

INSIDER VIEW Thailand

MONDAY, AUGUST 11, 2003

Revitalized economy is right on track

BRIGHT FUTURE THAILAND'S ECONOMY HAS SEEN A DRAMATIC IMPROVEMENT UNDER THE LEADERSHIP OF PRIME MINISTER THAKSIN SHINAWATRA, AND OPPORTUNITIES FOR TRADE AND INVESTMENT BETWEEN THAILAND AND THE UNITED STATES ARE GROWING

WITH the economy forecast to grow by 5 percent for the second year in a row, exports up 20 percent in the first quarter, and foreign reserves standing at \$40 billion, Thailand's Prime Minister is able to announce with confidence, "We are on the right track."

During his three years in office, Thaksin Shinawatra has launched a series of government initiatives to revitalize the Thai economy and put it on a sustainable footing. GDP growth has been driven by a combination of rising exports and domestic demand.

Trade between Thailand and

the United States—its largest trading partner—has taken off, with U.S. exports to Thailand up 14 percent, and imports from Thailand up 7 percent.

When they met in June, President George W. Bush and Prime Minister Thaksin reaffirmed the strength of the alliance between the United States and Thailand.

Thai and U.S. trade officials have recently been discussing a future bilateral free trade agreement (FTA), following the signing of a landmark U.S.-Singapore deal earlier this year.

This would make Thailand only the second Asian country to have an FTA with the United States, and would give a huge boost to its status as a portal for U.S. business in Southeast Asia.

Last year, Thailand and the United States signed a Trade and Investment Framework Agreement (TIFA) to promote the liberalization of trade and investment.

THAKSIN SHINAWATRA
Prime Minister of Thailand



Development of economic infrastructure is a priority as Thailand works to achieve sustainable growth

In addition to their close economic ties, the two nations are working together to combat terrorism, crime, and drug trafficking, and have established a partnership in the areas of protection of intellectual property, science and technology, and the environment. President Bush has said the United States is actively considering Thailand's designation as a Major Non-NATO Ally (MNNA).

As a member of the Association of Southeast Asian Nations (ASEAN), Thailand is party to an agreement to establish a free trade area with China within ten years.

It is also committed to the ASEAN Free Trade Area (AFTA), which aims to remove tariff and non-tariff barriers on cross-border transactions among ASEAN member countries. Discussions have been taking place to establish bilateral free trade deals with China, Japan, and India.

Prime Minister Thaksin has adopted a dual track strategy to secure Thailand's economic future. The private sector has been encouraged to prosper, while wealth-creation is simultaneously encouraged at the grass roots level through government-assisted programs,

including incentive schemes for small and medium-sized businesses (SMEs).

Agricultural exports are Thailand's largest source of income, but SMEs are expected to make a key contribution to industrial development in Thailand. "Where we see weaknesses, we can strengthen the industrial sector by creating SMEs," says Minister of Industry Somsak Thepsutin.

Development of Thailand's economic infrastructure, such as logistics and transport, is being given high priority. Prime Minister Thaksin says that to sustain economic growth Thailand must reinvent itself as a knowledge-

Exports increased by 20 percent in the first quarter of the year

FACTS & FIGURES

POPULATION
62,354,402

AREA
198,114 sq miles

CURRENCY
baht (THB)

EXCHANGE
41.4 baht per 1 US\$
(July 2003)

CAPITAL
Bangkok

GDP
\$410 billion (2001 est.)
purchasing power parity

GDP GROWTH
4.9% (2002)

NATURAL RESOURCES
tin, rubber, natural gas, tungsten, timber, lead, fish, lignite

EXPORT COMMODITIES
computers, transistors, seafood, clothing, rice

MAJOR EXPORT PARTNERS
U.S. 23%, Japan 14%, Singapore 8%, China 6%, Hong Kong 5%

Continued on page 2

Electricity giant envisages Thailand as power hub for ASEAN region

CONSIDERABLE interest is expected from foreign investors when the initial public offering (IPO) of the Electricity Generating Authority of Thailand (EGAT) is held in 2004. It will be the country's largest IPO, with market capitalization estimated at \$7.2 billion once it is listed on the Stock Exchange of Thailand.

Thailand's main electricity producer and distributor, EGAT currently meets more than 70% of the nation's electricity needs. It aims to remain the dominant enterprise in a more liberalized Thai electricity industry.

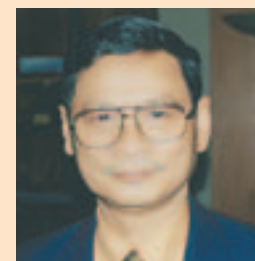
EGAT is positioning itself to become the focal point of a proposed ASEAN power grid that would facilitate economic energy exchange among member nations via cross-border transmission lines. Demand for power is expected to double in the region over the next eight years.

EGAT plans to build two hydropower plants with a combined capacity of around 5,000 MW on the Salween River in Myanmar to serve rising demand for electricity in ASEAN countries. Sitthiporn Ratanopas,

EGAT's Governor, believes that Thailand's geographical location at the center of ASEAN makes it the ideal candidate to become the region's power hub. "It would benefit every ASEAN country," he says of the scheme.

EGAT has drawn up a list of interconnection projects that it hopes to achieve by 2020. "We have some interconnection transmission between Thailand and our neighboring countries," says Mr. Sitthiporn. "We started with a project between Thailand and Malaysia, and we have implemented transmission already."

Distribution of electricity in Thailand is provided mainly through the Metropolitan Electricity Authority (MEA) and the Provincial Electrical Authority (PEA), both of which are scheduled for privatization. "We have been improving and developing electricity distribution systems to enhance efficient services and reinforce reliability," says Chalit Ruengvisesh, Governor of MEA, which, at present, is the sole distributor of electricity in Bangkok.



CHALIT RUENGVISESH
Governor of the Metropolitan Electricity Authority



SITTHIPORN RATANOPAS
Governor of the Electricity Generating Authority of Thailand

Thailand

Free trade will open huge new market

ACCESS POINT AT THE HEART OF ASEAN, THAILAND CAN SERVE AS A GATEWAY TO BUSINESS IN SOUTHEAST ASIA



SANAN ANGUBOLKUL
President of Srithai
Superware

Focus on regional potential

SALES to the United States make up approximately 10 percent of exports by Srithai Superware, the world's largest manufacturer of 100 percent melamine tableware.

Based in Bangkok, Srithai is the largest company in Thailand for the production of plastic packaging, electrical home appliances, and automotive and motorcycle components.

Fifty-eight percent of total sales come from plastic products and 42 percent from melamine ware. Sales turnover for 2002 was \$82 million, and is expected to increase to \$87 million this year.

Celebrating its 40th anniversary this year, Srithai exports to 55 countries, with sales throughout Asia. The company entered the North American market 27 years ago and would like to expand sales here. However, its present focus is on markets in Asia.

"We want to increase export sales to countries like Korea, China, Malaysia, the Philippines, Myanmar, and India, since the economy in this region is improving," says Sanan Angubolkul, Srithai's President.

The company's melamine factory in Indonesia has been very successful, and last year it opened a second factory in China. "Russia will be our next target and we are planning to expand our investments in Vietnam," says Mr. Sanan.

PRESIDENT George W. Bush is scheduled to be among the heads of state, ministers, and business leaders from more than 20 countries who will gather for the Asia Pacific Economic Cooperation (APEC) summit in the Thai capital, Bangkok, in October.

Thailand's chairmanship of APEC has turned the spotlight on the country this year, highlighting its potential as a manufacturing and regional hub at the heart of the Association of Southeast Asian Nations (ASEAN).

American companies are already among the largest investors in Thailand. U.S. investment has increased by 300 percent since 1990 and totals an estimated \$18 billion—supporting nearly a quarter of a million Thai jobs.

"As a member of ASEAN, Thailand can serve as a gateway for American business to the huge Southeast Asian market," says Prime Minister Thaksin Shinawatra.

Looking ahead to the longer term, Dr. Thaksin adds that with the completion of the Free Trade Area of the Americas (FTAA) and the establishment of the ASEAN Free Trade Area (AFTA), "the potential for trade investment, growth, and development for both Thailand and the United States will be immeasurable."

Leading sectors for U.S. investment in Thailand include petroleum, chemical, finance, consumer products, and automobiles. American firms have invested heavily in the Thai automobile industry, with most of the global car manufacturers, including Ford and GM, present.

"If the ASEAN trade pact is fully implemented, Thai auto assemblers would have access to a potential market of 511 million customers at tariff rates lower than those enjoyed by non-ASEAN countries like Korea," Dr. Thaksin points out.

Other target industries that the Thai government is especially interested in promoting for investment include ICT, including electronics; agro-industry; fashion, including garments, jewelry, and leather; and high value-added services.

"Many big corporations from



A STRONG energy sector is among the advantages that Thailand offers potential foreign investors

the United States have their business here, and they are very happy with their performance," says Somphong Wanapha, Secretary General of Thailand's Board of Investment (BoI). "We would like to see more U.S. companies coming to explore the possibilities. We will do everything we can to facilitate the process."

According to Mr. Somphong, the investment regime in Thailand is one of the most liberal in Asia. "Investors can do business here with almost no restrictions, and they can easily obtain access to the market."

U.S. firms receive favorable treatment in Thailand under the Treaty of Amity and Economic Relations of 1966. Companies incorporated in the U.S., or in Thailand that are majority-owned by U.S. citizens, engage in business on the same basis as Thais.

Tax-based incentives for investors include tax holidays or tariff exemptions. Additional tax incentives are available to investors who locate in Special Investment Promotion Zones, producing for export, or engaging in industries identified as priority activities.

Mr. Somphong emphasizes that Thailand is a safe and stable destination for investment. "Thailand is unique in terms of its long-term stability, and is considered a peaceful

country. We have full democracy here, so any political changes are made in a democratic way."

The BoI has an office in New York, and plans to open a second one in San Francisco.

State enterprises scheduled for privatization this year include the Airports of Thailand, TOT Corporation (formerly Telephone Organization of Thailand), and the Communications Authority of Thailand. The government also plans new public offerings to reduce state ownership in Thai Airways and Krung Thai Bank.

Privatizations scheduled for 2004 include the Provincial Waterworks Authority, the Metropolitan Waterworks Authority, the Provincial Electricity Authority, the Metropolitan Electricity Authority, the Electricity Generating Authority of Thailand, and the Thailand Tobacco Monopoly.

Now is the time for U.S. firms to invest

THERE is still plenty of room for U.S. investment in Thailand, and with the economy gathering pace, now is the time for American firms to take advantage of it, declares Siritaj Rojanapruk, Chief Executive Officer of fiber optic operator Com-Link.

"We are safe and open in Thailand, and we welcome foreigners," says Mr. Siritaj. "American primary investors are not aware of the good economic and political situation of Thailand today. If they don't come now, they could be too late."

Established 13 years ago, Com-Link won a 20-year concession from the Telephone Organization of Thailand (now the TOT Corporation) to build and transfer a \$200 million fiber optics communication system along the railway routes of the State Railway of Thailand (SRT).

The company installed more than 1,800 miles of fiber optic cable during the project, and will operate and maintain it for the remainder of the concession term, up to 2010. The concession also included the provision of a network maintenance center and a nationwide telecommunications system for the SRT.

Com-Link has subsidiaries working for other authorities, installing fiber optics systems for the Communication Authority of Thailand (CAT) and



SIRITAJ ROJANAPRUK
Chief Executive
Officer of
Com-Link

the Petroleum Authority of Thailand (PTT), for example.

"Recently we have diversified quite a lot, and we have acquired Trinity, a securities company," says Mr. Siritaj. "We have some construction companies, as well as some software-related business."

The company is technically supported by the Canadian company Alta Telecom International (ATI), and last year won the Best Partner Award from the Thai-Canadian Chamber of Commerce.

"We are a strong company because we are fast and flexible, and can adapt to the market very quickly," says Mr. Siritaj.

He sees growing potential in the growth of the regional economy. "Once the region develops, we can expand to our neighboring countries," he adds. "Thailand is very strategically placed, and we will use this advantage for expansion."

Revitalized economy right on track

Continued from page 1

based economy and society in step with global trends.

Building on Thailand's already impressive track record in scientific and technological development is a key aspect of the government's strategy.

"Technology is the future of the nation," says Phinij Jarusombat, Minister of Science and Technology. "No matter if it is agriculture, industry, entertainment, health, or the service sector, technology will give support to production."



SOMSAK THEPSUTIN
Minister of
Industry



PHINIJ JARUSOMBAT
Minister of
Science and
Technology

World-largest 100% Melamine Tableware

SRITHAI SUPERWARE PUBLIC COMPANY LIMITED

www.srithaisuperware.com

Thailand

3

A warm welcome awaits the traveler to the Land of Smiles

VISITOR FRIENDLY FAMOUS FOR ITS HOSPITALITY, THAILAND IS NOW DEVELOPING NICHE MARKET TOURISM

THAILAND is aiming to become the tourism capital of Asia, promoting itself as a quality destination under the slogan "Amazing Thailand—Experience Variety."

"Thailand remains a top quality destination thanks to our amazing landscape, the variety of places to visit, and the people. Service is part of our culture," says Juthamas Siriwan, Governor of the Tourism Authority of Thailand (TAT).

More than 11 million international travelers are expected to visit Thailand this year, an increase of 6 percent over 2002, generating an estimated \$9 billion in foreign exchange revenue.

A further \$7.7 billion is expected to be earned from domestic tourism. Special campaigns are underway to encourage expatriate Thais living in the United States and other developed countries to come back home and to visit the neighboring countries of the Mekong region.

While maintaining Thailand's traditional and primary markets, special emphasis is being placed on attracting visitors from China, Japan, and the Middle East.



JUTHAMAS SIRIWAN
Governor of the Tourism
Authority of Thailand (TAT)



TOURISM AUTHORITY OF THAILAND



TOURISM AUTHORITY OF THAILAND

BUDDHIST temples and beautiful islands and beaches attract millions of visitors a year to Thailand

A major opportunity to promote Thai tourism has arisen with Thailand's chairmanship of APEC this year, which has made the country the focus of international attention. A variety of APEC meetings and events are being held in various provinces throughout the year, culminating in October's APEC summit in Bangkok, which is expected to attract 10,000 participants, and for which a variety of special cultural events will be held.

Tourism is Thailand's second largest source of income and is currently being developed under a three-year strategic plan.

Ms. Juthamas says, "It is becoming an increasingly competitive industry worldwide, and we need to make sure that we are undertaking the right marketing activities in the right destinations to maintain our market share."

New locations are being developed to add to the key tourist destinations of Bangkok, Chiang Mai, Hat Yai, Pattaya, Phuket,

Korat, and Surat Thani.

Niche market tourism products are also being promoted. Thailand has become one of the favorite destinations in Asia for Meetings, Conventions, Exhibitions and Incentive (MICE) travel, for example.

Thai spas have become big business, consistently securing a place in the world's top-5 overseas spas since 1999. For the period 2000-2002, the Thai spa industry achieved 64 percent growth.

World-class shopping is another major attraction. Thailand is recognized as one of the best places in the world to buy quality

gems and jewelry. Shopping festivals, shopping guidebooks, and VAT refunds for tourists all encourage visitors to spend.

Sustainable nature-based tourism is a rapidly evolving sector, with more than 2 million people visiting the country's protected areas each year to enjoy safaris and trekking.

Taste for Thai boosts food exports

WITH almost half of the Thai restaurants outside Thailand found in the United States, there can be little doubt that Americans have a taste for Thai.

According to the Thai Ministry of Finance Export Promotion Department, the purchase of Thai foods for restaurants abroad earns the country around \$450 million a year. An additional \$28.4 million is brought in from ingredients, such as herbs, seasonings, and sauces, and from the sale of equipment to prepare Thai food.

New Yorkers, in particular, seem to love the freshness, range, and diversity of Thai cuisine, with its sweet, salty, sour, and spicy flavors—although those who like it hot should note that the ubiquitous chili was introduced to Thai cook-



HARMONY
of tastes and
colors is the
guiding principle
behind Thai
cuisine

ing by the Portuguese in the 17th century.

The Thai food industry is the fifth largest in the world, and is vital to a country with a largely agricultural-based economy. Thailand is the world's biggest exporter of rice, which generates \$1.8 billion a year, followed by canned seafood (\$1.6 billion), and shrimp (\$1.2 billion).

The United States is Thailand's second largest food export market after Japan.

"We have full confidence in the Thai economy",
Siritaj Rojanapruk, Chief Executive Officer, Com-Link Company

Com-Link: Fiber optic cable operator in Thailand



1193 Exim Building, 21st Floor, Phahon Yothin Road, Samsen Nai,
Phayathai, Bangkok 10400, THAILAND
Tel: (662) 617-2080 Fax: (662) 617 2088 E-mail: siritaj@com-link.co.th

The Strategic Regional Partner for the

ASEAN POWER GRID

Transmitting power from north to south, creating synergy between countries, positively managing energy and improving strategically for a good life and a brighter future in the region.

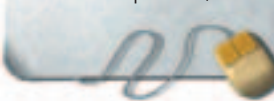


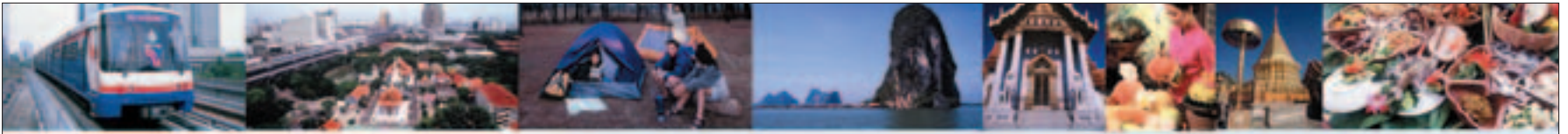
**ELECTRICITY GENERATING
AUTHORITY OF THAILAND (EGAT)**
53 Charan Sanit Wong Road, Bang Kruai
Nonthaburi, 11130 Thailand
Tel: +622 436 0000, Fax: +622 436 4896
www.egat.or.th, www.egat.com



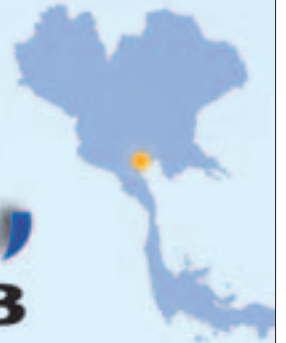
FOR FURTHER INFORMATION PLEASE CONTACT SUMMIT COMMUNICATIONS AT: 1040 FIRST AVENUE, SUITE 395, NEW YORK, NY 10022 - TEL: (212) 286-0034 - FAX: (212) 286-8376

AN ONLINE VERSION
OF THIS REPORT IS
AVAILABLE AT
www.summitreports.com/thailand





Welcome to Thailand, Your Host for APEC 2003



This year, Thailand stages APEC 2003, 'A World of Differences: Partnership for the future', and will give the 21 APEC member economies the chance to find out more about Thailand. As with life and relationships, spheres of influence in commerce are vital.

Why Thailand?

A land of golden temples, stunning tropical beaches, and lush forested hills, Thailand is a haven of tranquillity, a balance of the beauty of a millenarian culture and a forward looking, dynamic economy. Ensuring a stay in the utmost comfort is Thailand's time-honored tradition of gracious hospitality, and one that is guaranteed by some of the finest hotels in the world. And luxury is not just limited to the capital. Top hotels and resorts are to be found in all major destinations around the country, as are superb health spas and golf courses.

Since its establishment in 1989 in response to the growing interdependence among the economies of the Asia-Pacific region, APEC (Asia-Pacific Economic Cooperation) has become the primary regional vehicle for promoting open trade and practical economic and technical cooperation. Its goal is simple: to advance economic dynamism and a stronger sense of community within the Asia-Pacific region.



Conference delegates can choose from a wide range of world-class hotels situated in the mountains in the north or closer to the breathtaking beaches in the south. Thailand assures luxurious and gracious hospitality with integrated and impeccable facilities.



Shopping: There are no limitations to shopping in Thailand; experience the variety of 24 hours of shopping from value for money products, to unique souvenirs and handicrafts, to luxury buys including silks, antiques, jewelry and all the most expensive brand names.



www.thailandgolfparadise.com



Recreational Activities: Any time and any season, Thailand's tropical climate offers world-class golf courses with excellent service and ease of convenience from caddy service and golf carts, to beautiful sports clubs. Water sports lovers can enjoy the diversity of exciting activities including windsurfing, jet skiing, sailing and some of the most highly acclaimed scuba diving sites in the world. Relish in the natural healing of the Thai Health & Spas; rejuvenate with the Thai style natural therapies and the traditional Thai massage.



Thailand is more...



amazing
THAILAND
experience variety



Thailand is more than the sum of its attractions. Its people are among the most generous, welcoming and hospitable – anyone who has ever visited Thailand will agree.

Tourism Authority of Thailand

1600 New Petchaburi Road, Makkasan, Ratchathewi, Bangkok 10400, Thailand.

Tel: 6602 250 5500 (120 automatic lines), Fax: 6602 250 5511, <http://www.tourismthailand.org>, E-mail: center@tat.or.th