

THAILAND INVESTMENT REVIEW



BOARD OF INVESTMENT

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New BOI Secretary General Satit Sirirangkamanont Appointed BOI to focus on boosting competitiveness, promoting strategic industries and improving facilitation

With a goal to increase Thailand's competitiveness, newly appointed BOI Secretary General Satit Sirirangkamanont began his term on October 1, with plans to refine target sector promotion and improve facilitation services. Educated in Thailand and the U.K. in engineering and business administration, Secretary General Satit comes from an extensive background in government service, holding such positions as Deputy-Director General of the Department of Industrial Promotion, Deputy Permanent Secretary of the Ministry of Industry, and most recently, Deputy Secretary General of the BOI.



In an interview with the Investment Review, Secretary General Satit discussed the future direction of the BOI. His main goal is to ensure that BOI policies serve the needs of investors by offering supportive tax and non-tax incentives, as well as serve the nation by improving industrial competitiveness. The Secretary General stated that the BOI will work to encourage investments that enhance industrial competitiveness such as those promoting productivity, R&D, logistics and IT, as well as machinery upgrades and implementation of strategic supply chain management systems. He added that "creating partnerships between industry, universities and technology research institutions is another essential key to developing high-tech and high value-added industries, which are necessary for the country."

The Secretary General explained that industrial competitiveness is not only achieved through promoting new projects that add to the output, but also by enhancing the

capabilities of existing projects. "The job of the BOI does not end once a project is promoted," Mr. Satit explained. "The BOI must work to encourage promoted projects to further develop their capabilities to achieve greater productivity. This will lead to higher value-added for the business and long-term benefits to the nation's entire industrial structure. BOI policies must be more specific to focus on the critical success factors of each industrial sector," he added.

Mr. Satit stated that building up the local supply chain would be another goal of the BOI's promotion policies to foster the development of industrial clusters, benefiting both the individual business and the nation as a whole. "A strong presence of domestic suppliers means that manufacturers can reduce their costs by sourcing locally, the Secretary General explained, citing Thailand's well-established automotive industrial cluster as an example.

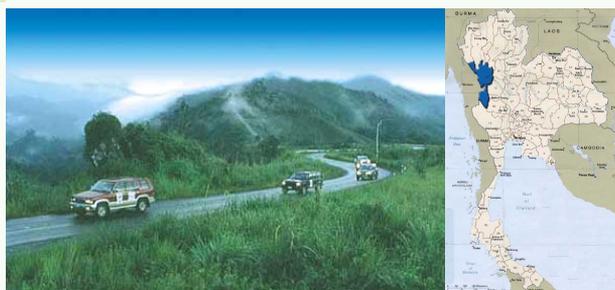
The BOI will also undertake a more customized approach to promoting investments within the government's five target sectors: agriculture, automotive, electronics/information communications technology (ICT), fashion, and high value-added services. "Of course we cannot be the best in every industry - no country can. But we can identify the industries in which Thailand is strong and proactively target companies that can fill any missing links in the value chains of these industries, thereby

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Special economic zone established in Myanmar border district

Tak - The Thai Cabinet has approved the establishment of a special economic zone in three Myanmar border districts of Tak Province with the aim of encouraging investment, industry, and trade. The plan calls for expanding infrastructure, establishing industrial estates, and providing maximum tax and non-tax incentives for investors, including relaxed labor restrictions. The goal is to promote the zone as a major manufacturing base for the Greater Mekong Subregion, which includes Thailand, Burma, Laos, Vietnam and China's Yunnan Province. There are also plans to establish logistics and packaging centers and one-stop service centers to facilitate cross-border trade and transport.

Petrol price subsidy lifted

Bangkok - As of late October, petrol prices in Thailand will now float in line with the global market as the Thai government has ceased its US\$167 million subsidy for petrol. The measures remove the previous cap on pump prices at 22.39 baht/liter (US\$2.12/gallon) for premium and 21.59 baht/liter (US\$2.04/gallon) for regular petrol. The government plans to continue to subsidize diesel fuel with the price capped at 14.59/liter (US\$1.38/gallon) through the first quarter of 2005. The Energy Ministry forecasts that removing the petrol subsidy alone will immediately generate approximately US\$6 million per month, sufficient to finance the subsidy's interest burden and allow repayment on the principal to begin by next year.

China, ASEAN agree on free trade by 2010

Beijing - China and the Association of Southeast Asian Nations (ASEAN) agreed to begin implementing tariff reductions as of January 1, 2005 and eliminate them completely by 2010. The pact, to be signed in Laos later this month, will establish the world's largest free trade zone encompassing approximately two billion people with a total GDP of over US\$2 trillion, China's Ministry of Commerce reported. For the past decade, ASEAN has remained China's fifth-largest trading partner, with annual trade volume growing at 20%, reaching a record high in 2003 of US\$78.2 billion. This year, trade volume has continued to rise, already reaching US\$75.4 billion in the first three quarters. ASEAN comprises Brunei, Cambodia, Laos, Vietnam, Indonesia, the Philippines, Singapore, Myanmar, Malaysia and Thailand.

	2002		2003		2004 (Jan-Sep)	
	Number of Projects	Value	Number of Projects	Value	Number of Projects	Value
Total Foreign Investment	560	4,154	668	5,993	569	4,228
By Sector						
Agricultural Products	61	1,310	57	295	66	485
Minerals/Ceramics	9	44	18	444	10	208
Light Industries/Textiles	42	147	56	358	46	151
Automotive/Metal Processing	173	1,298	213	1,343	179	951
Electrical/Electronics	142	816	152	1,522	114	1,733
Chemicals/Paper	59	292	95	1,263	80	477
Services	74	248	77	767	74	223
By Country						
Japan	251	1,672	316	2,563	267	1,745
United States	35	196	43	1,143	32	753
East Asian NICs						
Taiwan	55	964	67	191	48	186
Hong Kong	13	268	16	300	14	57
Korea	37	69	48	158	27	71
Singapore	40	208	62	351	54	327
European Union	66	321	74	878	68	468
United Kingdom	21	231	19	489	17	39
Germany	14	19	17	20	17	105
Switzerland	12	69	3	17	7	64
France	10	17	10	18	10	26
Netherlands	10	22	9	232	11	223
By Zone						
Zone 1	118	778	163	1,320	137	707
Zone 2	302	1,686	380	3,440	288	2,172
Zone 3	140	1,689	125	1,233	144	1,349

Source: BOI International Affairs Division

Unit : US\$ Million

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

The BOI Investment Review



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New measures to promote alternative energy sources and energy conservation



In response to rising oil costs and a government policy to reduce the nation's energy usage, the BOI will provide maximum incentives for projects engaged in the production of alternative energy or manufacture of equipment which utilizes alternative energy. Maximum incentives, including duty-free imports of machinery and an 8-year corporate income tax exemption with no cap, will complement the basic privileges granted by zone for the following activities:

- Manufacture of energy-saving equipment

or equipment utilizing alternative energy, upon approval by the Ministry of Industry

- Production of electricity or steam power by using alternative energy sources such as wind or agricultural raw materials
- Manufacture of solar cells
- Energy Service Company (ESCO), to provide consulting services regarding energy conservation and equipment installation, upon approval by the Ministry of Industry

As an additional measure to promote energy conservation, any existing promoted project may



import energy-saving equipment duty free, provided the equipment is approved by the Ministry of Industry. To be granted this privilege, projects must apply

by the end of the 2005 calendar year and complete the import process within two years of approval.

Investments in long-stay tourism approved for promotion



In order to add higher-value to Thailand's well-established tourism industry, the Board declared activities relating to long-stay tourism eligible for promotion. Although approved projects will not be eligible for tax privileges, they will receive all non-tax incentives granted by the BOI, including land ownership facilitation

and expedited visa and work permit processing for expatriate managers and experts. To be eligible, long-stay projects must provide a range of services including, but not limited to, accommodation, health



care, recreation and other tourism-related services. Projects must also gain initial approval from the Ministry of Tourism and Sports before seeking BOI promotion. The new measures reflect the government's recog-

nition of the tourism sector as vital to the economy by increasing employment opportunities and foreign currency inflows, as well as contributing to other industries such as food, construction and health services.

Information on BOI incentives for investments in promoted activities can be found in the July 2003 Guidelines of the Board of Investment, which can be downloaded at: <http://www.boi.go.th/english/services/guides.asp>

IKEBANA ENGINEERING LTD. Global player in the heat shrinkable cable accessory industry

Ikebana began from a modest investment in 1992, manufacturing heat shrinkable end caps for telecommunications and power cables in a small factory in Bangkok. Today, Ikebana has successfully expanded to become a leading manufacturer of heat shrinkable cable accessories, including end caps, termination systems and related molded components, and a range of heat shrinkable tubes. These critical components, vital to power industries worldwide, are supplied to multinationals and utility companies to terminate and connect high voltage power cables, protecting them from adverse environmental conditions.



Managing Director Mr. Sanjeev Nabar came to Thailand from India with a background in manufacturing engineering and has over 20 years of specialized experience in manufacturing heat shrinkable cable accessories. He recognized the need to produce heat shrinkable cable accessories from “cross-linked polymers,” which are blends of specialized synthetic rubber and thermoplastics, designed to insulate and seal power cables when heat is applied. Mr. Nabar explained that this is the most important factor in ensuring the quality of Ikebana’s finished products, so “it is necessary for us to produce our own raw material compounds. We are the only manufacturer of this kind in ASEAN to have a fully integrated process in-house.”

This technology, combined with an established reputation for zero-defect product quality, has been the foundation of Ikebana’s success. Mr. Nabar notes, “This is one industry where you can take no chances. If our product fails, the



customer fails as well.”

Exports currently account for 95% of Ikebana’s sales, which reach 25 countries across five continents, and have been growing at a rate of 40% annually. Top customers include DSG Canusa in the UK, Elcon-Megarad and Nexans in Italy, and Toplink in Malaysia.

Ikebana recently opened a new factory in the Ratchaburi Industrial Estate as part of a BOI-promoted expansion that will add heat shrinkable accessories for telecommunications cables to their product range. “BOI was and continues to be very responsive to our needs,” says Mr. Nabar, who cited the ease of bringing in expat managerial experts, tax exemptions, and customer linkage facilitation by the BOI Unit for Industrial Linkage Development (BUILD) as major benefits of BOI promotion.



The expansion has allowed the company to fully integrate its production, testing and R&D facilities under one roof, in order to satisfy increasing overseas demand. Ikebana now boasts a fully-equipped quality assurance laboratory, which is used to test product properties in accordance with established international standards.

Ikebana maintains distribution centers in Hong Kong and India, but Thailand remains the base for all manufacturing and testing. The company has over 100 employees, of whom more than 95% are Thai. Mr. Nabar explained that he chose Thailand over India due to the country’s supportive relations between government and industry, hard-working employees, and minimal government red tape, which he says make doing business in Thailand much easier than in his home country. “I owe my success to Thailand,” he adds.

For more information about this company, visit www.ikebana-heatshrink.com



World-Class Healthcare

When Bangkok expat Kate Logan, an Australian, learned that she was expecting a baby, she and her husband faced a tough choice: return home or give birth in a Bangkok hospital?

Separated from home by thousands of miles and differing cultural practices, the thought of entering a foreign healthcare system is often daunting to expats. What they soon find, however, is that Thailand provides an array of affordable, high-quality medical services. Bangkok's many private hospitals offer highly specialized treatments utilizing cutting-edge technology and practitioners who are established leaders in their fields, both in Thailand and abroad.

After recently giving birth at Bangkok's Bumrungrad Hospital, Logan is certain she made the right decision.

"The whole experience was fantastic," she said, praising Bumrungrad's thorough series of prenatal classes, post-delivery pediatric care, Western-trained obstetricians, attentive nursing staff, and affordable costs. "There is no way I would have gotten this kind of care back in Australia." The cost, including Logan's three-night hospital stay: just over US\$1,000.

International quality hospital care has even made inroads into other provinces with high expat populations, such as Chonburi, Phuket and Chiang Mai. Shawn Skwarek, an American working in Chiang Mai, chose to undergo urgent back surgery in Chiang Mai rather than returning to the U.S. "I considered going home, but after meeting with surgeons here, I was impressed," he said. "My doctor did his residency in the U.S. and did research at a leading medical school here, so he was up to date on all the latest procedures which he blended with Eastern practices like acupuncture. Best of all, you're not pressured to leave the hospital after surgery the way you are in the States. You're in control here, not your insurance company," he added. His costs, including post-operative therapy: less than US\$2,000.

Bangkok's Bumrungrad Hospital, considered the nation's premier healthcare facility, may have the look and feel of a luxury hotel, yet it is one of the most advanced medical facilities in Asia. Its doctors consistently perform highly-skilled procedures such as coronary bypass surgery and liver transplants, incorporating the latest technology and research findings. Bumrungrad is also the first hospital in Asia accredited by the U.S.-based Joint Commission for the Accreditation of Healthcare Organizations (JCAHO). Bangkok's Samitivej Hospital has also garnered an international reputation for childbirth practices, recognized by the World Health Organization (WHO) and UNICEF as one of the world's most "Mother and Baby Friendly Hospitals," serving patients from more than 150 countries each year. Bangkok Hospital, with operations throughout Asia and even a branch in the UK, performs such high-tech neurological procedures as gamma laser brain surgery and features an International Medical Center offering services in 26 languages.

As a medical systems provider with over ten years of international experience, Cynthia Kramer of Global Care Solutions works to ensure the quality of Thailand's hospitals. She admits that when moving to Thailand, she shared with many new expats a distrust of foreign healthcare systems, but now has unwavering confidence in Thailand's private hospitals. "These hospitals offer what is often a far superior service to patients because patient care is the main focus. In addition, they are early adopters of new technologies and latest treatment protocols," Kramer explained.

After four years in Thailand, Kramer has come to a conclusion echoed by thousands of expats. "I would not hesitate to seek medical treatment in facilities within Thailand for any health issue."

Private Healthcare in Thailand: Selected Costs (US\$)

Health Insurance: 1 year policy ¹	\$996
Hospital room: per day ²	from \$86
Outpatient doctor's visit: Bumrungrad Hospital	\$20

Package Procedures³

LASIK (per eye)	\$585
Birth: Normal delivery + 2 nights hospital stay	\$827
"Executive Plus" Comprehensive Checkup	\$122
Coronary bypass + 8 nights hospital stay	\$7,315
Abdominal liposuction + 1 night hospital stay	\$1,524

Additional Procedures

MRI imaging, per session: Samitivej Hospital	\$208
Laser tooth whitening: Bangkok Nursing Home Hospital	\$241
In-vitro fertilization: Ramkamhaeng Hospital	\$5,000

¹ Rates are based on the Platinum package administered through BU/PA Blue Cross (Thailand) for an individual 31-35 years of age with no preexisting conditions and with maximum inpatient and outpatient coverage.

² Rates for single-occupancy rooms, including service & nursing care (excluding meals) based on those offered by Bumrungrad, Samitivej and Bangkok Hospital.

³ Rates are all-inclusive packages as published by Bumrungrad Hospital.

The Stock Exchange of Thailand (SET)



Mr. Kittiratt Na-Ranong is the President of the Stock Exchange of Thailand (www.set.or.th). In this article, he discusses efforts to improve trading infrastructure and corporate governance as well as the SET's support services for both investors and companies.

Established in 1975, the Stock Exchange of Thailand (SET) is a critical element of the Thai economy. Poised at the center of Thailand's capital market, it is a thriving and dynamic exchange offering a full range of products, services and trading infrastructure for investors, listed companies and other participants. The SET is an increasingly important source of funds for the private sector.

- At present, 453 companies are listed on the SET.
- As of October 2004, the total market capitalization for the SET was 4,294,288.64 million Baht (US\$106.5 billion).
- Dividend yield, as of October 2004 grew to 2.8% compared to 1.8% as at the end of 2003.
- Foreign investors made up 20.40% of SET investors (October 2004) as compared to 18% in 2003.
- Average Daily Turnover for foreign investors as of October 2004 was 4,792 million Baht (US\$119.7 million), up from 3,378 million Baht (US\$84.4 million) in year 2003, evidencing the steady growth of interest shown by investors in Thai capital markets.

Key Objectives

The SET's overall mission is to increase the efficiency of the market infrastructure, expand the selection of securities products and services available to investors, and take steps needed to allow the Thai capital markets to support Thailand's economic growth. The SET implements these policies through various initiatives to promote and encourage listed companies to continue their efforts to improve their corporate governance and to adopt international best practices to ensure efficiency, transparency and performance.

Development

The SET realized that in order to attract investors, particularly foreign investors, it had to adopt a comprehensive development strategy. The SET therefore adopted a three-pronged approach towards market development addressing (1) supply side (2) demand side and (3) market infrastructure.

- On the supply side, initiatives taken in recent years include
- The establishment of the Corporate Governance Centre to help listed companies improve their governance,
 - The provision of advisory services to assist listed companies improve their management practices, and
 - The establishment of the Capital Market Opportunity Centre (CMOC) to educate and assist companies about the prospects available from listing on the SET.

On the demand side, the SET has devoted considerable resources to educate the public about the role played by the Exchange in the economy, as well as the value of securities as a long-term savings vehicle.

Market infrastructure has also undergone progressive improvements to reduce clearing and settlement risks, cut transaction costs and increase convenience and services for market participants.

Trends

The fundamentals for growth of the Thai capital markets are in place. Low interest rates and broad economic and political stability mean that investing in the Thai capital markets offers a significant upside for investors.

The SET index doubled between January 2001 to October 2004, growing from 303 units to over 648. Despite this high growth rate, it is unlikely to change in the medium- to long-term. It is driven by the steady and relatively high growth rate of the Thai economy, projected at 6-7% for 2004, and by the steady inflow of new entries into the market, including several of Thailand's largest state enterprises in the power, energy, telecommunications, and transport sectors.

This growth trend has been supplemented by tax reforms as well as the gradual liberalization of the Thai markets to improve efficiency and competitiveness. These tax reforms include incentives planned to encourage increased investment through professional fund managers by way of provident and pension funds.

Thailand is also pursuing a number of bilateral free-trade arrangements with countries such as the United States, China, and Australia to solidify the country's position as an investment hub for South-East Asia.

Regulation

To ensure that the Thai capital market is attractive to investors, the market has to have an effective regulatory system.

The SET's regulatory infrastructure is designed to improve market stability and investor confidence.

To this end, by virtue of the 1992 Securities and Exchange Act, the Securities and Exchange Commission (SEC), a single unified supervisory agency, was set up to serve as the regulator of the Thai capital market. Its main goals are to improve corporate governance and compliance, clamp down on securities manipulation and reduce systematic risks.

In order to protect investors, market regulations require that all material information relating to listed companies is accurately disclosed in a timely manner. The SEC monitors disclosure materials to ensure that investors have adequate information for them to make informed decisions. The SET also requires that the quality of financial information disclosed to the market is clear and accurate and currently requires periodic (quarterly and annual) disclosure of financial statements.

The SET has adopted stringent trading regulations, including that trading in securities may only be done through brokers or unit trusts approved by the SEC. Securities trading on the main board is subject to daily price limits with share prices allowed to fluctuate within a range of 30% from the previous closing price.

The SEC has a broad mandate to monitor and regulate listed companies. The SEC strictly regulates market intermediaries such as security brokers or asset management firms to ensure fair treatment and protection of investors, and to ensure there are clear, legal mechanisms in place to protect minority shareholders, including the ability to compel a company to take legal action against management who are in breach of their duties or are negligent.

Debut of Thailand Focus

In order to increase channels of dialogue between foreign fund managers, SET-listed companies and Thai government officials, the SET organized Thailand Focus 2004 with co-hosts Credit Suisse First Boston, the Federation of Thai Capital Market Organizations (FeTCO), and ABN AMRO. The 3-day symposium brought into Thailand the largest-ever gathering of fund managers, representing 161 institutions and 411 of the 1,035 participants. Likely to be a yearly event, the debut of Thailand Focus provides a forum for participants to listen first-hand to senior officials of the Thai Government, including Prime Minister Thaksin Shinawatra and the Governor of the Bank of Thailand.

SET in **the city** 2004

Shareholders :
the Power of Ownership

11-14 November 2004,
10am to 8pm
Queen Sirikit Convention Center

The 3rd Annual SET in the City is a free event aiming to provide information on financial and investment topics. Seminars, exhibits, a simulated stock market, and other interactive activities are scheduled throughout the 4-day event for an expected 400,000 visitors.

Thailand's Market for Alternative Investment (MAI)

To support both foreign and Thai small- and medium-sized enterprises (SMEs), the Market for Alternative Investment (MAI), a sister bourse of the SET, was established in 1998 to help SMEs access capital markets and launched its first three companies in 2001.

Listing requirements on the MAI are considerably more flexible than those of the SET. Firms, however, must comply with the same disclosure regulations as SET-listed companies, regulations regarding the appointment of independent directors and audit committees, and compliance with SEC standards for auditing and internal controls.

The SET Capital Market Opportunity Center (CMOC) works with Thai SMEs, helping prepare them to list on the exchange and assisting them with as accounting and disclosure standards and practices, strategic business planning and the initial public offering process.

While the MAI remains relatively small with a market capitalization of US\$239.1m at the end of October 2004, more companies are preparing for listing. The CMOC expects 27 new listings on the MAI for 2004.

Requirements for foreign and Thai small- and medium-sized enterprises (SMEs) to list on the MAI:

- Paid-up capital after public offering: at least 40 million baht (US\$992,555) and less than 200 million baht (US\$4.96 million)
- Minimum shareholders' equity: 40 million baht (US\$992,555)
- Public offering requirements: 15% of shares cumulatively offered for sale
- Applicants must have been in operation for at least two years, with company management unchanged for at least one year prior to the application date.
- The company must show a net profit for the latest year prior to listing.
- A financial advisor with qualifications as required by the SET must be appointed with the listing application
- Established audit committee of three or more members whose qualifications and scope of operations meet standards as prescribed by the SET.
- Financial statements must be prepared in accordance with SEC rules and regulations, and the company auditor must be on the list of SEC-approved auditors.

Companies already listed on the MAI which subsequently increase their capital beyond 200 million baht are automatically transferred to trade on the SET. To date, five of the twenty companies on the MAI have already moved to the main board.



Kreng Jai

One of the most important and intriguing aspects of Thai culture is the concept of *kreng jai*. It is significant in daily behavior, governing the way most Thais create and nurture good relationships.

Kreng jai refers to a way of life whereby individuals try to maintain pleasant and cooperative relationships by restraining their own interests or desires in situations where there is the potential for discomfort or conflict. It is a concept not easily understood by non-Thais, and may seem counter-intuitive or confusing to many Westerners. It can sometimes cause tension in the workplace. The following examples of *kreng jai* in daily use are meant to provide a feeling for the custom and to help smooth the way while working with Thais:

1. *Complying with others' wishes or requests:* Mr. A, whose car won't start, asks Mr. B for a lift home. Mr. B was actually planning to go in the opposite direction. But in deference, or *kreng jai*, to Mr. A, he cheerfully agrees to drop Mr. A at his house. He does not let A know of his previous plans.

2. *Reluctance to disturb or interrupt others:* Ms. M, Mr. P's secretary, received important news affecting the status of Mr. P's marketing campaign. However, Mr. P is speaking with another executive, so she refrains from interrupting them even though the delay may be crucial.

3. *Restraint of one's display of displeasure or anger so as not to cause discomfort to others:* Mr. B has been unhappy at work for some time. He decides to resign but does not trouble the boss with the actual reason.

4. *Avoidance of asserting one's opinions or needs:* In a meeting to discuss plans for a staff party, Mr. D avoids stating his ideas because they are contrary to Mrs. T's plans. This reluctance to contradict someone is intensified if the other has more seniority.

5. *Reluctance to give instructions or pass orders*

to a superior, or to peers with more age or experience: This form of *kreng jai* is often found when a younger person in an organization is promoted for reasons of competence over an older person. The younger one, who is now the boss, will show special caution and diplomacy in exercising any new authority over the elder.

6. *Reluctance to evaluate a colleague's or superior's performance:* Many companies have found it very difficult to institute a system of performance-based reviews because of their perceived "confrontational quality." In Thai tradition, giving criticism, even constructive criticism, is never done directly except by a very senior to a very junior person.

7. *Reluctance to ask questions when one has not understood someone:* When Ms. K is given instructions, but doesn't understand them, she doesn't ask her boss to clarify because she doesn't want to disturb or delay him. Instead, she later asks a colleague to explain them to her.

Kreng jai as a motivator: Don't Kreng Jai me:

Many Thai staff and expatriate managers have achieved a successful two-way flow of ideas by reducing the formality bosses project to subordinates. This effort may require weeks or months for the boss to prove that he/she is sincerely receptive to employees' questions, opinions, and even criticisms. A manager may even say, "You do not need to be *kreng jai* to me." As long as the employees feel he/she respects them, they will continue to show consideration. Over time, their use of *kreng jai* as a reason for not being open can be reduced to a level acceptable to both cultures.

This article is excerpted from the book *Working with the Thais*, printed with permission by the authors, Dr. Henry Holmes, Ms. Suchada Tangtongtavy and Mr. Roy Tomizawa. For more information contact: www.crossculmgmt.com.

The Thai Frozen Foods Association

Strengthening food processing and cold storage logistics capabilities in Thailand



Panisuan Jamnarnwej, PhD is President of the Thai Frozen Foods Association, an organization serving the frozen food processing industry in Thailand for 36 years. The organization can be reached at www.thai-frozen.or.th.

Thailand has long been a leader in the frozen foods industry. Can you give us some examples?

Well, we mainly are talking about aquaculture items, since vegetables and fruits are delivered chilled and not frozen. Thailand is the #1 exporter of frozen seafood, especially shrimp. In the U.S., for example, we have about 25-27% share of the shrimp market. In Japan, the largest consumer of seafood items, we have about 12-14% market share for shrimp. In the seafood category overall, we have even larger shares.

How does the Thai Frozen Food Association work to further strengthen the industry?

We provide information, feasibility analyses, and marketing assistance. Our members sometimes feel they are only small operators, but by being part of this association, we increase their voice. Besides being a liaison with the government and buyers, we provide an efficient self-policing function, and help set standards for the industry. For example, we think Thailand, along with other countries, should standardize products, such as dimensions and names. Rice and rubber are already standardized, and we should do the same with seafood.

How has the cold storage industry changed over the years?

Fishery items in the old days were seasonal, and cold storage not only supported supply, but eventually speculation. Traders could keep products in cold storage and wait for attractive prices since seafood can be kept and sold for two years. In the past ten years or so, this has changed. For example, the shrimp we export is now year-round aquaculture instead of sea catch. So the demand and

speculation functions of cold storage have lessened and become more “processing cold storage” — that is, storage support when containers cannot be filled immediately. We still have long-term, public cold storage, but not much. Most of the members of the Thai Frozen Food Association are processors. Of our 200 members, fewer than 10 are public cold storage facilities charging monthly fees.

What needs to be done to improve cold storage logistics capabilities in Thailand?

It’s not the facilities themselves that need improvement, but the infrastructure for logistics to move goods efficiently. Thailand has very good road networks, but we do not have very good water or rail systems. We would be much more competitive if we did, because now we rely too much on trucks. We don’t ship a single container on a train. We need a rail that will run from Mahachai, the largest sea landing in Thailand, to the deep sea ports. The services at the port must also improve, including loading time.

What are some of the differences in cold storage requirements among consumer nations?

The testing method and the detection limits of the equipment may differ. In addition, traceability is becoming more important, particularly in Europe. Europeans begin tracing importations when they enter the E.U. For our part, we need to be able to trace our food within Thailand. If a problem cannot be traced back to the farmer or processor involved, people will label any problems as country-wide or industry-wide. So traceability is something the industry and the government have to establish together. At this stage we have ID numbers for all farms and processors.

What joint venture or other foreign investment opportunities exist for the industry?

The Germans and Japanese have done quite well in Thailand setting up processing plants and cold storage facilities. Foreign investors also have a better idea of the export market situation and market-specific products for their regions. For example, Japanese firms are teaching us how to supply sushi, establishing operations and factories here. There is one cold storage facility close to Suvarnabhumi Airport that is 100% owned by Japanese, established to serve Japanese customers. In the future we can look for more investments in specialty items like this.

BOI INVESTMENT MISSIONS

By Kanchana Noppun, Sudakorn Sakiyalak, Warisara Phungtonglow, Taksapol Wiengkaew



BOI delegates, led by Secretary General Satit Sirirangkamanont (third from left) and BOI New York Office Director Mrs. Vasana Mututanont (second from right), meet with executives from Highland Supply Corp. in Illinois on October 5.



BOI delegates visit Toyota's manufacturing plant in Melbourne on October 7.

Destination U.S.: New Jersey, Illinois, Indiana, New York

The United States is Thailand's second largest source of foreign direct investment, valued at over US\$600 million in the first three quarters of 2004. To encourage this trend, from September 30 to October 9, BOI Secretary General Satit Sirirangkamanont led a mission to the Eastern and Central U.S., targeting companies with significant market shares in industries such as automotive parts, electronics, chemicals, packaging, and medical services. Delegates met with potential investors to advise them of Thailand's latest investment policies, healthy investment environment, and corporate location advantages. Delegates also met with executives of several significant companies, including Highland Supply Corp. in Indiana and American Standard Corp. in New Jersey. In New York, the delegation attended the Consumer Electronics Trade Expo (CETEX), a gathering of over 20,000 major consumer electronics manufacturers and corporate customers. BOI delegates reported that several major companies indicated interest in relocating to Thailand.

Destination Australia: Adelaide, Melbourne, Sydney

After the recent signing of the Thai-Australia FTA, investors from both countries are upbeat on mutual investment. Building on this momentum, BOI Senior Executive Advisor Dr. Atchaka Brimble led a mission to Australia from October 3-9. After a luncheon in Adelaide hosted by the Minister of South Australia, BOI delegates and Invest Australia representatives presented investment opportunities and incentives available in both nations. In Melbourne, the BOI, along with the Royal Thai Embassy, the Federation of Thai Industries and the Office of Industrial Economics, organized a Thai-Australian Trade and Partnership Seminar and met with the Australian Minister for Manufacturing and Export, the Hon. Mr. Tim Holding. In Sydney, the delegation visited the 2004 Australian International Motor Show and engaged in round-table meetings with investors. During this mission, the delegation also visited automotive manufacturers including Mitsubishi, Toyota, and Ford, and auto parts manufacturers Schefenacker and Pilkington. Delegates reported that one manufacturer has made plans to visit Thailand next month to follow-up on its investment plan with the BOI.



(From left to right) Ms. Sudjit Inthaiwong, BOI Divisional Director, Mr. Yongyudh Teeravithayapinyo, President of the Thai-Italian Chamber of Commerce, Mr. Paolo Baiocchi, President of Intercast Europe, Dr. Atchaka Brimble, BOI Senior Executive Advisor, Ms. Duangjai Asawachintachit, Director of BOI Paris office, and Ms. Ajarin Pattanachai, BOI Divisional Director Milan, October 28.



Mr. Vittaya Praisuwan, Director of BOI's International Affairs Division presents a gift to executives of Lao Stanley Co., Ltd. on September 28.

Destination Europe: Milan, Italy and Amsterdam, The Netherlands

To encourage investment inflows from Europe, BOI Senior Executive Advisor Dr. Atchaka Brimble led a mission to Milan, Italy and Amsterdam, The Netherlands from September 27 to October 2. In Milan, Dr. Brimble and the BOI delegation represented Thailand at "Le Vie dell'Oriente," a weeklong event showcasing Asian culture and commerce organized by the Chamber of Commerce of Milan. There, the delegation introduced a group of over 70 potential investors from various sectors to Thailand's investment opportunities and promotion incentives, and met with Assolombarda, Milan's Entrepreneur Association, comprised of over 5,000 Milan-based companies. Italian businesspeople with experience doing business in Thailand shared their experiences. Among others, an Italian yacht manufacturer and a candy company demonstrated a strong interest in investing in Thailand. The delegation then traveled to Amsterdam and met with Dr. Supachai Panitchpakdi, Director-General of the World Trade Organization (WTO). The BOI also participated in a series of investment seminars hosted by the Amsterdam Chamber of Commerce aimed at promoting further investments in food, agriculture, automotive, chemicals, and other key sectors. Dr. Brimble outlined Thailand's attractiveness as an FDI location, BOI investment policies and specific opportunities for investment, while Dutch investors shared their experiences doing business in Thailand.

Destination Lao PDR: Vientiane

Focusing on promoting Thai-Lao joint ventures, Mr. Vittaya Praisuwan, Director of BOI's International Affairs Division, led a delegation to Lao PDR from September 28-29, co-organized by the BOI and the University of the Thai Chamber of Commerce. The mission's highlight was a roundtable discussion addressing "Laws on Investment in Lao PDR," outlining a series of new investment policies in Laos that will take effect this month. The Thai delegation heard presentations from Mr. Viravanh Khamtanh, Deputy Director General of the Lao Department of Domestic and Foreign Investment (DDFI), Mr. Sannanh Chounlamany, Vice-President of the Lao National Chamber of Commerce and Industry (LNCCI), and Mr. Prasit Wiriyayutma, Thai Honorary Trade Advisor to the Lao Ministry of Commerce. Following this discussion, the delegation participated in a business matchmaking event attended by Thai and Lao businesspeople from several industrial sectors. The Lao government is now working to promote foreign investment in the manufacture of furniture, textiles, and leather goods. The delegation also visited Thai businesses with operations in Laos, including Lao Stanley Co., Ltd., an automotive parts supplier and Lao Footwear Co., Ltd. From 1988 to June 2004, Thai investment in Laos was valued at US\$2.8 billion, making Thailand the number one foreign investor in Laos, a trend that the BOI is working to continue.

INSIDE THE BOI



BOI Secretary General Satit Sirirangkamanont welcomes to Bangkok on October 27, 2004 a high-level German business delegation from the Free State of Bavaria, led by Mr. Hans Spitzner, the Vice Minister of the Bavarian Ministry of Economic Affairs, Infrastructure, Transport and Technology.

Mr. Thamrong Mahajchariyawong, BOI Assistant Secretary General, receives a souvenir from Mr. Hiromi Otsuki, Managing Director of Anden (Thailand) Co., Ltd. at its factory opening on October 29, 2004. Anden (Thailand) has been granted BOI promotional privileges to produce automotive components including flashers and relays.



Representatives from the Belgium/Luxembourg-Thai Chamber of Commerce and the Netherlands-Thai Chamber of Commerce (NTCC) greet BOI Senior Executive Advisor Dr. Atchaka Brimble following her presentation at the NTCC-Beluthai Luncheon on October 28, 2004.



Ms. Sudjit Inthaiwong, Director of the BOI's Chemical, Paper, Plastic and Light Industries Division, participates in the grand opening of Bridgestone Carbon Black (Thailand) Co., Ltd. on October 22, 2004.

New Secretary General from page 1

strengthening the entire industrial structure," Mr. Satit said.

To this end, the Secretary General emphasized that industries not falling into the target sectors which are deemed critical to increasing national competitiveness may also be given maximum incentives. "For example, renewable energies and energy conservation are now a critical focus for Thailand. In response, we have declared these projects priority activities and have customized policies to spur developments in this sector," he said. He added that the BOI would consider giving maximum incentives to such projects in strategic or pioneering industries regardless of investment zone location. "In order to encourage investments in these strategic and high value-added industries, we must consider the benefits they will bring to the nation as a whole, not only to their investment zone," Mr. Satit stated.

"Some high-tech industries may need to be located near Bangkok as opposed to a more remote province. We must proactively target these projects and offer them customized incentives in the interest of promoting sustainable competitiveness."

Recognizing that investment facilitation measures are increasingly important to attracting FDI, Mr. Satit noted that the BOI will continue to improve facilitation services. Such measures will include the implementation of an online application system beginning in early 2005, through which investors may submit applications electronically, reducing processing time. Mr. Satit hopes that this will also remove administrative burdens from BOI staff, allowing them to follow up with promoted companies to measure the effectiveness of BOI incentives. This will create a channel to continuously improve policies through feedback, increase after-

care services, and encourage re-investments.

While positive about the fact that Thailand has gained international recognition from organizations such as the United Nations Conference on Trade and Development (UNCTAD), which identified Thailand's prospects to become the world's fourth most attractive destination for FDI over the next several years, Secretary General Satit emphasizes that there is more to be done.

"Our tax incentives are quite competitive in comparison to other countries, but we need to do more in terms of providing non-tax incentives," Mr. Satit said. "We've been on the right track for the past few years, as growing investor confidence in Thailand proves. Now, making investments and operating in Thailand even easier for businesses is going to be the task of all BOI staff."

THAILAND ECONOMY - AT - A - GLANCE

Facts about Thailand

Population:
64 million (68.7% between ages 15-65)

Population of ASEAN:
503 million

Literacy:
96%

Minimum wage:
US\$3.98/day (Bangkok)

GDP (2003)²:
US\$143 billion

GDP growth (2003)²:
6.8%

GDP per capita (2003)²:
US\$2,197

GDP per capita PPP (2003)²:
US\$7,400

Projected GDP (2004)¹:
US\$163 billion

Projected GDP Growth (2004)¹:
6.7%

Current account balance (Sep 2004)³:
US\$4.2 billion

Balance of payment (Sep 2004)³:
US\$2.9 billion

International reserves (Sep 2004)³:
US\$44.8 billion

Capacity utilization (Sep 2004)³:
70.1%

Corporate income tax:
10-30%

Withholding tax:
10-15%

Value added/sales tax:
7%

Source:

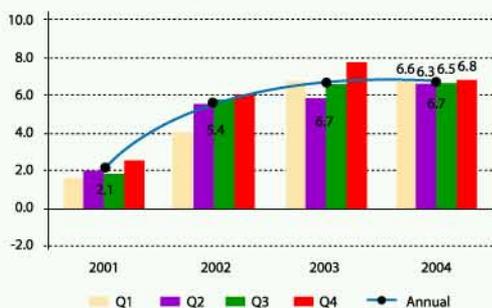
1 = Ministry of Finance

2 = National Economic and Social Development Board (NESDB)

3 = Bank of Thailand (BOT)

4 = National Statistical Office

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



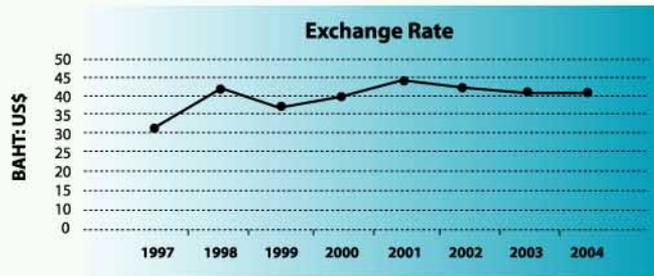
Source: NESDB and Ministry of Finance



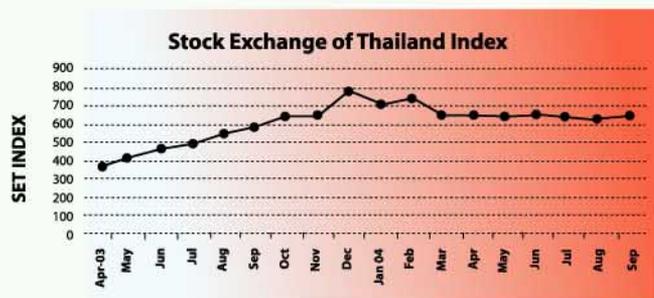
Source: BOT



Source: BOT

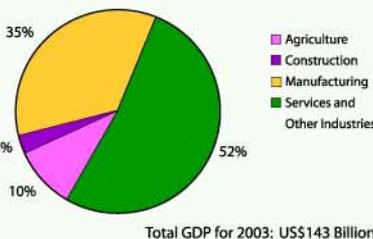


September: 41.5
Source: BOT



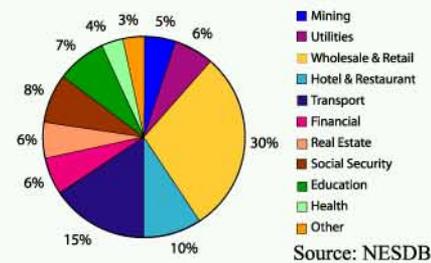
September: 644.67
Source: SET

2003 GDP Breakdown By Major Industrial Sector



Total GDP for 2003: US\$143 Billion

2003 GDP Breakdown of Services & Other Industries Sector: US\$74 Billion



Source: NESDB

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