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CHAPTER 1 . EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a detailed overview of Thailand's commercial environment using economic, political, and market analysis. CCGs were established by the Trade Promotion Coordinating Committee to consolidate U.S. Government reporting documents prepared for the American business community. Country Commercial Guides are prepared annually at select U.S. Embassies around the world through the combined efforts of several U.S. Government agencies.

The Thai economy in 2000 showed signs of continued recovery from the dramatic downturn of 1997-98, registering 4.3 percent growth that was led largely by continued expansion in exports of almost 20 percent. Since the end of 2000, however, Thailand's economic outlook has become considerably more uncertain due to continued weak domestic demand and investment as well as the slowdown in the global economy, particularly in the United States and Japan, Thailand's two largest export markets. As a result, analysts have adjusted the country's GDP forecast downward to 1.0-2.0 percent for 2001, challenging the government to put the economy back on the path to recovery.

Popular dissatisfaction with the pace of Thailand's recovery played a major role in the January 2001 election victory of Thaksin Shinawatra's Thai Rak Thai Party, which unseated the government led by former Democratic Prime Minister Chuan Leekpai. While the latter made significant strides in stabilizing the economy after 1997 and laid down a framework for financial and economic restructuring, Thai voters, comparing a sluggish Thai recovery with what they perceived as faster rebounds elsewhere in Asia, opted for Thaksin's promises to reinvigorate the economy and redistribute the benefits of growth more evenly. In sharp contrast to the Democrats' market-based approach, which called for a limited role for government, the Thaksin government has moved relatively quickly to implement ambitious spending and stimulus programs. Among these are establishment of a Thai Asset Management Corporation, an affordable national health care scheme, a three-year debt moratorium for some farmers, and a micro-credit program designed to create jobs and promote development of new products in rural areas.

Thaksin and his economic advisors are confident their interventions will lead the Thai economy back to growth, but this is far from assured since the external environment will play a major role. Analysts are divided about the likely effectiveness of such interventions as the national AMC, which the government expects will spur banks to lend more. While the national AMC may remove from banks the capital constraints arising from non-performing loans and even prompt increased lending, these are not sufficient conditions to ensure the health of the financial sector. The Thaksin government could do much to improve prospects in this sector by continuing several reforms initiated but left incomplete by the previous government, such as speeding up the judicial process of bankruptcy and foreclosure, and passage of a new financial institutions law that could provide for additional improvements in supervision and in corporate governance.

With its solid legislative position, the Thaksin government has the opportunity to pursue other significant restructuring of the economy. For example, privatizing Thailand's state-owned enterprises is one area where results do not seem commensurate with the work already done. Bold action here could yield major benefits to the efficiency of the economy as a whole, particularly in the energy and telecommunications sectors, as well as relieving the public sector of a large capital investment burden and opening additional opportunities for both Thai and foreign investors.

Regarding foreign trade and investment, there were some indications during the campaign and within the first couple of months after the election that Thaksin and his advisors espoused more inward-looking economic policies aimed at self-reliance. Government agencies and state enterprises were even urged to "Buy Thai" in order to stem the rising level of imports. Since late April, the government has sought to stress that Thailand would remain open to trade and investment and would continue liberalization trends. Coming from a background as one of Thailand's most successful businessmen, Thaksin is fully cognizant of Thailand's need for foreign

investment, and there is no reason to suspect that Thailand's traditional reputation as a "good place to invest and do business" will change under his government.

In addition to government support, Thailand's other strengths as a destination for foreign investments remain unchanged. Its location at the center of Southeast Asia made it a natural export platform, but the domestic market continues to grow and diversify as the economy moves back toward full recovery. Transportation and communications infrastructure has improved dramatically over the recent past, and additional expansion is underway. Thailand has no real industrial policy directing investment, and successive governments -- including Thaksin's -- have committed the country to an increasingly open trade and investment regime. Investing and doing business here present challenges, to be sure, but the government appreciates the need for foreign investment. Providing an appropriate and attractive regime for foreign investment is certain to remain a central tenet of Thai economic policy.

The United States is Thailand's largest two-way trade partner, having overtaken Japan since the 1997-98 Asian financial crisis. Thai exports to the U.S. increased throughout the crisis, from \$10 billion in 1996 to \$16.4 billion in 2000, according to U.S. Commerce Department figures. Imports from the U.S., on the other hand, fell precipitously from \$9 billion in 1996 to under \$6 billion in 1998 and rose to \$6.6 billion in 2000. Thailand's surplus in the bilateral trade has thus risen from \$1 billion in 1996 to \$9.8 billion in 2000

Given the crucial role exports have played in Thailand's recovery, a deficit on the trade account in January caused significant concern. The small deficit was Thailand's first since August 1997 and was explained partially by one-time factors. However, it emphasized once again the relative weakness of the domestic economy and the consequent reliance on exports to keep the recovery on track. The deficit has already prompted the Thaksin government to pay greater public attention to export promotion activities, and it issued calls to maximize the use of local materials where possible. The trade balance returned to positive territory in February and March, but imports exceeded exports again in April. Government officials are confident the trade account will remain in surplus for the whole year. More effective export promotion -- coupled with favorable external developments -- will be necessary if exports are to approach last year's totals. Exports suffered year-on-year declines in three of the first four months of 2001, and April's export totals fell 7 percent from the same month last year.

Given Thailand's economic uncertainties and its location halfway around the globe from the U.S., the Thai market may often be left off the list of potential export markets for many American companies. However, U.S. firms should keep in mind that Thailand's economic evolution over the past two decades has resulted in a rather diversified economy increasingly open to foreign trade and investment. While formerly high growth rates have

slowed, U.S. products and services can contribute to current Thai economic goals of building a competitive export base, particularly in sectors such as electronics, automotive products, and processed food; completing major infrastructure projects; advancing national imperatives to improve education, IT usage and healthcare; and preparing for privatization of transportation, telecommunications, and power generation. In addition, Thailand's rapid growth in the past 15 years has swelled the ranks of the country's middle class, which will resume consumption once recovery becomes fully established.

In surveying the sectors offering best prospect for U.S. exports outlined in Chapter 5, American companies are advised to evaluate the many commercial opportunities that are available in Thailand based on the forward-looking vantage point of the year 2002, rather than focusing on the current softness in Thailand's economy. Thailand's trade and economic policies are expected to remain outward-oriented and its industries look to strong trading partners such as the U.S. for high quality, technologically advance products. Thus, the U.S. is expected to remain the leading trade and investment partner, and U.S. firms the number one sources of supply. American firms are encouraged to contact Commercial Service Bangkok for advice and assistance in how best to explore opportunities in the Thai market.

2. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

Dissatisfaction with the slow pace and uneven distribution of Thailand's economic recovery played a major role in the January 2001 election victory of Thaksin Shinawatra's Thai Rak Thai Party. The government of previous Prime Minister Chuan Leekpai, under the direction of Finance Minister Tarrin Nimmanhaeminda, made significant strides in stabilizing the economy after the economic crash of 1997 and in laying down a framework to restructure the financial sector, improve bank supervision, and strengthen the legal regime supporting corporate debt restructuring. Tarrin also tried to stimulate the Thai economy, running a consolidated fiscal deficit of 5.6 percent of GDP in the 1998 fiscal year, but it was slow to respond. Real GDP bounced back from 1998's disastrous 10.8 percent decline with moderate growth of just over 4 percent in 1999 and 2000. However, exports led the recovery, and domestic demand, along with consumer confidence and other economic indicators, remained weak. Thai voters, comparing a sluggish Thai recovery with what they perceived as faster rebounds in Korea and Malaysia, opted for Thaksin's promises to reinvigorate the economy and redistribute the benefits of growth more evenly.

During the campaign, Thaksin and his economic advisors focused on a limited number of proposals, which clearly resonated with the electorate, to accomplish those objectives. Among the most prominent were proposals designed to strengthen SMEs, to carve non-performing loans (NPLs) out of

commercial banks (to boost credit growth), and to restructure the rural/agricultural sector by providing debt relief for farmers and funds to villages to promote income-producing activities. While these proposals were widely criticized as expensive, Thaksin promised that closer budget scrutiny would allow his government to finance them without unduly pressuring the budget.

The Thaksin government, in office since the third week of February 2001, has won good marks for making a quick start on its economic programs. Initial steps to set up a national asset management company and to implement debt suspension for (some) farmers and cheaper health care have already been taken. Public confidence in the economy improved as the extent of Thaksin's election victory (his three-party coalition holds 339 out of 500 parliamentary seats) became apparent but has settled since. A major factor was a trade deficit in January, the first since August 1997, highlighting the economy's continued dependence on exports. In the current environment, with the economies of Thailand's major trading partners weakening, government export promotion efforts, in addition to domestic stimulus programs, will take on added importance. Whereas Thaksin was cleared in early August of charges that he falsified asset declarations while serving under a previous government, and the public seems willing to give Thaksin's government the benefit of the doubt (at least for the time being), the pressure for his economic team to deliver is clearly on. At the same time, analysts have mixed views on the likely effectiveness of the policies announced during the campaign in boosting economic growth.

Recent indicators show that Thai economic growth is likely to be weak this year, probably lower than that of the past two years, because of slowing export prospects over the near term. Macro-economic fundamentals and indicators - reserves, inflation, market interest rates, the exchange rate, and the like - remain stable, although the exchange rate is depreciating slightly, a good sign for the price competitiveness of Thai exports. Despite the election campaign's slightly more strident populist and nationalist rhetoric, the Thaksin government is unlikely to embark on programs that will significantly alter Thailand's traditional openness to foreign investment and foreign participation in its economy. The government will work to introduce its stimulation measures over the short term, which should provide at least a temporary boost to confidence and growth. However, Thaksin and his economic managers, led by new Finance Minister Somkid Jatusripitak, could improve prospects for a sustainable recovery by pursuing reforms to the legal infrastructure initiated, but not completed, by the Chuan government.

Current Conditions and Prospects

The Thai economy turned in positive performances in 1999 and 2000 with real GDP growth of 4.2 and 4.3 percent respectively, but recovery has been uneven and less robust than expected by the Thai. In particular, the domestic recovery suffered in the eyes of most Thais in comparison with

the sharper rebounds in Korea and Malaysia, where growth in both 1999 and 2000 far outpaced Thailand's modest performance. Consensus GDP projections for 2001 earlier in the year were that growth was unlikely to exceed 2000's. However, given a weakening external environment, analysts and government agencies have been adjusting their projections downward to a range of 2 to 3.5 percent. Strength in domestic demand will depend on the effectiveness of the economic programs of the new Thaksin government as well as on external conditions.

Coming out of Crisis – Stabilization First

The financial crisis that struck Thailand in mid-1997 and soon spread to other economies in the region marked the end of a decade of unparalleled economic expansion, during which the Thai accustomed themselves to real GDP growth averaging nearly 10 percent annually. The economy contracted by 1.7 percent in 1997 and collapsed a further 10.8 percent in 1998. Thailand's international reserves dropped precipitously, and the local currency lost half its value. The crisis decimated the financial sector and crippled the real sector. Overall, 70 percent of Thailand's domestic financial institutions (mostly finance companies) were shut down, taken over by the government as insolvent, or merged with other institutions; and non-performing debt climbed to 48 percent of total financial system assets. Manufacturing production declined for 17 straight months; imports collapsed; industrial capacity utilization dropped to under 50 percent; and new investment (gross fixed capital formation) plummeted by nearly half between 1996 and 1999. On the individual level, per capita GDP dropped from \$3,000 in 1996 to \$1,800 in 1998 (although exchange rate fluctuations magnify the apparent scale of the decline).

Former Prime Minister Chuan Leekpai (November 1997 - January 2001) and his Finance Minister Tarrin Nimmanhaeminda began stabilizing the economy and rebuilding from the crisis with the aid of a \$17.2 billion IMF-led standby program that replenished foreign exchange reserves, helped halt panic-driven runs on financial institutions, firmed up the currency and brought interest rates down significantly. (That program is now completed, and Thailand began repaying the IMF in November 2000.) Much of the government's effort through the end of 1998 was targeted at the financial sector in the recognition that rebuilding the sector and resolving the non-performing debt overhang would be key to Thailand's return to growth. Their efforts led to a restructured financial sector, stronger supervision of financial institutions, and a stronger legal framework through which to pursue corporate debt restructuring.

And Then Stimulating Growth

By mid-1998 it became apparent that domestic consumption would not rebound without government fiscal stimulus programs, and Thailand, with full IMF concurrence, ran fiscal deficits averaging almost 5 percent of GDP during its 1998-2000 fiscal years. The government also announced major stimulus packages in March and August 1999 and smaller packages in

2000. Nonetheless, it was clear that exports, which grew from \$53 billion in 1998 to 68 billion in 2000, were driving the recovery. Domestic consumption and even investment stabilized and advanced marginally, but failed to record gains consistent with a robust recovery.

The economy bottomed out in late 1998, and positive growth began in the first quarter of 1999. The economy recorded a 4.2 percent gain in real GDP for the year. This moderate expansion continued through 2000. For the year, real GDP grew 4.3 percent, a slight improvement over 1999.

Observers believe prospects for GDP growth in 2001 are less favorable than in 2000, and are adjusting growth forecasts downward, citing a weakening external environment as a major factor. Consensus estimates as of July are for growth in the 1.0-2.0 percent range. The United States economy took roughly 22 percent of Thailand's exports last year. The Japanese economy, another major Thai export market, remains fragile, and there are follow-on effects, especially in regional markets. Official government forecasts of 9.5 percent export growth will be revised downward significantly to reflect less favorable external developments.

New Government Promises Domestic Focus...

Dissatisfaction with the pace of the recovery was a major factor in Prime Minister Thaksin Shinawatra's election victory, and his campaign platform was heavy on programs to stimulate the economy and redistribute the benefits of growth. Thaksin criticized Chuan and Tarrin for neglecting the real economy in favor of helping the financial sector and promised his government would revive the real sector. The electorate gave Thaksin and his Thai Rak Thai Party a major victory, and his three-party coalition boasts a huge 339 to 161 advantage over Chuan's Democrats and other smaller opposition parties. Public expectations are strong that Thaksin will move forward quickly to implement his stimulus programs. Among the major elements of the Thaksin economic policy platform are:

- Farm debt restructuring. A three-year suspension on some debts owed by poor farmers to the state-owned Bank for Agriculture and Agricultural Cooperatives will provide the leeway for farmers to restructure their production.

- Grants for villages. Grants of one million baht (\$23,000) to each of Thailand's roughly 70,000 villages will be administered by the community and may be used as micro loans to support new production or more productive use of local resources.

- A national AMC. Thaksin's economic advisors believe a national asset management company could buy most of the financial system's remaining non-performing debt (around \$30 billion). This could centralize debt restructuring and make it more efficient, as well as freeing banks from constraints on their capital arising from NPLs. Thaksin's team believes this will promote more new lending.

-Support for SMEs. Thaksin and his advisors believe SMEs are the heart of the Thai economy and need better support from the government to become more effective agents of economic growth and development. State-owned SME banks will be more attentive to their needs.

-Restructuring the economy. Thaksin's advisors hope to re-orient Thai industry away from its present heavy dependence on imported inputs and emphasize production based on local resources, particularly agriculture.

The Thaksin government has won good marks for making a quick start on its economic programs. Management for the Thai Asset Management Corporation (TAMC) has been selected, and the TAMC may be established by decree by mid-summer. Criteria for farmers' debt suspension have been specified (and relaxed to attract more participants), and interested farmers have applied for the program. Pilot phases of the cheaper health care program (with hospital visits costing only 65 cents) have been underway since April. While the government has moved aggressively early, getting all the details right and implementing these programs worked out will require additional work, and new legislation will be needed to completely implement some. It is clear that Thaksin's government is fully cognizant of public expectations in this area.

The election results gave public confidence in the economy a measurable boost. Surveys conducted by the Thai Chamber of Commerce University in January showed that 77 percent of Thais expected the economy to prosper under Thaksin (versus only 49 percent who thought the economy was doing well or moderately well when the survey was taken). Similarly, 70 percent of those surveyed thought they would have an average or good chance of finding a job in six months, versus only 44 percent who believed their job prospects were average or good in January. The survey's overall consumer confidence index in January came in at 81.6 (with 100 being the mean), its highest level since last April, and significantly above December's 77.4. While overall public confidence has begun to slip back toward pre-election levels in the three months since Thaksin took office, some 73 percent of those surveyed in April still expected the economy to improve over the near term (six months).

...and Continued Openness to Foreign Investment

During the campaign Thaksin's advisors at times sounded nationalistic calls for resources to be controlled by Thais, for Thai corporations to receive favored treatment until they were "prepared to compete" internationally, and for reforms of bankruptcy and foreclosure procedures and international agreements to be re-examined. A speech the Prime Minister gave at a United Nations conference in Bangkok in late April, interpreted by many as calling for Thailand to turn away from trade and investment, sparked even greater concerns. However, Thaksin addressed those concerns in a major address to the Fortune Global Forum in Hong Kong two weeks later, stressing that Thailand would remain open to trade and investment and

would continue liberalization trends. Bank of Thailand Governor M.R. ChatuMongol Sonakul sounded the same themes in his address at the Asian Development Bank's annual meetings.

It appears that these more nationalistic and populist sentiments can be best attributed to campaign rhetoric, and cabinet members, including Finance Minister Somkid Jatusripitak, have stated bluntly that Thailand will remain open to foreign investment and participation in its economy. Coming from a background as one of Thailand's most successful businessmen, Thaksin is fully cognizant of Thailand's need for foreign investment, and there is no reason to suspect that Thailand's traditional reputation as a "good place to invest and do business" will change under his government. (The Cabinet's May 29 decision to remove M.R. ChatuMongol Sonakul as Bank of Thailand Governor has raised concerns among foreign investors that monetary policy may change or become more subject to political interference. However, Finance Minister Somkid has assured the financial community that interest rates will continue to be determined by market developments, and the appointment of M.R. Pridiyathorn Devakula, a finance industry professional and long-time public servant, to succeed him is reassuring.)

In addition to government support, Thailand's other strengths as a destination for foreign investment remain unchanged. Its location at the center of Southeast Asia made it a natural export platform, but the domestic market continues to grow and diversify as the economy moves back toward full recovery. Transportation and communications infrastructure has improved dramatically over the recent past, and additional expansion is underway. Thailand has no real industrial policy directing investment, and successive governments -- including Thaksin's -- have committed the country to an increasingly open trade and investment regime. Investing and doing business here present challenges, to be sure, but the government appreciates the need for foreign investment. Providing an appropriate and attractive regime for foreign investment is certain to remain a central tenet of Thai economic policy.

The Economy by the Numbers

The following paragraphs highlight the Thai economy's overall performance, as well as that of important sectors, "by the numbers."

Macro-Economic Accounts and Indicators

GDP. Real Gross Domestic Product (GDP) grew 4.4 percent during 2000, up slightly from 1999's 4.2 percent. However, growth, as reflected by quarter-on-quarter figures, was particularly weak during the middle of the year, falling from 1.1 percent in the first quarter of 2000 (over 1999's fourth quarter) to 0.4 percent in the second and third quarters before rebounding to 1.0 percent in the fourth. Most sectors of the economy have turned around from 1998, when they all declined. Year-on-year, only construction and financial intermediation are still declining, although agriculture,

exposed to world market price fluctuations and weather risks, were about even. In terms of sectoral contributions to GDP, the economy has seen little change in recent years. Agriculture accounts for only 10 percent of GDP, with manufacturing contributing about one-third. Services (and others) hold 54 percent, while construction now accounts for less than 3 percent. Real GDP in 2001's first quarter climbed just 1.8 percent year-on-year and declined by 0.2 percent quarter-on-quarter, in line with weakening exports.

Inflation/interest rates. Domestic inflation has fallen significantly since 1998 when the consumer price index jumped 8 percent, largely due to the depreciation of the local currency, and deflation was a concern for much of 1999. Consumer prices increased just 1.6 percent on an annual basis in 2000. The Bank of Thailand has implemented an "inflation targeting" framework for its monetary policy, aiming to keep core inflation in the 0 to 3.5 percent range. Deposit and lending interest rates have followed inflation downward, with minimum lending rates (prime rates) now at 7.5 to 8.25 percent. Passbook rates average just 2 to 2.5 percent. The previous government consciously sought to keep both lending and deposit rates low in order to ease debt repayment costs and allow sufficient margins for banks to begin rebuilding capital. However, low deposit rates have pressured returns to savers, and state-owned commercial banks have begun to raise deposit rates slightly. While deposit rates seem likely to rise further in the second half of the year, a low overall interest rate environment is likely to persist, especially given present trends worldwide.

International reserves. The proximate cause of the 1997 financial crisis was Thailand's use of the bulk of its foreign currency reserves in an unsuccessful defense of the implicit peg for the local currency, and the IMF-led standby package was designed to replenish those reserves. By the end of 1998, total foreign currency reserves reached almost \$30 billion, and have been in the \$32-34 billion range since, enough to cover roughly 6.5 months of imports. Thailand began repaying the IMF in November 2000 and will begin repaying other donors to the IMF package this year. Most observers believe reserves will be sufficient to cover foreign currency requirements as long as the trade account continues in surplus. The capital account recorded a significant deficit in 2000 as the private sector paid down a total of \$13 billion in foreign debt. Despite the deficit, reserves remain in the "comfortable" range. Passage of legislation initiated by the Chuan administration would improve the Bank of Thailand's ability to manage the country's international reserves.

The Government Role in the Economy

The Thai government has played a major role in setting the framework and establishing the conditions for economic recovery, particularly in the financial sector and in stimulating the economy. As noted, the government is pursuing a policy, with the support of the IMF, of stimulating the economy through deficit spending, although overall budget levels have remained fairly even. For its current fiscal year (2001, through end-September), the central government's budget calls for a deficit of \$2.4 billion on

expenditures of \$21 billion, and the programmed deficit is likely to climb to \$3.3 billion in the 2002 fiscal year.

Budgetary allocations have not changed significantly in recent years. Education claims about 25 percent of the budget, with social services and general administration taking about 10 percent each. Agriculture, transport and communications, and public health each receive about 7.5 percent of the budget. Debt service claims about 9 percent of the budget, but is slated to rise.

With the exception of state enterprises in the utilities, telecommunications, transportation, energy, tobacco and (now) commercial banking, the government does not play a major direct role in the economy. The government has an announced policy of privatizing these enterprises and approved a master plan to do so in September 1998. However, progress has been slow overall, and there is significant opposition by the workers of some enterprises to their privatization. A major exception has been the financial sector, where the government re-privatized two banks acquired during the sector's restructuring. One unit of the electricity generating utility was also successfully spun-off, but planned privatizations in telecommunications and transportation, while still scheduled for later this year, may be delayed.

International Trade

Bank of Thailand data show that Thailand's total trade climbed nearly 25 percent in 2000 to reach \$130 billion. Imports increased at a faster pace than exports (31 percent versus 20 percent) bringing the trade surplus down to \$5.5 billion from \$8.5 billion in 1999. The surplus had reached \$12 billion in 1998, the year imports collapsed. The United States is now Thailand's largest two-way trade partner, over taking Japan since the onset of the crisis. Thai exports to the U.S. increased throughout the crisis, from \$10 billion in 1996 to \$14.9 billion in 2000, according to Thai figures. Imports from the U.S., on the other hand, fell precipitously from \$9 billion in 1996 to under \$6 billion in 1998 and rose to \$7.3 billion in 2000. Thailand's surplus in the bilateral trade has thus risen from \$1 billion in 1996 to \$7.5 billion in 2000. (Note. U.S. Department of Commerce figures differ from the Thai government's. The Department of Commerce reports that Thailand exported \$16.4 billion to the U.S. in 2000 and imported 6.6 billion, yielding a Thai surplus of \$9.8 billion.)

Given the crucial role exports have played in Thailand's recovery, a deficit on the trade account in January caused significant concern. The small deficit was Thailand's first since August 1997 and was explained partially by one-time factors. However, it emphasized once again the relative weakness of the domestic economy and the consequent reliance on exports to keep the recovery on track. The deficit has already prompted the Thaksin government to pay greater public attention to export promotion activities, and it issued calls to maximize the use of local materials where possible. The trade balance returned to positive territory in February and

March, but imports exceeded exports again in April. Government officials are confident the trade account will remain in surplus for the whole year. More effective export promotion -- coupled with favorable external developments -- will be necessary if exports are to approach last year's totals. Exports suffered year-on-year declines in three of the first four months of 2001, and April's export totals fell 7 percent from the same month last year.

The Financial Sector

The financial sector received considerable attention -- fully deserved -- under Chuan and Tarrin, to the extent Thaksin's campaign scored points criticizing Chuan for doing too little to help the real sector. Tarrin's approach focused largely on forcing individual banks to resolve their own NPL problems and to recapitalize on their own. (Tarrin did put in place a program to assist recapitalization, but it had strict conditions and was not widely used.) Tarrin also closed many financial institutions and oversaw the sale of two nationalized banks to foreign interests. The sector has changed significantly from the highly protected one of a decade ago and now boasts significant foreign participation and ownership of domestic institutions.

At their height (in May 1999) NPLs reached 48 percent of the assets in the financial system, and have declined slowly because banks' hesitancy to aggressively restructure bad loans and remaining weaknesses in the bankruptcy system. Movement to transfer more NPLs to private or state-owned AMC's picked up momentum from mid-2000, and NPLs stood at 17.6 percent of financial system assets (not counting NPLs held by state-owned AMC's) at the end of March. Details on Thaksin's national AMC initiative are not yet fully known, but indications are the new national AMC will have considerably enhanced powers to force both financial and corporate restructuring. (The government's decree establishing the national AMC was approved by Parliament on June 27, and it is likely to be functioning by mid-summer.)

There is significant variation between the relative strength of private sector banks and those owned by the state. All banks met full provisioning requirements as of the end of 2000, but the top-tier privately owned banks are generally judged to be in better financial health than those still owned by the government. Regardless of the improving health of the sector overall, outstanding loans continue to decline while deposits continue to climb. During 2000 outstanding commercial bank credits fell 10 percent (although much of the decline reflects repayment of offshore loans, debt write-offs and transfers of NPLs to AMC's) while deposits climbed by 5 percent and now exceed outstanding credits. While the government now discounts the possibility, some analysts are concerned that slowing growth may lead to an increase in NPLs, pressuring bank's capital once again.

The Real Sector

Thaksin argued during the campaign that Chuan paid insufficient attention to the real sector, and the data reflect the extent of the contraction induced

by the crisis. In 1997 the Bank of Thailand's manufacturing production index stood at 107, with 1995 as the base year. The index dropped to 96.5 in 1998 and climbed back to 108.5 in 1999. But it managed a much smaller increase to 112 in 2000. By April 2001, it had retreated slightly to 111. The lack of growth is reflected as well by industrial capacity utilization figures. In 1997, the year the crisis struck, industrial capacity utilization averaged 65 percent. It fell to 52 percent in 1998, but climbed to 61 percent in 1999 before falling back to 57 percent on average during 2000. Capacity utilization averaged 56.5 percent in the first quarter of 2001, but dropped to 50 percent in April as exports slowed. In this situation, the demand for new credit for investment purposes is understandably weak, and most indicators of private investment remain weak, three years after the onset of the crisis.

Building a Sustainable Recovery

Thaksin and his economic advisors are confident their interventions will lead the Thai economy back to growth, although their early expectation of 5 percent real GDP growth is unlikely to be reached this year. The external environment will play a major role, and the ultimate success of Thaksin's interventions in spurring domestic growth, and in making it sustainable, is not assured. Success, of course, can only be measured by the economy's performance. A prime example is the national AMC, which the government expects will spur banks to lend more. The national AMC has been reviewed extensively, and analysts are divided. While certainly a difficult challenge, it is theoretically possible to design and manage a national AMC to take non-performing debt off the books of Thailand's banks equitably, and to efficiently restructure the debt. However, there is no assurance, in the current economic environment, that removing banks' NPLs will induce them to lend more aggressively.

There is no serious disagreement that sustainable recovery will require a healthy financial sector, basically the aim of a national AMC. The national AMC may remove from banks the capital constraints arising from NPLs, and even prompt increased lending, but these are not sufficient conditions to ensure the health of the financial sector. The Thaksin government could do much to improve prospects for Thailand's financial institutions and the sector as a whole by continuing several reforms initiated but left incomplete by Chuan and Tarrin. For instance, Chuan and Tarrin pushed through significant reforms to the bankruptcy and foreclosure regime and even set up a bankruptcy court to provide greater specialization (and speed) to the judicial process. But more could be done to ensure the process works faster and more smoothly. Passage of a new financial institution law could provide for additional improvements in supervision and in corporate governance. Along with cleaner balance sheets, completing these measures would go a long way to strengthening the sector. Passing the new Bank of Thailand act will give the central bank the statutory independence it needs, and will also improve its ability to manage Thailand's foreign exchange reserves.

Thaksin's economic advisors criticized the previous Chuan administration

for devoting insufficient resources to promoting growth and have announced they intend to rely more heavily on fiscal stimulus. Thaksin and Finance Minister Somkid have said they can fund most of their planned interventions through better use of the current budget (and of course that their interventions will be more successful in stimulating the economy). Nonetheless, there are fiscal constraints, and the implications of Thai Rak Thai economic interventions in the out-years are far from certain. (The programmed deficit in the draft fiscal year 2002 central government budget deficit will reach \$3.3 billion, one-third higher than the current budget's deficit.) The Chuan government was concerned that its deficit spending, averaging 4.85 percent of GDP over the past three years, was increasing public debt to unsustainable levels. While current consolidated public debt levels, in the neighborhood of 55 percent of GDP, are not yet at those levels, prudent fiscal management would argue that they be watched carefully. Some other programs, such as the national AMC, are so large that there will certainly be fiscal implications. At some point, the increasing volume of government bonds on the market will begin to "crowd out" corporate bond issuance, restricting another avenue for the private sector to access the capital markets.

With its solid legislative position, the Thaksin government has the opportunity to pursue other significant restructuring of the economy. For example, privatizing Thailand's state-owned enterprises is one area where results do not seem commensurate with the work already done. Bold action here could yield major benefits to the efficiency of the economy as a whole, particularly in the energy and telecommunications sectors, as well as relieving the public sector of a large capital investment burden and opening additional opportunities for both Thai and foreign investors.

Medium-Term Prospects – a Quick Summary

Thailand enters 2001 under the leadership of a government with unparalleled -- for Thailand, anyway -- legislative strength, and chief economic policy makers are close and trusted aides of Prime Minister Thaksin Shinawatra. Expectations, as well as early signs, therefore point to decisive policy making on the economic front, as the government moves to implement the main tenets of the Thai Rak Thai Party election platform.

While the government's parliamentary majority (and presumed ability to push through its legislative program) is a major departure, much will depend on the efficacy of Thaksin's proposals in stimulating domestic confidence and consumption, an accomplishment that evaded Chuan and Tarrin and their internationally applauded economic policies. Thailand's macro-economic fundamentals remain fairly solid: the interest rate environment, both externally and domestically, is supportive, inflation is not a factor, and monetary policy is accommodative. However, the external environment is much less supportive than it was in 2000, with the economies of major Thai export markets clearly slowing. While this places all the more importance on stimulating the domestic economy, the government is unlikely to let up on export promotion initiatives at the same

time as it redoubles efforts to stimulate the domestic economy. All things considered, the economy is positioned to continue growing moderately this year -- although real GDP growth of around 2 percent is considerably more likely than the 5 percent targeted by Thaksin's advisors during the campaign.

3 . POLITICAL ENVIRONMENT

NATURE OF POLITICAL RELATIONSHIP WITH THE U.S.

Friendly bilateral relations between Thailand and the United States date back more than 150 years. The economic and security aspects of this relationship remain important for both countries. The United States is Thailand's most important export market and strong trade relations, with continuing U.S. support, are seen as key to Thailand's recovery from the recent economic downturn. On the security front, there have been strong ties since the end of World War II. Thailand, one of America's five treaty allies in the Asia-Pacific region, sent troops to Korea and Vietnam, provided strong support for our efforts in the Persian Gulf, and played a leading role in the East Timor peacekeeping operation. The two countries maintain an extensive bilateral military exercise program, and many Thai military officers receive training in the U.S. each year. American equipment is still the technology of choice for most Thai military purchases.

The U.S. and Thailand also work together to address a range of economic issues, including protection of intellectual property rights. Increasingly, cooperative efforts with Thailand on regional economic and security matters are undertaken through multilateral forums, such as the Asia-Pacific Economic Cooperation forum (APEC) and the ASEAN Regional Forum (ARF), complementing bilateral consultations.

MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

Thailand's external political view is increasingly centered on the development of a stronger regional economic and security foundation. Thailand is a major force in the Association of Southeast Asian Nations (ASEAN) and plays an active role in regional economic organizations such as the Asia-Pacific Economic Cooperation forum (APEC) and international organizations such as the World Trade Organization (WTO). With little immediate military threat to its sovereignty, Thailand has focused its international policy on trade development and investment, while addressing security concerns by strengthening bilateral ties with its neighbors and reducing tensions regionally through ASEAN and the ASEAN Regional Forum (ARF).

The current government, a three-party coalition led by Prime Minister Thaksin Shinawatra of the Thai Rak Thai party, took office in February 2001, following Thai Rak Thai's resounding victory in the January 6, 2001, general election. Thaksin's successful campaign focused on stimulating economic growth, combating the influx of methamphetamines from Burma,

and improving Thailand's relations with neighboring countries. Public perceptions that the Thai economy was not recovering as quickly as it should have from the 1997 financial crisis played an important role in Thaksin's victory.

SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE OF ELECTIONS AND ORIENTATION OF MAJOR POLITICAL PARTIES

Thailand is a constitutional monarchy ruled by King Bhumibol Adulyadej (Rama IX), a much-revered monarch who has reigned since 1946. The King plays little part in day-to-day government operations, but serves as a powerful symbol of Thai national identity and commands enormous moral authority, which he uses on occasion to resolve internal crises or to draw the government's attention to pressing social problems. Real power, however, lies in the hands of a democratically elected government led by a Prime Minister. Since World War II, Thailand has alternated periods of democratically-elected civilian governments with authoritarian rule brought about by coups-d'etat. The military last seized power in 1991, but after middle-class protests and royal intervention, civilian rule was restored in 1992. Since that time, the military's role in politics has been greatly reduced, due to strong public opinion against coups d'etat, a vocal free press, and Thailand's overall political maturation. One of the most significant steps in that maturation was the enactment of the current constitution in 1997. This constitution, Thailand's 16th since 1932, brought substantial reforms to the Thai political process and expanded the rights and civil liberties of Thai citizens. Reforms mandated by the 1997 constitution, including establishment of a National Counter Corruption Commission, a Constitutional Court, a national Human Rights Commission, and a new national Election Commission have helped Thailand move toward a more transparent and open system of government.

National elections for Members of Parliament were last held on January 6, 2001. The maximum term of Parliament extends for four years. However, the Prime Minister may choose to dissolve the House and call elections before that date. Elections for the country's first elected Senate were held in March 2000. All members of the Senate are elected concurrently for a set term of six years, and members are not eligible for reelection.

With the exception of the Democrat Party, Thailand's oldest organized political party, Thai political parties have tended to be centered on individual personalities rather than ideologies. Prime Minister Thaksin's Thai Rak Thai, which was formed in 1999, has adopted an approach to political and economic reforms that most commentators describe as populist. All Thai parties accept working within a framework of democratic principles and free enterprise economics. Frequent changes in government generally have not affected the country's overall stability, largely because policies, for the most part, are designed and executed by a competent professional bureaucracy. Meanwhile, the democratic ethos continues to develop and expand in Thailand, in spite of economic setbacks.

4. MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

Distribution and sales channels of industrial goods in Thailand are normally comprised of two channels: 1) from U.S. exporter to Thai importer, to Thai end-user; and 2) from U.S. exporter to Thai end-user. The selection of distribution and sales channels depends largely on the type of product and the end-user. Products that require after sales service should have a Thai importer representing them locally. Generally, the end-user's confidence will increase if there is a place where he/she can go and get assistance every time the machine breaks down. The end-user normally feels more comfortable dealing with an agent or distributor since there are no language or distance barriers. The end-user can expect an immediate response to inquiries. The agent or distributor also facilitates customs procedures for end-users. It should be noted that, in general, only local agents, distributors, or manufacturer's branch offices in Thailand are eligible to enter bidding for government tenders.

In the past, large-scale end-users tended to source their needs directly from exporters or manufacturers abroad, especially on turnkey projects. This trend has diminished since the financial crisis of 1997-98 .

For consumer goods, there are generally three distribution and sales channels: 1) from U.S. exporter, to Thai importer, to Thai retailer, to Thai end-user; 2) from U.S. exporter, to Thai importer, to Thai wholesaler, retailer, and end-user; 3) from U.S. exporter, to Thai retailer, to end-user. Perishable consumer goods tend to go through the first channel, which is the fastest. In this channel importers tend to act as wholesalers at the same time. Non-perishable consumer goods normally go through the second or third channel. The second channel seems to be the most favored, especially with lower-priced items, since there are over 250,000 mostly small retail outlets in Thailand. Working through wholesalers will promote better market coverage .

INFORMATION ON TYPICAL PRODUCT PRICING STRUCTURES

The market in Thailand is open and very competitive. Thai customers agree that price is a significant factor in selecting which products to purchase, especially since 1997-98. Detailed market analysis is recommended for developing a pricing strategy in the Thai market (the Commercial Service offers such analysis under our Flexible Market Research program—see www.csbangkok.or.th for more information). U.S. firms need to study such factors as the channels of distribution, necessary sales and promotional techniques and the current pricing practices of key competitors. Standard credipayments, as in most international trade, apply in Thailand as well.

Importers of large equipment or machinery charge a commission of 5-10 percent and allow their customers to open L/Cs themselves. Manufacturers or wholesalers normally receive a 5-10 percent profit margin. Retailers and

distributors of local products receive a 30-40 percent margin.

Thai consumers are very price conscious. In fact, less than half of Thai consumers report buying based on brand-name recognition and first time buyers often buy on price alone. Consumers are often offered free gifts or extra options with their purchases. In addition, midnight sales or occasional sales have proven to be quite successful. Retailers charge their customers very low margins depending on the product and the frequency of turnover. In general, the margin structure is as follows:

Convenience Stores 10-12%
Discount Stores 8-10%
Department Stores 40%

Manufacturers or Wholesalers 5-10%
Distributors of Local Products 10-15%

Direct sale of specialty products 60-80%
Direct sale of general product 40% max.

Importers of large equipment or machinery 5-10%
Importers of luxury products 60% min.

USE OF AGENTS AND DISTRIBUTORS: FINDING A PARTNER

Although Thai law does not require use of local agents and distributors, it is one of the most efficient and effective ways to enter the market in Thailand . Among many business cultures in Thailand, interpersonal relationships are a vital factor for successful business transactions . Local agents and distributors are accustomed to local business practices and requirements. They are in the market and can deliver what is required for a successful business arrangement that companies in the U.S. cannot conveniently provide from long distance . In addition, local agents and distributors will take care of regulatory affairs and acquire import permit for U.S. exporters.

U.S. exporters must invest sufficient time and attention in selecting a qualified agent and providing training for marketing and technical support staff. Frequent contact with local representatives is essential in order to build a good relationship.

The two best ways to locate an agent and/or distributor in Thailand are:

1) Use the International Partner Search Service (IPS), Gold Key Service (GKS), or Video Gold Key Service available from the U.S. Commercial Service, U.S. Embassy Bangkok (see our website at www.csbangkok.or.th for more information) . The IPS report provides a list of Thai companies who have been hand-selected by our Trade Specialist responsible for your industry sector, and who have examined your product literature and company profile, have been interviewed by our Trade Specialist, and have

expressed strong interest in holding further discussions with you about representing your company . We provide you with a company profile and contact information for each Thai company.

Following your receipt of the IPS report and your company's initial follow-up, should you plan to visit Thailand we recommend you use our Gold Key Service, whereby we will set up meetings with each potential Thai representative, arrange hotel and transportation, and provide that the appropriate Trade Specialist from our staff accompany you to the meetings . Should you not be in a position to travel from the U.S. to Thailand but wish to have face-to-face discussions with the Thai candidates, we can arrange "virtual" meetings by videoconference under our Video Gold Key Service . If you do not have access to videoconferencing equipment, you would simply need to travel to the nearest U.S. Department of Commerce Export Assistance Center (which are located in most state capitals) for the video hookup on your end.

2) Participate in related trade exhibitions in Thailand. Trade exhibitions are a good means to test the market and locate serious agents and/or distributors in Thailand who visit the trade exhibitions to find new products and services . In Chapter 13 the U.S. Commercial Service provides a list of suggested international events organized in Thailand . Also included is a list of trade missions or U.S. Pavilions to be organized in the coming year.

FRANCHISING

The franchise market structure has not changed much since the Asian financial crisis began in mid-1997 . Food franchises command approximately 45 percent of the market, following by convenience stores with approximately 35 percent. The remainder is comprised of service franchises such as laundry, language and computer schools . Franchises from the United States still lead the market with approximately an 80 percent share . Local franchises have approximately a 15 percent market share . Local investors are very receptive to franchises from the United States because of their quality, brand name recognition, standards and innovation . They are also well known for the large capital investment required . There is a 25 percent drop out rate for local franchise operations due to their poor standards and low quality.

Local franchises have better growth potential than international franchises under tight economic conditions for several reasons . Investing in a local franchise requires a comparatively smaller franchise fee and profit-sharing component . In addition, the devaluation of the Baht currency increases the non-Baht denominated franchise fee payments. Thus, the franchisees' costs rise significantly.

The already tight competitive market, due to the economic downturn, limits the opportunity for franchise operators to pass on this burden to the customers through price increases . Those already in the market, particularly those in fast food and consumer goods, are experiencing

diminished revenues because the Thai people are being more cautious and selective in their spending . It is probably more difficult to start new international franchises in Thailand now but U.S. franchises are advised to keep a close eye on market developments and learn who might be the most promising potential partners . This is because franchising will be seen as an attractive, relatively safe way to get back into business for many Thai investors and the best prospects should be in the following industries hotel management, automotive after market, and e-commerce related industries such as delivery services, computer services, and so forth.

RETAIL DISTRIBUTION IN THAILAND

Thailand's retail hypermarket is dominated by non-US industry leaders, including Tesco Lotus Super Stores, Carrefour, Siam Makro and Big C Super Centres . Department stores are of Thai or Japanese origin. The only visible American entities are 7 Eleven franchises (Convenience) and Office Depot (Cash and Carry). That said, U.S. products are very well received and widely promoted in nearly all types of retail outlets listed herein . For example, supermarkets such as Villa and Tops run frequent US Food promotions . Provincial Thai department stores are lobbying for measures to control the expansion of the hypermarkets which are hugely successful . As a result of stiff competition, the number of "mom and pop" variety stores is declining in Thailand .

Number of Retail Outlets by Type:

	<u>1998</u>	<u>1999</u>	<u>2000</u>	
Department Stores	111	112	103	
Hypermarket	48	46	59	
Supermarket	124	138	150	
Convenience Stores	2,504	4,500	5,537	
Cash & Carry	18	18	19	
Category Killer	58	150	206	
Total	2,869	4,964	6,047	

Retail Revenues by Store Type
(US\$ Millions)

	1998	1999	2000	2001 (e)
Department Stores	743	456	357	340
Hypermarket	619	361	394	479
Supermarket	385	261	242	249
Convenience Stores	233	255	267	252
Cash & Carry	276	168	151	152
Category Killer	2,009	3,164	3,701	3,898
Total	4,265	4,665	5,112	5,370

Notes: The above statistics are unofficial estimates, (e) represents estimate, US \$1 = 45

Baht

Source: Siam Makro

Leading retail stores in Thailand by category:

1. Department Stores: Central Department Stores, Robinson, Imperial Department Stores, The Mall Department Stores, Isetan, Tokyu, Tang Hua Seng
 2. Hypermarkets: Big C Super Centre, Lotus Super Stores, Carrefour, Auchan
 3. Supermarkets: Tops, Foodland, Villa Market, Sunny's Super Market, Food Lion Supermarket, Jusco Super Market
 4. Convenience stores: 7-Elevens, Am/Pm, Homemart, Family Mart, Lemon Green, Select, Tiger Mart, Star Mart, Jeffy
 5. Cash & Carry: Siam Makro
 6. Category Killer: Super Sports, Power Buy, Office Macro Center, Office Depot, Boots, Watson's, MAX Auto Express, Marks & Spencer, etc.
- DIRECT MARKETING**

Direct marketing is considered to be an effective means of marketing in Thailand and is expected to grow steadily in the next few years . Since the

onset of the Asian financial crisis in mid-1997, many of the resulting unemployed have joined the direct marketing workforce . Often, these people possess business experience and are highly motivated . Direct marketing is used widely in the sale of cosmetics, health products, cleaning and household items, and electrical appliances . Major U.S. cosmetics brands that are sold via direct marketing are Amway, Nu Skin, Herbal life, and Avon . Service businesses such as life and health insurance also often use direct marketing . Even though direct marketing has proved to be very successful in the Thai market, many problems still need to be solved such as poor product quality, loss during delivery, and imitation, to name a few . To boost consumer confidence in direct-sales, Thailand's government has enacted a number of consumer protection laws.

Direct marketing and mail order sales to some extent have benefited from use of individual credit cards in Thailand. Credit cards stretch the buying power of Thai consumers and facilitate retail sales through non-traditional means such as mail order and electronic commerce . Leading the market in this sector are American Express (Amex) and CitiBank (Visa Card and Master charge card) . Most major department stores in Thailand also are pursuing direct marketing via mail order campaigns through their own networks of discount cardholders . The direct selling of household consumer goods and electrical appliances using an installment plan is gaining popularity among consumers, especially in rural areas . TV home shopping was introduced and is well accepted with annual turnover of about \$4 million, but the poor quality of products has discouraged consumer confidence and actual sales totaled only \$2 million in 2000 .

E-commerce is expected to become more widely-used in Thailand, but is currently only a fledgling sector . At present, Thai consumers still prefer seeing a tangible good before purchasing . Globalization and the World Wide Web have also made E-commerce in Thailand more competitive . People can check product prices from everywhere in the world without adding transportation costs, fees and taxes . When local companies add transportation costs, handling fees and taxes to their products, local consumers will become more conscious of competitive pricing.

JOINT VENTURES/LICENSING

Joint ventures (JVs) and licensing agreements are important market entry strategies for American exporters to Thailand . In many cases, the only way to overcome costly freight charges, high tariffs and competition from cheap local goods is via local production. Thai firms need to become more technologically advanced to offset competition from lower cost producers, some of whom also have devalued their currency . Thailand's Civil and Commercial Code has a section on General Contracts which broadly governs all contractual business relationships and transactions . Depending on the nature of the contract, the Public Companies Act and Alien Business Act include provisions pertaining to joint venture agreements which American firms should be aware of before signing with any local partners . Joint venture partnerships with funding support, technology transfer and training components are effective mechanisms to achieve this .

Many Thai firms are actively seeking U.S. joint venture partners who, along with much needed capital in these economic times, can also bring technical, marketing and management skills to a business relationship . In turn, Thai firms generally offer assets, valuable local vendor and government contacts, and established business relationships throughout the region . A number of aggressive U.S. companies have already entered into strategic joint-venture relationships with Thai partners in Indochina and China.

The U.S. Commercial Service at the U.S. Embassy in Bangkok can provide assistance to American firms seeking potential joint venture partners in Thailand through various marketing services.

STEPS TO ESTABLISHING AN OFFICE

The primary organizational forms for commercial enterprises are the sole proprietorship, partnership, limited liability company, joint venture and foreign branch . All are similar in nature to those found in the United States . Limited liability companies, however, are more often privately held rather than public corporations . The majority of foreign corporations operating in Thailand do so through private limited liability companies.

There are 3 major forms of partnership in Thailand:

- 1) unregistered ordinary partnership,
- 2) registered ordinary partnership, and
- 3) limited partnership .

As in the United States, each form of partnership has different levels of liability for partners and different tax consequences for the partners and partnership . If a firm chooses a more formal type of organization, it may decide to form a private limited company or a public limited company . Generally speaking, the former is similar to a U.S. privately held corporation while the latter may offer shares to the public.

Thailand also offers the possibility of establishing a representative or regional office for those companies engaged in non-revenue generating activities . These may be offices engaged in market research and assessment, providing quality control or purchasing services to a head foreign office, providing warranty support services for products sold by its head office to the Thai market.

In any process of establishing an office, individuals and firms are strongly advised to consult at an early stage with legal or other professional advisors to ensure compliance with all applicable laws and regulations and to ensure selection of the optimal business structure for their activities in Thailand . American firms should ensure that there are no restrictions on foreign entity participation in a particular sector; whether there are import or

other special licenses required and whether there are any special incentives available from Thai organizations such as the Board of Investment (BOI) and the Industrial Estate Authority (IEAT).

The U.S.-Thai Treaty of Amity and Economic Relations of 1966 allows U.S. majority-owned businesses, incorporated either in the United States or in Thailand, to operate on a nearly equal footing with Thai corporate entities . Consequently, U.S. corporations may establish wholly owned subsidiaries or branch offices in Thailand without the constraints that other foreign firms face from the Alien Business Law . However, there are still government restrictions in the communications, transport and banking sectors, the exploitation of land and natural resources and the trade of domestic agricultural products . To register under the Treaty of Amity, a U.S. company needs to obtain documents from the U.S. Commercial Service office and to file an application with the Department of Commercial Registration at the Thai Ministry of Commerce . The U.S. Commercial Service at the U.S. Embassy in Bangkok has further information.

SELLING FACTORS/TECHNIQUES

To differentiate themselves from local and third country competitors, U.S. firms should emphasize their strengths in quality, innovation, technology enhancements and customer service. Thai customers have come to expect more and better styles and designs, regular product upgrades and updated technology from U.S. companies, and will often choose U.S. products and services on the basis of "value for money," not solely on cost factors. Important business practices for competitive advantages include good customer relationship management, strong local partners or distributors, reference of success and customers, and high service capabilities.

A competent marketing strategy is important for doing business in Thailand because the market structure is changing rapidly in several respects . Successful companies used the following techniques and strategies to maintain and expand market share in Thailand:

- Educate buyers on new and suitable technology, and provide high reliability and unbiased advice through direct sales to end-users;
- Identify beneficial points of specific solutions;
- Sell consulting together with solutions;
- Use training as an effective means to make potential customers aware of the quality of products and services;
- Create end-user awareness in order to expand services;
- Promote entity in business communities by advertising through media, participating in trade shows, and organizing seminars to launch new products.

Large U.S. firms have their own subsidiaries in Thailand to sell products and provide technical services . Opening a representative office and a company-owned support facility will also underline the company's

commitment to the market. Due to the 1997-98 Asian financial crisis, most Thai buyers require longer-term or more flexible and creative financing terms . Thai distributors prefer to deal directly with U.S. vendors and not with a regional distributor. Understanding end-users' behavior and their cultural environment helps U.S. companies to offer the most suitable products to the Thai market.

Thai law permits all foreign companies, with or without a local representative, to submit bids on public sector tenders . However, most foreign firms have found it advantageous to appoint a local agent who can deal with problems related to communications, bureau-cratic procedures, local business practices and marketing when competing and bidding on government projects . A consortium of U.S. companies is acceptable for the supply of a wide range of products in large tenders.

U.S. firms should be aware that while the purchasing company may simply accept the lowest bid that meets specifications, it may also attempt to bargain with one or more of the lowest bidders to negotiate better terms . Therefore, U.S. firms should be prepared to empower their agents to take measures to increase competitiveness . On major contracts, it is advisable to have an American representative for such bargaining . In addition, the public agencies may request credit in their procurement tenders . A supplier who offers credit will have a better chance of winning bids . Sales without credit are sometimes made if other factors such as price, quality, and delivery schedules are of greater importance.

The most important requirements for new U.S. suppliers are continuous upgrading and development of new products, suitable promotional activities, good service, and qualified representatives for the local market . In addition, flexible sales policies are also important to attract potential long-term users . A Thai language manual for users is also important.

ADVERTISING AND TRADE PROMOTION

Advertising and trade promotion are important marketing tools in Thailand . In particular, foodstuffs and consumer products should be promoted heavily via a full range of mass media . In Thailand, many companies rely heavily on the two major English-language newspapers, "The Bangkok Post" and "The Nation," for advertising, but Thai-language publications should also be considered . The most popular daily newspapers in Thai are "Krung Thep Thurakit" (Bangkok Business News) and "Manager." Special promotional campaigns should be conducted at local shopping centers, hotels and convention halls . Movie theaters and cable channels are also viable means of reaching the public . It is advisable to translate all product literature and technical specifications into Thai when advertising in trade journals and organizing technical seminars . Successful firms also arrange for Thai agents and major customers to receive specialized training at the U.S. plant . Please also see Selling To The Government for more on training . Equipment is often donated to

conduct training in Thailand.

Compared to the conventional advertising media, the Internet has become a far more dynamic and effective marketing tool. E-commerce has become widespread and a powerful business tool in almost every industry (both durable and non-durable goods). Electronic advertisements serve as channels to reach a broader client base, to develop stronger customer relations, to generate customer feedback, and to enhance a company's image.

Commercial promotions are an equally important marketing tool for both consumer and industrial products in Thailand. Consumer trade promotion in Thailand is frequently conducted by using gift premiums; discount coupons, or lucky draws, for items such as package tours, cars, or electrical appliances. Consumer trade promotion events are frequently held in supermarkets and shopping malls. Exhibiting firms repeatedly take part in these events, as the cost of attending is much lower than participating in a privately organized trade fair. The Department of Export Promotion in Thailand has been actively holding sectoral exhibitions to promote Thai exports and domestic consumption.

Industrial product promotion, on the other hand, varies from industry to industry. For example, in the textile machinery industry, market leaders frequently organize their own exclusive exhibitions presenting new products and technology to specific market segments. Trade fairs with a sectoral focus serve as a screening tool since exhibitors can be certain that they will have access to the appropriate group of customers. The U.S. Commercial Service in Bangkok includes a list of suggested industry events staged in Thailand as well as solo fairs, U.S. Pavilions at local events and trade missions in Chapter 13 of this Country Commercial Guide and also publishes this information on its website, www.csbangkok.or.th.

It is advisable that all product literature and technical specifications be translated into Thai. Successful U.S. firms operating in Thailand often arrange for their Thai agents and major customers to receive specialized training at their U.S. plant. It is also common practice to donate equipment for training purposes, when appropriate.

SALES SERVICE/CUSTOMER SUPPORT

Training, after sales service, reliable customer support, and the availability of spare parts are the most important factors cited by Thai customers in evaluating services related to their purchasing decisions. These factors are especially important for industrial product marketing. Buyers seek a quick turn around time on their requests for technical assistance and perceive such service as being provided by reliable suppliers. In case the local branch cannot provide the service, suppliers should be able to acquire support from overseas branches. Spare parts should also be available in a timely manner.

Better support and after-sales-service have placed U.S. suppliers in a much better position, compared with their European competitors, providing equal quality products, or Asian competitors, providing lower priced products . Thai customers have a greater confidence in U.S. suppliers' service and support, due to their well-trained service and support teams, their concisely written manuals, and their willingness to modify product offerings . Some Thai buyers would rather invest in higher-quality, more expensive products, in order to save expensive maintenance costs following warranty expirations.

Suppliers of products that have complicated technologies should obtain a highly qualified and experienced technical team and provide technical training to their customers, or set up a customer help desk. High-end Thai customers usually consider quality, service and price respectively when purchasing products. A well-trained after sales service team can increase the possibility of repeat orders. In addition, Thai customers appreciate receiving periodic technical updates and information from their suppliers . Often, engineers or specialists are sent by the U.S. firm to stay for extended periods in Thailand to conduct larger scale training of big groups of employees who will operate new equipment .

It is important for U.S. suppliers with or without local representatives to appoint a qualified partner who can provide their customers with quality services in the Bangkok area and nationwide. Major suppliers noted that competitive pressures and margin squeezes have forced them to place higher priority on service and support in order to keep old customers and capture new ones. This information spreads quickly via word of mouth, and if positive, can increase the supplier's reputation and sales volume.

SELLING TO THE GOVERNMENT

Even though some government projects have been put on hold because of tighter budgets, U.S. exporters still have opportunities in such key fields as petroleum refining and petrochemicals, telecommunications, transportation, the environment, health care and commercial defense . Most companies with long-term strategic views have not significantly cut back their business development efforts .

The key to successful bidding on Thai government contracts and supply tenders is to have a reputable local representative with good access to the procuring agency and knowledge of specific procurement requirements . Without this intermediary, it is very difficult to win a government project . Representatives are accepted as legitimate players in the bidding process . Agents often provide an early "heads up" to U.S. firms when they hear of attractive tenders . Before these tenders are even issued, they can sometimes ensure that the principal's product can meet all of the tender specifications .

It should also be noted by companies that bid on government projects requiring training on equipment to be purchased that this is an important

feature considered in the review of all proposals . Training is important but ministries' comptrollers reportedly often refuse to consider this very necessary expense when accepting bids for tenders . Accordingly, the costs are often also difficult for firms to absorb in order to win the contract . Because prices for many products can be viewed on the Internet, it may be difficult to build in such expenses during the bid process . Aside from factory visits to the U.S. for a select group of company employees who may not necessarily be involved in the life of the project, U.S. firms may find it more cost-effective to send engineers or specialists in a specific industry to train bigger groups of employees at a plant or specialized government facility such as a military installation.

A specific set of rules, commonly referred to as the "Prime Minister's Procurement Regulations," governs public sector procurement . These regulations require that non-discriminatory treatment and open competition be accorded to all potential bidders . However, in reality the system is not entirely transparent, nor does the Royal Thai Government always provide a level playing field for foreign bidders . The procuring government agency reserves the right to accept or reject any or all bids at any time, and is not bound to approve the lowest bid . The procuring government agency may also modify the technical requirements during the bidding process . This flexibility can prove frustrating to bidders and charges that changes are made for special considerations have been common in the past.

Generally, the procuring government agency provides preferential treatment to domestic suppliers who receive an automatic 15 percent price advantage over foreign bidders in initial bid round evaluations . The specific laws that apply to international tenders are Regulations 87 and 89, which generally adhere to established international procedures . The "two envelope" system is commonly used, with technical evaluations of bids conducted separately from cost evaluations.

The current Thai Constitution, passed in October 1997, contains a chapter on corruption in government . The status and powers of the National Counter Corruption Commission (NCCC) have been enhanced, giving it independence from all branches of government . The members of the Commission sit on the NCCC for a term of nine years with no renewal, and report to their own chairperson . Individuals holding high political offices, and members of their immediate families, are now required to list their assets and liabilities before taking office and upon leaving office.

It appears that there is a will developing to enforce transparency in government procurements . However, because of tighter budgets in the wake of the economic crisis, the Royal Thai Government has cancelled or deferred a number of infrastructure projects . Almost all projects that are moving ahead are ones that were committed to before the crisis, and that had long-term financing already in place.

COUNTERTRADE

Regulations promulgated in May 2000 formalized a Thai government practice requiring a counter-trade transaction on government procurement contracts valued at more than 300 million baht, or US\$6.7 million (\$1US : 45 Baht), on a case-by-case basis . However, the provision for a case-by-case approach undermines transparency and predictability . The current procurement value compulsory for counter purchase agreements is set at 50 percent of the CIF import price. From 1994 through October 2000, 120 counter-trade agreements were carried out, resulting in the exports of 22.6 billion baht.

A concerned government agency or state enterprise must call for a bid with a counter purchase condition announcement under a form called "Letter of Undertaking for Countertrade." The steps are as follows:

- Concerned government agency/state enterprise submits a list of selected firm (s) to the Department of Foreign Trade.
- Selected company (s) is/are notified to contact Department of Foreign Trade in order to draft the Counter Purchase Contract . The negotiation and contract signing may be done directly with the foreign company or its trading company/agent in Thailand that has power of attorney.
- Department of Foreign Trade will inform the concerned government agency/state enterprise of the signed countertrade agreement after which a principal procurement contract can then be carried out.
- The Department of Foreign Trade will oversee compliance with the agreement on the foreign company's part . Sales invoices, B/L's and Credit Notes, as evidence of Thai exports, must be submitted to the Department of Foreign Trade.

Commodities used in countertrade deals include rubber, rice, tapioca flour and certain manufactured goods . As part of a counter-trade deal, the Thai government may also specify markets into which commodities may not be sold; these are usually markets where Thai commodities already enjoy significant access.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

The Thai Government's administrative and judicial posture on intellectual property rights (IPR) improved markedly from 1998 through 2000 . Enforcement also improved, with a sustained program of raids on pirate optical media producers . This has not stemmed the rising tide of piracy, however, and further improvements in on-the-street enforcement are needed . Trademark piracy is a burgeoning problem, and exports of pirated materials are growing. The Thai government clearly recognizes the importance of addressing and dealing with the problem of intellectual property right infringements and with continued pressure from their major trading partners, has set this issue as a priority.

Obstacles to effective IPR enforcement are numerous . Resource limitations, especially in the wake of the financial crisis, hamstringing police capabilities and judicial administration alike . Although conviction rates are

very high, corruption and a cultural climate of leniency can complicate some phases of case administration . Irregularities in police and public prosecutor procedures occasionally have resulted in the substitution of insignificant defendants for major ones and the disappearance of vital evidence . The frequency of raids compromised by leaks from police sources has declined, but remains a concern . Pirates, including those associated with transnational crime syndicates, have responded to stepped-up levels of enforcement with intimidation against rights-holders' representatives.

A specialized intellectual property court established in 1997 has improved judicial procedures and imposed higher fines . Criminal cases generally are disposed of within six to twelve months from the time of a raid to the rendering of a conviction . In many cases, penalties imposed offer insufficient deterrence, according to rights-holders . However, courts are imposing tougher sentences, and a growing number of people are serving time in jail . Defendants sometimes disappear while on bail, and sentences sometimes are reduced or overturned on appeal. Authorities lack sufficient resources to undertake enforcement actions apart from those initiated by rights-holders . Effective prosecutions can be labor-intensive for rights-holders, who often investigate, participate in raids, help coordinate the warehousing of confiscated property, and assist in the preparation of documentation for prosecution.

The Thai Government's trademark application procedure was streamlined in 1998 . Defending trademarks in Thailand is often a time consuming and expensive legal process, but the legal process in place and operates with integrity.

Amendments to the Thai Patent Law came into force during 1999, and the community of rights holders generally is satisfied with the new provisions, although patent applications can take up to five years to be processed in some sectors, such as pharmaceuticals . As of June 2000, a trade secrets law was under consideration in the Thai parliament .

NEED FOR A LOCAL ATTORNEY

It is highly recommended that U.S. firms obtain relevant legal advice from a local attorney who can provide guidance on drafting and enforcing commercial agreements, company registration, and applying for requisite permits . The services of a local attorney are required for executing distributorship agreements, setting up offices in Thailand, registering patents and trademarks, and for taking legal measures to protect a product from intellectual property right infringement.

As literature on commercial law in Thailand (in English) is scarce, it is recommended that a firm wishing to do business in Thailand gather information on regulations and legal processes prior to arriving in Thailand . This will also ensure that the firm is aware of practices and benefits that it is

entitled to, granted by the Board of Investment (BOI) and the Industrial Estate Authority of Thailand (IEAT).

The U.S. Commercial Service at the American Embassy in Bangkok can provide a list of Thai lawyers and American legal consultants who specialize in Thai commercial law and service international clients . The list can also be downloaded from the Commercial Service Bangkok website at www.csbangkok.or.th.

PERFORMING DUE DILIGENCE/CHECKING BONA FIDES OF BANKS/AGENTS/CUSTOMERS

The 1997-98 Asian financial crisis had its start in Thailand in part because of excesses in the financial sector that were not discovered or checked because of legal, regulatory, institutional and information deficiencies, and a weak supervisory system . The problem started, to a large extent, because of excessive risk taking in the private sector.

U.S. buyers/investors considering any deals in Thailand should be cautious, and exercise extreme due diligence, as a number of local companies still lack transparency in their account books . Commercial Service Bangkok offers our International Company Profile service for a reasonable fee, that provides basic information on Thai firms such as date founded, number of employees, officers, bank references, product lines, and foreign business contacts . More information on this service is available on our website at www.csbangkok.or.th . For more in-depth information, U.S. buyers/investors are advised to hire professional accountancy companies, lawyers, asset appraisers/valuers, and other experts in due diligence work to check bona fides of the bank or company they want to buy, extend credit to, or with whom they want to form joint partnership or any form of licensing agreement. A number of leading American accounting and consulting companies with expertise in due diligence are active in Thailand.

U.S. firms may also need to check with the government authorities who have information on firms listed in the Stock Exchange of Thailand (SET) for their listing status. Organizations worth checking for this type of information are the Stock Exchange of Thailand, and the Securities and Exchange Commission (SEC) . Each has their own data bank with mandatory collected information that all listed firms need to report on a quarterly and/or annual basis . For information related to companies under financial distress or under rehabilitation, the CDRAC (Corporate Debt Restructuring Advisory Committee), an organization set up by the Bank of Thailand, can be contacted to find out which companies are involved in on-going debt restructuring/rehabilitation or litigation.

LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENTS

Thailand was the world's fastest growing economy between 1985 and 1995 . After the devastating economic shock to the economy in 1997-98, Thailand's economy posted 4.3 percent growth in each 1999 and 2000 . This year, however, the Bank of Thailand has projected GDP

growth of under 2 percent growth, due the slowdown in the global economy and soft demand for Thai exports (which largely led Thailand's recovery), as well as weak domestic consumption and investment.

Although these factors will restrain growth prospects in the near-term, Thailand is expected to weather the upcoming period of slower growth without a return to the deep recession of 1997-98 . The country's external situation has considerably improved since that period, with foreign exchange reserves restored to comfortable levels, a decline in external debt as a percentage of GDP, and continued current account and trade surpluses, despite the fall-off in exports . Since 1998, Thailand has implemented structural measures that address the underlying causes of the economic crisis, including financial sector reforms resulting in better capitalized banks, improved regulatory and supervisory regimes, and a more balanced financial system.

Still, there are risks that need to be managed in the economy, particularly addressing the continued high level of distressed assets in the banking system and the need to accelerate progress in corporate debt restructuring . The government of Prime Minister Thaksin Shinawatra, which took office in February 2001, has introduced a number of fiscal stimulus programs to support recovery, including a plan to promote debt restructuring through formation of a national asset management corporation . Other planned policy measures are aimed at supporting small and medium-sized Thai companies through such means as establishment of an SME bank to make low-interest credit available .

Given Thailand's economic uncertainties and its location halfway around the globe from the U.S., the Thai market may often be left off the list of potential export markets for many American companies . However, U.S. firms should keep in mind that Thailand's economic evolution over the past two decades has resulted in a rather diversified economy increasingly open to foreign trade and investment . While formerly high growth rates have slowed, U.S. products and services can contribute to current Thai economic goals of building a competitive export base, particularly in sectors such as electronics, automotive products, and processed food; completing major infrastructure projects; advancing national imperatives to improve education, IT usage and healthcare; and preparing for privatization of transportation, telecommunications, and power generation. In addition, Thailand's rapid growth in the past 15 years has swelled the ranks of the country's middle class, which will resume consumption once recovery becomes fully established .

In surveying the Best Prospect economic sectors that follow, American companies are advised to evaluate the many commercial opportunities that are available in Thailand based on the forward-

looking vantage point of the year 2002, rather than focusing on the current softness in Thailand's economy.

MARKET OVERVIEW

Best Non-Agricultural Industry Sector Prospects for Thailand are as Follows:

1. Airport and Ground Support Equipment (APG)
2. Franchising Services (FRA)
3. Automotive Parts/Services (APS)
4. Computer Software (CSF)
5. Laboratory and Scientific Equipment (LAB)
6. Education and Training Services (EDS)
7. Pollution Control (POL)
8. Computer Services (CSV)
9. Leasing Services
10. Medical Devices (MED)
11. Computers & Peripherals (CPT)
12. Telecommunications Equipment (TEL)
13. Water Resource Equipment and Services (WRE)
14. Electronic Industry Production / Test Equipment (EIP)
15. Food Processing Equipment (FFP)

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

1 . AIRPORT AND GROUND SUPPORT EQUIPMENT (APG)

Thailand has twenty-eight commercial airports, five of which are international airports located in major cities--Bangkok, Chiangmai, Chiangrai, Hadyai and Phuket—and the other provincial facilities serving a much smaller number of passengers . The largest airport is Bangkok International Airport (BIA) with current capacity of 34 million annual passengers (MAP), which is forecast to grow to 50 MAP by 2006 . To accommodate this increase, the Thai government is underway with construction of a replacement airport (known as Suvarnabhumi or, more colloquially, NBIA) in southeast Bangkok, which has an estimated budget \$2.6 billion and is scheduled to be fully operational by 2005 .

As of September 2001, the tender for construction of NBIA's passenger terminal was about to be re-bid, with a total estimated budget of about \$1 billion . Four major consortia, each with both Thai and Japanese partners, are expected to vie for the contract . While up to 80 percent of the construction materials are expected to be sourced in Thailand, a variety of opportunities exist for U.S. suppliers of specialized AGS equipment not manufactured in Thailand, such as safety & security equipment/systems, towing tractors, people moving equipment, information management systems, meteorological devices, signboards and signs, lighting equipment, fire rescue

equipment, power distribution equipment, passenger bridges, baggage handling systems, and navigation, radar, and aeronautical communication equipment.

Beyond opportunities connected with construction of NBIA's passenger terminal complex, excellent prospects also exist for U.S. firms to participate in subsequent phases, including construction and operation of ancillary facilities such as the cargo and air express terminals, medical and hotel facilities, fueling stations, parking facilities, and catering facilities . The New Bangkok International Airport Co., the state enterprise in charge of NBIA's development, is looking for concessionaires and strategic partners to construct and manage these facilities .

Market Statistics (US\$ Millions)

Airport and Ground Support Equipment Market in Thailand

	2000	2001	2002 (e)	Pr Av Ar Gr R: Fc 2 (%)
A. Total Market Size	29.0	48.7	343.1	5
B. Total Local Production	1.4	2.3	16.3	5
C. Total Exports	-	-	-	0
D. Total Imports	27.7	46.4	326.9	5
E. Import from the US	9.3	15.6	109.8	5
Exchange Rate	38	45	45	

Notes: The above statistics are unofficial estimates, (e) represents estimate . Exchange rates are based on annual averages.

2 . FRANCHISING SERVICES (FRA)

The franchise industry remains very attractive to Thai investors . In 2000 in Thailand there were approximately 160 franchise systems operating 6,500 units, generating annual sales of approximately US\$1.7 billion, with international franchises holding a 70 percent market share . The U.S. has 80 percent of the international franchise market, and quality, standards, brands, and innovations offered by U.S. franchisers are well known to potential Thai investors, even if U.S. franchising fees are perceived as very high and start-ups as requiring a huge capital investment, giving the weaker baht.

The following sectors offer best prospects for American franchisers: food and restaurants; retail and convenience stores, hotel chains, automotive after-market services, cleaning and maintenance services, and Internet-related services . Of these segments, fast food and family restaurant franchises account for 45 percent of all local and foreign franchise operations, with the total expected to increase from 1,500 to 2,000 units by the end of 2001, and 20 percent growth after that . Retail and convenience stores are second in importance, with a 35 percent share and over 3,500 outlets . Besides this, the service franchise sector offers new possibilities is relatively small and new for Thai investors, particularly in the car care area.

Market Statistics (US\$ Millions) Franchising Services Market in Thailand

	<u>2000</u>	<u>2001e</u>	<u>2002e</u>
Total Franchise Sales	1,697	2,036	2,443
Sales by Local Firms	509	611	733
Sales by International Firms	1,188	1,425	1,710
Sales by US Firms	950	1,140	1,368

Exchange Rate	40	45	45

Note: The above statistics are unofficial estimates, (e) represents estimate . Exchange rates are based on annual averages.

3 . AUTOMOTIVE PARTS AND SERVICES/EQUIPMENT (APS)

Thailand has the largest vehicle assembling capacity, and the highest quality parts manufacturing capability in ASEAN . The country's thirteen assemblers, owned and operated by the world majors, have an annual assembling capacity of more than one million vehicles. One-ton pick up trucks and Japanese make vehicles are the biggest sellers in Thailand . In 2000, domestic vehicle sales increased 20.1 percent to 262,250 units, and exports by 22% to 152, 836 units. With this trend expected to continue, good prospects exist for American firms to play a larger role in supplying parts to Thailand's vehicle industry, either by supplying directly from the U.S. or from local manufacturing operations in which they become involved.

As the Thai automotive sector grows, there are good opportunities for U.S. franchises in automotive after-market services such as transmission services, car care centers, brake system services, exhaust services, and so forth . Since most new cars in Thailand have automatic transmissions and more sophisticated, computerized features requiring special servicing, the market is very open to U.S. franchises that can handle such requirements, which local Thai firms cannot . Best potential exists for general automotive service equipment & tools, tire (wheel) & brake service equipment, and body and paint repair service equipment .

Market Statistics (US\$ Millions)

Automobile Parts and Services/Equipment Market in Thailand

	2000	2001e	2002e	Proje Ave Anr Grc Rati Folllc 2 y (%)
A. Total Market Size	2,182	2,724	3,269	15
B. Total Local Production:	1,331	1,663	1,995	15

C. Total Exports	494	620	744	15
D. Total Imports	1,345	1,681	2,017	15
E. Import from the US	37	47	56	15
Exchange Rate	40	45	45	

Note: The above statistics are unofficial estimates, (e) represents estimate. Exchange rates are based on annual averages.

4 . COMPUTER SOFTWARE (CSF)

Computer software demand in Thailand is being stimulated by the economy's continuing adjustment to the economic crisis of 1997-98, including restructuring of business operations, expansion of multinational companies' operations, increasing competition in manufacturing and distribution industries, and growing use of the Internet and e-commerce . Local software development is still a young industry and has received only limited government support, thus opening the door to U.S. software companies to market development tools and invest in the Thai market . Thailand has set a target of \$950 million for the software development business for the domestic and export market in 2006.

The overall packaged software market demand has been met by imports . U.S. developed software is the industry leader and controls over 80 percent of the market, particularly in business integration and transformation software; database management systems and database administration tools and utilities; systems management; and messaging and collaboration applications . Major consumers are government organizations and business entities that regularly budget for such expenses .

Market Statistics (US\$ Millions)

Computer Software Market in Thailand

The outlook for the computer software market presented here is based on trade estimates and the Association of Thai Computer Industry's estimates . The statistical data below covers packaged software, but not customized software.

	2000	2001e	2002e	
A. Total Market	209	261	325	
B. Local Production	0	0	0	
C. Exports	0	0	0	
D. Import Market	209	261	325	
E. Imports from US:	178	222	275	
Exchange Rate	40.16	42.5	42.5	

Notes: The above statistics are unofficial estimates, (e) represents estimate . Exchange rates are based on annual averages.

5 . LABORATORY AND SCIENTIFIC INSTRUMENTS (LAB)

Demand for laboratory, scientific and testing equipment in Thailand is expected to grow steadily for the next three years, particularly due to projects being undertaken by the Thai government, the major end-user of such products . The Higher Education Development Project, undertaken by the Ministry of University Affairs to upgrade science and engineering instruction, will entail procurement of laboratory and testing equipment valued around \$34 million through 2003 . Besides this, the Thailand Industrial Standards Institute (TISI) plans to set up an industrial goods quality testing facility, at an investment cost of approximately \$150 million. The increasing need to test for Genetically Modified Organisms (GMO) and meet labeling requirements for exported food products has raised concerns from the National Food Institute (NFI) that testing facilities be adequate.

There are three GMO testing laboratories operated by the government and the NFI is pressing for additional ones to cope with increasing demand .

Increasing compliance with International Standards Organization (ISO) and Food and Drug Administration standard requirements (GMP, HACCP) is becoming a key issue to Thai companies serving both the domestic and international export markets . Such safety concerns and standard requirements include implementation of European Union food safety requirements beginning in 2001, that extend food safety verification down the production line to ingredients suppliers; the need for all 8,000 food processors and 200 pharmaceutical manufacturers in Thailand to have a Good Manufacturing Practice (GMP) certificates by 2003 (and all new facilities to be issued one as soon as 2001); and the requirement for Thai processed food exporters to comply with Hazardous Analysis Critical Control Point (HACCP) regulations . The analytical instrument market in Thailand is largely supplied by imports, with the U.S. market share approx. 50 percent . Best sales prospects for U.S. exports to Thailand including any equipment and technology that can help meet the above requirements, as well as gas analyzers, spectrometers, incubators, freezers, and stirrers.

Market Statistics (US\$ Millions)
Laboratory and Scientific Instruments Market in Thailand

	1999	2000	2001(e)	2002e	2 years (%)
A. Total Market Size:	215	236	260	282	7.8
B. Total Local Production:	45	50	60	69	15.3
C. Total Exports:	35	40	48	59	18.7
D. Total Imports:	205	226	248	272	9.8
E. Total Imports from U.S.:	70	81	97	115	18

Note: The above statistics are unofficial estimates, (e) represents estimate. Exchange rate used is US\$ 1 = 45 Baht .

6 . EDUCATION & TRAINING SERVICES (EDS)

There is growing recognition in Thailand that training in fundamental skill areas is necessary for the country to avoid falling farther behind its neighbors in economic development . Hence, demand for English language and computer training centers in Thailand is growing, offering opportunities for U.S. providers of such services . Currently,

there are 610 English, science, and mathematics tutorial centers with approximately 350,000 students in Thailand, which together generated approximately \$30 million revenue from tutorial fees in 2000 . Additionally, TOEFL and GMAT preparation courses are among the hottest prospects because most universities in Thailand use similar types of testing for their graduate programs' entrance examinations. There are approximately ten TOEFL and GMAT tutorial centers operated by local companies, which also provide study abroad counseling services . The demand for corporate-owned English language training facilities with a proven teaching methodology is especially high, although franchising is not viable in this sector due mainly to the lack of qualified instructors . There are only a handful of international, corporate-owned English language training centers operating in Thailand . Most are from the U.S .

Operation of computer training centers is another market segment ripe for new entrants in Thailand. The Thai Ministry of Education reports that there were more than 800 computer training schools with approximately 320,000 students in 1999, 11 percent higher than in 1998. This sector alone generates an estimated \$40 million in revenue for the computer training business. Computer literacy has become another major qualification for employment and career advancement in Thailand . Most Thai companies have invested in information technology to upgrade their operations, and expect their employees to be trained accordingly . Thus, there is room for high-quality computer training programs, such as those offered at Microsoft and IBM certified centers .

After weathering the economic crisis in 1997-8, major international corporations in Thailand have resumed training in such areas as team building, computers, language skills, and vocational training. Most Thai corporations will continue to provide training on an "as-needed" basis for their staff .

Market Statistics (US \$ Millions)
Education and Training Services Market in Thailand

	<u>2000</u>	<u>2001e</u>	<u>2002e</u>	Proj Ave Ann Gro Rate Folll 2 ye (%)
Total Market Size	435	486	545	12
Total	155	178	205	15

Local Production				
Total Exports	0	0	0	0
Total Imports	280	308	339	12
Total Imports from the US	126	151	181	20
Exchange Rate	40	45	45	

Note: The above statistics are unofficial estimates, (e) represents estimate . Exchange rates are based on annual averages.

7 . POLLUTION CONTROL EQUIPMENT (POL)

While the market for Pollution Control Equipment in Thailand has grown in tandem with the country's economic recovery, it has still not reached its full potential due primarily to lack of government funding for environmental projects. Thailand is moving ahead with a range of enforcement and incentive based programs as well as restructuring the government's environmental functions and building capacity . Environmental infrastructure demands such as water treatment processors, wastewater treatment systems, solid and medical waste treatment disposal facilities, and air pollution monitoring stations are expected to receive priority funding consideration by the government . These efforts should lead to a stronger, healthier market in the next 2-5 years.

Pollution control equipment accounts for approximately 10 percent of the total environmental market size of almost \$1.35 billion and is comprised of various products, instruments and devices . Over the next year, the potential for the environmental technologies market will increase since regulatory enforcement will be heavily implemented by the Royal Thai Pollution Control Department. Additionally, public awareness of environmental issues is increasing, which in turn will drive demand for improvements . Advanced environmental technology and products are crucial for fixing current environmental problems and for protecting the environment for the future .

Market Statistics (US\$ million)

Pollution Control Equipment Market in Thailand*

	2000	2001e	2002e	Project Averag Annual Growth Rate fo Followi 2 years (%)
A. Total Market Size	132	136	136	5'
B. Total Local Production	56	52	50	0'
C. Total Imports	76	84	86	5'
D. Imports from U.S.	25	27	28	5'
Exchange Rate	37	45	45	-

*Pollution Prevention Equipment is a subset of the environmental equipment and services market which was estimated at \$1.35 billion with 5-10% growth in late 2000.

Note: The above statistics are unofficial estimates (e)represents estimate . Exchange rates are based on annual averages .

8 . COMPUTER SERVICES (CSV)

The computer service market is estimated at \$279 million in 2001, accounting for 19 percent of the overall IT market with a potential annual growth of between 15-20% . This sub-sector covers maintenance and professional services that provide network, system integration, processing, custom-made software, and education and training services . Of the total market, professional services account for 80% or \$223 million in terms of value, representing a 24% annual growth rate . Maintenance services account for the remaining 20% with less than 5% annual growth rate.

Thailand has a short supply of skilled personnel with the right levels

of IT awareness to operate the equipment necessary to successfully run Internet, Intranet, and e-commerce applications . There is no local company that meets the U.S. standard for system integrators and only a few partners of U.S. IT vendors qualify as system integrators . Vendors provide maintenance service for large-scale computer systems . Local business partners provide service for medium and small-scale systems . On the PC level, resellers provide maintenance service as they consider it a major marketing tool. Consulting services have been profitable in Thailand, particularly for providers such as IT vendors, multinational consulting firms, and local consulting firms, who basically provide professional advice on any aspects of IT related technologies.

Major end-users of U.S. computer services are the government and state enterprises, local and multinational corporations, telecommunication companies, manufacturing companies, and banking and financial institutes . End-users that have good potential to grow are Internet and e-commerce solution/service providers and small and medium-sized enterprises (SME). American companies have dominated the high-end market and can possibly gain market share in the lower-end market by offering services at competitive prices . Due to the lack of local expertise in e-commerce businesses, there are opportunities for U.S. consulting firms to enter this market and provide business models for e-commerce start-ups to SME companies.

Market Statistics (US\$ Millions)
Computer Services Market in Thailand

	2000	2001e	2002e	Pr An Ar G R: Fc 2 (%
Sales by Foreign-Owned Establishments	152	181	208	1
Sales by Locally-Owned Establishments	82	98	112	1
Foreign Sales by Local Establishments	0	0	0	0

Establishments				
Sales by US-located Establishments	122	145	167	1
Exchange Rate	40	45	45	

Notes: The above statistics are unofficial estimates, (e) represents estimate . Exchange rates are annual averages.

9 . LEASING SERVICES

Thailand's leasing industry has become more attractive, especially in the auto lease purchase segment . The total market size of the local leasing business is approximately US\$ 2.6 billion which 23% belong to U.S. firms. The industry's future growth potential is approximately 15% per year . Auto lease purchasing has grown due to the expansion in sales of commercial vehicles, supported by affordable leasing services at low interest rates . Unlike hire-purchase, pure leasing which focuses on machinery leases has been slowing down since the economic crisis because local manufacturers have limited capital to invest in equipment . Over the past year, more leasing firms turned to focus more on used car financing, as a result of higher price of new cars and buyers are more interested in good quality used cars . The top three players in the leasing industry are GE Capital Auto Lease (GECAL), Toyota Leasing, and Siam Panich Leasing (SPL) . Their combined loan portfolio totals over 40 billion baht (approximately US\$922 million), representing about 38% of the total market size . Factors that will continue to influence the market size are: the entry of new foreign leasing companies with lower funding costs and a stronger financial base; lower and/or fixed interest rate policies resulting from higher competition, and the setting up of auto makers' wholly-owned leasing companies to increase sales and to help car-buyers make decision quicker by providing attractive leasing rate.

Market Statistics (US\$ Millions) Leasing Services Market in Thailand

	2000	2001e	2002e	
Total	2,384	2,772	3,223	

Market Size				
Total Local Production	1,230	1,430	1,663	
Total Exports	0	0	0	
Total Imports	1,154	1,342	1,560	
Import from the US	553	643	747	
Exchange Rate	40	45	45	

Note: The above statistics are unofficial estimates, (e) represents estimate . Exchange rates are based on annual averages.

10 . MEDICAL DEVICES (MED)

The medical device market in Thailand picked up slightly in 2000, will remain stable in 2001, and again will resume growth of 10-20 percent in 2002 and 2003 given that most hospitals plan to replace devices bought before 1997 in this upcoming period . Public hospitals are major buyers of medical devices and supplies in Thailand. Generally, they account for approximately 70 % of total purchases. The possible adverse impact on the medical device market from Thailand's new universal healthcare program, initiated by the new government early this year, might not be as strong as speculated, since public hospitals rely on the government budget for procurement of new equipment rather than on the collected user-fees. Most distributors of medical devices believe that the money subsidized by the MOPH, at \$28 per patient per year for over 30 million Thai who are eligible to enter the program, would compensate for the user-fee collection shortfall. In 1999, there were 943 public hospitals with a combined 102,460 beds, and there were 358 private hospitals with a combined 29,945 beds. Two hundred eighty (78%) of them are located in Bangkok metropolitan area. By comparison, private hospitals account for approximately 30 % of the demand . Overall, the Ministry of Public Health remains the major end-user of medical devices and accessories in Thailand .

About 80 percent of products used in this sector are imported. Imports of medical devices increased 12 percent in 2000 as compared to 1999, due to the modest improvement in Thailand's economic situation, as well as the need to replace old devices . Medical devices from the U.S. are very well received and account for 39 percent of the total imports, as they remain leaders in new technology and are the first choice of most physicians in Thailand . Local production of medical devices in Thailand is limited to less sophisticated devices, mainly due to the limited number of qualified researchers and the inability of Thai companies to invest in the R&D required to produce more sophisticated devices.

Market Statistics (US\$ Millions)
Medical Devices Market in Thailand

	1999	2000	2001e	
A. Total Market Size:	222	249	272	
B. Total Local Production:	230	276	303	
C. Total Exports:	178	222	255	
D. Total Imports:	170	195	224	
E. Total Imports from U.S.:	67	77	89	

The above statistics are unofficial estimates (e) represents estimate. Exchange rate used is US\$ 1 = 45 Baht.

11 . COMPUTER AND PERIPHERALS (CPT)

The IT market has grown notably since 1999 and is projected to

continue growing by 20 percent annually during the next five years . The economic recovery, restructuring of business operations, government support for IT development, growing Internet usage and e-commerce businesses, and growing number of home offices and entertainment businesses primarily drive market growth. The current government is placing greater emphasis on IT development compared to the previous government, as several key members of the new economic team hail from new-economy businesses . In addition, the Ninth National Economic and Social Development Plan (2002-2006) will place high priority on information technology approach, areas to be coped with are IT and telecommunication infrastructure, and laws and regulations for business development relating to IT especially Business-to-Business (B2B) and Business-to-Consumer (B2C) .

Thailand imports high quality computer systems, printers, components of networking and Internet configurations . With U.S. products held in high regard, the U.S. dominates about 50% of import market of multi-system, high-end PCs, workstations, servers, data communication equipment and networking products, and laser printers . Major end-users of U.S. products are government agencies and state enterprises, public and private education institutes, and international and large local business entities in the telecommunications, manufacturing and banking sectors . Thailand is a highly competitive market and the PC penetration rate is approximately three percent, with about 70 percent of businesses owning a PC . Sales of PC's are concentrated in the major urban population centers, primarily Bangkok.

Market Statistics (US\$ Millions)

Computer and Peripherals Market in Thailand

The outlook for the computer and peripherals market presented here is based on trade estimates and the Association of Thai Computer Industry's estimates. The statistical data below does not include computer parts that are related to import and export categories even though Thailand is a major production base for the export of computer hard disks, monitors, keyboards, parts and accessories.

	2000	2001e	2002e	
Total Market	779	909	1045	

Local Production	273	309	365	
Exports	0	0	0	
Import Market	506	600	680	
Imports from US	253	300	340	
Exchange Rate	40	42.5	42.5	

Notes: The above statistics are unofficial estimates, (e) represents estimate. Exchange rates are based on annual averages.

12 . TELECOMMUNICATIONS EQUIPMENT (TEL)

About 75 percent of the demand for telecommunications equipment in Thailand is satisfied by imports, with the U.S. and Japan the major suppliers holding 16 and 26 percent of the market, respectively . Finland, Germany, the United Kingdom, Sweden, Taiwan, South Korea, and other countries share the remaining 58 percent . Thailand is expected to import telecommunications equipment at a rate of 5 percent per year from 2001 onwards.

Key growth areas include mobile phones, Internet, and E-commerce . Mobile phones use in Thailand increased from about 3.6 million lines in 2000 to 4.4 million lines in 2001. The estimated number of Internet-users, 2.3 million, is expected to double by the end of 2001 and top 6.5 million by 2005 . The estimated value of e-transactions in Thailand was \$33 million in 2000, and it is expected to increase to \$7 billion by 2003 . Other key growth areas include various value-added services; examples include the following: VoIP/VoFR equipment; voice/fax/video/data over IP equipment; IP and frame relay technologies; broadband network equipment; high speed network; terminating units; base-band and short-range modems; fiber optical multiplex equipment; optical fiber single mode link equipment; digital loop carrier systems; chip card phone production equipment; ADSL equipment; HDSL equipment; web-based systems; and satellite-based communications.

Under a commitment with the World Trade Organization, Thailand must open its telecommunications services market by 2006 . The Telecom Act and the establishment of the National Telecommunications Commission are expected to be in place by 2002-03 . By 2006, direct foreign competition should be present in the

Thai telecommunications market . Several U.S. and foreign companies such as Verizon of the U.S., SingTel of Singapore, Telekom Malaysia, Telenor of Norway, and Orange of the UK have invested and begun participating in the management of several existing telecommunications service operators in Thailand.

Market Statistics (US\$ Millions)
Telecommunications Equipment Market in Thailand

	2000	2001 (e)	2002 (e)	
A . Total Market Size:	1250	1300	1400	
B . Total Local Production:	1150	1200	1300	
C . Total Exports:	805	840	910	
D . Total Imports:	1100	940	1010	
E . Total Imports from US:	145	150	165	
Exchange Rate	40	42.5	42.5	

Note: The above statistics are unofficial estimates (e) represents estimate . Exchange rates are based on annual averages.

13 . WATER RESOURCES EQUIPMENT & SERVICES (WRE)

Thailand's rapid economic development over the last three decades stimulated an explosive expansion of demand for water services,

especially hydropower, irrigation and domestic and industrial water supply . Water resource management is currently under the control of as many as eight different ministries and some 40 government agencies or state enterprises . As the demand for water increases due to population growth, as well as expansion of the industrial and service sectors, all agencies involved in water resource development are preparing plans to construct more projects . The government spends \$800 million to \$1 billion every year on water resource management .

Loans from international financial institutions, such as the ADB and World Bank and aid from foreign governments also finance water resource projects in Thailand . In particular, the Agriculture Ministry and the Asian Development Bank (ADB) agreed in late 1999 on a \$600 million loan to implement agricultural reforms, of which \$200 million will go to water resource management in the Chao Phraya River Basin . The ADB has also assisted with water supply projects in provincial towns and cities by grants of technical assistant services and loans.

The water resources equipment and service market is growing an average of 10 percent annually . There are good prospects for engineering consultant services involved in the development and management of large-scale water resources projects, particularly technologies for dams, drainage systems and pipe irrigation . However, competition is strong. Japanese suppliers are leading the engineering consultant services market with a 40 percent share, followed by suppliers from the European Union countries. Their dominance is also tied to an increase in aid programs and lending activities . Japan, Korea and the People Republic of China dominate the machinery and equipment market . Local construction companies control the construction service market . At present, U.S. products and services account for 15 percent of total imports but the potential does exist to expand market share.

Market Statistics (US\$ Millions)

Water Resources Equipment & Services Market in Thailand

Note: The above statistics are unofficial estimates, (e) represents estimate . Exchange rates are based on annual averages.

14 . ELECTRONIC INDUSTRY PRODUCTION / TEST EQUIPMENT (EIP)

Increasing demand for electronic components worldwide in the past decade has resulted in the rapid growth of the EIP market in Thailand . Industrial sources estimate that Thailand's electronics business has grown 20-30 percent during the last five years . The EIP market has also registered annual growth of 5-10 percent to support both new investment as well as expansion of existing manufacturing

facilities . The slowdown in the U.S. and Japan is unlikely to impact this young, unsaturated and strong growth market given that there is greater demand to shorten the cycle of the world's electronics market . The electronics industry generated about \$18 billion or 26.6 percent of Thailand's total export revenue in 2000 . Electronics are predicted to be the top export item with a projected export value of \$19.6 billion in 2001, representing 8.4 percent growth and accounting for 25 percent of total export revenue.

Thailand aims to be a production hub in the region for components of semiconductors, hard-disk drives and fiber optics products . Production of software, electrical appliances and wireless local loops is also on the rise to support industrial sectors such as automotive, micro controller and other high technology industries . Production in the telecommunication industry in Thailand is expected to grow 30 percent over the next five years . Supporting industries, especially leasing of machinery to produce hard disk drives and assemble IC and PCB will also rise . All production and test equipment is imported, with the US share about 5-10 percent of total importation . Plant executives usually make procurement of equipment for midstream to downstream manufacturing such as assembly and surface mounting machines, while the head office decides procurement of upstream technology .

Market Statistics (US\$ Millions)

Electronic Industry Production/ Testing Equipment Market in Thailand

The outlook for the EIP market presented here is based on trade estimates by the Customs Department and the Department of Business Economies.

	2000	2001 (e)	2002 (e)	Pr Av Ar Gr R: Fc 2 (%)
A. Total Market:	750	800	860	7.
B. Local Production:	0	0	0	0
C. Exports:	0	0	0	0
D. Import	750	800	860	7.

Market:				
E. Imports from US:	75	80	86	7.
Exchange Rate	40	42.5	42.5	

Notes: The above statistics are unofficial estimates, (e) represents estimate . Exchange rates are based on annual averages.

15. FOOD PROCESSING EQUIPMENT (FPP)

Exports of food products to major consuming nations offer strong prospects for Thailand, and as such, as receive continued economic emphasis . With net exports of \$5 billion in 2000, the Thai government is promoting Thailand as the "kitchen of the world" and is preparing a master plan to increase the array of value-added products in the food sector . Given Thailand's export competitiveness in this sector, major food exporters have expanded their production capacity through new machinery purchases or upgrades to meet demand for a variety of products in major markets and satisfy international quality standards including HACCP and ISO . In the short term, the export market for Thai food products is mixed this year due to slowing in Thailand's export markets, particularly to the U.S. and Japan . Accordingly, the market for food processing equipment in Thailand is expected to grow by only 4.5 to 10 percent over the next two years, compared to 20 percent in 2000 . Overall, U.S. food processing equipment has a 22 percent share of the import market and is well regarded for its quality, durability, operability and easy maintenance .

Market Statistics (US\$ Millions) Food Processing Equipment

	2000	2001(e)	2002e	Projected Average Annual Growth Rate for Following 2 years (%)
A. Total Market Size	397.8	437.5	481.3	10.1
B. Total Local Production	242.6	326.6	432.5	32.4
C. Total Exports	208.1	270.6	351.7	29.9

D. Total Imports	363.3	381.5	400.5	4.9
E. Total Imports from U.S.	98.1	84.0	88.1	4.5

Note: The above statistics are unofficial estimates; (e) represents estimate. Exchange rate US\$ 1 = 45 Baht.

SIGNIFICANT U.S. INVESTMENT OPPORTUNITIES

The Government of the United States acknowledges the contribution that outward foreign direct investment can make to the U.S. economy . U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade . Nearly 60 % of total U.S. exports originate with American firms with investment abroad . Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty Negotiations and Business Facilitation Programs, that support U.S. investors.

The U.S. is Thailand's second largest foreign investor (following Japan) with a total accumulated direct investment of over US\$15 billion, with half of U.S. investments in the energy and petrochemical industries. For example, General Motors opened a \$600 million new vehicle assembly plant in mid-2000, joining Ford and other automotive manufacturers in Thailand, solidifying the country's reputation as the "Detroit of Southeast Asia" . Increasingly, companies investing in Thailand are those requiring skilled but cost-competitive labor . In addition, as Thailand slowly moves ahead with its near to medium term plans to privatize many state-owned enterprises, additional opportunities both for investment as well as sales of equipment should arise in important sectors such as energy, aviation and telecommunications. Foreign partners, do not only bring capital, but also technology, management, and technical skills. To encourage investment, the Royal Thai Government is revising many of its laws and regulations and examining its investment incentive programs.

As reported by the Board of Investment (BOI) the number of investment projects in the first five months of 2001 numbered 242. Despite the economic crisis, Japan continued to be the biggest foreign investor in Thailand, with investment projects in the country totaling Bt 22 billion (approximately US\$501 million) . The second largest investor in Thailand was Singapore with Bt 3.9 billion (US\$88 million) followed by the U.S. with projects worth Bt 3.7 billion (US\$82 million).

The following infrastructure privatization programs will generate ample investment opportunities for U.S. firms in the near-term:

- Airports Privatization Program
- Construction of the New Bangkok International Airport (NBIA)
- Thai Airways International Company Limited Privatization
- Privatization of Power Plants

	1998	1999
	No. of Projects	Investment (Bt'm)Investment (US\$m) No. of ProjectsInvestment (Bt'm)Investment (US\$m)
III. Net applications		
Expansion projects	25	12,240.6295.92834,030.3899.3
New projects	35	7,152.8172.9305,194.7137.3
Total	60	19,393.4468.85839,225.01,036.6
IV. Application approved		
Expansion projects	22	11,684.8282.42841,068.01,085.3
New projects	40	6,960.7168.3245,149.1136.1
Total	62	18,645.5450.75246,217.11,221.4

	2000	2001 (Jan-Jun)
	No. of Projects	Investment (Bt'm)Investment (US\$m) No. of ProjectsInvestment (Bt'm)Investment (US\$m)
V. Net applications		

Expansion projects	24	25,208.4627.73474.310.7
New projects	31	4,691.6116.8122,366.053.4
Total	55	29,900.0744.5152,840.364.1
VI. Application approved		
Expansion projects	32	25,159.8626.51016,571.9374.0
New projects	40	12,591.9313.5812,017.6271.2
Total	72	37,751.7940.01828,589.5645.2

Note: US investment projects refer to projects with US capital of at least 10%; 1998 FX is Bt41.37/USD, 1999 FX is Bt37.84/USD, 2000 FX is Bt40.16/USD, and 2001 (Jan-Jun) FX is Bt44.31/USD.

The following infrastructure privatization programs will generate ample investment opportunities for U.S. firms in the near-term:

- Airports Privatization Program
- Construction of the New Bangkok International Airport (NBIA)
- Thai Airways International Company Limited Privatization
- Privatization of Power Plants

6. TRADE REGULATIONS, CUSTOMS AND STANDARDS

TRADE BARRIERS

Tariffs on Agriculture and Food Products

The Thai Government is complying with its WTO tariff reduction commitments and has significantly eased other barriers for a small, select group of agricultural and food products in the past several years . The United States has benefited from these measures through increased sales and/or additional market share .

Nevertheless, Thailand's high tariff structure remains a major market access impediment . Duties on many high-value fresh and processed food products are especially high . Even though the rates will decline by 33 to 50 percent under the WTO, most items will remain in the 30 to 40 percent

range by the year 2004 -- high compared with Malaysia, Singapore and Indonesia . Thus, producers of meats, certain fresh and dried fruits, juices, and other packaged items may still find it difficult to penetrate the Thai market.

Thailand's tariff rate quotas for a selected number of agricultural products were adjusted in 1996 . In some cases, Thailand has lowered applied tariffs on agricultural and food products below its WTO commitments . For example, in October 1996, Thailand eliminated the quota for soybeans and reduced tariffs on soybean meal when specific domestic purchase requirements were met . Corn is still subject to a tariff-rate quota based on domestic wholesale corn prices . Rice is subject to a "safeguard" on importation and price levels, pursuant to WTO rules.

Non-Tariff Barriers

In addition to high duties, other Thai policies continue to impose tough barriers on imports of products . For example, Thailand's food registration and labeling requirements are time-consuming and costly for suppliers of processed food products.

Phytosanitary standards continue to be a source of concern for the United States . For example, Thailand requires certification that the U.S. is free of Bovine Spongiform Encephalopathy (BSE) . Although trade has not been significantly affected to date, Thailand wants the U.S. to provide a statement of specific rendering procedures used in order to determine that these procedures are sufficient to inactivate the BSE agent in such products as meat and bone meal which is used for animal feed and in manufacturing pet food.

IMPORT TAXES AND CUSTOMS REGULATIONS

For several years, foreign companies and their importers in Thailand have encountered inconsistencies in the operations of the Thai Customs Department particularly for goods valuation. To abide by the GATT Valuation System (GVS), Thailand announced its new customs valuation scheme on March 8, 2000, which became effective on January 1, 2000 . Under the new system, there are 6 methods in order of relevance to calculate the import duty.

Method 1: Transaction Value of the Imported Goods

Method 2: Transaction Value of Identical Goods

Method 3: Transaction Value of Similar Goods

Method 4: Deductive Value

Method 5: Computed Value

Method 6: Fall Back Value

The new regulations have alleviated many valuation problems, although some importers complain of uneven implementation, particularly in the area of intra-company transfers, discounted goods, and promotional items . Progress has been made in reforming payment procedures and broker licensing, but the process continues to be hampered by considerable paperwork and formalities and lack of coordination between customs and other import regulating agencies . Wider computerization is expected to improve efficiency .

By nature, regulations at the Customs Department are subject to frequent changes, which may be difficult for foreigners to observe and follow. It is highly advisable for foreign exporters to have reliable freight forwarding and Customs Clearing companies representing them in the goods clearing process and customs relations in Thailand. Details can be obtained from the Customs Department's website at www.customs.go.th.

In addition to import duties handled by the Customs Department, certain import items are also subject to excise tax . These include gasoline and products thereof, automobiles (less than 10 seats), electrical appliances, beverages, perfume, yachts and vessels for entertainment, lead crystal and other crystals, carpets and woven fur items, motorcycles, batteries, marble and granite, liquor, tobacco, and playing cards . It is worth mentioning that an excise tax is also imposed on local products in the same categories as well as on certain entertainment service providers such as horse racing grounds/clubs and golf clubs.

Excise tax is calculated on CIF value plus import duty, special fees pursuant to the Investment Promotion Act and any other taxes or fees as prescribed by Royal Decree (Excluding VAT). Further information on excise taxes can be obtained from the website of the Excise Tax Department, Ministry of Finance at www.exd.mof.go.th.

IMPORT LICENSE REQUIREMENTS

Import licenses are required for 26 categories of items, down from 42 categories in 1995-1996 . Licenses are required for the import of many raw materials, petroleum, industrial, textiles, pharmaceuticals, and agricultural items. Import of some items not requiring licenses nevertheless must comply with applicable regulations of concerned agencies, including extra fees and certificate of origin requirements in some cases.

Additionally, a number of products are subjected to import control under other laws:

- importing of processed foods, medical devices, pharmaceuticals, vitamins, and cosmetics require licensing from the Food and Drug Administration, Ministry of Public Health.
- Importing of tungstic oxide, tin ores, and metallic tin in quantity exceeding two kilograms require permission from the Department of Mineral

Resources, Ministry of Industry.

-import of arms, ammunition, or explosive devices require licensing from the Ministry of Interior.

-import of antiques or objects of art, whether registered or not, require permission from the Fine Arts Department, Ministry of Education.

EXPORT CONTROLS

Products subject to export controls are wildlife, beans, charcoal, coal, coffee, rice, corn, sand, gold, fuel, decorative sea fish and certain species of marine life, fertilizers, Buddha images, teak wood, fresh longans, garments, orchids, donkeys and horses.

For export of garment, textile and apparel products, exporters are required to contact the Department of Foreign Trade, Ministry of Commerce for export quotas prior to shipment.

IMPORT/EXPORT DOCUMENTATION REQUIREMENTS AND CERTIFICATION

General customs clearing procedures for both imports and exports in Thailand require the submission of a Customs' export entry form or import entry form. The form should be accompanied by standard shipping documents, which include: commercial invoice, packing list, bill of lading/airway bill, and letter of credit. Some products may require import/export license and/or authorization from relevant agencies. These include food products (processed or unprocessed), pharmaceuticals, medical devices, healthcare products, cosmetics, hazardous substances, animals, and some agricultural products. As of June 2001, Thailand had yet to eliminate its requirement of a certificate of origin for information technology imports, although it has committed to do so in the near future pursuant to the WTO Information Technology Agreement. In general, use of a freight forwarder to deal with import and export customs clearing in Thailand is highly recommended.

TEMPORARY GOODS ENTRY REQUIREMENTS

Thailand has joined the ATA Carnet System. Therefore, products for exhibitions or demonstrations can be imported for up to 6 months without payment of custom duties and value-added tax. Businesses must obtain a bank guarantee for the value of the imports. If the product is not re-exported within six months, duties and tax will then be levied. The entry of exhibit materials can be handled by freight-forwarding companies for customs clearance and other required procedures. For further information, please contact the Bangkok International Airport Customs House tel: (662) 535-1550, Public Relations Sub-Division, Customs Department tel: (662) 249-9017, 249-3298; Customs Department web site: www.customs.go.th or the Commercial Service Bangkok tel: (662) 205-5090.

LABELING REQUIREMENTS

Labels must be approved by the Thai Food and Drug Administration and affixed to imported food products . Labels must bear the product name, description, net weight or volume and manufacturing/expiration dates . The label must also identify the manufacturer or distributor's name and address, and the product/label registration number . All labels must be printed in Thai with the exception of alcoholic beverages.

To apply for label approval from the Thai Food and Drug Administration Office, one needs to present a certificate of Food Analysis Report issued by the government of the country of origin or any accredited private laboratory . This certificate should be issued not more than one year from the date of the label approval application . The result of the analysis must comply with the quality or standards specified in the Ministry of Public Health's ministerial notification . A copy of the ministerial notification can be obtained in English, free of charge, from the Food and Drug Administration, Ministry of Public Health, Royal Thai government.

Five copies of the original label, together with the Thai labels attached in the way that the food product will be presented for marketing, must be attached to the application.

PROHIBITED IMPORTS

Imports of used motorcycles and parts, household refrigerators using CFCs, and gaming machines are prohibited .

WARRANTY AND NON-WARRANTY REPAIRS

(Duties / taxes charged on replacement parts, or on goods brought in temporarily for repair and re-export)

U.S. companies based in Thailand can be exempted from import duties for items which are brought into the country and which had left the country before . This is normally the case of repair and service products . The case can fall under one of the following two scenarios:

- Tax of the previous shipment has been reimbursed from the Customs Department. In case the company has applied and been reimbursed for tax from the transaction related to previous shipment, the local company has to process a permit/certificate to allow re-entry of the goods . The said permit application must be placed at the same port as the port of departure from previous outbound shipments . The authorities will check the record of the product to ensure that there has been no modification and changes to product attributes . The goods can stay in Thailand initially up to one year with the possibility of renewal for another year.
- If the exporter in Thailand did not apply for a tax reimbursement, the exporter can collect the goods . No special permit is required. The same time frame as the above case is

allowed.

Outbound re-shipment of products involves no duties .

STANDARDS

Thailand's emphasis on exporting makes compliance with international standards important to companies manufacturing here . As of June 2001, 3,323 companies have been certified to be in compliance with ISO 9000 international standards, which represents an 88 percent increase from 2000 (1,770 companies) . Four hundred companies have been certified as compliant with ISO 14000 standards; this figure represents an increase of 51 percent from 2000 (265 companies) . In addition, there are 63 Thai food processors that have been certified to be in compliance with the Hazard Analysis and Critical Control Point (HACCP) system.

The Thailand Industrial Standards Institute (TISI) is the national standards organization under the Ministry of Industry . TISI is empowered to give product certifications according to established Thai standards and is an accredited body for ISO and HACCP certifications in Thailand . The government of Thailand requires a compulsory certification of sixty products in ten sectors including: agriculture, construction materials, consumer goods, electrical appliances and accessories, PVC pipe, medical, LPG gas containers, surface coatings, and vehicles . Certification of other products is on a voluntary basis . Industrial products that have TISI's certification are generally regarded as having high standards and good quality . TISI has certified more than 1,921 products on a voluntary basis.

FREE TRADE ZONES/WAREHOUSES

Thailand has several Free Trade Zones (FTZs) Export Processing Zones (EPZs) . Firms located in FTZs/EPZs are exempt from import duties and other taxes on factory construction materials, machinery and equipment and export manufacturing inputs . Within FTZs/EPZs, foreign investors are permitted to own land and employ foreign technicians and experts . FTZs/EPZs are (generally) co-located within industrial estates developed either by the Thai Industrial Estate Authority or by the private sector . Therefore, they have full infrastructure facilities and generally good access to transportation.

The Thai Government set up the Eastern Seaboard Development Program in 1981 to establish the country's new industrial development complexes . Laem Chabang Industrial Estate with a Free Trade Zone and Export Processing Zone was established in Chon Buri Province and Map Ta Phut Industrial Estate with a Free Trade Zone in Rayong Province . With the support of a deep-sea port, Laem Chabang Industrial Estate serves agriculture-based and other light industries such as electronics, auto parts, toys and sports goods shipped in container ships . With another deep-sea port, Map Ta Phut Industrial Estate serves heavy industries such as oil

refineries, petrochemical plants, chemical plants, and fertilizer plants with bulk cargo service . Private investors have subsequently developed seven more industrial estates in the Eastern Seaboard areas . Now, the National Economic and Social Development Board (NESDB), the national economic policy office, is planning Phase II of the Eastern Seaboard Development Program to be implemented in the next twenty years . Eight additional provinces (for a total of eleven provinces) will be included in the Phase II plan . Five industry sectors will be targeted:

- Chemical and petrochemical industry
- Automobile and spare parts industry
- Metal processing industry
 - Air transport export industry which will serve agricultural products, seafood, textile and garments, electrical and electronics appliances, surgical and medical devices, watches and clocks.
 - Other support and service industries such as restaurants, medical services, industrial research and educational institutes, financial and banking services, department stores, security services, machinery maintenance services, and construction services.

On May 27, 1999, the Industrial Estate Authority of Thailand announced a one-year investment incentive package to encourage direct investment in three new industrial estates (the Southern Industrial Estate in Chalung, Songkhla Province; the Pichit Industrial Estate in Pichit Province; and the Map Ta Phut Industrial Estate's new community zone) . The package provides up to 30 percent discount on land sales and rents, exemption of the first-year rental and maintenance fee, payment extensions and relaxation on collateral.

The Government plans to establish a special economic zone with duty-free zone status to facilitate export-based industries in the Southern Seaboard Area . The National Economic and Social Development Board (NESDB) has conducted a study of this project funded by the Japanese International Cooperation Agency (JICA) . In addition, on June 2, 1997, the NESDB hired a U.S.-led consortium under the sponsorship of the U.S. Trade and Development Agency (TDA) to undertake a feasibility study on the development of a Southern Seaboard Ports and Industrial Complex development project . However, because of the economic crisis, the project has been put on hold.

The Customs Department allows larger firms, engaged exclusively in manufacturing for export, to set up bonded warehouses and to import (duty-free) inputs for their export production . Producers who receive approval to establish bonded warehouses pay an annual fee and avoid paying duties if they submit guarantees for duties.

SPECIAL IMPORT PROVISIONS

Thailand maintains anti-dumping laws, under which the Thai Ministry of Commerce has levied special fees on some imported goods from certain countries . No U.S. goods have been affected.

MEMBERSHIP IN FREE TRADE ARRANGEMENTS

Thailand is a member of the Association of Southeast Asian Nations (ASEAN) . In 1992, leaders of ASEAN governments approved a Thai proposal to establish the ASEAN Free Trade Area (AFTA), which aims to reduce tariffs on most processed agricultural and industrial products traded among ASEAN countries, to zero to 5 percent percent for most members, including Thailand, by 2003 . ASEAN is examining the possibility of special trade relationships with Australia and New Zealand, China, South Korea, and Japan .

Thailand is not party to any bilateral free trade agreements but reportedly has explored the possibility of negotiating one with several candidates, including South Korea, Australia, Croatia, and the Czech Republic . It is a member of BIMSTEC – Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation.

CUSTOMS CONTACT INFORMATION

Import-export statistics and import tax rates can be accessed from the customs website at www.customs.go.th.

Thai Customs Department of Thailand
 Mr. Manit Wityatem, Director General
 Sunthornkosa Road, Klongtoey
 Bangkok 10110
 Tel : (66-2) 249 0442, 249 7556, 249 0431-40
 Fax : (66-2) 249 1279

Mr . Manus Kasampakdi, Deputy Director General for Technical and Foreign Affairs
 Tel: (66-2) 249 4055, 249 4317
 Fax: (66-2) 249 7666

Customs Standard Formalities and Valuation, Customs Standard Bureau
 Tel : (66-2) 249 4321
 Fax : (66-2) 249 4321

Import Formalities / Bangkok Port Import Clearance Bureau
 Tel : (66-2) 671 5250
 Fax : (66-2) 671 5250
 Importation/Bangkok International Airport Customs Bureau
 Tel : (66-2) 523 7474
 Fax : (66-2) 531 4441
 Non-Port Inspection Area / Bangkok Customs Bureau
 Tel : (66-2) 249 4118
 Fax : (66-2) 249 4118
 Ms. Sopee Siri, Policy and Planning Division
 Tel : (66-2) 671 7661
 Fax: (66-2) 249 4399

Public Relations Division (For Customs Publications)
Tel : (66-2) 249 3298, 249 9017

7. INVESTMENT CLIMATE STATEMENT

OPENNESS TO FOREIGN INVESTMENT

The Royal Thai Government (RTG) has long maintained an open, market-oriented economy and encouraged foreign direct investment as a means of promoting economic development, employment, and technology transfer . Thailand welcomes investment from all countries and seeks to avoid dependence on any one country.

In the wake of the 1997 Asian Financial Crisis, the Thai government in concert with the International Monetary Fund (IMF) has embarked on an economic reform program intended, in part, to foster a more competitive and transparent climate for foreign investors and creditors in an effort to stimulate investment flows. Many aspects of the reform measures enacted after the crisis were controversial, and were resisted strongly by the political opposition and other powerful elements of Thai society . Despite some setbacks, however, the reform process is continuing.

The primary focus of the RTG reform program has been the financial sector, which was crippled by a huge amount of bad debt resulting from the financial crisis . Legislation establishing a new bankruptcy court, reforming bankruptcy and foreclosure procedures, and allowing creditors to pursue payment from loan guarantors has been enacted . Other reforms include amendments to the Land Code, the Condominium Act, and the Property Leasing Act, all of which will liberalize, to some extent, restrictions on property ownership by non-Thais.

The new Alien Business Act became law in early 2000, replacing the old Alien Business Law of 1972 (National Executive Council Announcement No. 281) . The new law governs most investment activity by non-U.S. nationals, opens additional sectors to foreign investment, and increases maximum ownership stakes permitted in some sectors above the current 49 percent limitation . As of July 2001, the ministerial regulations guiding the Act's implementation are still under review, but should be implemented by the end of 2001.

Pledging to spur economic recovery through a revival in domestic economic capacity and demand, a new government led by Prime Minister Thaksin Shinawatra took office early in 2001 . Despite the new government's emphasis on domestic sources of economic growth, Thailand remains committed to economic reform and an open investment climate.

TREATY OF AMITY

The U.S.-Thai Treaty of Amity and Economic Relations of 1966 allows U.S.

citizens and businesses incorporated in the U.S., or in Thailand that are majority-owned by U.S. citizens, to engage in business on the same basis as Thais, exempting them from most of the restrictions on foreign investment imposed by the Alien Business Law of 1972 (and the 2000 Alien Business Act) . Under the Treaty, Thailand restricts American investment only in the fields of communications, transport, fiduciary functions, banking involving depository functions, the exploitation of land or other natural resources, and domestic trade in agricultural products . Notwithstanding their treaty rights, many Americans choose to form joint ventures with Thai partners, allowing them to hold the majority stake because of their familiarity with the Thai economy and local regulations.

In the Uruguay Round trade negotiations, all parties agreed that the privileges provided by the Treaty of Amity to U.S. investors in the service sector would be exempted from "Most Favored Nation" (MFN) requirement for ten years, beginning with the establishment of the World Trade Organization (WTO) in January 1995 . During this ten-year period, Thailand is expected to liberalize its investment regime so as to provide roughly equivalent treatment to all foreign investors in the service sector . If treatment for all foreign investors is not equal to that provided under the Treaty of Amity by 2005, the Treaty will have to be adjusted or another exemption sought.

REGISTRATION, WORK PERMITS

Any entity wishing to do business in Thailand must register with the Department of Commercial Registration in the Ministry of Commerce . Firms engaging in production activities need to register with the Ministries of Industry and Labor . American citizens can enter Thailand without a visa for visits of up to thirty days . In order to apply for a work permit, a foreigner must enter Thailand on a non-immigrant visa (issued at Thai embassies and consulates) for a stay of three months or, for foreigners with well-defined work or business plans, for a stay of one year . Issuance of the three-month visa usually is completed within two or three days; the one-year visa requires approval from the Immigration Bureau of the Thai Police Department in Bangkok . Upon obtaining a work permit, a holder of a three-month visa may apply for a one-year visa, which generally can be extended every year . Foreigners holding non-immigrant visas who have lived in Thailand for at least three consecutive years may apply for permanent residence in Thailand if they meet strict criteria regarding investment or professional skills.

The Alien Occupation Law of 1972 (decree no. 322) lists occupations reserved exclusively for Thais, which include professional services such as accounting, architecture, law, and engineering, the manufacture of traditional Thai handicrafts, and manual labor . The law also states that all non-Thais working in Thailand, with limited exceptions, must possess a work permit issued at the discretion of the Ministry of Labor and Social Welfare, although some foreigners already working in Thailand were exempted through a "grandfather" clause . Factors that influence the

granting of work permits include the degree of specialization required by the position; the size of the firm in terms of number of employees and registered capitalization; and the ratio of Thai nationals to foreigners employed by the firm . Foreigners working for the Thai government or working for projects promoted by the Board of Investment usually have little difficulty obtaining work permits. Work permits in other areas are sometimes difficult to obtain, despite the fact that senior managers and technical personnel are in short supply .

LAND OWNERSHIP

In general, non-Thai business and citizens are not permitted to own land in Thailand unless the land is on government-approved industrial estates . Under the recently approved amendment to the Land Code, foreign investors, who invest a minimum of 40 million Baht (just under USD 1 million), will be permitted to buy up to 1,600 square meters of land for residential use with permission of the Ministry of Interior . Petroleum concessionaires may own land necessary for their activities . Many foreign businesses instead sign long-term leases, and then construct buildings on the leased land . Under the newly enacted Property Leasing Bill, non-Thais are allowed to own up to 100 percent of a condominium building, though other restrictions apply . Americans planning to invest in Thailand are recommended to obtain qualified legal advice. Legal advice is particularly important, as Thai business regulations are governed predominantly by criminal rather than civil law . Violation of Thai business regulations can carry heavy criminal penalties, and criminal liability can be assessed under numerous different laws.

PRIVATIZATION

As part of its economic reform program, the Thai Government has embarked on a privatization program for state economic enterprises and state monopolies with the aim of encouraging capital inflows and relieving resource constraints in many key sectors of the economy . State-owned enterprises in Thailand operate primarily in the utility, energy, telecommunications, banking, tobacco, and transportation sectors . In 2000, state enterprises had total revenues of around USD 26.3 billion, employed over 262,000 people, and accounted for around 21.6 percent of Gross Domestic Product (GDP).

In September 1998, the cabinet approved a "Master Plan for State Enterprise Reform" . The Master Plan lays out a comprehensive strategy and timetable for privatization in infrastructure, as well as various other state-owned enterprises . A new State Enterprise Corporatization Act, which provides the legal framework for the conversion of state enterprises into stock companies, came into force in December 1999 . Corporatization is viewed as an intermediate step toward privatization, but major state enterprises have yet to be converted .

The new Thaksin government has stated its intention to increase the pace

of state enterprise privatization . Draft legislation for a National Enterprise Holding Corporation (NEHC) is designed to set up a supervisory entity for state enterprise privatization . The NEHC, which will be 100 percent owned by the Ministry of Finance, will regulate state enterprises that have been converted into private companies under the 1999 State Enterprise Corporatization Act . The draft NEHC bill was slated to go under parliamentary review in August 2001.

The government sees state enterprise privatization as the main means of increasing Thailand's stock market capitalization . As a result, sixteen state enterprises are scheduled to be listed on the stock market between 2001 and 2003 . Internet Thailand, the Petroleum Authority of Thailand, and the Joint Telecommunications Company (a joint venture to be established between the Telephone Organization of Thailand and the Communication Authority of Thailand) plan to offer public shares by the end of 2001 . Thai Airways International is slated to offer 400 million shares to public and strategic partners, including 300 million new shares and 100 million shares from the Ministry of Finance's current holdings . Overall, the Ministry plans to reduce its holding from the current 93 percent to 70 percent . Other near-term candidates for public stock offerings include the Telephone Organization of Thailand, the Communication Authority of Thailand, and the tobacco monopoly.

Despite the stated plans, almost no significant privatizations have occurred except in the banking sector, where 75 percent stakes in four banks have been sold to foreign investors . Thailand has removed tax disincentives and lifted a number of regulations on foreign ownership of domestic financial institutions . The previous foreign ownership limit of 25 percent has been raised to 49 percent, and foreign investors will be allowed to own majority shares of financial institutions for a period of ten years . Restrictions on the operations of foreign banks have also eased over the years . Although foreign banks are still limited to operation of a single branch, this stipulation does not significantly hamper operations (foreign banks have access to local ATM pools, for example) . Thus, with the exception of the banking sector, there is insufficient basis to comment on how foreign investors will be treated under the program . However, private sector management consultants retained by privatization authorities have indicated that there will be a substantial role for foreign investors in future privatizations .

CONVERSION AND TRANSFER POLICIES

Exchange controls are governed by the Exchange Control Act of 1942, administered by the Bank of Thailand (BOT; Thailand's central bank) . Inward remittances are free of controls . The proceeds of exports with a value of more than 0.5 million Baht (around USD 11,000) must be remitted as soon as received and within 120 days of export, and deposited within seven days of receipt.

Commercial banks are authorized to undertake most routine foreign remittance transactions without prior approval of the Bank of Thailand .

Thai nationals are subject to quantitative limits on the amount of foreign currency that can be remitted abroad without specific permission of the Bank of Thailand . The limits vary depending upon the purpose of the transaction and range from USD 10 million per annum for business investment or loans to subsidiaries to USD 100,000 for remittances to family members.

All remittances exceeding USD 5,000 for any purpose other than export must be reported to the Bank of Thailand.

EXPROPRIATION AND COMPENSATION

Private property can be expropriated for public purposes in accordance with Thai law, which provides for due process and compensation . In practice, this process is seldom used, and has been principally confined to real estate owned by Thai nationals and needed for public works projects . U.S. firms have not reported any problems with property appropriation in Thailand . We are not aware of any pending changes in government policies that would adversely affect the property rights of U.S. nationals in this country.

DISPUTE SETTLEMENT

Thailand has a civil and commercial code and a bankruptcy law, amended in 1998 . Monetary judgements are made in Baht; foreign currencies in judgements are calculated at the market exchange rate . Decisions of foreign courts are not accepted or enforceable in Thai courts . Disputes such as the enforcement of property or contract rights have generally been resolved through the Thai courts . Thailand has an independent judiciary that generally is effective in enforcing property and contractual rights, but in practice the legal process is slow and litigants or third parties sometimes may affect judgements through extra-legal means . In addition, companies may establish their own arbitration agreements . At present, Thailand is not a member of the International Center for the Settlement of Investment Disputes . However, Thailand is a member of the New York Convention, and enacted its own rules on conciliation and arbitration in the Arbitration Act of 1987 . The Arbitration Office of the Thai Ministry of Justice administers these procedures .

The Bankruptcy Act was amended in April of 1998 to provide Chapter 11-style protection to debtors and to give debtors and creditors the option of negotiating a reorganization plan through the courts instead of forcing liquidation . It allowed creditors to extend additional loans to insolvent firms without losing the right to claim compensation during a future restructuring or liquidation process (but only if the new loan is intended to keep the firm operation) . The Bankruptcy Act was further amended in 1999 to address some remaining problems and to facilitate the financial restructuring process . New higher minimum levels for individual and corporate bankruptcies were established, and the previous ten-year period of bankruptcy status was reduced to three years . The 1999 amendments

went into effect in April 1999 .

Amendments to the Civil Procedure Code on Execution of Judgements entered into force in May 1999 and limit appeal options available to debtors in an effort to quicken the foreclosure process . Under the old law, debtors were free to appeal each action taken with respect to the execution of a bankruptcy judgement . Such appeals, often frivolous in nature, were one of the tactics debtors used to delay the foreclosure process.

The Bankruptcy Court Act established a specialized court for bankruptcy cases . Lawmakers hope that this court will develop expertise in corporate restructuring that will speed up the process and help financially weak companies survive . The court began operation in June 1999, and experience thus far has been positive.

PERFORMANCE REQUIREMENTS/INCENTIVES

In its December 1999 remarks on Thailand, the WTO's Trade Policy Review Body noted that Thailand has committed to implement all WTO agreements, including TRIMS.

The Board of Investment (BOI), established by the Investment Promotion Act of 1977, is Thailand's central investment promotion authority . The BOI lists five priority sectors (detailed below), covering hundreds of types of businesses, eligible for investment incentives. Incentives have been suspended in many sectors in which the BOI believes there is no need to encourage further investment, such as the production of canned tuna for export . Generally, the most generous incentives are offered to those economic activities that bring new technology to Thailand and locate investment in less-developed provinces . BOI incentives are of two basic types: tax-based (including tax holidays and tariff exemptions) and non-tax privileges (guarantees, special permissions, services, etc.).

The BOI's overall investment policy, effective from August 1, 2000, is as follows:

1. In order to maximize the benefits of investment to the country and in line with policies supporting good governance, the BOI has moved to improve the efficiency of promotion incentives by introducing a performance-based system that will require promoted investors to submit evidence of compliance with the conditions of their approval in order to claim the benefits of their incentives .
2. To increase the global competitiveness of Thai exports, projects investing 10 million Baht (about USD 200,000) or more (excluding the cost of land and working capital) will be required to obtain international standards certification, such as International Standards Organization (ISO) 9000.
3. In order to ensure that Thai investment policy is in line with all

international obligations, the BOI has lifted all local content and export requirements.

4. To encourage the distribution of opportunities and prosperity to the least-developed provinces, the BOI policy of decentralization will continue . Projects locating in the least-developed provinces will receive maximum incentives . These provinces consist primarily of provinces in which average per capita income has been below 85 percent of the national average during the past three years . These provinces include Sisaket, Nong Bua Lamphu, Surin, Yasothon, Maha Sarakham, Nakhon Phanom, Roi-Et, Kalasin, Sakon Nakhon, Buri Ram, Amnat Charoen, Phrae, Phayao, Nan, Satun, Pattani, Yala, and Narathiwat.

5. To support the development of small- and medium-sized enterprises, the minimum investment amount shall remain at one million Baht (approximately USD 22,000), excluding the cost of land and working capital.

6. To promote investment in key sectors, five priority activities have been identified:

- Agriculture and agricultural products;
- Environmental protection and/or restoration;
- Direct involvement in technological and human resource development;
- Basic transportation, infrastructure and services; and
- Targeted industries

In 1993, the BOI initiated a major shift in emphasis from export orientation to industrial decentralization as a major policy goal . Intended to spur development in rural areas where the population is employed primarily in the labor-intensive agricultural sector, this decentralization focus continues under the new policy. A chief objective is to reduce congestion in the already-overcrowded capital and to strengthen and diversify the economic base in the provinces.

Board of Investment incentives includes:

- Tax Incentives: exemptions/reductions of import duties on imported machinery; reductions of import duties on imported raw materials and components; exemptions from corporate income taxes for three to eight years; and, deductions from net income of infrastructure costs.
- Permissions: to bring in foreign nationals to undertake investment feasibility studies; to bring in foreign technicians and experts to work under promoted projects; to own land for carrying out promoted activities.
- Guarantees: against nationalization; against competition by new state enterprises; against state monopolization of the sale of products similar to those produced by promoted firms; against price controls; against tax exempt import by government agencies or state enterprises of competitive

products; and, of permission to export.

BOI benefits that offer the greatest advantage over non-promoted industries are the tax incentives, though their relative value has declined in recent years with the general reduction of import duties and elimination of the former business tax system . The Value Added Tax (VAT) Law, which eliminated the business tax system, has no provision for the BOI to offer VAT exemptions or reductions.

Investors must submit an application form along with supporting documentation to be considered for incentives . In most cases, the BOI decides within sixty days whether or not a project is eligible for investment privileges . BOI policy is to complete action on applications for projects valued in excess of 200 million Baht (USD 4.4 million) within ninety days.

As noted above, the following revisions to the BOI investment promotion scheme became effective on August 1, 2000:

- For projects in the manufacturing sector, majority or total foreign ownership is permitted in any zone.
- The maximum allowable debt-to-equity ratio will be reduced from 4:1 to 3:1.
- Except for the electronic and agriculture industries, projects investing less than 500 million Baht (USD 11 million) must produce added value equal to at least 30 percent of sales revenue.
- For projects of more than 500 million Baht (USD 11 million), a feasibility study must be presented at the time of application.
- The BOI will continue to promote relocation of projects to Zone 2 and Zone 3 (special groupings of 12 and 58 provinces, respectively) . However, in order to be eligible for new incentives, projects must relocate to an industrial estate.
- Due to increased levels of development, the provinces of Phuket and Rayong have been moved into Investment Promotion Zone 2, which offers a three-year income tax holiday for promoted projects, unless projects are located in an industrial estate, in which case they receive a five-year investment tax holiday.
- Projects submitted before December 30, 2004 that locate in Zone 2 industrial estates approved by the BOI before the date of the announcement (i.e., August 2000) can enjoy a seven-year income tax holiday . After that date, the income tax holiday will be five years, in line with the new policy announcement.
- The 58 provinces of Zone 3 will be divided into two areas, based on each province's stage of development . New projects in Zone 3 will no longer be eligible for a 75 percent reduction of import duty on raw materials used for domestic sales.
- More developed provinces (40):

Inside Industrial Estates – For projects submitted before December 30, 2004, and that locate in industrial estates that were approved by BOI before August 2000, there will be no change from the current Zone 3

incentive scheme . Projects submitted after December 30, 2004, will no longer be eligible to receive a 25 percent reduction in the project's infrastructure costs from net profits.

Outside Industrial Estates – New projects will receive an eight-year income tax holiday, with no additional income tax reduction, and a 25 percent reduction in the project's infrastructure costs from net profits.

- Less-developed provinces (18):

There will be no change from the current Zone 3 incentive scheme for new projects in the less-developed provinces (see list above).

Complete information on BOI policies, programs, incentives, and application procedures can be found on the BOI website at www.boi.go.th.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Private entities may establish and own business enterprises . The principal forms of business organization under Thai law are sole proprietorships, partnerships, limited companies, and public limited companies . In addition, branches of foreign corporations are recognized, and a "representative" or "liaison" office of a foreign company may receive special recognition . Regardless of the form of business entity, most businesses must apply for business registration . Establishment of a business in certain sectors by a foreign entity may be restricted by the Alien Business Law, or may not benefit from the Treaty of Amity as discussed above.

A Thai private limited company is similar to a corporation in the United States, and may be wholly owned by a foreigner unless the corporation is involved in a business activity reserved for Thai nationals . A public limited company is allowed to offer its shares to the public . Eight laws pertaining to individual industries limit foreign ownership of companies listed on the Stock Exchange of Thailand.

PROTECTION OF PROPERTY RIGHTS

Rights in property are guaranteed by the Constitution against condemnation or nationalization without fair compensation . Secured interests in property are recognized and enforced.

Thailand has a civil law system under which all laws are embodied in statutes or codes promulgated by the government . This practice is in contrast to the common law system in many Western countries, where court interpretations of statutes serve as governing legal precedent .

There is an independent judiciary that provides a forum for fair settlement of disputes . A great deal of status is attached to being a judge, and the examinations to enter the judiciary are very difficult . The judiciary jealously guards its independence.

Agencies of the government, as parties to commercial contracts, may be sued in the courts, and cannot raise a defense of sovereign immunity . However, state property is not subject to execution.

There are four basic codes: Civil and Commercial Code, Criminal Code, Civil Procedure Code, and Criminal Procedure Code . In adopting these codes early in the twentieth century, Thailand selected features of the two major western legal systems (common law and civil law), and adapted to circumstances in Thailand provisions drawn from Britain, Germany, Switzerland, France, Japan, Italy, India, and other foreign systems . Decisions and rulings of the judiciary and civil service can have considerable force as precedents.

There are three levels to the judicial system in Thailand: the Court of First Instance, which handles most matters at inception, the Court of Appeals, and the Supreme Court . There are specialized courts such as the Labor Court, Family Court, Tax Court and the recently established Intellectual Property and International Trade Court and Bankruptcy Court.

INTELLECTUAL PROPERTY PROTECTION

Despite the passage of significant Intellectual Property Rights (IPR) legislation and a good working relationship between foreign business entities and Thai enforcement authorities, IPR piracy continues at high levels . U.S. copyright industries reported an estimated annual trade loss of more than USD 200 million from IPR infringement in 2000 . Since November 1994, Thailand has been on the U.S. Special 301 "Watch List" . In July 2001, the Prime Minister appointed the Minister of Interior to head a joint interagency and private sector committee to improve IPR protection.

Obstacles to effective IPR enforcement are numerous . Resource limitations, especially in the wake of the financial crisis, hamstring police capabilities and judicial administration alike . Irregularities in police and public prosecutor procedures occasionally have resulted in the substitution of insignificant defendants for major ones and the disappearance of vital evidence . The frequency of raids compromised by leaks from police sources has declined, but remains a concern . Pirates, including those associated with transnational crime syndicates, have responded to stepped-up levels of enforcement with intimidation against rights-holders' representatives.

A specialized intellectual property court established in 1997 has improved judicial procedures and imposed higher fines . Criminal cases generally are disposed of within six to twelve months from the time of a raid to the rendering of a conviction, and conviction rates are very high . In many cases, penalties imposed are insufficient deterrence, according to rights-holders; however, a growing number of people are serving time in jail for IPR violations . Effective prosecutions can be labor-intensive for rights-holders, who often investigate, participate in raids, help coordinate the warehousing of confiscated property, and assist in the preparation of

documentation for prosecution.

Amendments to Thailand's patent regime, which were designed to meet Thailand's TRIPs obligations, entered into effect in September 1999 . However, Thailand's under-funded patent office lacks the sufficient number and expertise of patent examiners to keep up with its volume of applications . Amendments to the Thai Food and Drug Administration's safety monitoring program for new pharmaceutical products raise data protection concerns.

Thailand's copyright law became effective in March 1995, bringing Thailand into closer conformity with international standards under TRIPs and the Berne Convention . With active participation on the part of U.S. industry associations, the Thai police conducted many more raids on copyright infringement operations in 2000 than in previous years, both at the retail and production levels . Nevertheless, the scale of the problem is growing . A draft Optical Disk Plant Control Act under consideration in the parliament is designed to enhance the authority and capabilities of the police to act against operators of illicit optical disk factories.

The government streamlined trademark application procedures pursuant to the IPR action plan in 1998 . Additional amendments enacted in June 2000 broadened the legal definition of a mark and were designed to bring Thailand's trademark law in compliance with the TRIPs agreement . While these developments have created a viable legal framework and have led to some improvements in enforcement, trademark infringement remains a serious problem . U.S. companies with an established presence in Thailand and a record of sustained cooperation with Thai law enforcement officials have had some success in defending trademarks, but the process remains time-consuming and expensive.

TRANSPARENCY OF THE REGULATORY SYSTEM

In 1999, Thailand enacted a new Trade Competition Act intended to strengthen the government's ability to regulate price fixing and market monopolies . The law established a Trade Competition Commission with the authority to place limitations on market share and revenues of firms with substantial control of individual market sectors, to block mergers and other forms of business combinations and to levy fines for price fixing and other proscribed activities . The government continues to have the authority to control the price of specific products under the recently revised Goods and Services Price Act of 1999 . In practice, very few commodities are subject to formal price controls . However, the government does use its control of major suppliers of products and services such as Thai Airways and PTT (oil and gas) to influence prices in the market.

Thailand has extensive legislation aimed at the protection of the environment, including the National Environmental Quality Act, the Hazardous Substances Act, and the Factories Act . Food purity and drug efficacy are controlled and regulated by a Food and Drug Administration

with authority similar to its U.S. counterpart . Likewise, labor and employment standards are set and regulated by the Ministry of Labor.

Despite the good intentions of most regulatory regimes, consistent and predictable enforcement of government regulations remains an obstacle to investment in Thailand . Gratuity payment to civil servants responsible for regulatory oversight and enforcement unfortunately remains a common practice. Through such payments, regulations can often be by-passed or ignored and approval processes expedited . Firms that refuse to make such payments can be placed at a competitive disadvantage when compared to other firms in the same field . However, most observers believe that the overall trend in this respect is positive, especially in foreign-owned businesses.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

The Thai government maintains a regulatory framework that broadly encourages investment and largely avoids market-distorting support for specific sectors . Government policies do not restrict the free flow of financial resources to support product and factor markets, and credit is generally allocated on market terms rather than by "directed lending" . Legal, regulatory, and accounting systems are largely transparent . The Thai government has devoted considerable effort to bringing these systems into line with international norms, and significant progress has been made . However, much remains to be done to implement legal and regulatory changes and human resources constraints will limit overall progress in some areas, particularly auditing, for the foreseeable future.

Foreign investors are not restricted from borrowing on the local market, but there are a number of regulations that affect foreign portfolio investment . Thailand maintains regulatory maximum foreign ownership limits, and shares of listed companies are traded on both a domestic and alien (or foreign) board to enable authorities to track foreign ownership . Limits on foreign ownership of Thai companies are perhaps most prominent in the financial sector . Even so, foreign investors may now hold more than 49 percent (up to 100 percent) of the shares of Thai financial institutions for a period of ten years, and limits on foreign ownership are generally being relaxed as Thailand liberalizes in an attempt to attract additional foreign investment.

In theory, the private sector has access to a wide variety of credit instruments, ranging from fixed term lending to overdraft protection to bills of exchange and bonds . In fact, however, private debt markets are not well-developed, and most corporate financing, whether for short-term working capital needs, trade financing or project financing, is commercial bank/finance company borrowing.

Access to credit is a major issue in the aftermath of the financial crisis that began in Thailand in mid-1997 . Insolvency led the Thai government to close 56 finance companies in December 1997 . The uncertain economic

outlook and a portfolio of non-performing loans that would reach 47 percent of total loans by mid-1999 has led banks to approach new lending extremely cautiously . Despite the government's successful efforts to bring down interest rates and stimulate economic growth, lending has still not picked up . As of May 2001, total commercial bank credits were 9.1 percent below their level of a year earlier . After factoring in write-offs of outstanding debt and loans transferred to asset management companies (AMCs), commercial bank credits are down 0.2 percent from 2000 levels.

Restoring the health of the banking system is a major government focus . On August 14, 1998, the Bank of Thailand and Ministry of Finance announced a major program to assist financial institutions to recapitalize . Under the program, the Ministry of Finance will provide recapitalization assistance if financial institutions meet certain conditions, designed to ensure that banks raise capital on their own and that existing shareholders bear losses on the existing portfolio, while rewarding new lending and corporate debt restructuring . The scheme has attracted only moderate usage, due to its strict conditions, but financial institutions in general have been relatively successful in raising capital on their own . Since January 1998, private commercial banks have raised over 447.4 billion Baht (USD 11.42 billion) on the market, and finance companies have raised nearly 67.5 billion Baht (USD 1.72 billion) . Financial institutions were required to meet gradually-increasing provisioning requirements through December 31, 2000 . By July 31, 2000, financial institutions agreed with the Bank of Thailand on how they would meet the December 31, 2000 provisioning requirements.

The financial sector has also undergone significant restructuring in the aftermath of the crisis . In addition to the 56 finance companies closed in 1997, the government has also intervened and taken over seven commercial banks, which have now been recapitalized through the conversions of debt held by the Bank of Thailand's Financial Institutions Development Fund (FIDF) into equity . One of these banks was closed, two were merged with other financial institutions, and two have been privatized, with two more scheduled for sale .

The overall health of the banking sector is affected by the high levels of non-performing loans (NPLs) banks are carrying on their books . After peaking at 47 percent of total lending in May 1999, NPLs slowly declined to stand at 17.6 percent of total lending by April 2001 . The figure may actually approach 30 percent, however, if non-performing loans transferred to banks' private asset management companies are taken into account . The level of NPLs will decline further with debt restructuring, but progress has been slow . As NPL levels fall, however, banks' provisioning requirements will also fall, thus benefiting bottom lines in the sector.

One of the main pillars of the Thaksin government's financial reform plan is the Thai Asset Management Corporation (TAMC), which will take over 1.37 trillion Baht (USD 30 billion) in bad loans from local financial institutions and asset management companies by the end of 2001 . Following passage of

the TAMC's legal framework in June 2001, TAMC operations are expected to begin in the third quarter . The TAMC will have broad powers to expedite debt restructuring and press borrowers to the negotiating table.

A total of 112,500 NPLs will be transferred to the TAMC – 110,000 from state-owned financial institutions and asset management companies, and the remainder from private banks . Of the 1.37 trillion Baht (USD 30 billion) in bad loans to be handled by the TAMC, only around 250 billion Baht (USD 5.5 billion) will come from private banks . Assets will be transferred at collateral value (excluding personal guarantee), with payment coming in the form of ten-year non-negotiable bonds issued by the TAMC and guaranteed by the FIDF . Interest paid by the bonds will be tied to average deposit rates quoted by Thailand's five largest banks.

The Bank of Thailand had sole responsibility for selecting financial institution and asset management company assets for transfer to the TAMC . Qualified assets must involve outstanding debt of at least five million Baht (USD 110,000), must have some form of collateral, must involve borrowers with two or more creditors, and must not be subject to an interim or final receiving order of the Bankruptcy Court . The TAMC is only authorized to take over assets that were classified as NPLs as of December 31, 2000. In addition, state-owned financial institutions and asset management companies are required to transfer all qualified assets to the TAMC, while private financial institutions and asset management companies may transfer assets on a voluntary basis . To prevent creditor disagreements from impeding restructuring under the BOT's Corporate Debt Restructuring Advisory Committee (CDRAC), however, the TAMC law will force financial institutions to consent to the transfer of qualified assets . Assets must either be transferred in their entirety or not at all, and banks choosing not to participate face an immediate BOT examination of their assets, loan collateral, and provisioning funds.

Financial institutions and asset management companies will follow a set formula in splitting future profits and losses on assets transferred to the TAMC . The first portion of any loss, up to 20 percent of the NPL's total collateral value, will be absorbed by the financial institution or asset management company . The next 20 percent of any loss will be split evenly between the financial institution or asset management company and the TAMC, and the remainder will be absorbed entirely by the TAMC . While most financial institutions concede that pooling bad loans together into a single workout agency should accelerate restructuring, questions remain over the agency's operations, transparency, and management. The TAMC is only authorized to take over assets that were classified as NPLs as of December 31, 2000 . Given the ongoing economic slowdown, however, several financial institutions have expressed concern about a possible increase in NPLs later in 2001.

Thai firms appear to employ few defenses against foreign investment, especially through cross- and stable-shareholding arrangements . Furthermore, defenses against hostile takeovers would typically be applied

against all potential investors rather than against foreign potential investors alone . Companies are not forbidden from specifying limits on foreign ownership more strict than those established by the government, but the practice is not considered prevalent . In the current environment, limits on foreign ownership and participation in the Thai economy have eased, a trend that should continue.

POLITICAL VIOLENCE

In recent years Thailand has developed a much more stable and transparent political system, although in the past there were frequent changes in government, often by military intervention . The last coup was in 1991, followed in 1992 by political unrest and a confrontation in the streets of Bangkok in which over fifty civilian demonstrators were killed . The "May 1992 events" were a real shock to the Thai political system and stimulated a remarkable democratic recovery . Since 1992, the military has not interfered in the operation of the civilian government, and this appears likely to remain the case for the foreseeable future . There have been four successful elections (1992, 1995, 1996, and 2001), as well as a change of government in 1997 and 2001 . A non-partisan assembly rewrote the nation's constitution, which was put into force in October 1997 . One of the main reforms of the new constitution is the establishment of three independent agencies: the Election Commission, the National Counter Corruption Commission, and the Constitutional Court . Each of these new bodies is expected to play a key role in screening qualified candidates and thereby reducing vote-buying by candidates for the national parliament . Vote-buying persisted as a problem during the January 2001 election, however.

CORRUPTION

Thailand has laws to combat corruption, and the independent National Counter Corruption Commission coordinates official investigations into corruption . However, there are regular allegations of improper conduct, both in the Thai press and anecdotally in the business community. American executives with long experience in Thailand advise new-to-market companies that it is far easier to avoid getting started with corrupt transactions than to stop such practices once a company has been identified as willing to operate in this fashion . American firms that operate under the strict guidelines of the Foreign Corrupt Practices Act are able to compete successfully in Thailand.

Despite recent improvements, both foreign and Thai companies continue to complain about irregularities in the Thai Customs Service . Recent Thai administrations have stated publicly their intention to improve transparency in the evaluation of bids and the awarding of contracts . Increasing media scrutiny of public figures has raised political pressure to curtail favoritism and corruption. Nonetheless, the press features frequent allegations of irregularities in public contracts, most notably over the use of public lands, as well as charges of favoritism in government tendering practices, e.g.,

revising tender requirements so that a preferred company wins over its competitors.

In its 2001 ranking of corrupt practices, Transparency International ranked Thailand along with Malawi at 61st (of a total of 91 ranks) on its corruption perception index (the higher the number, the worse the corruption) . According to some studies, a cultural propensity to forgive bribes as a normal part of doing business and to equate cash payments with finders fees or consultants' charges, coupled with the low salaries of civil servants, encourages officials to accept illegal inducements.

BILATERAL INVESTMENT AGREEMENTS

The U.S.-Thai Treaty of Amity and Economic Relations of 1966, discussed above, allows U.S. citizens and businesses incorporated in the U.S. or in Thailand that are majority owned by U.S. citizens to engage in business on the same basis as Thais, exempting them from most of the restrictions on foreign investment imposed by the Alien Business decree of 1972. Under the Treaty, Thailand is permitted to apply restrictions to American investment only in the fields of communications, transport, banking, the exploitation of land or other natural resources, and domestic trade in agricultural products.

Thailand also has bilateral investment agreements with 25 countries, such as Germany, the Netherlands, the United Kingdom, China, and members of the Association of South East Asian Nations (ASEAN) . These agreements establish guidelines for expropriation compensation and the repatriation of capital, but do not include national treatment provisions.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

The Overseas Private Investment Corporation (OPIC) is open for business in Thailand . The agency is currently involved with several power generation projects being developed as part of the Thai government's Independent Power Producer Scheme . For example, OPIC is currently helping U.S. firms build a 700 Megawatt gas-powered plant by underwriting USD 185.7 million in political risk insurance that covers, for the first time, interest rate swaps . Edison Mission Energy and Texaco are the equity investors in the project . Citibank and Bank of America are providing financing . Thailand became a member of the Multilateral Investment Guarantee Agency (MIGA) in October 2000.

LABOR

According to a February 2001 Labor Force Survey (LFS) conducted by the National Statistics Office, Thailand has a labor force of 33.2 million workers out of a total population of 62.8 million . This figure includes all Thai fifteen years of age or older who are actively seeking work.

The unemployment rate was 4.8 percent during the first quarter of 2001,

versus a rate of 4.3 percent during the same period in 2000 . The rising unemployment rate stems from ongoing economic fragility in the wake of the 1997 financial crisis . Reduced access to capital has led to employment freezes in many sectors, while Thai affiliates of some multinationals have laid off employees as part of broader corporate restructuring plans . The Thai government's decision not to forcibly repatriate large numbers of foreign workers in the fisheries, construction, and other semi-skilled sectors may also have affected employment levels . Finally, sluggish private investment has contributed to employment declines, especially in the construction sector.

Despite past rapid growth in the industrial and service sectors, 36.1 percent of the Thai labor force is still employed in the agricultural sector . However, the shift of workers from agriculture is continuing, especially in the Northeast where agricultural productivity and investment are lower . As a consequence, recent years have seen a constant flow of rural, generally unskilled Thais seeking work in Bangkok and the more industrialized regions, both seasonally and on a permanent basis . This ready availability of migrant labor contributed to Thailand's rapid industrial growth through the mid-1990s, particularly in the light manufacturing and construction sectors.

The economic downturn stemmed shortages in the labor market of workers with at least a secondary education. As Thailand's economy recovers, however, it is likely that highly skilled and experienced engineers, technicians and managers will again be in short supply . In the past, many multinational firms brought in expatriate professionals because qualified local personnel simply were not available, even at high salaries . Finding, training, and retaining qualified employees to work in the manufacturing facilities being developed in industrial estates, such as those along the Eastern Seaboard, will continue to be a challenging government priority.

Thailand's education system is still geared toward the needs of a largely agrarian, traditional economy and society and lags behind the country's contemporary skills requirements . The government has made great progress over the last two decades in providing basic education. Thailand's gross primary school enrollment in 2000 was 91.5 percent, and the adult literacy rate in 2000 was 94.0 percent, one of the best in the region . In 2000, Thailand had 513,255 students enrolled in public and private colleges and universities.

An integral part of Thailand's educational reform program, the country's first National Education Act was promulgated in August 1999 . The Act stipulates the right of all Thai citizens to receive free basic public education for at least twelve years, and raised the level of compulsory education from six to nine years . Pursuant to the 1999 Act, the free basic education and compulsory education provisions will take effect from August 20, 2002 . Children are required to enroll in a basic education institution from the age of seven, and must remain in the educational system through the age of sixteen.

All employers must define the terms of employment for their staff, and employers with ten or more employees are required to specify working regulations . A new labor law enacted in late 1998 brought labor practices more in line with International Labor Organization (ILO) standards . The law cut the work week to a maximum of forty-eight hours including overtime for all types of work, with overtime payable at one and one-half times the hourly rate . Hazardous work may not exceed seven hours per day or forty hours per week. All employees are entitled to a vacation of six workdays a year, in addition to thirteen holidays traditionally observed in Thailand . Under the labor law, the employment of children under the age of fifteen is prohibited, and there are restrictions on the employment of children and youths through the age of eighteen.

Thailand's "social safety net" is considered inadequate by industrialized-country standards . The social security system consists of two systems . The Workmen's Compensation Act of 1994 requires employers with ten or more employees to contribute yearly 0.2-1.0 percent of the employee's earnings to the Workmen's Compensation Fund . The Fund provides benefits to employees who are injured, sick, disabled or die from work-related injury . The Social Security Act has been in effect since 1990 . This Act covers enterprises with ten or more employees . Contributions to the Social Security Fund from the government, the employer, and the employee are mandated . The Social Security Fund provides compensation to insured workers under six categories: injury or sickness, child delivery, crippling injury, death, child welfare, and old age . In the first four categories, each party contributes 1.5 percent of the wages of the insured . For child welfare and old age cases, three percent is contributed. Currently, the Social Security Fund does not cover unemployment compensation . In practice, disbursement of unemployment benefits is dependent on the state of the economy and the government's financial resources.

The labor relations climate in Thailand is generally peaceful, with strikes relatively infrequent . Less than two percent of the total labor force is unionized; about ten percent of the industrial work force is organized. In 2000, the union rights of state enterprise workers were successfully restored after having been abolished in the wake of a 1991 military coup . The State Enterprise Labor Relations Act (SELRA) was reaffirmed by the Thai Parliament and became law on April 8, 2000 . State enterprise labor unions recently completed a re-certification process and elected new union leaders.

FOREIGN TRADE ZONES/FREE PORTS

Thailand has ten export processing zones to which businesses may import raw materials and export finished products free of duty . These zones are located within industrial estates, and many have customs facilities to speed processing . In addition to these zones, factories may apply for permission to establish a bonded warehouse within their premises to which raw materials, used exclusively in the production of products for export, may be

imported duty free.

The Industrial Estate Authority of Thailand (IEAT) established the first industrial estates in Thailand, including Laem Chabang Industrial Estate in Chonburi Province and Map Ta Phut Industrial State in Rayong Province . More recently, private developers have become heavily involved in the business . The IEAT operates nine estates, plus 22 more jointly with the private sector . There are 54 industrial estates operated by private sector developers . Most of these have received promotion privileges from the Board of Investment.

FOREIGN DIRECT INVESTMENT STATISTICS

All statistics are provided by the Thai government's Board of Investment (BOI).

Foreign direct investment (FDI), including inflows for bank recapitalization, totaled 99.4 billion Baht (USD 2.5 billion) in 2000, compared with 134.6 billion Baht (USD 3.6 billion) in 1999 . Major FDI recipients included the services (USD 752 million) and chemicals (USD 551 million) sectors.

In 2000, the U.S. was the largest source of FDI with USD 871 million, followed by Japan with USD 585 million. There are no reliable local statistics available for cumulative investment by country of origin . The Embassy estimates the total present value of U.S. investment in Thailand to be in excess of USD 16 billion.

In 2000, major U.S. investment projects approved by the BOI include the following (note that a U.S. investment is classified as any investment with at least ten percent U.S. capital):

- Procter and Gamble (personal care products)
- Lucent Technologies Microelectronics (integrated circuits)
- Alphatec Semiconductor Packaging (integrated circuits)
- Parish Structural Products (surglass frame)
- Johnson and Johnson (personal care products)
- PCTT (circuit boards)
- Safeskin Medical and Scientific (rubber gloves)
- Pacific Millennium Paper and Packaging (corrugated boxes)
- Kellogg (Rice Krispies Treats)

Table 1
Net Flow of Foreign Investment (excluding bank recapitalization)
By Country of Origin in USD millions

	CY1999	
Japan	490	
U.S.A	638	
Canada	3	
Hong Kong	234	
Taiwan	121	
Switzerland	60	
Australia	13	
South Korea	5	
China	-2	
ASEAN:	571	
Singapore	530	
Malaysia	28	
Indonesia	1	
Philippines	3	
EU:	1,373	
U.K	185	
Germany	290	
France	237	
Netherlands	650	
Belaium	-36	

TOTAL	3,557	

Table 2
Net Foreign Direct Investment in USD Millions
By Sectors

	CY 1999	CY2000
1. Financial Institutions	244	99
2. Trade	1,041	50
3. Construction	- 155	-19
4. Mining & Quarrying	- 42	-313
5. Agriculture	2	1
6. Industry	1,267	1,954
1.1 Food and Sugar	93	164
1.2 Textiles	20	0
1.3 Metal & Non-Metallic	261	-70
1.4 Electrical Appliances	435	491
1.5 Machinery and Transport Equipment	388	549
1.6 Chemicals	6	551
1.7 Petroleum	0	44

1.7 Petroleum Products	0	41
1.8 Construction Materials	37	55
1.9 Others	18	174
7. Services	481	752
8. Real Estate	150	70
9. Others	569	-117
TOTAL FDI	3,557	2,475

Source: Bank of Thailand

Table 3
Thai Direct Investment Abroad
In USD Millions

	CY1999	CY2000
	-338	-60

Source: Bank of Thailand

Table 4
Portfolio Investment Flows
In USD Millions

	CY1999	CY2000
TOTAL		
Equity Securities	946	887
Debt Securities	-555	-555

Source: Bank of Thailand

Table 5
 Foreign Investment through Board of Investment by Number and Value in
 USD Millions
 By Country of Origin
 Applications Approved

	CY1999		CY2000	
	Number	Value	Number	
Japan	188	715	282	
U.S.A	53	1,225	72	
Canada	3	687	6	
Asian NIEs				
Taiwan	86	209	120	
Hong Kong	25	50	31	
Korea	19	26	17	
Singapore	52	185	84	
China	7	15	8	
Malaysia	27	90	43	
Indonesia	5	30	4	
Philippines	1	2	0	
India	6	36	11	
EU	73	963	134	
UK	17	104	38	
Germany	12	49	39	

Switzerland	10	84	10	
France	11	75	13	
Belgium	7	23	2	
Italy	3	3	9	
Netherlands	18	594	21	
Australia	10	31	21	
TOTAL	517	3,596	761	

Source: Board of Investment

Table 6
Start Up Operations

Japan	177	2,351	184	2,330
U.S.A.	21	270	38	424
Canada	0	0	1	0.3
Asian NIEs				
Taiwan	27	79	45	393
Hong Kong	10	20	14	520
Korea	11	91	15	63
Singapore	36	193	38	763
China	1	4	5	13
Malaysia	11	28	6	16
Indonesia	4	2	4	2

Indonesia	1	2	1	2
Phillippines	1	2	0	0
India	2	3	2	3
EU	55	645	70	1,1
UK	12	54	19	542
Germany	16	52	11	45
Switzerland	2	2	8	61
France	4	59	10	48
Belgium	3	2	5	26
Italy	0	0	0	0
Netherlands	12	110	17	616
Australia	8	202	9	35
TOTAL	346	3,831	427	6,0

Source: Board of Investment

This report was prepared by the Economic Section (U.S . Department of State) at U.S. Embassy Bangkok . For further information, contact the Economic Section at tel.: (66) (2)205-4995, fax: (66) (2) 254-2839.

8. TRADE AND PROJECT FINANCING

THE BANKING SYSTEM

There are currently 33 commercial banks in Thailand -- 13 domestic and 19 fully licensed foreign banks . Three American banks maintain full branches here: Bank of America N.T. & S.A, The Chase Manhattan Bank, N.A. and Citibank, N.A . Among these 19 fully licensed foreign banks, 17 banks maintained IBF licenses to operate offshore banking units under the Bangkok International Banking Facilities (BIBFs). There are also 11 other foreign banks having only IBF licenses, including 2 American Banks: American Express Bank and Bank of New York .

Leading Local Banks in Thailand

<u>Bank Name</u>	<u>No. of Local Branches & Sub-Branches</u>	<u>Branches Abroad</u>
1. Krung Thai Bank	618	7
2. Thai Farmers Bank	530	7
3. Bangkok Bank Plc.	557	14
4. The Siam Commercial Bank	476	5
5. Bank of Ayudhaya	415	3
6. The Thai Military Bank	364	4

The public financial sector includes several "specialized" government banks, namely the Government Savings Bank for small savings deposits, the Bank for Agriculture and Agricultural Cooperatives for farm credits, the Government Housing bank for middle and low income housing mortgages, the Industrial Finance Corporation of Thailand for industrial development projects, and the Export Import Bank for importers and exporters . Other financial institutions in Thailand include finance companies (21 firms), credit fonciers (mortgage lenders - 9 firms), life and non-life insurance companies and several other financial cooperatives.

In the years before the crisis, the Thai financial sector grew rapidly, but it was poorly regulated and mismanaged . However, with the cooperation of the IMF and other multilateral and bilateral donors, the government is now attempting to bring financial sector practices in line with international standards . Accounting, auditing standards, and corporate governance are being upgraded . Also regulatory and corporate governance requirements for listed companies are being strengthened . In the banking sector, the Bank of Thailand, with multilateral and bilateral assistance, is improving its examination and supervision functions, and banks are required to meet BIS capitalization standards . Central bank regulators are reviewing new guidelines on related lending by commercial banks to shareholders, directors or subsidiary companies .

In order to facilitate the recapitalization of the financial sector, foreign investors, with sound financial status and potential to increase efficiency in managing financial institutions, are allowed to hold more than 49% of shares in financial institutions for a period of 10 years . After 10 years, foreign investors will not be forced to sell their shares but may not purchase any additional shares, unless the amount of foreign shareholdings is less than 49% of total shares . The additional shares may be acquired to bring foreign shareholdings to 49% of total shares.

In addition, restrictions on the operations of foreign banks have also eased over the years although differences between conditions for foreign banks and domestic banks remain . With the exception of restrictions on branching, remaining restrictions do not significantly hamper operations.

FOREIGN EXCHANGE CONTROLS AFFECTING TRADE

Exchange controls are governed by the Exchange Control Act of 1942 administered by the Bank of Thailand (central bank). The measures to enhance foreign currency flows and to maintain stability of the Baht were implemented on September 23, 1997 . Inward remittances are free of control . To increase foreign currency supply in circulation, any persons receiving foreign currencies are required to sell their foreign currencies to or deposit their foreign currencies with an authorized agent within 7 days from the date of receipt, a change from 15 days previously . However, there is an exception for non-residents and foreigners who stay in Thailand less than three months as well as persons who receive diplomatic privileges. Exporters of goods valued exceeding Bt 500,000 (approx. US\$11,111) are required to bring their export proceeds received from foreign buyers into the country immediately after payment is received, but within a maximum of 120 days from the date of export.

Thai nationals are subject to quantitative limits on the amount of foreign currency that can be remitted abroad without specific permission of the Bank of Thailand . The limits vary depending upon the purpose of the transaction and range from \$10 million per annum for business investment or loans to subsidiaries to \$100,000 per recipient for remittances to family members who are non-residents . Thai nationals moving permanently abroad are allowed to transfer a maximum of US\$ 1 million per annum of their money out of the country . Funds transferred out of the country to purchase real estate or securities overseas must be approved by a foreign exchange control officer.

Presently, commercial banks are authorized to undertake most routine foreign remittance transactions without prior approval from the Bank of Thailand.

GENERAL AVAILABILITY OF FINANCING

The financial crisis that began in mid-1997 severely affected the availability

of credit in the country . Initial responses to the crisis included significantly higher interest rates and tight liquidity . Interest rates have since fallen with the return of stability to the financial markets, and banks now have significant liquidity.

Local banks and other financial institutions are exercising more caution on new lending due to the fear of creating new non-performing loans . Lending is now much different than in the past, in that most banks are now asking for a definitive business plan from borrowers before approving loans. Liquidity is ample, and local lending interest rates remain at historic lows for Thailand . Minimum lending (prime) rates at Thai commercial banks average 7-8 percent.

Besides the local commercial, trade, and corporate financing facilities available from local banks, the Thai government maintains facilities, such as direct packing credit, to ease exporters' access to trade financing . The Thai EXIM Bank, Asian Development Bank, Japanese EXIM Bank, and the U.S. Export Import Bank also have trade financing facilities.

HOW TO FINANCE EXPORTS AND METHODS OF PAYMENT

The majority of U.S. firms exporting to Thailand conduct business on a documentary basis, and use various methods of financing such as letters of credit (L/Cs), bank drafts and wire transfers . New-to-market exporters and infrequent exporters should require confirmed, irrevocable L/Cs when initiating relationships with new importers and distributors . Once the importer has established a good payment record and the U.S. firm is convinced of the importer's trustworthiness, it is advisable to provide more lenient terms . However, in the present economic climate, many exporters are retaining tighter control on payment mechanisms than they exercised previously.

EXPORT FINANCING AND INSURANCE AVAILABLE TO US EXPORTERS

The term "Project Finance" refers to the financing of projects that are dependent on the project cash flows for repayment . Successful projects rely on a large number of integrated contractual arrangements as well as the country's legal framework and investment environment . There is a full range of public and private sector financing options for project investors in Thailand . Commercial bank loans are available for investors who can show promising yields in the short-to medium term . Equity market fund raising has also taken off in recent years as the Thai Stock Market has developed.

For certain longer-term projects, where yield is lower or less predictable, funding is being provided by multilateral institutions such as Asian Development Bank and the World Bank . These types of projects tend to be in the areas of human resources development, the environment, highway construction and rural utilities. Long-term projects can also be funded or supported through OPIC or U.S. Exim Bank project finance

programs.

Project "risk insurance" refers to the programs of OPIC and the U.S. Exim Bank to protect companies from losses associated with political risk and other factors in countries with questionable political and economic stability.

U.S. EXPORT IMPORT BANK (ExIm)

The Export-Import Bank (ExIm Bank) assists U.S. exporters to compete against foreign government subsidized financing to primarily emerging markets throughout the world, by providing loans, guarantees, and insurance to U.S. exporters . It provides bank guarantees on working capital loans for U.S. exporters or makes loans to foreign purchasers of U.S. goods and services . ExIm Bank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons . Most of the ExIm Bank projects in Thailand are involved with the following industries: power, aircraft, petrochemical, steel, cement, and telecommunication sectors.

COMMODITY CREDIT PROGRAM

GSM-102 EXPORT CREDIT GUARANTEE PROGRAM

The U.S. Department of Agriculture administers export credit guarantee programs for commercial financing of U.S. agricultural exports through the Commodity Credit Corporation . Under the programs, the Commodity Credit Corporation guarantees payments due from foreign banks . Typically, 98 percent of the principal and a portion of the interest are covered . The GSM-102 program covers credit terms up to three years.

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)'S INSURANCE PROGRAM

OPIC is an independent, financially self-supporting corporation, fully owned by the U.S. Government. OPIC assists U.S. private investors by providing political risk insurance to U.S. investors, contractors, exporters and financial institutions involved in international transactions . Insurance is available for investments in new ventures or expansions of existing enterprises, and can cover equity investments, parent company and third party loans and loan guarantees, technical assistance agreements, cross-border leases, assigned inventory or equipment, and other forms of investment . Coverage is also available for contractors' and exporters' exposures, including unresolved contractual disputes, wrongful calling of bids, performance, advance payment and other guaranties posted in favor of foreign buyers, and other risks.

OPIC insurance can be purchased to cover the following political risks:
 Currency inconvertibility – the inability to convert profits, debt service and other remittances from local currency into U.S. dollars;
 Expropriation – the loss of an investment due to expropriation, nationalization or confiscation by a foreign government;
 Political Violence – the loss of assets or income

due to war, revolution, insurrection or politically motivated civil strife, terrorism and sabotage.

INTERNATIONAL FINANCIAL INSTITUTIONS

THE WORLD BANK

The World Bank Group is a multilateral lending organization consisting of five closely related institutions: the International Bank of Reconstruction and Development (IBRD); the International Development Association (IDA); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and, the International Centre for Settlement of Investment Disputes (ICSID) . The World Bank provides loans to developing countries to help reduce poverty and to finance investments that contribute to economic growth .

The World Bank began lending to Thailand in 1950, a year after the country became a member in 1949 . In subsequent years through June 1999, Thailand requested and received approximately US\$8.0 billion in loan and credit assistance for over 130 operations . Bank support has taken many forms, including intense policy dialogue, technical assistance, and knowledge sharing . Currently the Bank is engaged in 16 operations in the rural development, energy, education, transport, social, and economic/financial sectors, with a total commitment of US\$ 1.9 billion.

IFC, the Bank's private sector arm, has been involved in the protection of its portfolio companies and the restructuring of non-portfolio companies with good long-term fundamentals . For fiscal year 2002 the volume of the IFCs activities will depend on the pace of corporate restructuring. In addition, as a major component of its recent mandate to help establish a US\$500 million investment fund for the restructuring and recapitalization of Thai enterprises.

Thailand ratified the Multilateral Investment Guarantee Agency (MIGA) convention on August 11, 2000 and became a member effective October 20, 2000. MIGA has not guaranteed any projects in Thailand . However, investors have expressed considerable interest in MIGA guarantees for investment, particularly in the infrastructure sector.

Since the onset of the financial crisis in 1997, the World Bank's assistance to Thailand has focused on three major objectives to restore sustainable and more equitable growth: 1) renewing competitiveness of Thailand's private sector and labor force; 2) improving governance through enhanced private and public sector management, and 3) sharing growth and ensuring quality of life by protecting the vulnerable and targeting the poor and improving environmental management . The Bank supports Government efforts in these areas through a combination of lending, guarantees, technical assistance, and policy advice . Other forms of Bank support include analytical reports, policy notes, a program of international knowledge exchange, and public policy seminars.

A brief description of each group member follows:

The International Bank of Reconstruction and Development (IBRD) provides loans and development assistance to middle-income countries and creditworthy poorer countries . Voting power is linked to members' capital subscriptions, which in turn are based on each country's relative economic strength . The IBRD obtains most of its funds through the sale of bonds in international capital markets.

The International Development Association (IDA) plays a key role in supporting the Bank's poverty reduction mission . IDA assistance is focused on the poorest countries, to which it provides interest-free loans and other services . IDA depends on contributions from its wealthier member countries – including some developing countries – for most of its financial resources.

The International Finance Corporation (IFC) promotes growth in the developing world by financing private sector investments and providing technical assistance and advice to governments and businesses . In partnership with private investors, IFC provides both loan and equity finance for business ventures in developing countries.

The Multilateral Investment Guarantee Agency (MIGA) helps encourage foreign investment in developing countries by providing guarantees to foreign investors against loss caused by non-commercial risks . MIGA also provides technical assistance to help countries disseminate information on investment opportunities.

The International Center for Settlement of Investment Disputes (ICSID) provides facilities for the settlement – by conciliation or arbitration – of investment disputes between foreign investors and their host countries.

The World Bank office in Thailand is located at 93/1 Wireless Road, Diethelm Towers, 14th Floor, Tower A, Bangkok 10330, Thailand, Tel: 662-252-2305/7, Fax: 662-256-7795 . For further information and assistance contact the Commercial Service Liaison Staff, Office of the U.S. Executive Director, The World Bank, 1818 H Street NW, Washington, D.C. 20433, USA, Tel: 202-458-0118 or 0120, Fax: 202-477-2967 . World Bank projects are listed in the NTDB and on the Internet.

THE INTERNATIONAL MONETARY FUND (IMF)

The IMF is an international organization of 182 member countries, established to promote international monetary cooperation, exchange rate stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries under adequate safeguards to help ease balance of payments adjustment.

In August 1997 Thailand entered into a Stand-by Arrangement with the IMF under which the Fund and other multilateral and bilateral donors made available to Thailand a total of \$17.2 billion . Thailand completed its IMF supervised program in mid-2000, having drawn only \$14.3 billion from the package and none since mid-1999 . Repayments to the Fund and other donors began in late 2000 . The IMF praised Thailand for its implementation of appropriate financial and economic policies and urged continued reform. The IMF continues to monitor Thai macro-economic performance.

ASIAN DEVELOPMENT BANK (ADB)

The Asian Development Bank, headquartered in Manila, is an international financial institution owned by 56 Developing Member Countries (DMC's), of which the United States and Japan are the largest shareholders . The Bank provides loans and equity investments for the economic and social advancement of DMC's in the Asia/Pacific Region . The Bank provides technical assistance for development projects and advisory services; promotes investment of public and private capital for development purposes; and responds to requests for assistance in coordinating development policies and plans of DMC's .

An important aspect of the ADB's operational policy is to support the development of the private sector in DMC's . While all loans normally made to DMC's are guaranteed, the Bank provides direct loans to private companies without government guarantee for projects that produce essential items or provide vital services.

A Commercial Liaison Office, that reports directly to the Office of Multilateral Development Banks at the Commerce Department in Washington, assists U.S. suppliers and consultants in winning contracts on projects and activities funded by the Bank. Interested parties should contact Senior Commercial Officer, U.S. Liaison to the Asian Development Bank, Fax: 632-890-9713 . ADB project commitments are listed in the National Trade Data Bank (NTDB) and on the Internet (www.asiandevbank.org) .

JAPAN'S BANK FOR INTERNATIONAL COOPERATION (JBIC)

Japan's Overseas Economic Cooperation Fund (OECF) merged with the Export-Import Bank of Japan (JEXIM) to become the Japan Bank for International Cooperation (JBIC) in October 1999 . The JBIC loans to Thailand began in 1969, when the loan/agreements for Lam Dom Noi Hydroelectric Project (I) was signed under the first loan packages . The cumulative commitment amount of ODA loans to Thailand now (as of 03/00) stands at 1,783 billion yen, covering 226 projects.

U.S . EXPORT-IMPORT BANK (EXIM) PROJECT FINANCE

The U.S. Export-Import Bank established its Project Finance Division in

June, 1994 . As developing nations turn away from sovereign-guaranteed borrowing, the Bank's project financing program will assist U.S. exporters to compete in new international growth industries such as the development of private power and other infrastructure . While such a financing structure has been used successfully in the past for oil and gas, mining, and power projects, the move toward "privatization" by sovereign entities has created new opportunities for U.S. exporters in telecommunication, transportation and other sectors .

ExIm Bank offers short-, medium-, and long-term programs to support U.S. exports to Thailand . The ExIm Bank's short-term export credit insurance program will provide for the financing of exports of consumer goods, spare parts, raw materials (on terms up to 180 days) and bulk agricultural commodities and quasi-capital goods (on terms up to 360 days).

Under ExIm Bank's short-term letter of credit insurance program, it will insure irrevocable letters of credit issued by the following Thai commercial banks: Bangkok Bank, Krung Thai Bank, Siam Commercial Bank and Thai Farmers Bank . For information on which Thai bank ExIm Bank may have internal limits for, please contact ExIm Bank's regional offices or its headquarters Business Development Division .

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)'S PROJECT FINANCING

OPIC finances U.S. business expansion overseas by providing long-term, limited-recourse project financing to ventures involving significant equity participation by U.S. Businesses . Financing is available for new ventures as well as expansion or modernization of existing ones . Loan guaranties are typically used for larger projects, while direct loans are reserved for projects involving U.S. small businesses and cooperatives .

OPIC can provide project financing in countries where conventional financial institutions often are reluctant or unable to lend . Rather than relying on sovereign or sponsor guaranties, OPIC looks for repayment from the revenues generated by the project itself . OPIC requires that there be a projected cash flow sufficient to pay all operational costs, service all debt, and provide an adequate return on the investment . To the extent that such financing is appropriate, sponsors need not pledge their own general credit for loan repayment beyond required project completion undertaking . In ventures where project financing is impractical, OPIC will consider more conventional lending techniques.

U.S. TRADE AND DEVELOPMENT AGENCY (USTDA)

USTDA is an independent commercially-oriented foreign assistance agency of the United States Government . TDA promotes economic development and trade in developing and middle-income countries by funding feasibility studies, consultancies, training programs and other project planning services . In Asia, TDA creates export opportunities for

U.S. firms by identifying major development projects which offer large export potential . Last year, TDA provided assistance in 67 nations around the world . In 2001, TDA has signed grants worth nearly US\$ 2 million with Thailand, which, historically, has been the largest recipient of TDA grants in Asia. Since the inception of the program in the early 1980's, Thailand has received more than US\$36 million for more than 134 projects.

In 2001, the following TDA grants have been approved for Thailand:

1) The Provincial Electricity Authority signed a grant for US\$293,480 to fund the cost of goods and services required for a feasibility study ("Study") to develop its Geographic Information System (GIS) project . The Grant was signed at the February 2001 TDA conference in Kuala Lumpur presenting GIS projects from throughout the East and South Asian regions.

2) The New Bangkok International Airport Company Ltd. (NBIA) signed a grant agreement with USTDA to provide \$250,000 to fund a study to review all aspects of the security system requirements for the Suvaranabhumi International Airport to ensure compliance with ICAO Annex 17 requirements .

3) The Royal Irrigation Dept. (RID) signed a US\$ 294,995 grant agreement with USTDA to conduct a feasibility study for a flood forecasting and warning system project that would include the establishment of a real-time communications network to mitigate the results of any future flooding. The total project will cost an estimated US\$ 15 million in its first year of implementation .

4) The Provincial Electricity Authority signed a grant for US\$560,000 to conduct a feasibility study and develop technical specifications for its Information Technologies Project . The Project will make recommendations for the optimum organizational structure and business processes, including possible restructuring, develop recommendations on system metering, update and expand the existing IT Master Plan and develop a revised IT structure for PEA.

5) The Department of Highways, Ministry of Transport and Communications signed a grant for US\$318,000 for the Highway Equipment Handling and Management Project . The grant will fund the cost of goods and services to undertake a review of DOH's current road equipment management activities and then develop a set of recommendations for alternatives to the current management of the maintenance system for its road construction equipment, including roles for the private sector.

U.S. - ASIA ENVIRONMENTAL PARTNERSHIP (USAEP)

The United States-Asia Environmental Partnership (US-AEP) is a public-private, inter-agency program that promotes environmentally sound

economic growth in Asia by mobilizing American technologies, services and experience . The partnership is led and funded by the U.S. Agency for International Development (USAID) and includes the U.S. Environmental Protection Agency, U.S. Department of Commerce, nongovernmental organizations, environmental technology associations, grant-making bodies, and private contractors responsible for the following US-AEP programs: the Environmental Exchange Program, Clean Technology and Environmental Management, Technology Transfer and The Policy Group. More information on US-AEP is available at www.usaep.org.

TYPES OF PROJECTS RECEIVING FINANCING SUPPORT

The range of projects that can receive financing support fall into three broad categories of public infrastructure, social development and private sector incentives . Typically, the types of public infrastructure projects financed include obtaining expert consulting services for national planning, financial institutional development, regulatory regime development and achieving international standards. Social development projects include health care, rural development, urban relief, institutional development, technology transfer, human resource development and wealth creation through rural industries . In the private sector projects include financing for participation in large infrastructure privatization, independent power and telecommunications, agricultural development and irrigation schemes, environmental technology, investment in manufacturing facilities, transportation, and, increasingly, the development of small and medium sized enterprises.

LIST OF BANKS WITH CORRESPONDENT U.S. BANKING ARRANGEMENTS

A list of banks with correspondent U.S. banking arrangements and a list of U.S. banks operating in Thailand is included in Chapter 11 of this Country Commercial Guide.

9. BUSINESS TRAVEL

BUSINESS CUSTOMS

Business relationships in Thailand are not as formal as those found in Japan, China, Korea or the Middle East, but neither are they as relaxed and impersonal as is common in the West . Many business relationships have their foundations in personal relationships developed within the social circles of family, friends, classmates and office colleagues . Although Thailand is a relatively open and friendly society, it is advisable to approach potential business contacts with a prior introduction or personal reference . Thais will be more receptive if you arrive with an introduction or letter from a known government official or business contact . Using the Commercial Service's Gold Key Program is also an effective way to gain access to the Thai business community.

The Thai cultural values of patience, respect for status (age, authority, etc.) and not losing face, are significant factors in business relationships as well. Thais feel great pride for their country and have deep respect for tradition. Sometimes, however, observance of traditional formalities may seem inconsistent to the tolerant, relaxed nature of living in Thailand. This can be confusing or frustrating to Westerners who are more informal and more time conscious.

Respect for, and consideration of, one's elders, superiors and patrons is deeply rooted in the Thai cultural and social environments. Thais are very reluctant to hurt the feelings of others or to cause them any dissatisfaction. Losing one's composure is losing face and losing respect in Thailand. Therefore, it can be difficult for Westerners to be sure they have received accurate and complete answers to questions, or that they have solicited frank and open opinions. (Source: Thailand Business Basics, Standard Chartered Bank.)

The revelation of what Westerners regard as rampant graft, corruption, and favoritism as an integral part of Thai business and political practice, and the recognition of the great cost to society these actions have caused in the wake of the financial crisis, is causing many Thais to openly criticize, for the first time, the behavior of the privileged and powerful. Previously referred to euphemistically as "the Thai way," such favoritism was not necessarily tolerated, but not directly challenged. The new economic and social era in the making holds promise of also being fairer and more transparent.

U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; Tel. (202) 512-1800; Fax (202) 512-2250. Business travelers to Thailand seeking appointments with US Embassy Bangkok Officials should contact the U.S. Commercial Section in advance by telephone at (662) 205-5090, Fax at (662) 255-2915/662-205-5914, or e-mail at bangkok.office.box@mail.doc.gov.

ETIQUETTE

- "Khun" is the Thai form of address for Mr., Mrs., and Ms.
- The "wai" is a traditional gesture of greeting and respect in Thailand. Practice by placing your palms together in a prayer-like position.
- Business cards are an indispensable part of making business contacts in Thailand. Bring lots of your own as a general form of introduction.
- Remove shoes before entering a home or temple.
- Touching someone on the head or pointing your feet to anything is considered by Thais to be very rude.
- Thais hold the Royal Family in the highest esteem and you are also expected to do so.

TRAVEL ADVISORY AND VISAS

Americans may register on-line with U.S. Embassy Bangkok to obtain updated information on travel and security within Thailand by visiting the U.S. Embassy's website at www.usa.co.th.

U.S. citizens carrying diplomatic, official or tourist passports do not require a visa for a visit of up to 30 days when arriving at the international airport in Bangkok, Phuket, Hat Yai or Chiang Mai, if the individual is in possession of an onward/return airline ticket . This airport permit to stay may, for a fee, be extended twice for a period up to 90 days . However, if an individual will remain in the country for more than 30 days, it is recommended that he/she obtain the appropriate visa at a Thai Embassy or Consulate prior to arrival.

For a stay of up to 90 days a visa is required, the fee for a Tourist visa \$15.00 per entry; for non-immigrant visa \$20.00 per entry and \$40.00 per multiple entries and transit visas are \$10.00 per entry .

VISA TYPES AND PURPOSE OF VISIT:

NON-IMMIGRANT VISA

Purpose of visit: BUSINESS, CONFERENCE, RESEARCH, TEACHING, MASS MEDIA or MISSIONARY (requiring letter from your government, agency or organization sending you on your mission or from your counterpart in Thailand). EDUCATION (requiring letter from educational institution in Thailand). FAMILY REUNION (requiring marriage or birth certificates). SETTLEMENT AFTER RETIREMENT (requiring proof of retirement and financial support). MEDICAL TREATMENT (requiring letter from licensed doctor). The maximum stay is 90 days. However, you may apply for an extension of stay while in Thailand.

TOURIST VISA

Purpose of visit: for tourism only.

(Maximum stay 60 days; you may apply for an extension of stay while in Thailand)

TRANSIT VISA

Purpose of visit: TRANSIT (requiring proof of confirmed onward ticket to a third country). SPORTS or CREW (requiring letter from organization concerned).

(Maximum stay is 30 days; you may apply for an extension of stay while in Thailand)

For more information travelers may contact the Royal Thai Embassy, Visa Section, Suite 101, 1024 Wisconsin Ave., N.W. Washington, D.C. 20007 Tel. (202) 944-3600 Ext. 767 Fax. (202) 944-3611 e-mail: consular@thaiembdc.org. Office Hours: Monday-Friday 9:00 a.m. –1:00 p.m. and 2:30-4:00 p.m. (Walk-in Services: 9:00 a.m. – 1:00 p.m. only) U.S. Eastern Standard Time. Closed on Thai and U.S. Official Holidays.

HOLIDAYS:

During the calendar year 2002, the following are the commercial holidays on which most business and government offices in Thailand will be closed . The following schedule is for 2002:

January 1 New Year's Day
 February 26 Magha Puja Day
 April 8 Substitute day for King Rama I Memorial & Chakri Day
 April 15 Songkran Day
 April 16 Songkran Day
 May 6 Coronation Day
 August 12 H.M. the Queen's Birthday
 October 23 Chulalongkorn Day
 December 5 His Majesty the King's Birthday and National Day
 December 10 Constitution Day
 December 31 New Year's Eve

In addition to the above dates, the American Embassy, as well as many other U.S. offices in Thailand, will observe the following holidays:

January 21 Martin Luther King, Jr. Birthday
 February 18 President's Day
 May 27 Memorial Day
 July 4 Independence Day
 September 2 Labor Day
 October 14 Columbus Day
 November 11 Veterans Day
 November 28 Thanksgiving Day
 December 25 Christmas Day

WORK WEEK:

The common professional workweek in Thailand is 40 hours per week consisting of five, 8-hour days, Monday through Friday . Office hours in Bangkok vary to accommodate flex-time travel through the city's notoriously heavy traffic . Common office hours are 8:00 a.m. to 5:00 p.m . Most business offices are closed on Saturdays and Sundays although most commercial establishments remain open . The U.S. Commercial Service Bangkok's hours are 7:00 a.m. - 4:00 p.m., Monday through Friday . The Commercial Library is open from 8:00 a.m. to 4:00 p.m . The office is closed during lunch from 12:00 noon to 1:00 p.m .

BUSINESS INFRASTRUCTURE

TRANSPORTATION

The business traveler has access to a range of ground transportation in Bangkok and major cities . Metered taxis are common and most hotels offer limousine services . Chauffeured cars can be rented for extended stays. The BMTA sky train began operation in December 1999 providing services for commuters in two of Bangkok's most congested business districts, Silom and Sukhumvit . Rates vary, depending on zone and distance but the BTS is an excellent alternative to the long traffic jams, if your destination is within the areas serviced by the system.

Public transportation in the form of inter-city air-conditioned buses, and regular buses serve the general population and vary in comfort and efficiency . Inter-city rail service ranges from comfortable and efficient to

primitive. The State Railway of Thailand operates 3,800 kms of rail tracks with 623 destinations and four main routes: Bangkok-north to Chiang Mai; northeast to Nongkhai and Ubon Rajathani; east to Prachinburi; and, south to the Thai-Malaysian border.

Thailand's road system compares favorably with that of other developing countries in the region . In fact, road transportation is considered Thailand's key transportation mode for goods and passengers. Major inter-city links are being expanded into 4 or more lane highways. Transport of goods and passenger services by rail, sea, air and road generally is good. Rural roads are being improved.

Thailand has coastlines on the Gulf of Thailand and on the Andaman Sea with 58 sea channels, 40 operational seaports and 90 fishing trawler piers . Out of 6,000 kilometers of navigable inland waterways, 1,750 kilometers can be used as transportation routes for bulk cargo . Thailand offers the advantages of low-priced handling, cheap labor and inexpensive storage costs.

Thailand currently has five international airports: Bangkok International Airport, Chiang Mai International Airport, Chiang Rai International Airport, Hat Yai International Airport, and Phuket International Airport . Thailand also has 28 airports that service domestic flights . Bangkok International Airport (BIA), which is located just north of Bangkok, serves as Thailand's main gateway for air transportation . Handling 27 million passengers per year, the Bangkok International Airport will reach its handling capacity by 2003 . Development of the New Bangkok International Airport (NBIA) is underway . NBIA will serve as the country 's primary international airport and aviation hub with a passenger capacity of 30 million per year . NBIA is scheduled to open in 2004.

LANGUAGE

Thai is the national language . English is the next most commonly spoken language, and is especially prevalent among the business community in Bangkok . (There are four distinct language dialects in Thailand, with the Central Thai dialect being the first language of 75 percent of the population.) Many Sino-Thai also speak Chinese . Because of the large number of Japanese subsidiary companies in Thailand, Japanese is also common in the business community.

BANKING SERVICES

A good range of commercial banking services is available in Thailand for both business and retail customers . Deposit accounts, lending facilities, foreign exchange, import/export facilities and other products and services such as credit cards, debit cards and automatic teller machines (ATM) are offered . Foreign banks have joined the local ATM network, thus enabling their customers to use their overseas bank ATM card at any ATM within the domestic network . There are approximately 5,000 ATM's in Thailand, with

older machines being replaced by newer ones . Some limitations, such as on mortgage lending to foreigners, do exist, reflecting restrictions on foreign ownership of property.

COMMUNICATIONS

Communications for the business traveler in Bangkok and major cities is efficient, with worldwide access for voice, fax and data with international direct dialing . Cellular phones are very common and can be rented for short stays . A foreign cellular phone will generally not work in Thailand, unless it is of the newer global G.P.S. phones. In rural or remote areas cell coverage is spotty and only first class hotels have reliable land coverage.

Thailand is a member of the International Telecommunications Satellite Consortium, and maintains 2 ground stations connected to satellites over the Pacific and Indian oceans to provide convenient radio communication services . On December 17, 1992, THAICOM, the first Thai national satellite, was launched into orbit followed by THAICOM 2 on October 8, 1994, and THAICOM 3 on April 16, 1997.

Thailand is served by the major international cable television channels including CNN, BBC, CNBC, ABN, Star TV, HBO, etc. which are widely available in hotels, residences and other public facilities.

Thailand's economic plunge in 1997 caused a sharp decline in the demand for telecommunications services that included landline telephone, cellular phone, radio communications, paging, and VSAT services . Consequently, planned investments in the expansion of 6 million landline telephones and cellular phones in the radio frequency ranges of 1500 and 1900-megahertz have been deferred . However, the installation of rural public long distance telephone lines and the installation of submarine fiber optic cable were not affected by the economic crisis.

For a landline telephone, the installation fee is US\$103, the required deposit is \$84, the monthly service fee is \$2.80, and the flat rate for a local call is \$0.08 . For a cellular phone, handset prices range from US\$300 to \$1,000, the mandatory deposit is \$84, the connection fee is \$36, the monthly service fee is \$14, and local cellular calls cost \$0.08 per minute.

For electronic communications, Thailand provides three main solutions for temporary Internet access . First, purchasing an Internet package from a local ISP in prepaid amounts for anywhere from 10 to 50 hours . Second, cyber-café's, which are located throughout Bangkok and in major provinces . Third, Internet access provided in high-end hotels catering to business travelers . Internet access and high-speed Internet service has been provided while wireless Internet connectivity will soon be offered in luxury hotel rooms.

UTILITIES

The electrical current in Thailand is 220 volts . Business travelers should bring converters and surge protectors but they are also available on the local market.

Water quality ranges widely . Many Thai people drink bottled water which is inexpensive and readily available . In Bangkok and major cities, tap water is safe enough for bathing . Water is priced from \$0.15 to \$0.43 per cubic meter in accordance with the usage.

HEALTH

Excellent medical treatment is available in Bangkok, with good to adequate treatment available throughout the country . While the general level of health and nutrition is good, some tropical diseases are a problem . Hepatitis is endemic . The incidence of AIDS has leveled off due to educational awareness campaigns by the Royal Thai Government . However, Thailand is still considered a high-risk country, especially among prostitutes and intravenous drug users . Japanese encephalitis and malaria are a problem in rural border areas, but generally not in Bangkok, major cities, or major tourist destinations . Dengue fever outbreaks occur periodically throughout the country . Rabies is also a risk to consider due to the large number of abandoned animals roaming the streets.

Doctors and hospitals often expect immediate cash payment for services, and U.S. medical insurance is not always valid outside the United States . Many hospitals in Bangkok and other major cities will accept standard credit cards . For additional useful health information, contact the International Travelers' Hotline at the Center of Disease Control at 404-332-4559.

FOOD

Eating is an important part of the Thai group-oriented culture . Thai food has become internationally popular because of its sophistication and variety . The staples of this cuisine include rice, noodles, vegetables, meats, fish, spices and chilies . Thai food can be enjoyed in a wide variety of venues, from street-side kiosks to elegant world-class restaurants . In addition, all other international cuisines are available in the major cities and resort areas ranging from European fine dining, to other Oriental and ethnic restaurants, to American fast food .

ACCOMMODATIONS

Thailand offers various types of accommodations to travelers - from five star international hotels, to serviced apartments, to moderate, comfortable business hotels, to modest but safe, clean guesthouses . Establishments catering to business clientele usually offer full-service business centers with international communications . The economic downturn, and overbuilding of hotels, means that Bangkok is offering some of the best accommodation bargains in the world, and Thailand is vying actively for business and

leisure travel and convention business.

Ample western style residential apartments and houses are available for foreign residents . The construction of high-rise condominium projects in the past few years has increased available quality accommodation in the Bangkok metropolitan area and other major cities . Foreign business visitors are increasingly utilizing full-service residential apartments for short-term stays in Bangkok . The supply of these facilities, including some operated by American firms, has increased markedly in recent years.

TEMPORARY ENTRY OF GOODS

Thai Customs Department policy and procedures on temporary entry of goods for business practices and exhibitions are described below . For further information, please contact Bangkok International Airport Customs House tel: (662) 535-1550, Public Relations Sub-Division, Customs Department tel: (662) 249-9017, 249-3298; Customs Department web site: www.customs.go.th or the Commercial Service Bangkok tel: (662) 205-5090.

GOODS FOR BUSINESS PRACTICE

Laptop Computers: The Thai Customs Department considers laptop computers as reasonable personal effects and not dutiable, restricted or prohibited goods . If travelers carry laptop computers for use while visiting Thailand, they should check the "Nothing to Declare" box on the customs declaration form and submit the form at the Green channel . However, each traveler should carry only one laptop at a time and should be prepared to prove at a Customs random inspection that the computer is a personal belonging or for use while doing business in Thailand, and not for re-sale.

Computer Software: Unwrapped computer diskettes and CD-ROMs for use while visiting Thailand are not dutiable . Check the "Nothing to Declare" box on the customs declaration form and submit the form at the Green channel.

EXHIBIT MATERIALS

There are 2 choices of Customs procedures for entering exhibit materials exempted from duty payment into Thailand.

1 . **Bonded Guarantee (A.T.A.Carnet):** A.T.A. Carnet is an international system that provides bonded guarantees on goods imported temporarily . Its purpose is to facilitate customs procedures for temporary import-export of goods which are exempt from payment of duty without prohibited and restricted conditions. All member states accept and provide this service under their own laws and regulations.

The Thai Customs Department recommends exhibit materials enter into Thailand through a carnet as it cuts down the required Customs

procedures . The guarantee issuer and guarantor must be approved by the Customs Department and be a member of the international guarantee issuer organization such as a U.S. Trade Association or Chamber of Commerce . The guarantee issuer organization can issue a letter of guarantee to exporters in which they agree to pay duty if carnet conditions are not followed.

An importer can use the letter of guarantee as a substitute to the import entry form and the payment guarantee . The importer must complete the carnet import/re-export document and submit it to Customs officers at Thailand's port of entry . The Customs officers will inspect the goods, keep a copy of the import entry form and return the carnet book to the importer . If the goods are not taken out within the period of time stated in the contract, the guarantor will have to pay duty, a 10 percent penalty, and any applicable fees . For further information, please contact the Privilege Goods and Investment Promotion Sub-Division tel: (662) 249-4150, fax: (662) 249-4212.

2 . Imported goods for exhibitions in Thailand: Exhibit materials apply to goods which are imported for public exhibition and goods on which the importer has placed a bonded guarantee and will be re-exported within a certain period of time . Goods used up in an exhibition such as printed documents, advertised articles, and distributed materials are not duty exempted items . The process for temporary importation of exhibit materials into Thailand is as follows:

- The importer must provide detailed information on the exhibition including the host, venue, period of time, reasons for importation, and goods category to the Customs Department for temporary import permission;

- The importer must submit a duty exempted application with certification of the exhibition, an import entry form with documents such as invoice, Airway bill, and packing list and a permission form for import of restricted goods . The importer signs for the materials, states the period of temporary entry (must be under 6 months), and places a cash deposit or Bank's guarantee for the following total (duty + 140 percent + VAT);

- Customs officers will inspect the goods and return a copy of the special Import Entry Form to the controller of the goods to be presented on the way of taking the goods out of Thailand . The controller may appoint a local firm, as an importer, to deliver the material from the port of entry to the exhibition site;

- When taking the materials out of the country, the controller shall present a copy of the special Import Entry Form to the Customs officers and shall withdraw the guarantee contract . If the importer has shown intention of not taking the goods out of the country within the period of time stated in the contract, the guarantee contract will be enforced;

- Regarding contract extensions, the importer can request an extension of 6

months from the date of entry . To receive this extension, the importer must submit an application to the Customs House or to the Laws and Regulations Division, Customs Department for approval.

10 . ECONOMIC AND TRADE STATISTICS

COUNTRY DATA

Population: 62.8 million (2001 est.)

Population Growth Rate: 0.40% (2001 est.)

Religions: Buddhist (95%); Muslim (4%);
Christian, Hindu, Sikh, other (1%)

Government System: Constitutional Monarchy
Languages: Thai; English is the most widely
spoken second language; many Sino-
Thai also speak Chinese.

Work Week: Monday through Friday

DOMESTIC ECONOMY (US\$ billions)

	1999	2000	2001 (1Q)	2001 (2Q)	2001 (1H)
GDP at Current Price (\$bn)	122.0	122.0	29.5	27.5	57.0
GDP at 1998 Prices (\$bn)	75.6	74.3	17.8	16.2	34.0
Real GDP Growth Rate (in Baht terms)	4.2	4.4	1.8	1.9	1.9
Per Capita Income (\$)	1975	1955			1813*
Current Account Balance (\$bn)	12.5	9.4	1.4	1.0	2.4
Consumer Prices (% change)	0.3	1.6	1.4	2.6	2.0
Official Unemployment (%)	4.2	3.6	4.2	4.2**	4.2**
Foreign Exchange Reserves (\$bn)	34.8	32.7	32.3	31.6	31.6
Average Exchange Rate (Baht/\$)	37.84	40.16	43.22	45.39	44.30
Debt Service Ratio (%)	19.4	15.2	19.9	NA	NA

Source: Bank of Thailand, Ministry of Commerce, and National Economic and Social Development Board

Note: *annualized data based on the first half data

**data as of May 2001

TRADE

(US\$ Billions)

	1999	2000	2001 (1Q)	2001 (2Q)	2001 (1H)
Total Exports FOB	56.8	67.9	16.0	15.6	31.7
Exports to U.S.	12.7	14.9	3.2	3.2	6.4
Total Imports CIF	47.5	62.4	16.0	15.2	31.2
Imports from U.S.	6.4	7.3	2.1	1.6	3.7

Source: Bank of Thailand

Note: 1999 FX = Bt 37.84/USD; 2000 FX = Bt41.16/USD; 2Q01FX = BT45.39/USD .

Source: Bank of Thailand

11. U.S. AND COUNTRY CONTACTS

The U.S. Commercial Service and the Economic Section at the U.S. Embassy in Bangkok maintain extensive files on key organizations in Thailand . Contact them for more information.

U.S. GOVERNMENT

U.S. EMBASSY, THAILAND

The Honorable Richard E. Hecklinger
 Ambassador of the United States of America to the Kingdom of Thailand
 120 Wireless Road, Pathumwan
 Bangkok, Thailand 10330
 or mail from the U.S.:
 American Embassy – Bangkok
 APO AP 96535
 Tel: 662-205-4000
 E-mail: webmaster@usa.or.th; specify subject in e-mail inquiry

U.S. COMMERCIAL SERVICE

Senior Commercial Officer: Ms. Karen Ware
 U.S. Embassy Bangkok
 Diethelm Towers A, 3rd Floor, 302
 93/1 Wireless Road, Pathumwan
 Bangkok 10330
 Tel: 662-205-5090
 Fax: 662-255-2915/662-205-5914
 E-mail: bangkok.office.box@mail.doc.gov
 or mail from the U.S.:
 American Embassy - Bangkok
 FCS Box 51
 APO AP 96546
 Note: The U.S. Commercial Service helps U.S. firms to export to and develop their business in Thailand.

ECONOMIC SECTION

Economic Counselor: Mr. Joseph Yun
 U.S. Embassy Bangkok
 120 Wireless Road, Pathumwan
 Bangkok 10330
 Tel: 662-205-4995
 Fax: 662-254-2839
 or mail from the U.S.:
 American Embassy – Bangkok
 APO AP 96546

U.S.D.A. FOREIGN AGRICULTURAL SERVICE

Agricultural Counselor: Mr. Maurice House
 U.S. Embassy Bangkok

Diethelm Towers A, 4th Floor
 93/1 Wireless Road, Pathumwan
 Bangkok 10330
 Tel: 662-205-5106
 Fax: 662-255-2907
 or mail from U.S.
 American Embassy - Bangkok
 APO AP 96546
 E-mail: agbangkok@fas.usda.gov

U.S.-ASIA ENVIRONMENTAL PARTNERSHIP (US-AEP)
 Director of Technology Cooperation: Mr. Jack Kneeland
 Diethelm Tower A, 3rd Floor, 302
 93/1 Wireless Road, Pathumwan
 Bangkok 10330
 Tel: 662-651-5782, Central line: 662-205-4000 Ext. 5301, 5302, 5303
 Fax: 662-254-2838
 E-mail: usaepbkk@lox2.loxinfo.co.th
 or mail from U.S.
 FCS, Box 51
 APO AP 96546

Note: The US-AEP is managed by the U.S. Commercial Service in Bangkok . It provides cost-share assistance grants to U.S. environmental companies and sponsors environmental business conferences and workshops.

ROYAL THAI GOVERNMENT

General

MINISTRY OF FOREIGN AFFAIRS (www.mfa.go.th)
 Sri Ayudhya Road, Bangkok 10400

Department of Economic Affairs
 Director: Mr. Pradap Pibulsonggram
 Saranrom Palace, Sanam Chai Road, Bangkok 10200
 Tel: 662-643-5255 - 4090
 Fax: 662-643-5250

Department of American and South Pacific Affairs
 Tel: 662-643-5121-2
 North America Division
 Director: Mr. Marut Chitpatima
 Saranrom Palace, Sanam Chai Road, Bangkok 10200
 Tel: 662-643-5130 - 3070
 Fax: 662-643-5127
 Email: div0901@mfa.go.th

Royal Thai Embassy in Washington

(www.thaiembdc.org)
 His Excellency Mr. Tej Bunnag
 Ambassador Extraordinary and Plenipotentiary
 1024 Wisconsin Avenue, N.W. Suite 401
 Washington, D.C. 20007
 Tel: 202-944-3600
 Fax: 202-944-3611
 E-mail: thai.wsn@thaiembdc.org

OFFICE OF THE PRIME MINISTER
 (www.pmo.thaigov.go.th)

National Economic and Social Development Board (NESDB)
 (www.nesdb.go.th)
 962 Krungkasem Road, Pomprab, Bangkok 10100
 Tel: 662-282-8454
 Fax: 662-282-1867
 Email: mis@nesdb.go.th
 Secretary-General: Mr. Thiphawadi Meksawan
 962 Krung Kasem Road, Pomprab, Bangkok 10100
 Tel: 662-282-5417, 281-0947
 Fax: 662-280-0892

Office of the Board of Investment (BOI)
 (www.boi.go.th)
 Secretary-General: Mr. Staporn Kavitanon
 555 Vipavadee Rangsit Road, Chatuchak
 Bangkok 10900, Thailand
 Tel: 662-537-8111-8155
 Fax: 662-537-8177
 Email: head@boi.go.th

National Energy Policy Office (NEPO)
 (www.nepo.go.th)
 121/1-2 Petchburi Road, Phayathai, Rajthevee
 Bangkok 10400 Thailand
 Tel: 662-612-1555
 Fax: 662-612-1352
 Secretary-General: Dr. Piyasvasti Amranand
 Secretary: Mrs. Duangsuda Jirapraditkul
 Tel: 662-612-1350
 Fax: 662-612-1352

MINISTRY OF INTERIOR

Office of the Board of the Control of
 The Engineering and Architectural Profession Division
 Director: Mr. Polwat Chayanuwat
 Office of the Permanent Secretary for Interior
 Atsadang Road, Bangkok 10200

Tel: 662-221-1141/55
E-mail: webteam@moi.go.th

MINISTRY OF COMMERCE

Department of Foreign Trade
(www.dft.moc.go.th)
Director-General: Mr. Karun Kittisataporn
44/100 Sanambinnam-Nonthaburi Road,
Nonthaburi 11000
Tel: 662-547-4771-86
Fax: 662-547-4791-2
Email: dft_info@mocnet.moc.go.th

Department of Commercial Registration
Director-General: Mr. Adul Winaiphaet
Building 3rd Floor,
44/100 Moo 1 Nonthaburi Road, (Sanambinnam),
Bangkrasor, Muang, Nonthaburi 11000
Tel: 662-547-4458-9, 547-4462-4, 547-4423-4
Fax: 662-547-4459, 547-4463, 547-4441
E-mail: webmaster@thairegistration.com
Registration of Public Companies, Group of Bank and Financial Institution,
Insurance Companies, Storage and Warehousing

MINISTRY OF FINANCE (www.mof.go.th)

The Customs Department
(www.customs.go.th)
Director-General: Mr. Manit Witayatem
Soonthornkosa Road, Khlong Toey
Bangkok 10110
Tel: 662-249-0442, 249-0430/40
Fax: 662-249-1279

MINISTRY OF INDUSTRY (www.industry.go.th)

Department of Industrial Works
(www.diw.go.th)
Environment Department
Director-General: Ms. Kanya Sinsakul
76/5 Rama VI Road, Rajthevee
Bangkok 10400
Tel: 662-202-4000
Fax: 662-245-8000

Department of Industrial Promotion
(www.dip.go.th)

Director-General: Mr. Thammu Wasinon
Rama VI Road, Ratchathevi
Bangkok 10400
Tel: 662-202-4414-18, 202-4426/7
Fax: 662-246-0031
E-mail: boc@dip.go.th

Thai Industrial Standards Institute
(www.tisi.go.th)
Secretary-General: Mr. Cherdpong Siriwat
Rama VI Road, Ratchathevi
Bangkok 10400
Tel: 662-202-3300-4
Fax: 662-202-3415
Email: thaistan@tisi.go.th

Industrial Estates Authority of Thailand
(www.ieat.go.th)
Governor: Mrs. Anchalee Chavanich
618 Nikhom Makkasan Road, Ratchathewi,
Bangkok 10400
Tel: 662-253-3398, 253-2837
Fax: 662-253-4086
E-mail: ieat@ieat.go.th

MINISTRY OF SCIENCE, TECHNOLOGY AND ENVIRONMENT
(www.moste.go.th)

Office of Environmental Policy and Planning
(www.oepp.go.th)
Secretary-General: Dr. Saksit Tridech
Email: saksit@oepp.go.th
Tel: 662-279-0129
Fax: 270-1661
60/1 Soi Pibulwatana 7
Rama VI Road, Bangkok 10400
Tel: 662-279-7180-9
Fax: 662-271-3226

Pollution Control Department
(www.pcd.go.th)
Director-General: Mr. Sirithan Pairoj-Boriboon
Tel: 662-619-2316
Fax: 662-619-2275
Email: sirithan.P@pcd.go.th
92 Phoholyothin 7 Road
Samsen Nai, Phaya Thai,
Bangkok 10400
Tel: 662-298-2000
Fax: 662-298-2002

MINISTRY OF PUBLIC HEALTH
(www.moph.go.th)

Food and Drug Administration
(www.fda.moph.go.th/fdaindex.htm)
Secretary-General: Mr. Wichai Chokwiwat
Tivanond Road, Muang
Nonthaburi 11000
Tel: 662-591-8441
Fax: 662-591-8452

OTHER INDEPENDENT GOVERNMENT AGENCIES

Bank of Thailand
(www.bot.or.th)
Governor: M.R. Pridiyathorn Devakula
E-mail: pridiyaD@bot.or.th
273 Sam Sen Road, Bangkhunprom
Bangkok 10200
Tel: 662-283-5353, 283-5010
Fax: 662-280-0449, 280-0626

Bangkok Metropolitan Administration
(www.bma.go.th)
Governor: Mr. Samak Sunthornravej
173 Dinso Road
Bangkok 10200
Tel: 662-621-0831, 222-8877
Fax: 662-621-0831
E-mail: csod@bma.go.th

TRADE ASSOCIATIONS

AMERICAN CHAMBER OF COMMERCE IN THAILAND (AMCHAM)
(www.amchamthailand.com)
Executive Director: Ms. Judy Benn
18th Floor, Kian Gwan Bldg . 2
140/1 Wireless Road
Bangkok 10330
Tel: 662-251-9266/7, 662-651-4473
Fax: 662-651-4474
E-mail: info@amchamthailand.com

Note: AmCham is the premier U.S. business organization in Thailand with more than 600 U.S. member companies.

US-ASEAN Business Council

1101 17th Street NW, Suite 411
Washington, DC 20036

Tel: 202 289-1911

Fax 202 289-0519

email: mail@usasean.org

Note: The US-ASEAN Business Council is the premier national private organization in the United States representing private sector interests in ASEAN, the Association of Southeast Asian Nations.

THAILAND-U.S. BUSINESS COUNCIL

Chairman: Mr. Chatri Sophonpanitch

49 Asia Sermkij Tower

Soi Pipat, Silom Road

Bangrak, Bangkok 10500

Tel: 662-231-5934/8

Fax: 662-231-5919

Note: These partner business councils are important for policy and senior executive business information exchange.

U.S.-THAILAND BUSINESS COUNCIL

Co-Chairmen: Mr. Rubin Mark & Mr. Theodore Roosevelt

3050 K. Street, N.W. Suite 105

Washington, D.C. 20007

Tel: 202-337-5973

Fax: 202-337-0039

Note: This Council is at the forefront of U.S.-ASEAN affairs and sponsors senior interchanges including the annual U.S.-ASEAN Ambassador's Tour in the U.S. and senior executive visits to ASEAN.

BOARD OF TRADE OF THAILAND (BOT)

Chairman: Mr. Vichien Techapaibul

150 Rajbopit Road

Bangkok 10200

Tel: 662-221-0555, 662-221-1827, 662-221-9350, 662-221-1827, 662-222-9031,

662-223-2069

Fax: 662-225-3995, 226-5563

FEDERATION OF THAI INDUSTRIES (FTI)

(www.fti.or.th)

Chairman: Mr. Tawee Butsoonthorn

Queen Sirikit National Convention Center

Zone C, 4th Floor, 60 New Rachadapisek Road

Klong Toey, Bangkok 10110

Tel: 662-229-4255

Fax: 662-229-4941/2

Note: The Federation of Thai Industries membership represents most of the major industry sectors and their industry associations.

THAI CHAMBER OF COMMERCE (TCC)

(www.tcc.or.th)

President: Mr. Vichien Techapaibul

150 Rajbopit Road, Pranakorn

Bangkok 10200

Tel: 662-622-1860

Fax: 662-225-3372, 622-1879

Email: tcc@tcc.or.th

COMMERCIAL BANK WITH U.S. AFFILIATIONS

BANK OF AMERICA BANGKOK BRANCH

Country Manager: Mr. Frederick Chin

2/2 Wireless Road, Bank of America Center

Bangkok 10330

Tel: 662-251-6333
Fax: 662-253-1905

BANK OF AYUDHYA PCL.
(www.bay.co.th)
President: Mr. Krit Ratanarak
1222 Rama III Road, Bang Pongphang
Yannawa, Bangkok 10120
Tel: 662-296-3000
Fax: 662-683-1275

BANGKOK BANK PUBLIC CO., LTD.
(www.bbl.co.th)
President: Mr. Chartsiri Sophonpanich
333 Silom Road,
Bangkok 10500
Tel: 662-231-4333, 231-4665
Fax: 662-236-8288

CHASE MANHATTAN BANK
Managing Director: Mr. Raymond C.C. Chang
20 North Sathorn Road, Bubhajt Building
Bangkok 10500
Tel: 662-234-5992/5, 662-238-1720/4
Fax: 662-234-8386, 662-234-7853

CITIBANK NA
General Manager: Mr. Henry Ho
Citibank Tower, 82 North Sathorn Road
Bangrak, Bangkok 10500
Tel: 662-639-2000, 662-232-2000
Fax: 662-639-2560, 662-639-2550

KRUNG THAI BANK PUBLIC CO., LTD.
(www.ktb.co.th)
President: Mr. Singh Tangtatswas
35 Sukhumvit Road, Klongtoey Nua
Wattana, Bangkok 10110
Tel: 662-255-2222
Fax: 662-255-9391/6

SIAM COMMERCIAL BANK PUBLIC CO., LTD.
(www.scb.co.th)
President: Ms. Jada Wattanasiritham
9 Rachadapisek Road, Ladyao
Chatuchak, Bangkok 10900
Tel: 662-544-1111, 662-937-7777
Fax: 662-937-7687

THAI FARMERS BANK LTD.
(www.tfb.co.th)
President: Mr. Banthoon Lamsam
1 Moo 2, Soi Thai Farmer
Ratburana Road, Khet Ratburana
Bangkok 10140
Tel: 662-470-1122, 662-470-1199
Fax: 662-470-2748/9

THAI MILITARY BANK
(www.tmb.co.th)
President: Dr. Thanong Bidaya

3000 Phaholyothin Road
 Chatuchak, Bangkok 10900
 Tel: 662-273-7164
 Fax: 662-273-7121

MARKET RESEARCH FIRMS

AGRISOURCE

Managing Director: Mr. Tim Welsh
 Resources for Agribusiness
 Ambassador's Court, 4th Fl., No. 416
 76/1 Soi Lang Suan, Ploenchit Road
 Bangkok 10330
 Tel: 662-251-8655/6, 662-251-8669
 Fax: 662-251-0390
 Email: agsource@loxinfo.co.th

ASIAN SOLUTIONS RESEARCH

Managing Director: Mr. Bill Condie
 76/26 Lang Suan House
 Soi Lang Suan, Ploenchit Road
 Bangkok 10330
 Tel: 662-652-0940/1
 Fax: 662-652-1842
 E-Mail: bcondie@pobox.com

THE BROOKER GROUP LTD.

Managing Director: Mr. George D. Hooker
 2nd Floor, Zone D, Room #201/2
 Queen Sirikit National Convention Center
 60 New Rachadapisek Road
 Klongtoey, Bangkok 10110
 Tel: 662-229-3111
 Fax: 662-229-3127
 Email: hooker@loxinfo.co.th
peterb@loxinfo.co.th
 URL: www.brookergroup.com

BUSINESS ADVISORY THAILAND

President: Mr. Jon Selby
 15th Floor, Maneeya Center Building
 518/5 Ploenchit Road, Lumpini
 Pathumwan, Bangkok 10330
 Tel: 662-255-8977-8, 662-251-2285
 Fax: 662-254-4576

A.C. NIELSEN CO., LTD.

Managing Director: Dr. Sunchai Anumanrajadhon
 26th Floor, United Center
 323 Silom Road
 Bangkok 10500
 Mail: PO Box 2732, Bangkok 10501
 Tel: 662-231-1931,
 Fax: 662-231-1959, 662-236-7747

J.P. ROONEY & ASSOCIATES GROUP

Chairman: Mr. James P. Rooney
 4th Floor, Panunee Building
 518/3 Ploenchit Road
 Bangkok 10330
 Mail: PO Box 1238, Nana Post Office

Bangkok 10112
 Tel: 662-251-9832, 662-254-7343, 662-251-2323
 Fax: 662-652-0788
 Email: jprooney@msn.com

MIDAS AGRONOMICS CO., LTD.
 President: Mr. Anthony M. Zola
 Mekong International Development Associates
 Technic Building, Room 403
 48 Soi 12, Sri Ayudthaya Road,
 Bangkok 10400
 Tel: 662-246-1714
 Fax: 662-246-5785
 E-mail: zola@mozart.inet.co.th

PriceWaterhouseCoopers
 Chief Executive Officer: Mr. Sukont Kanjana-hattakit
 15th Floor, Bangkok City Tower
 179/74-80 South Sathorn Road,
 Bangkok 10120
 Tel: 662-286-9999, 662-344-1000
 Fax: 662-286-5050

THAI WEB SITES FOR AMERICAN INVESTORS AND EXPORTERS

US COMMERCIAL SERVICE - <http://www.csbangkok.or.th>
 The U.S. Commercial Service helps U.S. businesses invest in and export to Thailand.

U.S. EMBASSY IN THAILAND - <http://www.usa.or.th>
 Whatever your interests, the USIS Thailand homepage helps.

AMERICAN CHAMBER OF COMMERCE - <http://www.amchamthailand.org>
 This site provides information on Chamber activities.

THE BOARD OF INVESTMENT OF THAILAND - <http://www.boi.go.th>
 A wealth of valuable information on Thailand, for investors . Exporters will also find it useful.

THAI INDUSTRIAL STANDARDS INSTITUTE - <http://www.tisi.go.th>
 This site provides information on standards for products to be sold in Thailand . The site also contains data on the certification mark activities and ministerial regulations.

ENGLISH LANGUAGE NEWSPAPERS IN THAILAND

BANGKOK POST - <http://www.bangkokpost.com>

THE NATION - <http://www.nationmultimedia.com>

BUSINESS AND ECONOMY

THE NATIONAL ELECTRONICS AND COMPUTER TECHNOLOGY CENTER (NECTEC)
 – <http://www.nectec.or.th>
 A list of Internet servers (domestic and abroad) with information pertaining to Thailand.

THAI CABINET MINUTES – <http://www.thaigov.go.th>

FINANCIAL SECTOR RESTRUCTURING AUTHORITY (FRA)
<http://www.fra.or.th>
 The FRA was established to liquidate the assets of 56 finance companies closed by the government in 1997.

BANK OF THAILAND - <http://www.bot.or.th>

Library has weekly list of interesting newspaper/periodical articles.

ASIAN DEVELOPMENT BANK - <http://www.asiandevbank.org>

News, press releases, documents and information on business opportunities, conferences and seminars .

THREE OF THE LARGEST THAI BANKS

SIAM COMMERCIAL BANK - <http://www.scb.co.th>

THAI FARMERS BANK - <http://www.tfb.co.th>

BANGKOK BANK - <http://www.bbl.co.th>

MISCELLANEOUS

AMAZING THAILAND - <http://www.amazingthailand.th>

The objective of this site is to persuade people to visit, and learn more about, Thailand.

"THAILAND TALES" - <http://www.mcb.co.uk/apmforum/columns/thai.htm>

This column is useful for foreigners who come to do business in Thailand.

NATIONAL TRADE DATA BANK (NTDB) www.stat-usa.gov

Contains Commercial Service reports on various developments in the Thai market throughout the year, as well as reports from embassies worldwide.

12 . MARKET RESEARCH

The U.S. Commercial Service (USCS) of the U.S. Department of Commerce at the U.S. Embassy, Bangkok, has prepared a number of reports according to the following schedule . They may be obtained from any CS office or from the CS Website:

<http://www.usatrade.gov>

Selected Market Research Reports

International Market Insight (IMI)

<u>Code</u>	<u>Title</u>	<u>Date</u>
AGR	Bright Prospects for Thailand's Poultry Industry	04/00
AIR	Suvarnabhumi International Airport - Prebid Conference for the Construction of Terminal Complex	09/01
APG/TRN/ACE	Second Bangkok International Airport Construction Update and U.S. Embassy Trade Event	02/00
APG/TRN/ACE	Second Bangkok International Airport	05/00

APG/TRN/ACE	Terminal Complex Construction of the New Bangkok International Airport	06/00
APG/TRN/ACE	Master Schedule for Second Bangkok International Airport	09/00
APS	Asia Automotive '99 Review	12/99
AUT	Vehicle Assemblers' Trend in Thailand Update	05/01
AUT	Vehicles Market Update – 2001	04/01
AUT	Automotive Industry Update – 2000	02/00
AUT	Assessment of the Automotive Parts Industry	03/00
AUT	Asia Automotive 2000	06/00
CON	Commercial Property Market Overview – 2000	08/00
CON	Cyberport City Project	06/00
CON	Residential Market Update 2000	10/00
CON	State Railway of Thailand Update	06/00
CPT/CSF/CSV	IT Spending of Thai Banks	03/01
CPT/CSF/CSV	The University Network Project	10/99
CPT/CSF/CSV	Thailand IT Market 2000	05/00
CPT/CSF/CSV	E-Banking in Thailand	12/00
CPT/CSF/CSV	E-Thailand Project	11/00

CPT/CSF/CSV	E-Education in Thailand	09/00
DFN	Thailand Defense Asia'99	12/99
EDS	Education Abroad Potential	05/00
ELP	Electric Power Generation and Demand in Thailand	12/99
ELP	Update on the Privatization of Ratchaburi Power Plant	01/00
ELP	Thailand's IPP Program Update	01/00
ELP	Electric Power Pool in Thailand	07/00
ELP	Electronics Industry in 2001	03/00
ELP	Electronics Trade Show – Nepcon Thailand 2001	03/00
ELP	Small Power Producers in Thailand	03/00
FOD	Food Safety Testing and Analysis Market Outlook	05/01
FOD	Good Manufacturing Practice for Food Processors in Thailand	07/01
FRA	Third Opportunity and Franchise Exhibit	12/99
LIQ	Beer Market in Thailand	09/01
LIQ	Tax Increase on Liquor and Cigarettes in Thailand	04/01
OGS	Chevron to Invest More in Thailand	03/00

OGS	Natural Gas Pipeline Projects	01/00
POL	Entech Pollutec Asia 2000	05/00
POL	Aquatech Asia 2001: Bangkok, Thailand	06/00
SEC	Dam Safety Management Project	04/00
TEL	Telecom Industry Update	09/01
TEL	Opportunity to Sell Telecoms Network Equipment	03/00
TEL	Market for Telecommunications services in Thailand	06/00
TEL	Update on the Privatization of the Communications Authority of Thailand	02/00
TRA	Outbound Tourism From Thailand on the Rise	09/01
TRN	Mass Transit Master Plan for Bangkok	08/01
TRN,ACE	Overview of the State Railway of Thailand and Upcoming Project Opportunities	03/00
TRN,ACE	Bangkok's New Subway System	01/00

SELECTED FY 2001 INDUSTRY SUB-SECTOR ANALYSES (ISA)

<u>Code</u>	<u>Title</u>	<u>Date</u>
APS	Overview of Thailand's Automotive Parts Industry	05/01
EDS	Human Resource Training	07/01
CSV	E-Commerce Business-To-Business	05/01
ENR	Commercial Opportunities in Thailand's Energy Efficiency Sector	02/01
CSV	Net-Based Technology	09/01
FRA	Franchising	09/01
DFN	Defense Electronics	11/00
LES	Leasing	11/00
HTL	Hotel and Restaurant Equipment in Thailand	09/01
MED	Healthcare Products	03/01
PKG	Packaging Equipment	03/01
POL	Air Pollution Market Overview for Thailand	11/00
POL	Thailand's Water market : Technology and Equipment needs for water supply and Treatment and Wastewater Treatment	07/01
ACE/RRE	Post-Crisis:Thailand's Land Transport Infrastructure Projects	09/01
POL	Environmental Technology Market Overview for Thailand	11/00

POR	Port Equipment	11/00
TEL	Telecommunications Equipment	04/01
TEL	Telecommunications Services	04/01
INS	Life and Non-Life Insurance Products	04/01

PLANNED INDUSTRY SUB-SECTOR ANALYSES (ISAs) FOR FY 2002

<u>Code</u>	<u>Title</u>	<u>Date</u>
WRE	Water Resources and Equipment	12/01
APG	Airport/Ground Support Equipment	12/01
ELP	Electrical Power Systems Equipment	06/02
APS	Automotive Aftermarket Accessories	03/02
BLD	Building Products	09/02
POL	Municipal Solid Waste Projects	12/01
POL	Energy Auditing and Consulting Services in Industries	5/02
DRG	Vitamin and Nutritional Foods	04/02
MED	Cardiovascular Devices	08/02
AGM	Aquaculture Equipment and Products	04/02
SEC	Security/Safety Equipment	08/02

PEI	Pet Products	12/01
TEL/TES	Mobile Communication	04/02

AGRICULTURAL REPORTS

The Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture at the U.S. Embassy in Bangkok prepares a number of agricultural reports on commodities and sectoral opportunities each year . They may be obtained from the FAS office or from the FAS Website: www.fas.usda.gov . Here is a sampling:

<u>Category</u>	<u>Title</u>	<u>Date</u>
Poultry	Poultry Semi-Annual	02/00
Trade Policy Monitoring	Trade Policy Monitoring Report	03/00
Grain & Feed	Grain & Feed Annual	03/00
Sugar	Sugar Annual	04/00
Tobacco	Tobacco Annual	05/00
Cotton	Cotton Annual	06/00
Oilseeds and Product	Oilseeds & Products Annual	06/00
Food and Agriculture Import Regulations and Standards	Fairs – Food/Agriculture Import Regulations	07/00
Poultry	Poultry Annual	08/00
Solid Wood Product	Forest Products Annual	08/00
Sugar	Sugar Semi-Annual	10/00
Processed	Processed Sweet Corn	10/00

Sweet Corn	Annual	
Dairy	Dairy Annual	10/00
Retail Sector	Retail Foods Sector Report	11/00

13 . TRADE EVENT SCHEDULE

This list includes a sampling of international events in Thailand . Many are in sectors identified as offering best prospects for American exporters . Please also see our listing of Leading Sectors for U.S. Exports and Investment in chapter five.

ENVIRONMENTAL

Entech Pollutec Asia 2001, May 8-12, 2002

Profile: The 11th International Exhibition of Environmental Protection and Pollution Control Technology

WATER ASIA 2002

Profile: Thailand's Largest Water Engineering Technology Exhibition

PUMPS & VALVES THAILAND 2002

Profile: Thailand's Only Specialized Pumps, Valves and Fitting Hardware Trade Exhibition

LABTECH 2002

Profile: Thailand's Exhibition on Laboratory, Scientific and Research Equipment and Service

IMAC 2002

Profile: The 6th International Exhibition of Industrial Instrument, Measurement, Analytical and Control Engineering and Technology

Organizer: CMP Media - formerly CMP Media - formerly Miller Freeman (Thailand) Co., Ltd.

Tel: 662-642-6911/8 Fax: 662-642-6919/20

E-mail: mft@thai-exhibition.com

Internet: <http://thai-exhibition.com>

FOOD

THE INTERNATIONAL FOOD & HOSPITALITY SHOW

SEPTEMBER 2002/SEPTEMBER 2002

Exhibition Profile: International Hotel, Catering, Food & Beverage Exhibition

Organizer: Bangkok Exhibition Services

Tel: 662-617-1475 Fax: 662-271-3223, 662-617-1407

E-mail: besshows@samart.co.th

FOOD CATERING ASIA (FCA 2002)

OCTOBER 2002

Profile: Culinary Institution Trends in Asia

And

FOOD TECHNOLOGY ASIA (FTA 2002)

OCTOBER 2002

Profile: Up-trends and Competitive Climate for Food Processing Industry

Organizer: Bangkok International Trade & Exhibition Centre Co.,Ltd.

Tel. 662 749 3939 ext. 2062, 2099

Fax. 662 749 3959, 744 5438

e-mail : fca-fta@bitec.net

www.fca-fta.com

INFORMATION TECHNOLOGY

IT TRADE 2002

JULY 18-20, 2002

Profile: The 14th Business Solutions Exposition and Conference for Thailand

Organizer: Reed Tradex Company

Tel: 662-636-7272

Fax: 662-626-7282

E-mail: rtdx@reedtradex.co.thInternet: <http://www.reedtradex.com>

E-EXPO 2001 - Winter

NOVEMBER 22-25, 2001

Profile: Thailand's Largest Consumer IT and
Electronics Exposition for

e-Lifestyle-11th Edition

Organizer: Reed Tradex Company

Tel: 662-636-7272

Fax: 662-626-7282

E-mail: rtdx@reedtradex.co.thInternet: <http://www.reedtradex.com>

COMPUTER THAI 2001

NOVEMBER 28-30, 2001

Profile: IT Exhibition and Conference for

Government and State Enterprise Sectors

Organizer: Reed Tradex Company

Tel: 662-636-7272

Fax: 662-626-7282

E-mail: rtdx@reedtradex.co.thInternet: <http://www.reedtradex.com>

TELECOM THAI 2002

AUGUST 2002

Profile: Thailand's official Telecommunications, Broadcasting and
Information Trade EventAnd

NETWORKS THAI 2002

AUGUST 2002

Profile: Indochina's Only Enterprise Networking Technology Event

Organizer: CMP Media - formerly CMP Media - formerly Miller Freeman
(Thailand) Co., Ltd.

Tel: 662-642-6911/8

Fax: 662-642-6919/20

E-mail: mft@thai-exhibition.comInternet: <http://thai-exhibition.com>MACHINE TOOLS

THAI METALEX 2001

NOVEMBER 8-11, 2001

profile: The fifteenth international machine tools and metalworking
machinery trade exhibition and conference

Organizer: Reed Tradex Company

Tel: 662-636-7272
 Fax: 662-626-7282
 E-mail: rtdx@reedtradex.co.th
 Internet: <http://www.reedtradex.com>

METALTECH THAILAND 2001
 NOVEMBER 1-4, 2001

Profile: Thailand's Only Specialized International Machine Tools & Metalworking Exhibition
 Organizer: CMP Media - formerly CMP Media - formerly Miller Freeman (Thailand) Co., Ltd.
 Tel: 662-642-6911-8 Fax: 662-642-6919-20
 E-mail: mft@thai-exhibition.com
 Internet: <http://thai-exhibition.com>

INTERMACH 2002
 MAY 8-12, 2002

Profile: Thailand's No. 1 International Machinery Exhibition
 SHEET METAL 2002
 Profile: 6th Asian International Sheet Metal Fabrication Technology and Machinery Exhibition

WELDTECH 2002
 Profile: Thailand's Specialized Welding Technology Trade Show
 Organizer: CMP Media - formerly CMP Media - formerly Miller Freeman (Thailand) Co., Ltd.
 Tel: 662-642-6911-8 Fax: 662-642-6919-20
 E-mail: mft@thai-exhibition.com
 Internet: <http://thai-exhibition.com>

MANUFACTURING TECHNOLOGY

WORL OF TECHNOLOGY 2002
 JUNE 20-23, 2002

Profile: The 3rd International Integrated Manufacturing Technology Exhibition

Organizer: Reed Tradex Company
 Tel: 662-636-7272
 Fax: 662-626-7282
 E-mail: rtdx@reedtradex.co.th
 Internet: <http://www.reedtradex.com>

EVENTS ORGANIZED/ SUPPORTED BY THE U.S. COMMERCIAL SERVICE, U.S. EMBASSY, BANGKOK

The following missions and events are directly supported by the U.S. Commercial Service in Thailand . They have been planned to offer U.S. exporters direct access to decision makers in sectors identified as offering the best prospects for American firms in Thailand . Please also see our listing of Leading Sectors for U.S. Exports and Investment in chapter five.

NOTE: U.S. Companies should also consult the Export Promotion Calendar

on the National Trade Data Bank (NTDB) . Contact your nearest Department of Commerce Export Assistance Centers or call 1-800-USA-TRADE for access information . You can also find information on Thailand on the Internet at www.usatrade.gov or www.stat-usa.gov

STUDY USA 2002

MARCH 2-3, 2002

Contact: Richard Craig

U.S. Commercial Service, U.S. Department of Commerce

U.S. Embassy, Bangkok

Tel: 662-205-5090

Fax:662-255-2915/662-205-5914

E-mail: Richard.Craig@mail.doc.gov

Description: The U.S. Commercial Service is privatizing its celebrated outbound education-oriented event in Thailand which has expanded annually to serve the recruitment needs of a growing number of boarding schools, ESL programs and small and large and American institutions of higher learning, including community colleges, four-year colleges and graduate schools . The organizer will be announced in August 2001 . Institutions interested in exhibiting can visit the official STUDY USA website (www.susa.gov) for more information about the regional events in seven countries .

U.S. PAVILION AT PROPAK ASIA 2002

JUNE 12-15, 2002

Contact: Mr. Pramot Wongvarnrungruang/Richard Craig

U.S. Commercial Service, U.S. Department of Commerce

U.S. Embassy, Bangkok

Tel: 662-205-5090

Fax:662-255-2915/662-205-5914

E-mail: pwongvar@mail.doc.gov

Description: The U.S. Commercial Service is planning a U.S. Pavilion for American food processing and packaging equipment and product suppliers. The event profile also includes canning, converting, printing and labeling, pharmaceutical processing and packaging, etc . See our Best Prospects section for more information about opportunities in this sector.

FRANCHISING MATCHMAKER MISSION

SEPTEMBER 26-27, 2002

Contact: Mr. Pramot Wongvarnrungruang/ Richard Craig

U.S. Commercial Service, U.S. Department of Commerce

U.S. Embassy, Bangkok

Tel: 662-205-5090

Fax:662-255-2915/662-205-5914

E-mail: pwongvar@mail.doc.gov

Description: The U.S. Commercial Service is planning to conduct a mission during September 2002. This is an ideal opportunity for franchisers to meet directly with potential franchisees in a one-on-one meeting format. U.S.

participants will also benefit from a market briefing and meetings to be scheduled with franchise industry experts in Thailand. See our Best Prospects section for more information about opportunities in this sector.

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To the best of our knowledge, the information contained in this report is accurate as of the date published. However, the Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.

CCG Customer Satisfaction Survey

U.S. Department of Commerce
International Trade Administration
The Commercial Service

The U.S. Department of Commerce would appreciate input from U.S. businesses that have used this CCG report in conducting export market research. Please review the privacy statement / disclaimers at the bottom of this Web site. Please take a few moments to complete the attached survey and fax it to 202/482-0973, mail it to QAS, Rm. 2002, U.S. Department of Commerce, Washington, D.C. 20230, or Email: Internet [Robert.Opfer@mail.doc.gov].

* * * About Our Service * * *

1. Country covered by report: _____

Industry/title: _____

Commerce domestic office that assisted you (if applicable):

2. How did you find out about the CCG service?

Direct mail

Recommended by another firm

Recommended by Commerce staff

Trade/state/private newsletter

Department of Commerce newsletter

Other (specify): _____

3. Please indicate the extent to which your objectives were satisfied:

- 1-Very satisfied
- 2-Satisfied
- 3-Neither satisfied nor dissatisfied
- 4-Dissatisfied
- 5-Very dissatisfied
- 6-Not applicable

- Overall objectives
- Accuracy of information
- Completeness of information
- Clarity of information
- Relevance of information
- Follow-up by Commerce representative

4. In your opinion, did using the CCG service facilitate any of the following?

- Decided to enter or increase presence in market
- Developed an export marketing plan
- Added to knowledge of country/industry
- Corroborated market data from other sources
- Decided to bypass or reduce presence in market
- Other (specify): _____

5. How likely would you be to use the CCG service again?

- Definitely would
- Probably would
- Unsure
- Probably would not
- Definitely would not

6. Comments:

* * * About Your Firm * * *

1. Number of employees: 1-99 100-249 250-499
 500-999 1,000+

2. Location (abbreviation of your state only): _____

3. Business activity (check one):

- Manufacturing
- Service
- Agent, broker, manufacturer's representative
- Export management or trading company
- Other (specify): _____

4. Value of export shipments over the past 12 months:

- Less than \$10K
 \$11K-\$100K
 \$101K-\$500K
 \$501K-\$999K
 \$1M-\$5M
 More than \$5M

May we call you about your experience with the CCG service?

Contact name: _____

Phone: _____

Fax number: _____

Email: _____

 Thank you--we value your input!

This report is authorized by law (15 U.S.C. 1512 et seq., 15 U.S.C. 171 et seq.). While you are not required to respond, your cooperation is needed to make the results of this evaluation comprehensive, accurate, and timely. Public reporting burden for this collection of information is estimated to average ten minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Reports Clearance Officer, International Trade Administration, Rm. 4001, U.S. Dept. of Commerce, Washington, D.C. 20230, and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0625-0217), Washington, D.C. 20503.

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