



POLITICS
PARLIAMENT
DISSOLVED, NEW
ELECTION COMING



ECONOMICS
JAPAN OUTINVESTS
EUROPE BY FACTOR
OF 10 IN THAILAND



INDUSTRY FOCUS
AUTOMOTIVE
AEROSPACE
AND OTHERS



ASEAN
KEY DEVELOPMENTS
TO WATCH MOVING
INTO 2014



THAILAND COUNTRY REPORT



voice choice freedom representation rights voting engagement power participation elections decisions



Preface

During the ongoing civil uprising in Thailand, the questions most commonly asked among businesses are “how long will the protest last?”, “will our operations be affected?”, “what should we say to our headquarter or customers?”. From a global prospective, these protests are one of many undesirable - along with natural disasters, outbreaks of diseases and other potentially disruptive events.

These events can carry many threats to businesses - disrupting their operations and affecting complex supply chains. They carry a common event of surprises and often call for quick decision making. Hence crisis management involves in a range of risks, dealing with before, during and after the event has occurred, and require skills to assess the situation and create adequate and meaningful responses. So in reality, the question to be asked is, “how well are we prepared”.

TEBA has established a business continuity initiative with regular events to help business understand the developments and exchange information in order to contain negative effects and mitigate risks.

In the longer term, ASEAN will continue to represent one of the largest clusters of rapidly growing economies in the world and Thailand offers an ideal entry point for many sectors, with clear advantages in terms of infrastructure and ease of doing business.

In our view, Thailand is ‘advancing’ its political debate that will take the country to the next stage.

Bangkok, January 2014

A handwritten signature in blue ink, reading "Ulrich Kaiser".

Ulrich Kaiser

President

Thai European Business Association

A handwritten signature in blue ink, reading "Hugh Vanijprabha".

Hugh Vanijprabha

Executive Director

Thai European Business Association

1

Political Situation

After weeks of protests, the government has dissolved parliament.



The all too familiar sight of protesters on the streets of Thailand's capital has once again made it into the international news.

Protests began over the government's attempts to pass a political amnesty bill through parliament that would have, amongst other things, annulled previous court rulings against brother of the current Prime Minister, Thaksin Shin-

watra, who was a former Thai Prime Minister. However, withdrawing the bill did not seem to calm the situation and protests continued and even grew.

Street protests grew under the leadership of Suthep Thaugsuban, who had recently resigned as an MP in the opposition Democrat party to focus on the street protests. On December 9th, the government announced it would dissolve

parliament and new elections are scheduled for February 2nd 2014 - however at this stage it's not clear if they will be held or maybe rescheduled to agree on a reform package prior to the elections.

The latest developments have seen the protesters setting up several protest sites around the city with a stated aim to "Shutdown Bangkok." However, businesses disruption has been just temporary with most offices and shops in the downtown areas of the city managing to continue to operate without too much difficulty.

Unfortunately, political tensions in Thailand, instead of showing signs of petering out in the New Year, have become increasingly escalated. The caretaker government declared a state of emergency in Bangkok in January, and while the Feb. 2 election is scheduled, it remains to be seen whether it will actually take place, according to a research note from Capital Economics.

How crisis may unfold?

In the best case, the Puea Thai-led caretaker government and the People's Democratic Reform Committee (PDRC)-led protesters can come to an agreement beforehand on reforms and, more importantly, respect election results.

| Political party | Bangkok | Central | North | North-east | South | Constituency seats | Party-list seats | Total seats |
|---------------------------|-----------|-----------|-----------|------------|-----------|--------------------|------------------|-------------|
| Puea Thai | 10 | 41 | 49 | 104 | 0 | 204 | 61 | 265 |
| Democrat Party | 23 | 25 | 13 | 4 | 50 | 115 | 44 | 159 |
| Bhum Jai Thai | 0 | 13 | 2 | 13 | 1 | 29 | 5 | 34 |
| Chart Thai Pattana | 0 | 11 | 2 | 1 | 1 | 15 | 4 | 19 |
| Chart Pattana Puea Pandin | 0 | 0 | 1 | 4 | 0 | 5 | 2 | 7 |
| Palung Chon | 0 | 6 | 0 | 0 | 0 | 6 | 1 | 7 |
| Rak Prathet Thai | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 4 |
| Mathabhum | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 2 |
| Rak Santi | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Mahachon | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| New Democrat Party | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Total | 33 | 96 | 67 | 126 | 53 | 375 | 125 | 500 |

Source: Election Commission.

In the most likely case, the Puea Thai Party would win on the basis of numerous supporters in particular the North and Northeast that see total 300 seats in the lower house of Parliament along with strong coalition. Yingluck forms a government with promises of reform and compromise. She addresses some of the protesters' grievances - watering down wasteful populist policies and tackling corruption, for in-

stance - to try to pre-empt further confrontation, while distancing the government from Thaksin. But it is far from clear how the next "acceptable" election will reflect such a result. Below are possible scenarios:

"JUDICIAL COUP"

Most of Puea Thai members could face a charge of malfeasance in the Supreme Court for trying to amend the constitution to make the semi-appointed Senate a fully elected chamber, which has been ruled illegal. While the Constitutional Court is handling a case about the legality of allowing international agreements to be made by the government without parliament having a say. The politicised courts have banned Thaksin allies in the past and it is unclear what rulings could be handed down in the current cases, but they could include disqualifications from the election, bans on taking part in politics or dissolution of the Puea Thai party before an election to be held.

ARMY INTERVENES, ANTI-THAKSIN REGIME INSTALLED

The coup-prone army has tried to stay neutral this time but the top brass shares the establishment's loathing of Thaksin. The protests have been mostly peaceful and the government has avoided confrontation. But if violence intensifies, even if it is not clear who is responsible, the army could step in and

seize power, ostensibly to prevent anarchy. An interim government could be formed, appointed by judges and senators and approved by the king. Such an establishment-backed government might amend voting arrangements along the lines sought by the protesters, aiming to blunt Thaksin's sway over the electorate. An election could then be held fairly quickly to silence international objections to military rule.

YINGLUCK'S PARTY WINS BUT ELECTION IS ANNULLED

Even if Puea Thai wins convincingly, her opponents may not accept the result. The election campaign will throw up allegations from the anti-Thaksin camp of cheating, irregularities and technical infringements in a bid to derail the ballot. The Election Commission may decline to endorse the election. Even if it does, legal challenges could be mounted against the result in the courts.

2

Thailand Outlook 2014

Thailand is looking at a real
GDP growth of 3.1% in 2014.
Thai Fiscal Policy Office



Thailand is a business-friendly, upper middle-income country of about 70 million people - an important regional economic hub in one of the most dynamic regions in the world.

In spite of the current political unrest there are strong underlying fundamentals for Thailand's growth.

THE WORLD BANK'S VIEW

Thailand's strong economic growth over the past decade has recently seen it graduate from a Middle to an Upper Middle Income Country in the World Bank classification. Economic growth and a corresponding improvement in access

to and quality of public services has been concentrated in Bangkok and the central region, leaving significant deficiencies in other parts of the country including the North and Northeast and contributing to unequal human development outcomes. Addressing these issues will be a key step in Thailand's continued development towards high-income country status.

Currently, 72 % of Thailand's general public expenditures are being spent in Bangkok, which is home to 17% of the country's population and produces 26% of the GDP. In contrast, the Northeast, which holds 34 % of the country's population, receives 6% of the expenditures.

Looking ahead, Thailand could focus on improving the efficiency and effectiveness of public spending to help counteract regional disparities in human development and inequality. Thailand's expenditure policy can be refocused towards service delivery deficient areas to raise the services delivered in those areas to similar standards as in Bangkok.

In 2014, the base case scenario for the Thai economy is expected to grow in the range of 4.0-5.0%, mainly contributed by 7.0% expansion of export value, together with a 2.7% growth of private consumption and a 7.1% growth of total investment. In 2014, headline inflation will lie in the range of 2.1-3.1% and the current account balance is likely to record a deficit of 0.6% of GDP. Due to the political tensions in Thailand, it remains difficult to envision scenarios.

Thailand expects again significant foreign investment - mainly from within Asia with Japan clearly dominating the scene. Since 2012, Japan invested about 10 times more than all European nations combined. This clearly represents a great opportunity for the European private sector, who could use Thailand as a manufacturing base and gateway to the 600 million people in ASEAN and others.

| Selected Economic Indicators (%) - Thailand | 2013 | | 2014 | |
|---|----------|--------|----------|--------|
| | ADO 2013 | Update | ADO 2013 | Update |
| GDP Growth | 4.9 | 3.8 | 5.0 | 4.9 |
| Inflation | 3.2 | 2.6 | 3.1 | 2.9 |
| Current Account Balance (share of GDP) | 0.8 | 0.0 | 0.1 | 0.5 |

Source: Asian Development Outlook (ADO) 2013 Update; ADB estimates.

| Economic Projection for 2013 and 2014 | | | | | |
|---------------------------------------|------|------|-------|------------|---------|
| (% YOY) | 2012 | 2013 | | Projection | |
| | Year | H1 | Q3 | 2013 | 2014 |
| GDP (at 1988 price) | 6.5 | 4.2 | 2.7 | 3.0 | 4.0-5.0 |
| Total Investment (at 1988 price) | 13.2 | 5.2 | -6.5 | 0.9 | 7.1 |
| Private | 14.4 | 2.4 | -3.3 | 0.7 | 5.8 |
| Public | 8.9 | 17.0 | -16.2 | 1.3 | 12.0 |
| Total Consumption (at 1988 price) | 6.8 | 3.7 | 0.5 | 1.6 | 2.9 |
| Private | 6.7 | 3.4 | -1.2 | 0.8 | 2.7 |
| Public | 7.5 | 5.4 | 7.4 | 5.8 | 3.8 |
| Export of Goods (US\$) | 3.1 | 1.2 | -1.8 | 0.0 | 7.0 |
| Volume | 2.5 | 1.2 | -1.2 | 0.3 | 6.0 |
| Import of Goods (US\$) | 8.8 | 3.2 | -2.9 | 0.6 | 6.7 |
| Volume | 7.1 | 5.8 | -0.9 | 2.9 | 6.2 |
| Current Account to GDP (%) | -0.4 | -2.6 | -0.9 | -0.9 | -0.6 |
| Inflation | 3.0 | 2.7 | 1.7 | 2.4 | 2.1-3.1 |
| Unemployment rate | 0.7 | 0.7 | 0.8 | 0.7 | 0.7 |

TEBA View

Whether the election will go ahead on the 2nd February 2014, it is unlikely to resolve the political instability. The key indicator will be the next "acceptable" election, this means resolving the differences between demands of both sides and that an election date can be agreed.

In the worst-case scenario, the conflict continues to delay the "acceptable" election until later this year. This would result in a grave economic outlook for this year. With optimistic best-case scenario, political stability can be achieved with in Q1, Thailand could see more than 3% of economic growth in 2014.

In the longer term, we believe that Thailand will recover as it has in the past. Withstanding nine coups and seen more than 20 prime ministers since 1946, Work Bank still ranks Thailand ahead of other key economies in ease of doing business.

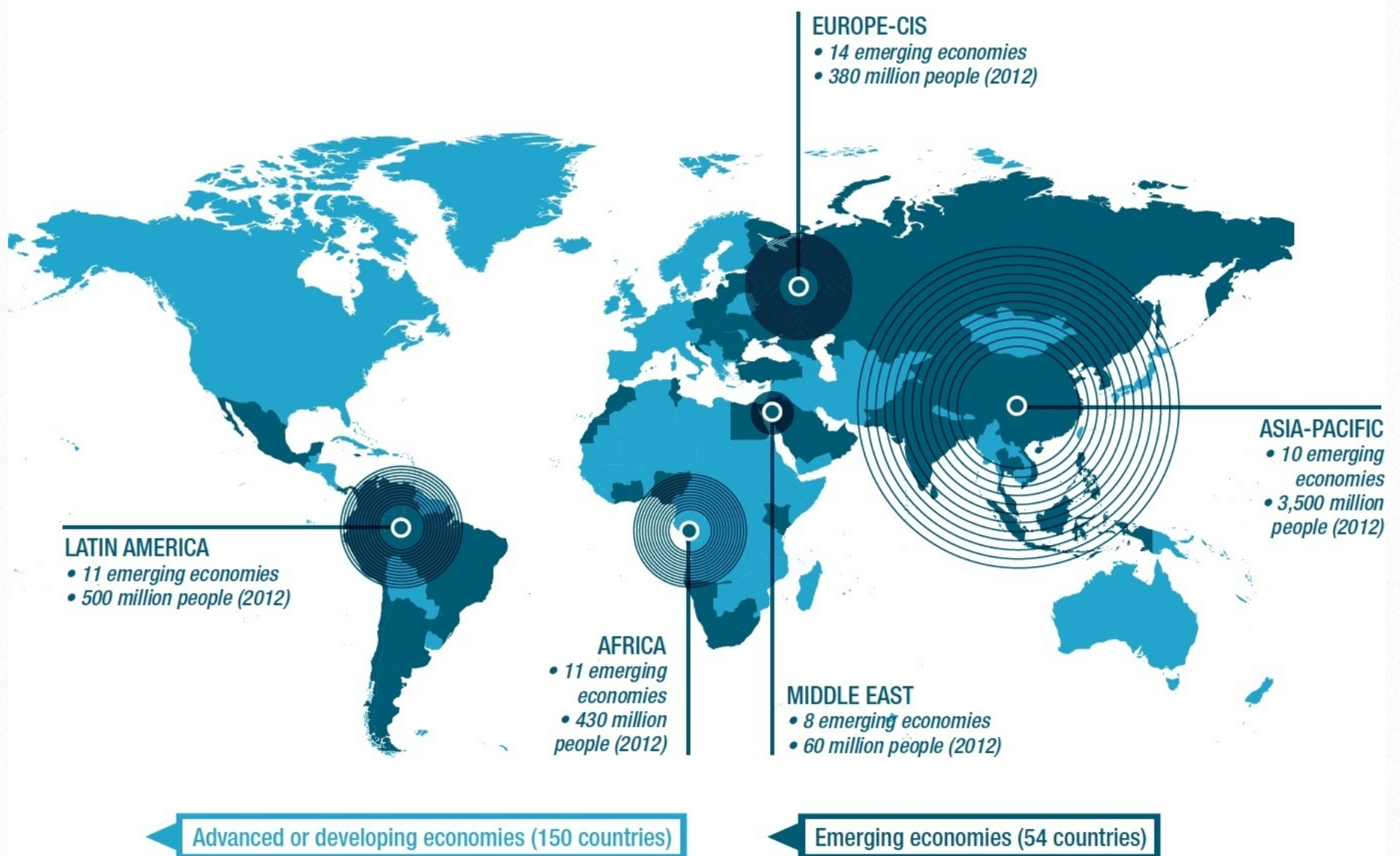
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Investment

Thailand's investment value in 2013 was 1.11 trillion baht. Thailand Board of Investment

DIVERSE EMERGING ECONOMIES, NOT JUST LOCATED IN ASIA-PACIFIC

Source: IHS Global Insight, Airbus



FDI came to 524.77 billion baht, with 1,132 projects. This represents a decline of 19% in value and 28.5% in volume compared to 2012. Japan remained the largest foreign investor in Thailand with 562 projects worth 282.8 billion baht involved mainly in metal products and vehicles and parts. China came second in FDI followed respectively by Malaysia, Singapore and Hong Kong.

Thailand's investment value in 2013 was 1.11 trillion baht. A total of 2,237 project sought promotional privileges from the Thailand Board of Investment (BoI).

As for 2014, the BoI remains confident in the attractiveness of Thailand to foreign investors, in particularly Japan, with the ASEAN Economic Community (AEC) being fully implemented in 2015. Thailand stands to gain from regional inte-

gration. The BoI is also encouraging investors to invest more in industries such as agriculture processing, automotive manufacturing, electronic production, biotechnology, nano-technology, and environmental management.

Word Bank View

The World Bank has released its 2014 Doing Business rankings, the 11th in its annual series that now compares 189 of the world's economies.

Thailand continues to present investors with an easy and competitive investment environment, amidst one of the more attractive tourist destinations in the world. With a strong and strengthening infrastructure, government support, and geographic location it is clear why Thailand continues to attract investments from around the world.

Resource 3.1 Thailand Investment Review

Thailand Remains in Doing Business Top-20



<http://goo.gl/bmnjKV>

Unit : Billion Baht

No. of Projects

Total Investment

Total Registered Capital

Thai

Foreign

Employment

Major Foreign Shareholders

Japan

Europe

Taiwan

U.S.A.

Hong Kong

Singapore

Ownership

100% Thai

100% Foreign

Joint Venture

Export-Oriented Projects

30% - 79 %

80% - 100%

Major Foreign Shareholders

Sector

Agricultural Products

Minerals & Ceramics

Light Industry

Metal Processing

Electronics & Electrical

Chemical Plastic Paper

Service & Infrastructure

| | 2011 | 2012 | 2012 | 2013 | | 2011 | 2012 | 2012 | 2013 |
|----------------------------|-----------------|---------|-----------|-----------|--------------------|--------------------|-------|-----------|-----------|
| | | | Jan - Dec | Jan - Dec | | | | Jan - Dec | Jan - Dec |
| No. of Projects | 1,975 | 2,347 | 2,347 | 2,237 | Registered Capital | 39.4 | 48.8 | 48.8 | 23.4 |
| Total Investment | 626.2 | 1,181.9 | 1,181.9 | 1,110.4 | Total Investment | 213.9 | 369.6 | 369.6 | 427.1 |
| Total Registered Capital | 131.1 | 186.2 | 186.2 | 148.4 | | 203.5 | 336.2 | 336.2 | 232.7 |
| Thai | 56.5 | 96.9 | 96.9 | 107.9 | | 208.9 | 476.2 | 476.2 | 450.6 |
| Foreign | 74.6 | 89.2 | 89.2 | 40.5 | | 62.3 | 183.6 | 183.6 | 196.2 |
| Employment | 212,739 | 333,290 | 333,290 | 207,463 | | 186.9 | 280.7 | 280.7 | 130.0 |
| | 2011 | 2012 | 2012 | 2013 | | 2011 | 2012 | 2012 | 2013 |
| | | | Jan - Dec | Jan - Dec | | | | Jan - Dec | Jan - Dec |
| Major Foreign Shareholders | No. of Projects | | | | | Registered Capital | | | |
| Japan | 553 | 866 | 866 | 588 | | 69.3 | 89.2 | 89.2 | 122.7 |
| Europe | 196 | 248 | 248 | 174 | | 31.0 | 44.6 | 44.6 | 43.7 |
| Taiwan | 59 | 65 | 65 | 58 | | 15.4 | 31.3 | 31.3 | 15.8 |
| U.S.A. | 54 | 71 | 71 | 76 | | 128.4 | 245.0 | 245.0 | 254.3 |
| Hong Kong | 34 | 92 | 92 | 44 | | 85.8 | 166.0 | 166.0 | 101.9 |
| Singapore | 66 | 166 | 166 | 110 | | 71.5 | 173.3 | 173.3 | 49.2 |
| Ownership | No. of Projects | | | | | 224.9 | 432.4 | 432.4 | 522.8 |
| 100% Thai | 886 | 743 | 743 | 1040 | | | | | |
| 100% Foreign | 628 | 971 | 971 | 706 | | | | | |
| Joint Venture | 461 | 633 | 633 | 491 | | | | | |
| Export-Oriented Projects | No. of Projects | | | | | | | | |
| 30% - 79 % | 271 | 302 | 302 | 236 | | | | | |
| 80% - 100% | 387 | 474 | 474 | 287 | | | | | |
| | 2011 | 2012 | 2012 | 2013 | | 2011 | 2012 | 2012 | 2013 |
| | | | Jan - Dec | Jan - Dec | | | | Jan - Dec | Jan - Dec |
| Major Foreign Shareholders | No. of Projects | | | | | Registered Capital | | | |
| Sector | No. of Projects | | | | | Registered Capital | | | |
| Agricultural Products | 359 | 295 | 295 | 362 | | 69.3 | 89.2 | 89.2 | 122.7 |
| Minerals & Ceramics | 61 | 63 | 63 | 40 | | 31.0 | 44.6 | 44.6 | 43.7 |
| Light Industry | 127 | 98 | 98 | 79 | | 15.4 | 31.3 | 31.3 | 15.8 |
| Metal Processing | 499 | 579 | 579 | 448 | | 128.4 | 245.0 | 245.0 | 254.3 |
| Electronics & Electrical | 273 | 346 | 346 | 285 | | 85.8 | 166.0 | 166.0 | 101.9 |
| Chemical Plastic Paper | 257 | 314 | 314 | 174 | | 71.5 | 173.3 | 173.3 | 49.2 |
| Service & Infrastructure | 399 | 652 | 652 | 849 | | 224.9 | 432.4 | 432.4 | 522.8 |

Source: Thailand Board of Investment

4

Automotive Industry

Thailand's automotive industry is the 10th largest in the world and the largest in Southeast Asia.



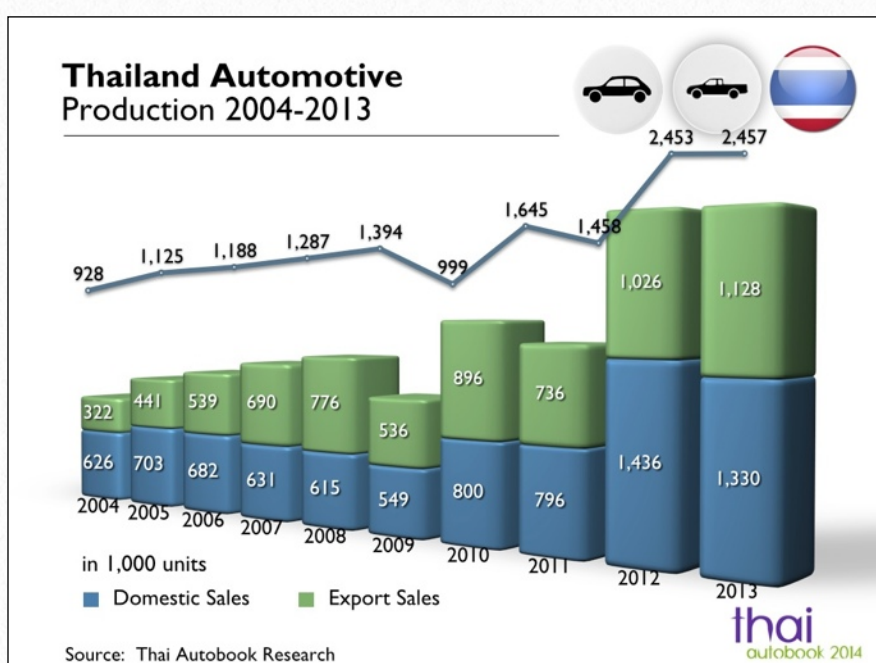
Thailand's automotive industry is the 10th largest in the world and the largest in Southeast Asia. Thailand is also second in the world for production and export of pickup trucks. 2013 vehicle production reached just under 2.5 million units which account for 12% of the country's GDP. Over half of the tier 1 manufacturers are foreign majority owned. Of the

top 100 global auto parts manufacturers, 50% have factories in Thailand.

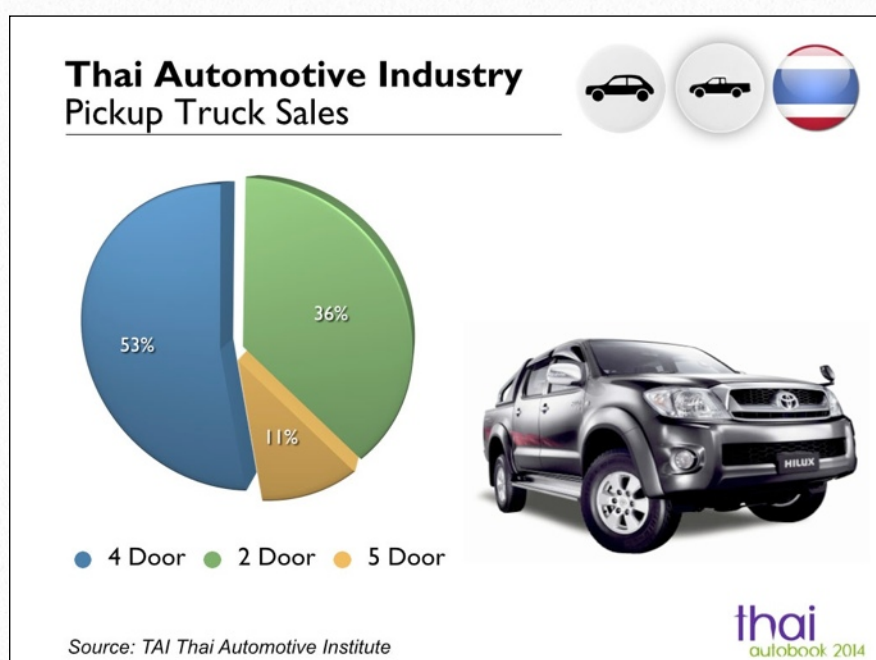
In 2013, 1,327,703 vehicles were sold with Honda overtaking Toyota for the first time in terms of passenger cars sold (213,155 vehicles compared to 190,101). While Toyota commercial vehicles still lead the market at 213,155 vehicles sold.

Eco Car Project – Phase II coming

The eco car project from the Thai government was a big success with a number of major players investing in additional capacity to be part of the program. Since the project was launched in 2010, some 712,000 vehicles have been produced, with almost half of these being exported (343,000 vehicles exported versus 369,000 for the domestic market). The market share of eco-cars has also risen dramatically, from 5% in the passenger car market in 2010 to as much as 27% this year.



The second phase of the eco car project is set to begin, but with stricter requirements. It is expected to attract five or six major automotive manufacturers. There is a requirement of investing 6.5 billion baht in production systems and reaching an annual production capacity of 100,000 units by year four of the project. Engines for the second phase must be of the



Euro 5 standard type, with carbon-dioxide emissions of not more than 100 grams per kilometer, fuel consumption of not more than 4.3 litres per 100km, and an engine size of not more than 1,300cc for petrol and 1,500cc for diesel with safety standard requirements to meet UNECE Regulations.

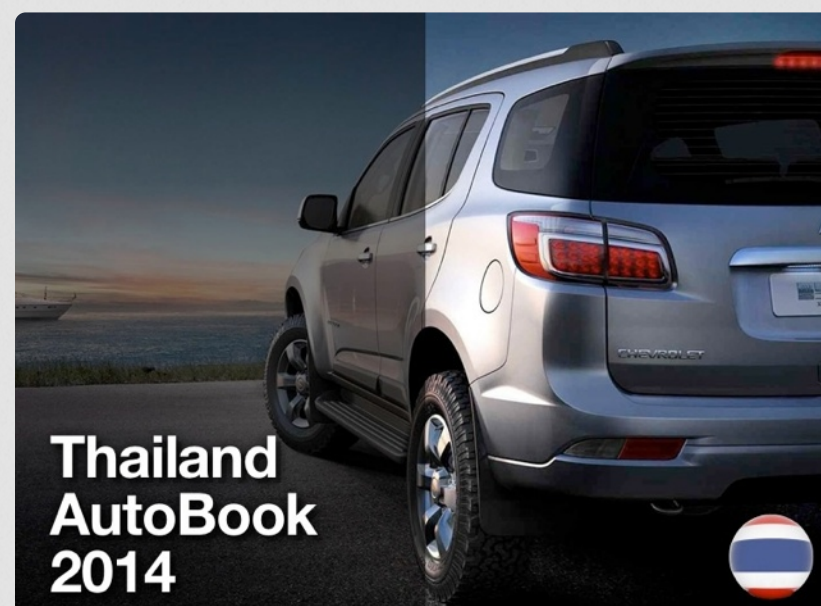
Thailand will continue to be the main hub of automotive production in the region with already half of the top 100 global suppliers active in Thailand, which helps create more value added to the country with strong domestic auto-parts industry.

TEBA View

TEBA is working closely with the Thai government to help create and promote export opportunities with our campaign on how Thailand could become a world-class automotive supplier. This covers a range of topics such as operations management, supply chain management, logistics, quality management, standards and certifications, manufacturing optimization, technology design etc.

At the same time, we also encourage Thai government to facilitate product exports since they are currently accountable for half of Thailand's output currently and more in the future. This would include systematic trade facilitation such as custom procedure, conformity assessment and export promotion.

Resource 4.1 Thai Autobook 2014



www.thaiautobook.com

5

Aviation & Aerospace Industry

Thailand is on the way to become an aerospace hub in ASEAN.



Thailand is on the way to become an aerospace hub and major player in ASEAN's multi-billion dollar aircraft maintenance and manufacturing industries.

With the region expected to be the largest air travel market in the world within the next decade, Thailand is positioned to become a crucial player in the Asian aviation industry.

Bangkok's airport is 14th busiest in the world, and is one of seven international airports in the country.

Regional low-cost airlines have seen significant growth over the last few years with more and more Thais using them for travel.

US companies like GE, Chromalloy and Triumph and European companies such as Senior Aerospace, Weston SEA and Leistriz have already made significant investments in Thailand and taken advantage of the country's electronics and automotive industries that provide developed suppliers for cost-effective and efficient production.

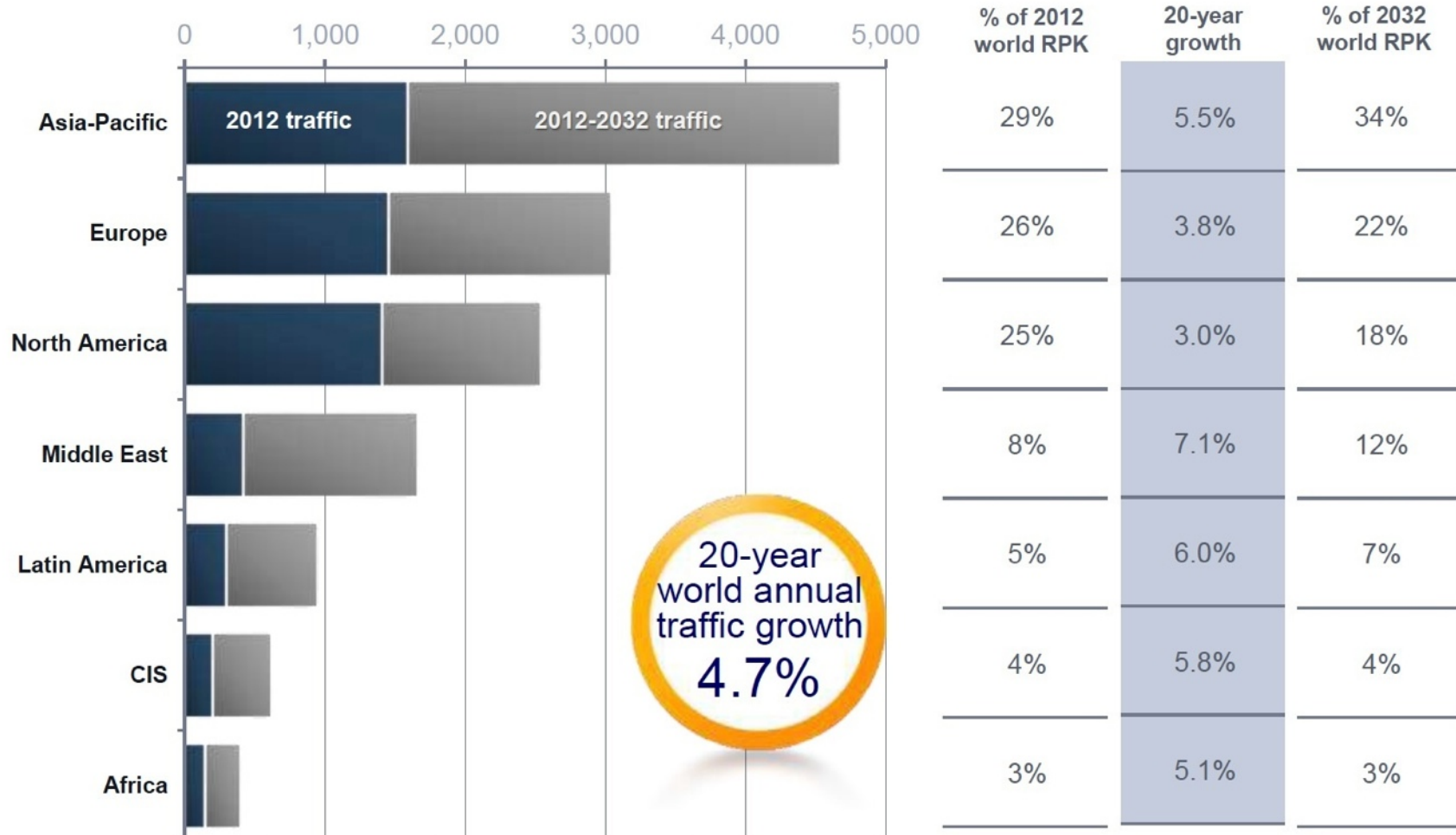
In line with the new investment scheme, Thailand's Board of Investment is considering how the country could help incentivise aerospace industry development. For that, Thai government is also preparing the Aerospace Roadmap that will help identify opportunities and business segments to be focused on.

TEBA View

This sector offers significant opportunities for European technology providers. TEBA has been working closely with the National Aviation Committee to assess the market potential and identify the gaps Thailand would be required to fill in order to achieve industrial competitiveness in the form of a Thailand Aerospace Roadmap. It is also envisaged that European companies could contribute to this study to be done under the Thai government to ensure that appropriate infrastructure is in place to establish an aerospace cluster in Thailand along with other players that are already active in the country, including the right incentives and skill development programs.

Asia-Pacific to lead in world traffic by 2032

RPK traffic by airline domicile (billions)



6

Oil & Gas

There are good opportunities for European suppliers to enter the Thailand market.



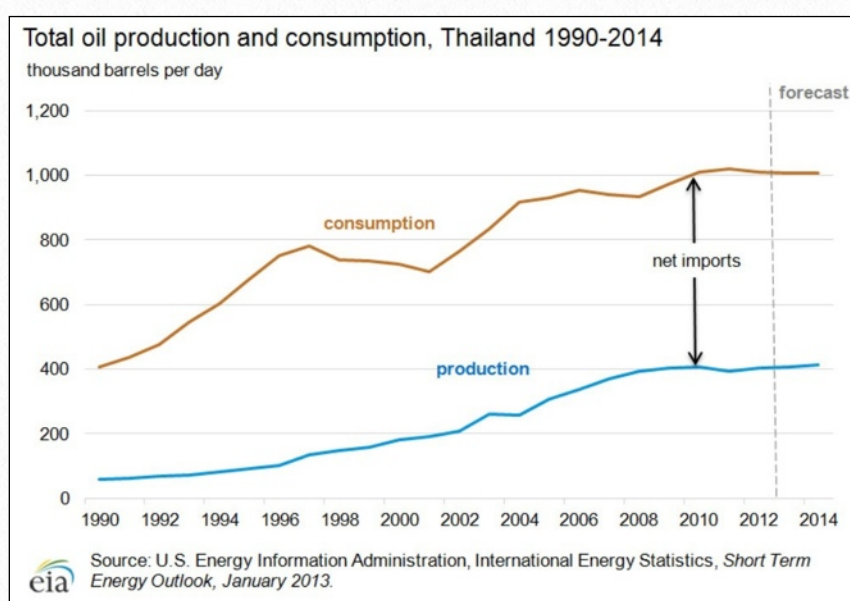
Investment in the Thailand oil and gas sector over the past 30 years has exceeded baht 1.3 trillion, of which over baht 640 billion, or half of the total amount, has been during the past five years. During this past five years over 38,500 kilometres of 2D and 10,000 square kilometres of 3D seismic surveys have been conducted, with 273 exploratory wells and 2,229 development wells.

In 2011, natural gas supply reached 930,257.4 billion BTU, condensate supply 27,521.6 MMbbl, and crude supply 36,346.3 MMbbl. With continuing exploration, onshore and offshore, reserves continue to be discovered. There is particularly good potential for new discoveries in the Malaysia-Thailand Joint Development Area, already in production, and

the Thailand Cambodia Overlapping Claimed Area, which is in dispute.

Corporate activity in upstream oil and gas is dominated by two major companies: PTTEP, the exploration and production arm of PTT, the national oil and gas company, and Chevron. There are 24 other, mostly international companies, engaged onshore or offshore. Natural gas is sold to PTT, which operates pipelines and gas separation plants.

Oil and gas companies are allowed to import duty-free equipment, with an average import total approaching US\$ 1.5 billion per year. Foreign experts are also given special facilitation, with 1,500 to 2,000 per year granted entry.

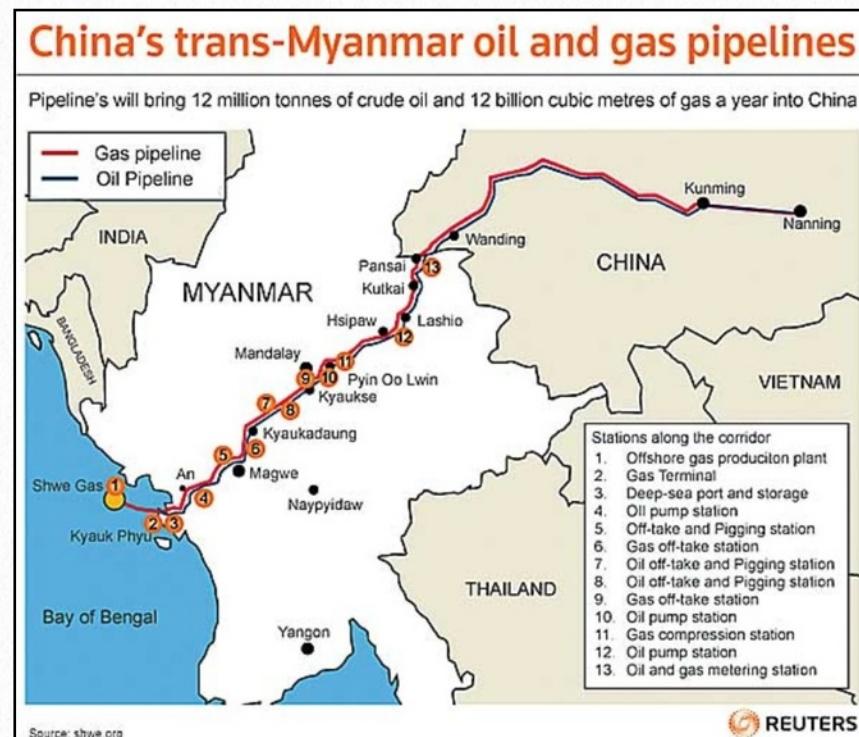


There are over 300 platforms in the Gulf of Thailand, of which 279 are production or processing platforms. Thailand has a strong complement of locally established drilling, contracting, consulting, service and supply companies. There is now a strong oil rig and platform construction industry, with cranes and other major equipment items now also being planned for local production.

Impact on Thai Gas supply

A Myanmar-China natural gas pipeline (Myanmar section), co-invested by six parties from four countries including China, Myanmar, South Korea and India, was inaugurated in northern Myanmar's Mandalay on Sunday and started to deliver gas to China.

The pipeline is part of a so-called Myanmar-China Oil and Gas Pipeline project, which also includes building a crude oil pipeline. Starting from Kuaykphyu, it passes through



Rakhine state, Magway and Mandalay regions and Shan state and enters Chinese territory at Ruili, Yunnan province through Namhkan. The gas pipeline stretches for 793 km onshore within Myanmar's territory with six processing stations, while the crude oil pipeline, which is nearing completion, starts from Made Island and extends onshore for 771 km.

The sale of natural gas to Thailand reduced to 800 million cubic feet from one billion per day which saw the supply of natural gas from Myanmar disrupted twice in past year.

Oil & Gas Sector Recommendation

There are good opportunities for European suppliers to enter the Thailand market. Thailand is an excellent base to access the Greater Mekong Region, especially the expanding Myanmar market.

A local presence through an agent or representative is the best approach to reach the market. Currently, Ministry of Energy is producing the Thailand energy master plan, which is to be released in due course. info@thaieuro.biz

7

Construction & Infrastructure

Infrastructure projects will boost Thailand's economic output by as much as 1%



The Strategic Committee for Reconstruction and Future Development (SCRF) has approved an infrastructure development plan for 2012-2016 with a budget of Bt2.27 trillion. This includes restructuring of the production and service sectors, spatial development strategy for New Economic Areas (NEAs), strategy for infrastructure development, insurance

system development as well as water resource management.

However, the government wants the private sector to invest not only in megaprojects, but also in small projects such as building residences for civil servants and making commercial use of land plots owned by the government.

SPENDING BIG ON DEVELOPMENT

Infrastructure plans for 2012-2016 under a planned 2.27-trillion-baht national development scheme approved by the cabinet yesterday including funding sources. *

| Sector | Projects ready to launch | | | Pending study | Total |
|---------------------------------|--------------------------|-------|-------|---------------|----------------|
| | Public funds | PPP** | Total | | |
| Transportation | | | | | |
| ■ Interprovincial highways | 13.7 | 102.9 | 116.6 | 70.7 | 187.3 |
| ■ Railways | 139.1 | 3.2 | 142.3 | 155.9 | 298.2 |
| ■ High speed trains | - | - | - | 481.1 | 481.1 |
| ■ Mass transit system | 6.3 | 4.3 | 10.6 | 310.7 | 321.3 |
| ■ Road networks | 168.8 | 13.1 | 181.9 | - | 181.9 |
| Marine and air transport | 9.7 | 62.5 | 72.2 | 76.3 | 148.5 |
| Energy | - | 188.5 | 188.5 | 310.9 | 499.4 |
| Telecommunications | - | 30.8 | 30.8 | 4.4 | 35.2 |
| Public utilities | 3.3 | 4.1 | 7.4 | 109.7 | 117.1 |
| Total | | | | | 2,270.1 |

* Each sector and subsector have many projects, not all of which have been studied.

** Public-private partnership

Source: The Government House

Unit: Billions of baht

POSTgraphics

Following the massive flooding in 2011 that inundated several of Thailand's key industrial estates, the government has been developing a 350-billion-baht water management plan. Public hearings on the plans have been held since August, with one in Bangkok that was meant to be held on 6th December postponed due to the currently ongoing protests. It is required that hearings be held once at the national level, four times at the regional level and 39 times in the provinces.

jecting at 2 trillion baht with extensive 81.4% spending forecasted on a high-speed rail line that would connect Thailand with China, 15% on road infrastructure, 1.5% on maritime ports and around 0.6% on border checkpoints. However, this program is currently on hold due to current political unrest.

Construction & Infrastructure Sector Recommendations

Thailand's ambition to support such development leads to significant private sector investment due to its projection to boost the country's economic output by as much as 1%. However, Thailand must also ensure that this investment must be sustainable and extremely reliable to serve its long-term goal for social and economic development.

International collaboration is required in support for knowledge and skills to build the huge operations and maintenance services. Thailand needs to ensure that its neighbours are going to make similar improvement of their own in transportation network as well as cross border trading facilitation.

CHINA'S ASIAN LINK RAILWAY PROJECT

Features

- New rail lines in Thailand, Laos and Myanmar with plans to link existing train lines in Cambodia and Vietnam
- Completion scheduled for 2015 of lines in Thailand and Cambodia
- High speed passenger train routes to be built from Bangkok through Vientiane up to Mainland China

Rail links

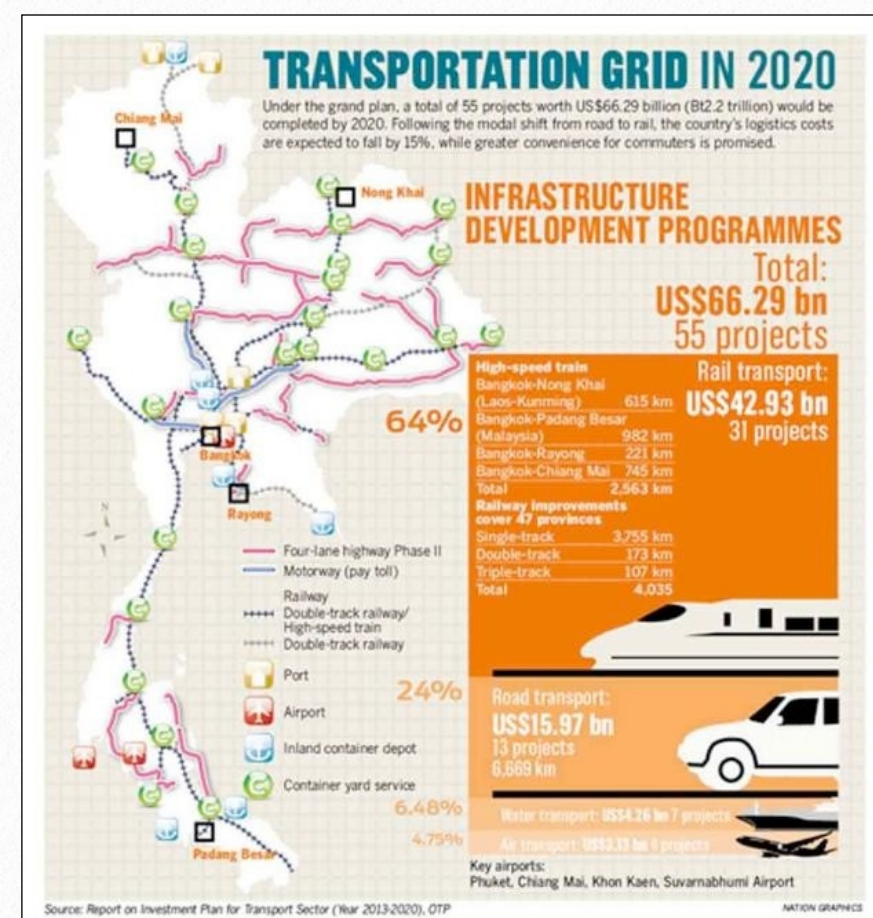
- Existing
- Missing or planned



POSTgraphics

Official contracts for development of the nine modules were expected to be signed in February 2014. It is expected that 66.52 billion baht will be spent in 2014 on the water management program.

The government also has plans under lucrative "Thailand 2020" campaign to develop the country's infrastructure, pro-



8

ICT

Opportunities for European providers to participate in the growth of this sector.



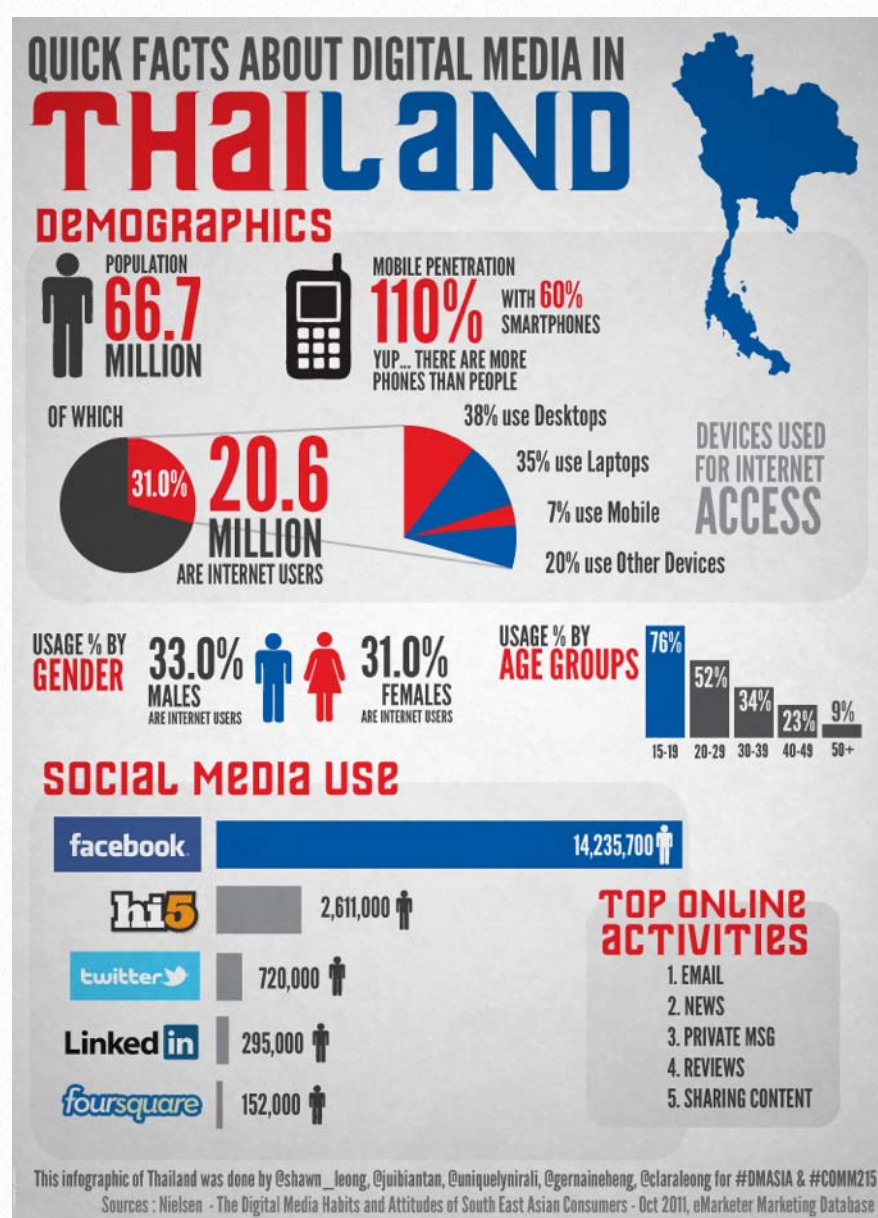
Thailand is currently in the process of expanding its digital television network and has just announced the list of qualified bidders for the digital TV channel auctions. A total of 29 companies have applied, with 24 licenses available. Transitioning from analogue to digital TV will free a significant amount of radio spectrum which can be used for mobile purposes.

The Office of National Broadcasting and Telecommunications Commission (NBTC) agency has adopted the Digital Video Broadcasting Terrestrial Second Generation (DVB-T2) format – a European digital TV system – as the standard for digital terrestrial television transmission here.

The NBTC will be allowing the private sector to participate in an auction on the licensing for 24 channels, thus extending a level playing field to prospective licensees wherein they may compete under NBTC supervision.

Broadcasting

“After the auction, we at KResearch expect that competition in the new digital TV era will become more intense as new broadcasters – possibly with the inclusion of some existing cable and satellite TV operators, plus producers and participants from other media – will enter the free-broadcast TV industry that has the largest audience base. Related businesses will benefit as well, including broadcast service companies, e.g., multiplex/channel network and content providers, plus advertising, home shopping and manufacturers/distributors of digital TV receivers and set-top boxes.”



Telecommunication

The year 2014 will also be interesting for Telecommunication sector. NBTC is to review the Interconnection Charge (IC) between mobile operators in order to provide consumers with reasonable operating costs, which is already imposed on 3G licensees. While testings are being conducted on mobile services, NBTC is also studying the standard of mobile signal coverage in particular on voice service, to ensure quality of service to the end consumer.

As mobile infrastructure is under development, it will be a challenge to impose any strict regulation on quality for the time being. NBTC's telecom committee also wanted to hold the auction for 4th-generation service using LTE (Long-Term Evolution) technology. There were about 150 million LTE subscriptions worldwide in the 3Q2013 and the number expected to reach 2.6 billion by 2019, according to a recent "Ericsson Mobility Report".

Recommended references

Resource 8.1 Thai ICT Overview




Thailand ICT Overview
Q4 2013

January 2014

<http://goo.gl/pqND5T>

9

Tourism

In 2014, the Tourist Authority of Thailand (TAT) expects 28.01 million international tourist arrivals.



Thailand experienced the greatest growth in tourism receipts, or money spent by international tourists, of any country in 2013.

Thailand's tourism receipts grew 27.5%, according to provisional statistics released in the United Nations World Tourism Organization's 2013 Tourism Barometer.

Thailand received 26,735,583 tourist arrivals in 2013, which is a 19.6% increase compared to the 22,353,903 tourists in 2012. The 26.7 million tourists was also significantly higher than the industry target of 26.1 million arrivals.

Chinese tourists were the most numerous with 4.7 million arrivals (a 68.83% increase over 2012), followed by Malaysia at 2.99 million tourists (a 17.29% increase), Russia at 1.73

| Country | Growth of International Tourism Receipts in 2013 (%) | Growth of International Tourism Arrivals in 2013 (%) |
|-------------------|--|--|
| Thailand | 27.5% | 19.6% |
| Japan | 24.6% | 24% |
| Hong Kong (China) | 20.6% | 8% |
| Philippines | 19.6% | 11.2% |
| Russia | 15.3% | 10.5% |
| Greece | 14.8% | 15.5% |
| United Kingdom | 14.7% | 5.4% |
| Turkey | 12% | 10.5% |
| India | 12% | 4.1% |
| Taiwan | 12% | 9.7% |
| Indonesia | 11.9% | 9.1% |
| Saudi Arabia | 10.9% | -7.2% |
| Macao (China) | 10.7% | 5.4% |
| United States | 10.5% | 4.2% |

million arrivals (a 31.93% increase), Japan at 1.53 million tourists (an 11.96% increase), South Korea at 1.29 million arrivals (up 11.48%), Lao PDR at 1.1 million (up 13.33%) and India at 1.04 million visitors (a 3.61% increase).

Europe is the second largest regional source of tourist arrivals to Thailand, with 6.3 million visitors, an 11.62% increase on 2012.

The recent political instability has had a dampening effect on the Thai tourism sector (especially in Bangkok and at a lesser extent in other tourist destinations), which had been growing at a rate of 20% year-on-year growth up until October. Following the onset of the instability, tourism growth has slowed to a 10% year-on-year growth. The Tourism Authority of Thailand (TAT) plans to organize big events to restore tourist confidence once the political situation in Bangkok eases inviting foreign tour agencies and members of the international media to visit Thailand after the situation in Bangkok returns to normal. It still maintains that Thailand's tourism income will reach the target of 2.2 trillion baht by 2015, with an emphasis on creating a quality market base and expanding the niche market.

In 2014, the Tourist Authority of Thailand (TAT) expects 28.01 million international tourist arrivals.

Medical Tourism

Medical tourism is a large and growing sector within Thailand's extensive tourism and healthcare industries. In 2013, 2.5 million medical tourists came to Thailand – spending the equivalent of 4 billion dollars – with such diverse origins as the UK, US, Gulf Arab States and Vietnam. Medical tourism is no new fad, with many patients travelling to foreign shores for a number of specialist treatments or perks they cannot receive at home, but the industry is reaching impressive heights in Thailand.

With this surge in popularity for Thai healthcare, it is no surprise that the government has made the industry a top priority; in fact, it is a national goal that Thailand will become the biggest Asian medical hub in the next three years. The increased interest from countries like Myanmar and Vietnam show that the wheels are already in motion.

The country is extremely attractive to potential medical tourists and international patients for a number of important reasons: it has many internationally accredited hospitals, including thirty JCI-accredited hospitals; it has experienced, often Western-trained medical professionals; it has the latest medical technology; and it has significantly lower costs of treatment when compared to corresponding procedures in the West. Taken together, all these factors – plus the country's reputation as a popular tourist destination – have made Thailand one of the world's top medical tourism destinations.

TEBA View

In the past, the Thai tourist industry has been incredibly resilient to political instability, with the industry rebounding quite quickly once events have settled. With the right measures to restore Thai tourism industry, it looks set for healthy growth.

As for health tourism, it makes sense that the government is keen to expand the sector and entice even more customers. With the goal of becoming Asia's medical hub seems to be achievable, the government must take the right approach to capture such opportunities for the Thai economy.

10

Agro-Food Industry

One of the Thailand's strongest sectors with opportunities to export to major markets.



Thailand is a main food producer of the world generating more than EUR 1.5 billion in exporting income. The country is renowned for its comparative advantage in particular with over 80% of the raw materials in domestic food manufacturing locally available.

The “Thailand: Kitchen to the world” program initiated by the Royal Thai Government aims to publicize food products and

raise awareness concerning food security, including production of food produce that are of high qualities and meet with international safety standards. This ranges from raw materials, transportation, production, value added, and distribution centers.

The main strategies are to extend the agricultural and food business network to add values on industrial agriculture prod-

ucts by utilizing advanced technology to enhance regional and international cooperation in particular in research and development to support investment promotion in Thailand and overseas.

This is one of Thailand's strongest sectors with opportunities to export to major markets such as Japan, the USA and in particular to ASEAN with a competitive workforce and plentiful raw materials. Opportunities remain in the area of food safety, semi- and processed food, preservation and packaging with increasing demand for ready-to-eat products.

International cuisine has become increasingly popular among Thais in the last 10 years. Imported processed food items include:

- fruit and vegetables
- smoked salmon, Japanese delicacies and seafood
- grain and cereal products
- chocolate and confectionary
- 100% fruit juice and drinks
- jams and spreads
- dairy products and milk powder
- spaghetti
- salted snacks
- ready-to-eat meals
- meats and meat by-products

Thailand is also a major manufacturer of halal certified food for export to the Muslim world, so there are opportunities for suppliers of raw materials with are halal certification.

Competitive environment

The US holds 10-15% of the overall imported food market but this is gradually declining with competition from Europe, Australia, Japan Korea.

The demand for imported processed food and raw materials used for re-processing and re-exporting has increased. Tax incentives, transport costs and labour costs are key factors influencing foreign companies to relocate or switch to local production.

Tax incentives are effective in Thailand's neighboring countries such as Singapore, Indonesia, and Malaysia due to the ASEAN Free Trade Area agreement.

TEBA View

To ensure Thailand becomes the food hub of Asia, the country continues to reduce tariff and non-tariff barriers to extend trade opportunities for investors with neighboring countries and key trade partners.

Recommended Reference

Resource 10.1 Thailand's Food Industry



<http://goo.gl/gJYzfg>

11

ASEAN Views

Global Recovery Should
Carry ASEAN Through Eco-
nomic Headwinds
FORBES MAGAZINE



In the year of 2013, ASEAN ECONOMIC COMMUNITY (AEC) became a very familiar term in Thailand with academia, journalists, diplomats as well as business both local and foreign policy sectors included. News stories regarding ASEAN and its community will continue to get more attention in 2014.

Myanmar: Chairman of ASEAN

ASEAN chairmanship is currently Myanmar through its alphabetical rotation and it is country's first time since joining the pact 17 years ago as a result of its democratic reforms.

Political problems in Myanmar continue. Daw Aung San Suu Kyi has publicly announced that if the government does adjust the constitution, her party will boycott the elections in 2015. In particular the section stating that a person with a spouse and children who are foreigners will not be eligible to stand for presidential election applies. This will automatically rule out her rights of a presidential debate.

Hence, this year will be marked as important for Myanmar for its political situation along with a supporting role in ASEAN for the first time.

Vietnam: Economic Trends

In 2013 Vietnam's average GDP was 5.42% better than in 2012, which stood at 5.25%, the lowest rate in 13 years, the annual inflation rate in 2013 fell to 6.04% from 6.81% in the year 2014 the Vietnamese government said that the country will begin to improve its economic conditions with the service, industry and construction and agricultural sectors. While analysts agree that the Vietnamese government has now a better understanding of sustainable economic development, they also emphasize the need to crack down on corruption to enable distribution of funds into stimulating the economy and make investments in the country even more effective.

Cambodia: Political Instability

In late December Cambodian politics heated up when around 100,000 supporters of the Cambodian National Rescue Party (CNRP) marched in the capital to demand the departure of Prime Minister Hun Sen and hold a fairer election for all parties. This is resulted from dissatisfaction with the elections in July 2013 that they were not fully transparent. Hun Sen has occupied power for 28 years. Problems of corruption, inequality in arable land rights of the poor and especially in the capital are also concerns. Cambodian political events must be watched throughout 2014.

Indonesia: Surge of the Mining Industry

Over the past year, Indonesia has been preparing its Mining Law to ban the export of mineral-ores by mining companies without smelters or refinery while regulating shipments by miners that do process ore from January 12, 2014 onwards. This has created a huge concern for the sector as it contributes to 12% of the country's GDP.

While currently ore processing in Indonesia is not enough, its remote mining areas also lack the energy to build plants. The Indonesia Mining Association will ask for the Supreme Court's opinion on the review of the law. Meanwhile, the government is working on a special regulation that will allow some operators already processing ore domestically to export raw ore for a period of 2-3 years.

ASEAN Single Visa

In early 2013, Thailand and Cambodia agreed to declare a "Single Visa " for nationals of 35 countries to enter for the purpose of tourism.

This collaboration is part of the development to have "One Visa for ASEAN". ASEAN member states will benefit hugely in particular in the tourism sector if this cooperation is fully integrated.

Recommended reference

Resource 11.1 ASEAN's Growth Frontiers and Doors to AEC



<http://goo.gl/SuDMv8>

12

Thailand-EU Relations

Thai exports to Europe reached 710.77 billion baht in the January to November period in 2013.



Total trade between Thailand and Europe reached 1,733.762 billion baht in the period January to November 2013, a fall of 2.12% compared to the same period of 2012. Trade with Europe represented 12.94% of Thailand's total trade over that period last year. Thai exports to Europe reached 710.77 billion baht in the January to November period in 2013.

This was a decline of 14.64% compared to the same period in 2012. Meanwhile, Thai imports from Europe increased 8.99% from 938.6 billion baht in the January to November period in 2012 to 1,023 billion baht in the same period of 2013.

European Commission View

The EU's trade relations with Thailand are growing. Thailand is – just after Malaysia – the EU's third largest trading partner in the Association of Southeast Asian Nations (ASEAN).

Negotiations for an EU-Thailand Free Trade Agreement were formally launched on 6 March 2013. This marked an important step in EU-Thai relations, already strengthened by a political deal in February 2013 on a Partnership and Cooperation Agreement with the text to be ratified. The ambition is to conclude a comprehensive Free Trade Agreement, covering tariffs, non-tariff barriers and other trade related issues, such as services, investment, procurement, intellectual property, regulatory issues, competition, and sustainable development.

- As one of the most economically advanced ASEAN economies, Thailand is an attractive market for EU businesses in a variety of sectors.
- Thailand is one of the most important destinations of European investments within ASEAN.

Private Sector View

Delegates from both countries met in December for the third round of negotiations. Ahead of this round, a delegation of leading activists and academics from Thailand visited Brussels to share their concerns with European Commission negotiating team and members of the European Parliament.

While FTA is recognised as the mean to replace GSP when it eventually expires, questions arise whether it will create injustice in many ways. NGOs are raising concerns on the affect on natural resource bases, wellbeing and rights of the poor including the attempt of EU to extend the intellectual property to cover genetic and bio resources, resulting in farmers having to buy seeds at high price. At the same time, accessibility of medicine which EU is requesting for extension of medicine patent protection duration, data exclusivity and the anti-counterfeiting trade agreement.

Despite losing the GSP, FTA with EU should compensate for the loss of tax privileges. However, not all beneficiaries will

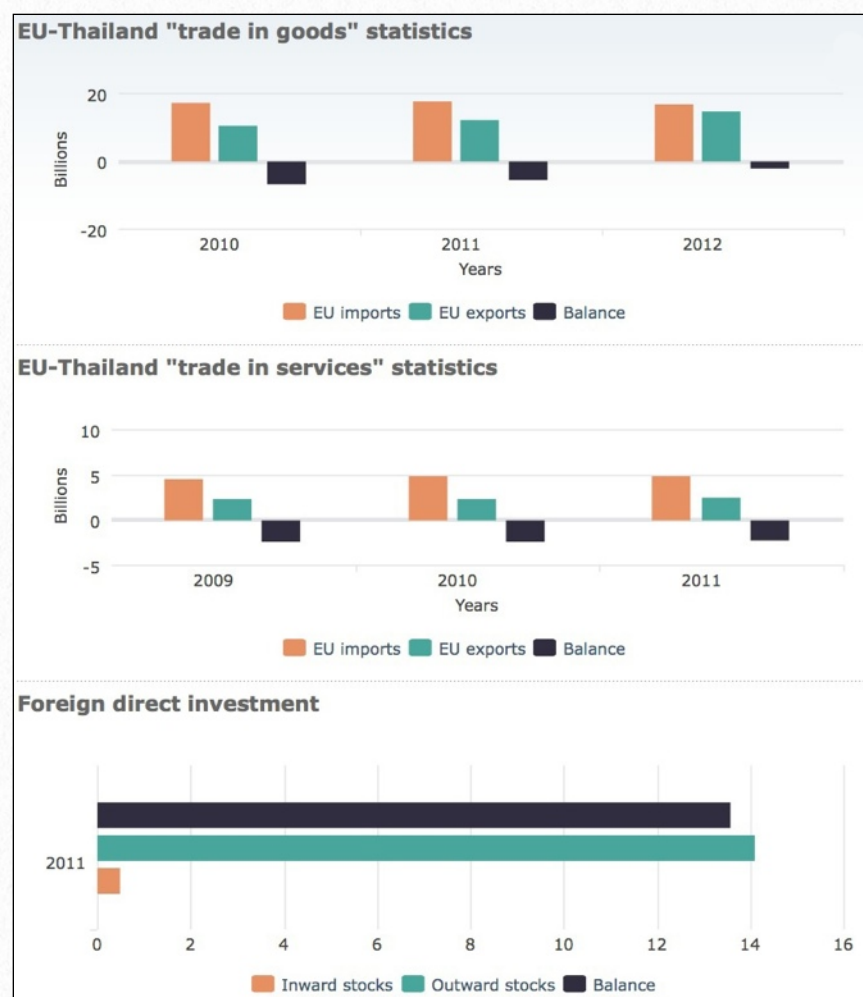
receive tax benefits under the FTA. Initial concerns over EU requests that any product export from Thailand receiving duty drawback under all schemes including BOI, section 19 BIS, custom free zones etc., to be for exemption from receiving tax benefit over the FTA. This affects manufacturers in Thailand exporting products in particularly to the EU. And also how will ASEAN Cumulative Rules of Origin be interpreted in the context of negotiation.

On the other hand, the National Association of Canned Fish and Shellfish is to once again ask the authorities of the EU for the exclusion of Thai tuna from the FTA as Thailand is highly competitive as it is the main world producer and exporter.

On the investment protection chapter, European Commission is to modify their existing negotiating directives as it became a part of the EU's common commercial policy following the entry into force of the Lisbon Treaty.

Recommended reference

[European Commission Information](#) on Thailand



Thai European Business News



BMW Group Thailand begins local assembly of MINI Countryman to mark another successful milestone of MINI. In response to increasing domestic and regional demand for premium cars from the MINI brand, the BMW Group has for the first time begun assembly of the popular MINI Countryman at its state-of-the-art manufacturing plant in Amata Industrial Estate in Rayong Province, marking yet another successful milestone of MINI since 1959 when the first MINI was built in Oxford, UK.



SUMMIT AUTO BODY, Thailand's leading Automotive supplier implemented ERP software of **SAP** to help with their business sustainable growth in order to maintain its leading position in the country and at the regional level. This will help build customer confidence and ultimate satisfaction required. Thai Summit Auto Body has targeted to help Thailand achieve its goal to become the world's 5th largest automotive manufacturer or 3 million vehicles by the year 2016.

The German **EMAG Group** has successfully introduced world class manufacturing equipment to the Thai Automotive Industry. The equipment is now utilized to produce powertrain and chassis components such as CV joints, brake discs, wheel hubs, differential carriers and high pressure pumps for OEMs such as Mitsubishi, Honda, Nissan, Toyota and Ford Motor Company.



CPF Europe SA ("CPF EU"), an indirect 99.99 percent holding subsidiary of Charoen Pokphand Foods PLC (CPF) or CPF, will acquire 80% stake in Tops Foods NV ("Tops Foods"), a company in the Kingdom of Belgium, in February. The investment value is 9 million euros (approximately 408 million baht). Investment in Tops Foods will help strengthen CPF to expand its ready-meal production base in Europe for distribution to countries within the continent and nearby.





Our Mission

TEBA provides a cooperation platform representing localized businesses in Thailand in the view to explore opportunities and at the same time enhance the competitiveness entering ASEAN in order to support trade and investment between Thailand and Europe.

Key Achievements in 2013

- Breakfast series on investment, free trade agreements, infrastructure and human resources.
- Ministerial meetings with Minister of Industry, Minister of Transport, Minister of Commerce of the Royal Thai Government and other ASEAN ministers.
- Establishment of aerospace committee: Minister of Transport's aerospace sub-committees on strategy, human resource development and incentives. Contributed concept paper on national aviation industry development.
 - Contracted by Ministry of Industry to evaluate and recommend "Kitchen to the World" phase I and II in Europe promoting Thai products and restaurants.
 - Government delegation missions to Europe and in the region to promote both Thai and European businesses.
 - Business matching and startups to Thai and European companies
 - Capacity building workshops related to FTA and recommended on opportunities and challenges for local businesses.
- Promoted businesses on Automotive and Energy, smartgrids and electric mobility and other new advanced technologies in policy making, supporting regulations and capacity building.
- Initiated HR development program to ensure that local business is supplied with quality workforce adequately.

Moving forward into 2014

- Cross sectoral breakfast series including Human Resources, Logistics, Standards and ASEAN
- Sectoral specific continuous topics of interest from last year including Aerospace / Automotive / Energy / Food
- SME support center - capacity building and business matching between Thailand and Europe

Join Us Now

As a member, we will keep you up-to-date with the latest development of various industrial and business development programs and access to our capacity building programmes dedicated to facilitate your businesses



Thai European Business Association

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