

## *Economic situation of Thailand*

### ॐ Socio-cultural profile of Thailand

<b>Area</b>	: 513,120 sq. km.
<b>Climate</b>	: Tropical monsoon
<b>Population</b>	: 63 million
<b>Annual Birth rate</b>	: 1.1 %
<b>Ethnic groups</b>	: Thai 89%, other 11%
<b>Religions</b>	: Buddhist 94.6%, Muslim 4.6%, Christian, Hindu, Brahmin, others
<b>Education</b>	: Literacy 95 % male, 91% female
<b>Health</b>	: Life expectancy 67.9 years male, 74.9 years female
<b>Government Type</b>	: Constitutional monarchy
<b>Independence</b>	: Never colonized ; traditional founding date 1238
<b>Government Branches</b>	: King (chief of state), prime minister (head of government)
<b>Political parties</b>	: Multi-party system but Communist Party is prohibited.



### ॐ Thailand's economic situation in brief

The industrialization strategy in Thailand in the late **1950s** focused on expanding investment in infrastructure and primary education, increasing agricultural output, and promoting import-substitution industries.

A worsening balance of payments in the late **1960s** led to a policy shift toward the export promotion.

Worldwide recessions following two oil shocks, together with domestic political unrest in **1970s**, led to a slowdown in real GDP growth. But the Thai government reacted quickly and efficiently by adopting a series of adjustment policies and reforms.

The economy accelerated sharply in **1980s**. Rapid growth was characterized by surging exports and investment boom.

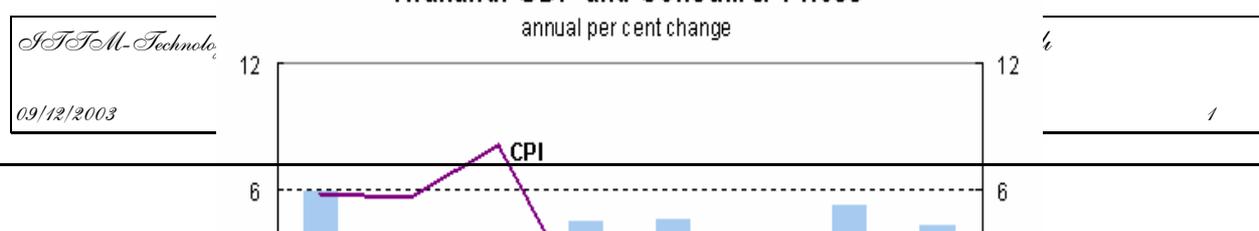
**At the start of the 1990s**, a combination of trade expansion, private investment, and tourism provided powerful driving forces that gave Thailand 3 consecutive years of double digit growth.

Economy began to slow down once again toward **the mid 1990s**, this time not a result of world recession, but because of competition.

**In the late 1990s**, Thailand economy suddenly faltered under its heavy financial burden – export almost came to a standstill, the international financial position worsened, the baht weakened, and Thailand went into its worst recession in recent history.

**By early 1997**, the Thai economy was in serious crisis in many areas. Several short and long term measures were introduced to revive certain sectors and slow the of the others. Economic growth for 1997 estimated to be negative.

**Thailand: GDP and Consumer Prices**



## *Economic situation of Thailand*

**After the crisis, by the year 1998**, Thailand began rebuilding from the crisis under an IMF-led assistance package worth US\$ 17.2 billion, which allowed Thailand to rebuild its depleted foreign exchange reserves and eventually to stabilize the currency.

**Beginning in early 1999**, with the macro-economy stabilized, the government increasingly focused on stimulating domestic demand and investment through a variety of programs outlined in major stimulus packages.

Thailand entered a recovery stage **in 1999**, expanding 4.2% and grew about the same amount in 2000, largely due to strong exports - which increased about 20% **in 2000**.

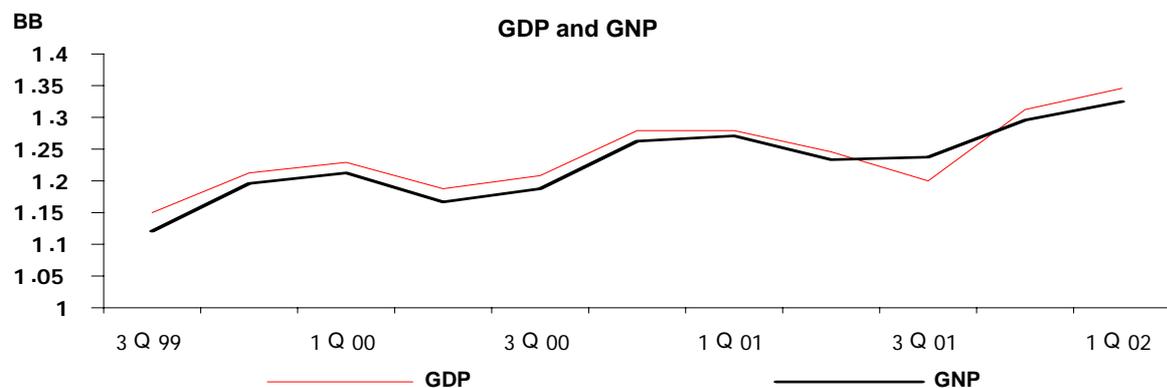
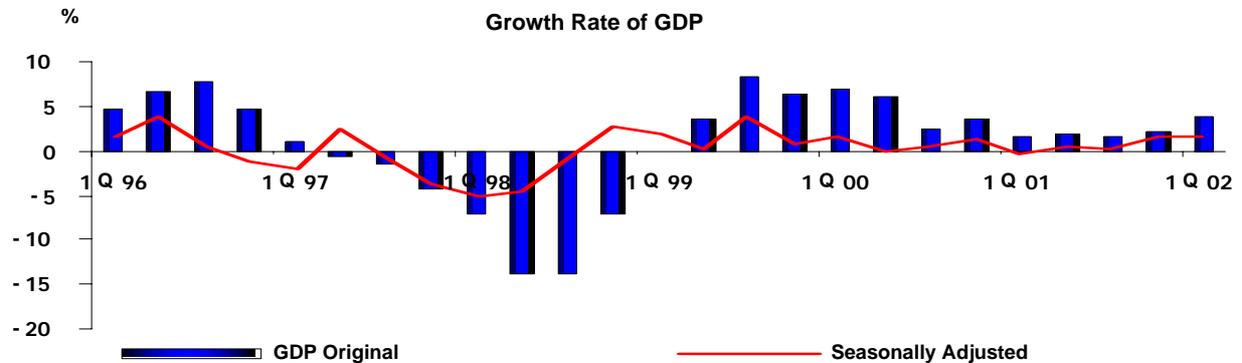
**With the year 2001**, the Thai economy grew by 1.9% compared with the same period last year, slightly higher than 1.8% growth in the first half of this year. For the first half of this year, GDP growth was 1.9%. Private consumption and overall investment were key contributors to growth in the second quarter. Surge in overall investment was largely driven by public sector while growth of private investment started to slow down particularly in machinery and equipment in accordance with export slowdown and low capacity utilization.

The Thai economy grew by at a rate of 3.5-4.0 percent **in 2002**. The recovery of internal and external demand played an important role in restoring the economy. Private consumption and investment anticipated to continue expanding, due primarily to the recovery of both business and consumer confidence and a low interest rate environment, as well as effective government policies.

**Internal supporting factors** composed of (1) low interest rate which the Bank of Thailand and commercial banks lowered had stimulated durable good consumption (2) higher farm prices leading to greater farm income (3) the rebound of the stock index by 34 % compared with the end of 2001 enhancing shareholders' wealth and boosting investors' confidence and (4) successful stimulus program in real estate sector such as lowering transfer fee, and measures supporting civil servants to have their own houses.

## *Economic situation of Thailand*

**External supporting factors** consisted of (1) lower oil prices in the world market compared with the same period of last year and (2) the recovery of the global economy, which started to positively affect Thai exports.



And also, **Exports** have been a key component of Thailand's post-1997 economic recovery, despite falling sharply through 2001 in line with softening consumer and business demand in its key US and Japanese markets. Thailand's trade performance rebounded strongly in 2002, with exporters achieving over 10% growth in US dollar terms. As a result of stronger exports, Thailand achieved a 2002 trade surplus of about \$US 4.5 billion. And it is expected that approx. \$US 7.8 billion for 2003.

The pace of Thailand's economic recovery has exceeded all expectations and current forecasts predict 2003 growth within the Bank of Thailand's 3.5-4.5% projected range. Growth, was led by employment, rising farm income and higher investment. Consensus predicts growth of 4.2% in 2003, but much depends upon the timing and strength of a rebound in the US economy. A shaky world economy tested the recent strength of Thailand's external trade in 2003, but a repeat of the 1997 financial crisis is now accepted as unlikely.

### ॐ Technology Transfer in Thailand

**At the initial stage of industrialization the process of technology transfer is invariably a story of developed and developing countries, where**

## *Economic situation of Thailand*

**developed countries are generators of technologies which they then transfer to developing countries.** However, several studies show that these inflows of foreign technologies and technical knowledge are not automatically transferred into the economy. What are missing are market mechanisms, such as imports of machinery, equipment, technical agreements and know-how licensing.

Technological transfers are required at all stages of research and development on every sector in Thailand. For that reason, Thai governments have established several R&D institutes supporting technological transfers. The Thailand Institute of Scientific and Technological Research (TISTR) is an most important of them which is the supporter of research, development and engineering in scientific and technological areas critical to the country's development economically. It is very active in transferring technologies developed from its R&D activities to industries.

**The main aims of TISTR can be summarized as follows :**

1. To initiate and conduct research and to provide scientific and technological services to state agencies and private enterprises for the country's economic and social development.
2. To conduct scientific and technological research in order to promote the utilization of natural resources appropriate to economic conditions, environment, health and welfare of the people
3. To improve productivity in accordance with government policies by propagating the results of scientific and technological research to benefit the country in agriculture, industry and commerce.
4. To train scientific and technological researchers
5. To provide testing and measuring and other scientific and technological services.

And the mission and responsibilities of TISTR are given as :

1. To transfer TISTR technology to industries and rural areas
2. To manage research centers in provincial areas in order to create an environment of research centers.
3. To provide consultancy services to government and the private sectors.
4. To offer training program in science and technology



### *Investment climate*

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

**Given the Thai economy's long-term dynamism and diversity, there are many industry sectors with attractive opportunities for foreign companies.** As a general observation, companies that made long-term strategic decisions to invest and manufacture on Thailand have not changed their minds about the merit of their strategy, although many of them have revised their short-and medium-term tactics to cope with the financial crisis.

## *Economic situation of Thailand*

Nonetheless, the combination of industrial growth and developmental growing pains means significant opportunities for foreign firms interested in taking on the challenge of this complex, but rewarding, market.

### *ॐ Most promising sectors for Technology Transfer to Thailand*

- Airport and ground support equipment
- Water resources equipment and services
- Pollution Control equipments
- Automotive parts/ services equipments
- Medical equipment
- Laboratory and scientific instruments
- Education/ training services and supplies
- Franchising
- Food processing equipments
- Computer software, computer services, electronic components, computers and peripherals telecommunications equipment
- Leasing services
- Electronic industry production / test equipments.

#### *Airport and ground support equipment*

Construction of the New Bangkok International Airport, with a budget of approximately US\$ 3.5 billion, has budget of scheduled for completion in late 2005.

The construction of this new airport will follow its original master plan of two runways and one passenger terminal designed to accommodate 30 million passengers annually. Some US companies are strongly encouraged to participate as suppliers from this project since there are no specific requirements for materials, equipment and components.

To cope with increasing passenger demand, the government has also decided to invest US\$ 118.9 million in expansion and improvement of the existing international airport.

The best prospects for Airports and ground support equipment and services, in the near term, are as follow: navigational aid equipment for control towers, instrument landing systems, passenger bridges, baggage handling/detection systems, and aircraft refueling system.

#### *Water resources equipment and services*

Water resources development and management has always been a Thai government priority and a budget of approximately US\$ one billion is allocated each year for this, with some water resource projects also financed by loans from international financial institutions or by aid from foreign government.

There is a growing demand for engineering services and equipment required for water resources development comprises engineering design, construction and equipment and has growth potential for international engineering consultants in the design of projects requiring advanced technology.

Best prospects in this US\$ 632 million market include; project engineering and management consultancy, and direct investment/participation in state enterprises' privatized projects.

#### *Pollution control equipments*

## *Economic situation of Thailand*

Thailand's pollution control equipment market has grown continuously over the past two years, despite the recession. Environmental infrastructure demands such as water treatment processors wastewater treatment systems, solid waste and medical waste disposal facilities, and air pollution monitoring stations are major concerns in the fiscal budgets of government sectors.

Best prospects in this US\$ 159 million market are; air pollution monitoring devices and instruments, odor control systems and monitors, solid waste medical waste and hazardous waste incineration systems and accessories, solid waste landfill components and equipment, industrial wastewater treatment chemicals/equipment and sludge de-watering systems, water purification and distillation parts and equipment for industrial processing, and sewerage pipe cleaning machines and equipment.

### *Automotive parts / service equipments*

Thailand has directed its policies at becoming an integrated automotive hub for the region and this year exports are expected to grow 44 per cent with vehicle exports reaching 180,000 units. With rebounding domestic sales, change of government policies governing the industry, and a competitive after-sales service sector, the US\$ 6,520 million market offers opportunities in OEM parts and components, accessories, know how in parts manufacturing, equipment for tire and brake centers, pumps of all kinds, and emission control testing equipment.

### *Medical equipments*

As the economy improves, imports of medical devices are expected to increase with an estimated market growth rate of 12 per cent. This growth will derive mainly from the private sector, as the governments is still cautious in spending on upgrading government facilities. The private hospital sector is recovering and shows good potential for the medical device market. In this US\$ 249 million market, the best sales prospects are; heart valves and artificial blood vessels, stents/ cardiovascular equipment and accessories, disposable diagnostic test kits, respiration/ resuscitation devices and accessories, dental hand pieces and accessories, and non-invasive surgical equipment.

### *Laboratory and scientific instruments*

The demand for laboratory, scientific and testing equipment in Thailand is expected to grow by about 13 per cent over the next few years due to upgrading of college and university laboratories, increased compliance with international standards, completion of a Science Park Project under the Ministry of Science, Technology and Environment, and the increasing importance of environmental and pollution issues. Best sales prospects in the US\$ 236 million market are: gas analyzers, chromatographs, spectrometers, incubators, wafer meters, and analytical instruments.

### *Education training services*

As the Thai economy stabilizes, an even larger number of Thai students will seek to study abroad. Some foreign language education institutions and ESL programs must gain greater exposure to potential students in Thailand in order to maintain their narrowing

## *Economic situation of Thailand*

advantage in this US\$ 590 million market. Best sales prospects in this field include; education and training equipment, educational games and toys, English language schools, computer training centers, and examination preparatory schools.

### *Franchising*

The franchise industry is very popular among Thai investors and this is one of the very few sectors expecting average growth of 30 per cent over the next few years. The quality, standards and innovations offered by US franchises are well known to potential investors, although franchising fees are perceived as very high and start-ups require a large capital investment. The best sales prospects for foreign franchises in this US\$ 1,950 million market are; food and restaurant franchises, retail and convenience stores, hotel chains, service franchises such as automotive after sales services, cleaning and maintenance services, and internet related services.

### *Food processing equipments*

The recession caused the food processing equipment market to contract by 40 per cent to US\$ 317.5 million in 1998. However, the food processing equipment market improved dramatically in 1999, and is expected to continue to grow by 20 per cent annually over the next few years. The best sales prospects in this US\$ 457.2 million market include; cooking or heating machinery, water filtering or purifying equipment, fruit/vegetable/herb processing equipment, snack food and confectionery equipment, and fast / convenience food equipment.

### *Computer software and services*

Thailand's computer software and services market was the least impacted by the economic crisis compared to other sectors in the IT market and expects the highest growth rate in value, starting at 14 per cent in 1999. Thailand has increasingly accepted IT as a means to enhance its competitiveness as the country moves towards business globalization. The market value ratio of hardware, software, and services for 1999 is projected at 51 per cent, 19 per cent and 30 per cent respectively. The 1999 computer service market represents US\$ 52 million for maintenance services and US\$ 153 for professional services. The breakdown between revenues of foreign and locally owned companies is roughly 65/35 with the US commanding an 80 per cent share of foreign companies' revenue. The US is the leading computer service provider with an excellent reputation for quality and enhanced technology.