vacation destinations to Gulf of Thailand resort areas, such as Pattaya, Hua Hin and Koh Samui. The winter “high-season” was generally considered quite strong and the Tourism Authority of Thailand reported 12 million tourist arrivals in 2005, a figure similar to 2004. The outlook for 2006 is positive, with a target of 13.8 million visitors.

In addition to these factors, the agriculture sector was beset by continuing severe drought that had hit 70 of Thailand’s 76 provinces. In 2004, agriculture accounted for 9.2% of Thailand’s GDP. The National Economic and Social Development Board (NESDB) reports that agriculture production decreased in 2005 by 2.4%, with corn, cassava, sugar cane, and rubber being particularly affected by continuing drought conditions.

Thailand’s farmers have also, in some instances, been adversely affected by cheaper imports under Free Trade Agreements and the government is now working on restructuring various products to mitigate the impact. These efforts aim to increase the GDP figures in this sector to 900 billion baht by 2008, up from a 680 billion estimated for 2005.

Thailand has concluded or is negotiating free trade agreements with various trading partners, such as Japan, China, Australia and New Zealand. Exports in agricultural products are expected to benefit from a decline in world output.

Economic stability

Despite the obvious drag that these issues have had on the economy, economic stability was maintained in 2005. The average unemployment rate declined to 1.8%, with the number of people employed in the fourth quarter of the year at 36.18 million, increasing in both agriculture and non-agriculture sectors. The international reserve maintained its stability at US$52.1 billion, 3.1 times short-term international debt and equivalent to 5.3 months of imports, and the international ratings agency Standard and Poor’s has affirmed Thailand’s foreign and local currency ratings.

Continued on Page 5
Exports to drive expansion

Manufacturing production expanded by 9.2% in 2005, and capacity utilization increased from 70.7% in 2004 to 72.6% in 2005. Industries that saw increased utilization include paper and paper products and construction materials.

Detroit of Asia

The auto industry continued its drive toward becoming the “Detroit of Asia” with another banner year. Despite the rising cost of fuel, domestic sales increased by 12.4% – more than 703,000 vehicles were sold domestically, while another 440,000 units were exported.

More than 1.2 million vehicles were manufactured in 2005, marking the first time production topped the one-million vehicle mark. As a result of major investments by both Japanese and American automakers, total capacity is projected to rise to two million units per year within 2010, which would make Thailand one of the top 10 vehicle manufacturing nations.

Investor confidence in Thailand remained strong in 2005, reflected in the high level of foreign direct investment. The Board of Investment reports an encouraging increase in applications received at 1,358 investment projects worth 704.5 billion baht.

BOI Secretary-General Satit Chanjavanakul expressed confidence that the application target for 2006 of 800 billion baht, and one trillion baht within the next three years, would be reached. He noted that despite the negative factors affecting the economy in 2005, the country’s main industries such as petrochemicals, vehicle, electronics and electrical appliances continued to grow.

The benefits of investing in Thailand were underlined by reports from several internationally recognized sources. In September, the United Nations Conference on Trade and Development (UNCTAD) published the results of a survey of the world’s 325 largest multinationals, ranking Thailand the 9th most attractive investment location in the world and the 3rd most attractive site in Asia. And, the World Bank’s 2006 Ease of Doing Business study of 155 economies in 10 business areas ranked Thailand number 20, second only to Singapore within the Association of Southeast Asian Nations (ASEAN).

Outlook for 2006

For 2006, at the end of February, the Fiscal Policy Office (FPO) announced that the Thai economy is expected to grow at between 3%-4%, as a result of greater demand for exports of goods and services. In particular, the FPO felt that demand for electrical appliances, computer components, automobiles and agricultural products would increase and the tourism industry has finally recovered from the tsunami.

However, that forecast was made before the duration of the political impasse became evident. The FPO recently acknowledged that the growth projection was likely to be revised downward.

Key indicators, April 2006

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<th>Indicator</th>
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<tr>
<td>Gross domestic product</td>
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<tr>
<td>International reserves</td>
<td>US$60 billion</td>
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<tr>
<td>Trade balance (Jan-April)</td>
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<tr>
<td>Exports $38.76m</td>
<td>(+15.9% year-on-year)</td>
</tr>
<tr>
<td>Imports $39.72m</td>
<td>(+5.1% year-on-year)</td>
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<tr>
<td>Current Account Balance</td>
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<tr>
<td>Balance of Payments</td>
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<tr>
<td>Inflation</td>
<td>+6% year-on-year</td>
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<tr>
<td>Core inflation, ex food and energy</td>
<td>+2.9%</td>
</tr>
<tr>
<td>Manufacturing production index</td>
<td>164</td>
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<tr>
<td>Industrial capacity utilization</td>
<td>79.8%</td>
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<tr>
<td>Exchange rate (baht/$)</td>
<td>38.98%</td>
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<td>Interest rates (% p.a.)</td>
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<tr>
<td>– Repurchase Rate, 1 day (closing rate daily average)</td>
<td>4.31%</td>
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<tr>
<td>– Overnight Interbank Rate (mode daily average)</td>
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<tr>
<td>– Fixed Deposit Rate (1 year)</td>
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</tr>
<tr>
<td>– Prime Rate</td>
<td>7.25-7.50%</td>
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Source: Government agencies
THE BOI ON THE ROAD

BIO 2006 in Chicago

A BOI team, led by BOI Executive Investment Advisor, Ms Ajarin Pattanapanchai, joined forces with representatives of the Thailand Center for Excellence in Sciences, The Technology Management Center of the National Science and Technology Development Agency (NSTDA) and the National Center for Genetic Engineering and Biotechnology to attend BIO 2006 in Chicago, Illinois.

The convention, the largest gathering of biotechnology exhibitors in history, was held at the McCormick Place Convention Center between April 9 and 12. The convention attracted over 4,000 delegates from 60 countries.

BIO 2006 was organized as a forum for industrial leaders, academics, venture capitalists, research scientists and legal professionals to come together to discuss the latest developments in the field of biotechnology. In addition to promoting the investment environment in Thailand and increasing their networking contacts, the visit gave the team a first hand opportunity to update themselves on the latest trends in biotechnology, an area very much in line with the Thai government’s policy of promoting new bio-business in Thailand.

The delegates from Thailand organized a country seminar to introduce the key Thai players in the area of research and development (R&D) collaboration, commercialization and investment in Thailand. A distinguished panel of four speakers headed by Professor Chachanat Thebtaranonth, Vice President, NSTDA, outlined the status of biotechnology R&D in Thailand and the related infrastructure recently put in place to attract investors to the field of bio-business.

The BOI team manned an information booth at the convention hall. Among the many visitors, they met with representatives of JETRO from Japan who are making preparations for BioLink 2006 to be held in Osaka in September. An invitation to attend was extended to the Thai delegation.

A number of corporate representatives from global healthcare companies visited the BOI booth to discuss the possibility of establishing either production or research and development (R&D) facilities in Thailand.

A global agro-science giant met with BOI representatives to discuss possible collaboration in producing nutritionally enhanced feed for livestock and plant-cell-produced vaccines to prevent avian bird flu, and wanted to learn more about the Thai government’s “Kitchen of the World” program with a focus on food safety, GM plant propagation, and seed breeding with Marker Aided Selection.

Finally, representatives of a European firm that focuses on clinical research, biometrics, interactive technologies, laboratory, clinical pharmacology and consulting services, attended a meeting to discuss cooperation as the possible contract research organization to enhance the niche services of the Thai bio-service industry.

The BOI team also traveled to Indianapolis, Indiana to visit the facilities of Dow AgroScience LLC. There, the BOI team toured the research headquarters of Eli Lilly and Company and held a discussion regarding the company’s business plans and strategy for Asia.
Down to business at the Hanover Fair

A team from the BOI’s BUILD unit traveled to Germany to attend the world-class Hanover Fair in Germany, from April 24 to 28. The BOI delegation of three, headed by Assistant Secretary-General, Ms. Ajarin Pattanapanchai, was joined by three staff of the BOI representative office in Frankfurt, led by Dr. Wisan Tanthawichian.

The BOI team visited the following facilities:
- Leybold Optics GmbH in Alzenau (ophthalmics, reflective and protective coatings)
- Mann + Hummel in Speyer (production of industrial filters)
- Fraunhofer Institute for Structural Durability and System Reliability in Darmstadt (tests for life expectancy of automotive products and materials)

Established some 60 years ago, the Hanover Fair ranks as the leading international showplace for industrial technologies, materials and product ideas.

The 2006 Fair, which occupied 154,800 square meters, focused on the interaction and integration of different industrial technologies. Over 1,500,000 people visited the fair, which housed 5,175 exhibits. Over 2,300 foreign companies from 66 nations exhibited.

This was the 4th year that the BOI has been represented at the Fair. The BOI delegates were accompanied by executives from 11 different Thai companies: A.F. Goodrich Chemicals, A.F. Supercell, Bluechips Microhouse, CS Polymer, Ikebana Engineering, Inter-Global Network, L.T. Works, Pacific Automotive, Pacific Rubber Works, Ten Sho, Thaisin Metal and Van Union. The exhibition space of the Thai companies occupied 100 square meters.

The Thai Pavilion, focused on the theme of subcontracting, provided visitors with a detailed picture of the all-important component supply and outsourcing resources available in Thailand. The BOI team presented mirror-image seminars at the main Hanover Fair facilities and at the Wire and Tube Fair in Dusseldorf.

The BOI presentation included a DVD on “Thailand, Land of Investment”, a discussion of Thailand’s investment opportunities, an overview of the Thai economy, and topic-specific presentations regarding metalworking, machinery and tools, wire and tube production, and subcontracting.

The program also included presentations on the metalworking and machinery situation in Thailand and Asia, an overview of BOI incentives and outsourcing services, and finally, the legal aspects of doing business in Thailand.

In addition to the presentation programs, one-on-one meetings with SME companies from Saxony were arranged by Economic Development Saxony, Ltd. On April 27, Mr. Chanin Khoochan, head of the BUILD section, gave a speech, “Sourcing Opportunities in Thailand”, at the Global Business Forum.

A delegation from the BOI’s Investment Promotion Department, led by BOI Senior Investment Promotion Officer Chitra Kulvanich visited Kuala Lumpur and Penang, Malaysia between April 2 and 7. The “door knock” visit, which was arranged with the cooperation of the Kuala Lumpur Branch of Bangkok Bank Ltd. and the Royal Thai Embassy to Malaysia, targeted the auto parts, logistics, rubber parts and precision mold business sectors.

Meetings were carried out with senior executives of several industrial concerns. A key meeting was conducted with YBhg Dato Mohamad Izat Emir, President of the Malay Businessmen and Industrialists Association of Malaysia. A joint meeting with the Federation of Malaysian Manufacturers and the Malaysian Petrochemical Association was held on April 4. Separately, the Director of the Malaysian Foreign Direct Investment Division of the Malaysian Industrial Development Authority (MIDA), Mr. Affiuddin Abdul Kadir, met with the BOI delegation.

In Penang, the investment team was met by officials of the Northern Branch of the Federation of Malaysian Manufacturers. An in-depth discussion was held with the President of the Penang Chinese Chamber of Commerce, YBhg Datuk Chooi Ewe Seng, and his deputy, Mr. Siah Kok Poay. The meeting was followed by factory visits to the electronic products facility of Intel Technology Sdn. Bhd. and Eng Teknologi Holdings Bhd. The visit was wrapped up with a dinner hosted by Mr. Poh Kim Seng, MD/CEO of MS Elevators Engineering Sdn. Bhd.
When asked to give a reason for the success of his company, Mustang Technologies Co., Ltd. (MT), CEO Chuck Kathrin immediately says “outsourcing” in order to deliver affordable quality.

Initially, the company started with approximately 45 full-time employees, but when the realities of the IT human resources market in Thailand changed due to shortages and salary inflation, the number dropped to the current level of 10. While Thailand is the company’s base of operations and home to their Project Management Office, and sales and marketing, most software development projects are outsourced to their partners located primarily in Vietnam, Bangladesh, China, Pakistan and Myanmar.

Over time, the company has come to recognize that its distinct advantage rests in its role as a “connector” – the ability to identify low-cost software development sources and marry them with the end users, most of which are located in high labor-cost countries in Europe and North America. Because of their well-established reputation for providing quality service and personalized relationship contact, MT has been able to maintain its strong position in a highly competitive industry. In addition, by being able to successfully bridge the cultural and language gap inherent in such a global market, MT has been able to successfully establish itself as a company that can be relied on to deliver on its word.

BOI investment privileges were extended to the company in 2001. The ability of the BOI to relate to their business plan with some ease was something which left a strong impression on Chuck. He is also quick to note that one of the strongest ongoing services offered by the BOI is its One Stop Visa/Work Permit Center. Finally, he finds the periodic follow-up reports to the BOI to be well timed and reasonable.

According to Chuck, “Mustang Technologies selected Thailand as its base of operations to offer offshore outsourcing services due to Thailand’s attractiveness as a tourist destination, favorable climate, quality of life, government support of the IT industry and ability to attract an international pool of professionals”.

In some situations, MT will bring the end user and the software developers together at their corporate office in Bangkok so that their professional IT people can work directly with them to structure the most attractive software program. With that accomplished, MT will be able to continue to liaise between the two parties for their future needs. More often than not, MT will negotiate a contract with an end user and then outsource their needs to a reliable software development concern a half a world away, thereby eliminating the need for extensive travel by either party.

A key service offering created by Mustang Industries is its “COD Model”, which is short for Collaborative Offshore Software Development. This enables their global clients to find a reliable and competitively priced source for their software development needs via the unique services of MT by sending their project manager to Bangkok to manage the technical team and transfer technology and know-how. MT’s commitment to quality service is backed by an experienced team of international executives and technicians whose software engineering resources are Microsoft, Oracle, IBM and Sun certified. The company is firmly committed to ethical, honest and transparent business practices, a fact which is testified to by their extensive list of clients all over the world. A sampling of their prime clients include Fujitsu, BEA Systems, KBR (Kellogg, Brown and Root), Toyota (Malaysia), Dell Corp. and Sungard-All Solutions. In Thailand, they have had relationships with DTAC, M-Web (Thailand) Ltd. and Subway (Thailand).

Through their well-developed network of partnership relationships in Sweden, Norway, the United States, Australia and Japan, MT is able to identify a broad range of companies involved in the fields of telecommunications, real estate development, retail and wholesale sales and a wide range of companies in the service industry. Their IT professionals are then able to search their extensive resource base in Asia, Europe and North America in an all-out effort to put together an optimum package of software as well as e-commerce applications.

When viewing their base of operations in Thailand, Chuck still believes that Thailand’s greatest market attraction is its location. He is very pragmatic in recognizing that there is competition, but he points out that when you can consistently offer reliable, honest and quality service you will never need to worry about the future. He is also confident that by being flexible and aware of the market place in terms of both the source of the product and the end user, their company will continue to prosper.
Foreign investment jumps 62% in 2005
BOI expects US$20 billion in 2006

The value of net applications for investment promotion privileges set a new record in 2006, with 1,358 projects proposing 704.5 billion baht (US$17.5 billion) in investments. The record was the result of a 62% increase in foreign investment, which surged to 498.8 billion baht (US$12.5 billion), compared with 307 billion baht in 2004.

Japan continued its traditional role as Thailand’s most important investor nation. Japanese investors submitted 387 applications, which represented roughly 45% of all foreign applications submitted in 2005. These applications proposed 175 billion baht in investment, or more than a third of the value of all foreign investments.

The second-largest investment value came from China, which had cumulative investments of 121.9 billion baht from 19 projects. Europe ranked third in terms of value, with 142 applications and 51.9 billion baht, led by 32 projects (20.2 billion baht) from the Netherlands. ASEAN investment was next, with 121 projects and 36.3 billion baht, while investment from Taiwan rounded out the top five, with 54 projects worth 11.4 billion baht.

Investment to expand

The outlook for foreign investment in 2006 is quite positive. The BOI expects that investment will continue to expand, both in terms of projects and overall value.

The 2006 target has been set at 750-800 billion baht, and the BOI is confident that level of investment is achievable as the 2005 Foreign Investor Confidence Survey indicated that most investors think the Thai investment environment is quite viable.

Indeed, more than 72% of existing investors that responded to the survey indicated their companies had plans to expand their Thai operations within 2006-2009.

The results of the survey are reinforced by Thailand’s industrial capacity utilization figures, which has increased from 64.4% in 2002 to 72.3% in 2005. Many industries are running at full capacity, which would indicate a new cycle of investment is imminent.

In 2006, the BOI expects there will be more investment by SMEs, especially in the metal, machinery and transport sector, as SMEs gear up to supply expansion projects from auto manufacturers and assemblers. The auto industry, which surpassed the one million vehicle

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A push for petrochemicals

Continued from Page 9

mark for the first time in 2005, has a target of producing two million vehicles within 2010.

Other sectors that are expected to do well in 2006 are E&E, with investments in information and communications technology components, and biotechnology and energy preservation.

New incentives planned

In May, the BOI endorsed new incentive packages for projects in the electronics, petrochemicals and agroprocessing sectors.

The maximum promotional privileges will be granted to any project in the electronics industry with an investment of 30 billion baht or more.

A venture would qualify if it was also planning to use state-of-the-art technology or switch to local production.

To further spur high-technology industries, a fund will be set up to promote human resources, research and development and the establishment of a dedicated industrial estate.

The BOI plans to promote five categories of petrochemical firms, those which use feedstock such as sodium chloride, chlorine, caustic soda, hydrochloric acid and hydrogen peroxide.

The projects would be granted promotional privileges as provided under existing guidelines.

The BOI considers the promotion of the petrochemical industry of key importance as the industry can earn 275 billion baht in exports a year.

To encourage existing automotive rubber manufacturers to expand, the board has also decided to waive duty on machinery imports.

The waiver will be granted on condition that the business expansion remains in promotional zones One and Two, but outside industrial estates.

Satit Chanjavanakul, the BOI Secretary-General, said that the new packages would help attract more investment capital into Thailand. Certain industries could not grow in the country at present due to a shortage of feedstock or upstream products.

The government promotion of raw material production would create a link and related industries would materialize, he said.

Mr. Satit was confident of reaching the BOI’s 750-800 billion baht investment target this year, especially the 550 billion baht from targeted industries.

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<tr>
<td><strong>Projects</strong></td>
<td><strong>Value</strong></td>
<td><strong>Projects</strong></td>
<td><strong>Value</strong></td>
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<tr>
<td>Total foreign investment</td>
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<td>By sector</td>
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<td>563</td>
<td>51</td>
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<td>Minerals/ ceramics</td>
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<td>Light industries/textiles</td>
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<td>207</td>
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<td>Auto/metal processing</td>
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<td>Electrical/electronics</td>
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<td>Services</td>
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<td>Zone 1</td>
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<td>943</td>
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<td>375</td>
<td>5,100</td>
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<td>180</td>
<td>1,631</td>
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**Note:** Investment projects with foreign equity participation from more than one country are reported in the figures for both countries.

Unit = US$ Million
The recently released 16th Survey of Investment-Related Cost Comparison in Major Cities and Regions in Asia, prepared by the Japan External Trade Organization (JETRO), ranks Thailand’s investment-related costs among the most competitive in the region.

When asked to rate the optimal location for establishing a production or sales base over the next five to 10 years, the participating 966 Japanese-affiliated manufacturers placed Thailand highest, followed by Vietnam, India and China.

This informative comparative survey conducted in November 2005 looks at a broad range of business-related costs in major cities and regions throughout Asia, such as wages, land prices and office rentals, public utilities, transportation and taxation.

Each category is further broken down to provide the potential investor with a fairly good indication of the relative cost parameters encountered on a select city-by-city basis.

Certain costs, such as fuel, were noted to be higher throughout Asia as a consequence of the increase in crude oil prices globally, and particular attention was drawn to items such as a notable increase in wages in China.

In reporting its findings on wages for general industry workers, major cities in Asia were divided into three categories, separating those with monthly wages of US$100 or less; US$100 to US$300, including Thailand, and those with US$300 or more, such as Seoul, Singapore and Hong Kong.

Among these groups, JETRO notes that Japanese companies seeking access to an inexpensive labor pool generally opt for locations in the second category, due to problems such as unstable social conditions, insufficient infrastructure and low technical levels that are often associated with a category one country.

With Thailand’s national literacy rate at about 90%, the monthly wage in Bangkok for first-year graduates from high school is reported to be approximately US$146, with mid-level management wages starting at about US$584. This is certainly competitive with rates indicated in Kuala Lumpur at US$205 and $790 for each category, or even Manila at $182 and $649.

An interesting and important consideration when looking at such operational expenditures is the annual rate at which wages are increasing, with Thailand boasting a modest 1.1%, 1.9% and 3.7% for the years 2002, 2003 and 2004 respectively.

Compared to locations in China, for instance, where wages during the same period have exhibited double-digit increases over the same period, Thailand offers stability and predictability in recurring costs.

Infrastructure also makes Thailand an excellent location for operations, with considerable public investment being made and a high priority given by the government, working in close cooperation with the private sector, to enhance and upgrade its transportation, telecommunications and public utilities sectors.

JETRO notes that while there has been a lack of any substantial change in public utility rates in the countries surveyed, electricity shortages were experienced in several locations.

With regard to the important consideration of telecommunication expenses, the survey lists a standard international call charge for a three-minute telephone call from Bangkok to Japan ringing in at a cost of about US$1.46, with monthly mobile phone charges of US$29.18, and $0.05 per minute calls.

Internet access carries monthly basic charges in Bangkok of US$24.32 and no connection fee per hour; New Delhi with a monthly basic charge of $35.08, no p/h connection fee; or Kuala Lumpur at $26.14 and no p/h connection fee, among others.

The average corporate income tax rate in the region is approximately 30%, with taxes on interest, dividend and royalty remittances to Japan being in the range of 10 to 15%.

On this score, the Thai BOI offers tax incentives for investments made in key sectors, and depending on the location of the operation within the country these can include a corporate income tax exemption from three to eight years, with the possibility of a 50% reduction at the expiration of that exemption.

In addition to Thailand’s ideal location as a hub for global and regional exports, including its access into markets in the Association of Southeast Asian Nations (ASEAN) and China, a healthy majority of 60% of those companies in the country that were surveyed by JETRO cite increased sales in their respective domestic markets as the force behind their improved profitability during the year. That market within Thailand is robust and is on the rise.

Today, building on its heritage and traditions as an outward-looking society, and standing at the forefront of economic liberalization, Thailand remains a business-friendly, user-friendly environment for a secure return on investment.

The 16th Survey of Investment-Related Cost Comparison in Major Cities and Regions in Asia underscores the wisdom of investing in Thailand.
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<tr>
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