

• STCC President's word

Dear Members

First of all I would like to wish all members a fulfilling and Happy 2007.

During the past year Thailand experienced turbulences and many things happened that were simply unthinkable a year ago.

With the sale of Shin Corp by the former Prime Minister's family the undisputed authority of the former Prime Minister and his government eroded very fast and culminated on 19th of September with a military coup.

The new government installed by the coup leaders was warmly welcome and high hopes were placed in the appointed Ministers. Even though the investigations into the alleged corruption cases have been very slow the people strongly supported the Surayud Government till the New Year Eve bombings. Since the bombings the support for this government has been sliding very fast and fear has spread throughout Bangkok. Let's hope that the culprits of the bombing will be caught and brought to justice and that peace and social order can return to the normally peaceful Bangkok. The political outlook is still unclear and it will take some more time to see a clearer picture in which direction Thailand is heading.

The Shin Corp / Temasek deal started also very negative developments for the foreign investors in Thailand. For political reasons the opposition to the former Thaksin government started to investigate the structure of the Temasek takeover and pointed to nominee structures in breach of the Foreign Business Act (FBA). With the new government in charge a committee under the Ministry of Commerce has been established to review the FBA and to make recommendations to Minister Kirk-Krai Jirapaet. End of December 2006 this committee recommended to re-define "Alien". Under the present FBA only the shareholding defines whether a company is "Alien" or "Thai". The working group recommends that the control of the company should determine whether a company is "Thai" or "Alien" and not only the shareholding. If the majority of the Board Members of a company are foreigners the company would be defined as "Alien" even though the majority of the shareholders are Thai. Their recommendation goes further, that companies that would fall with the new definition into the category of "Alien" will either have to apply for a license under the FBA or would have

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to restructure the company to comply with the new regulations.

Such a development would be very negative and only drive needed Foreign Direct Investments away from Thailand. The recent announcement by the Bank of Thailand to retain 30% from the incoming foreign funds showed how sensitive the international community reacts to an unstable economy. The stock market experienced its worst ever drop. Multinational companies are reassessing the country risk and guarantees issued by the Headquarters might be withdrawn with such negative developments. Thailand simply can not afford to have a second blunder with the FBA after the negative impact of the new Bank of Thailand regulations and the recent bombings!

The Swiss Thai Chamber of Commerce in cooperation with the Swiss Embassy and the Joint Foreign Chambers of Commerce has been active in lobbying that the FBA should be liberalized and not tightened and going backward as the recommendations from the working group goes.

The Annual General Meeting of the Swiss Thai Chamber of Commerce will take place on 30th of January at 17.00 at the Amari Watergate. The invitation with all relevant material will be sent out in due course.

I would like to thank all members of the Swiss Thai Chamber of Commerce for the support I could enjoy as the President of this Chamber over the past six years. After six years a change is inevitable and new views and energy should bring the

Chamber to the next level. At the forthcoming AGM I will step down as the President but will remain a candidate to be a Board Member. Looking forward to seeing all of you at the forthcoming AGM

With best regards
Nandor von der Luehe, President
president@swissthai.com

- **Business / Economy News**

Monday, 18. December 2006, turned out to be a big surprise for foreign investors. The Bank of Thailand announced a series of new measures aimed at reducing short-term speculative capital inflows that pushed the Thai Baht to a nine year high. The measures were a significant escalation of Thailand's battle to stop and stabilize the appreciation of the Thai Baht. Financial Institutions are required to withhold, for a period of one year, 30% of Baht purchases of more than US\$ 20,000, except those related to trade in goods and services or repatriation of investments abroad by residents. This drastic and draconian measure took the market by surprise and caused the SET index to plunge 108,4 points, or 14,8%, to close at 622.14 in heavy volume on the next day. In reality, this means if a foreign investor allocates, say Baht 100 million to the Thai bond market, the investor could only buy Baht 70 million of bonds, whilst the remaining Baht 30 million would be withheld by the Central Bank, earning no interest. If the investor wanted to withdraw the funds in less than one year, only two-thirds of the amount would be returned. While this announcement was a very unwelcome development for foreign investors, one should not forget that capital controls have a long history in Asia. However, it is important to recognize that Thailand is in a far better position than in 1997, since it has now, like many other countries in Asia, a substantial balance of payment surplus. Foreign reserves have also climbed steadily and are equivalent to 5 months of imports.

The equity market sell-off is likely to continue, at least in the short term. Whether the announced measures will have an impact on the Thai Baht is still uncertain. The Baht might be weak in the short-term, but if regional currencies continue to appreciate, it will be difficult for the Baht to move into a different direction. It appears, however, that the economic impact of those measures will in

general affect the equity markets and a most likely result in a decline in foreign investment into Thailand, rather than result in any currency weakness.

The economic outlook for East Asia and Thailand in particular is still positive, as falling world oil prices and local interest rates as well as a pickup in government spending should help to boost economic growth in 2007. While private consumption and investment in Thailand have slowed down in November compared to previous month, the economy remained stable due to gains in export and revenue generated from tourism. The economy is expected to post a 4% to 5% growth in 2006, with similar growth rates projected for 2007. Bond yields are expected to rise one or two percentage points in 2007 due to lower demand in the market as a direct result of the capital controls. It appears that the 30 % reserve rule on foreign inflows into the bond market will push up bond yields and will hurt the market over the long-term.

Downside risks are similar to those faced throughout 2006, such as financial market turbulences, sharply higher oil prices, lower than expected slow-down in the US economy, adverse geopolitical events and avian-flu pandemic, and last but not least, a prevailing instable political situation in Thailand.

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- **Legal Matters**

Summarization on the proposed change of the Foreign Business Law.

There are 3 main issues of amended draft to be pointed out as follows:

1. The amendment of the term "Foreigner". Formerly, the meaning of foreigner will be merely considered from the proportion of shares/value of investment held by the foreigner whereas the voting right shall also be taken into consideration under the amended draft i.e. if the foreigner had a voting right of half or more of a juristic person, such juristic person shall be deemed the foreigner. This is for the protection of an issuance of preferred shares to foreigner whose investing less than the Thai nationals to have more voting right than Thai counterpart.

As to the following already-operated businesses, which were impacted by the said amended term causing them to become the foreigner, shall receive a concessive period to further conduct their business operation:

- (1) Businesses under List Three, which mostly concern service business, could pursue their operation until discontinued.
- (2) Businesses under List One and List Two, which affect the stability of natural resources, environment and culture, will be given 2 years concessive period to continue their business as well as to avoid immediate impact on investment.

2. The amendment of punishment. Any foreigner, who violates the laws by operating non-permitted businesses or being a substitute shareholder, more excessive fine and daily fine will be raised up to five times: fine from Baht 100,000 – 1,000,000 to Baht 500,000 – 5,000,000; and daily fine from Baht 10,000 – 50,000 to Baht 50,000 – 250,000 while the imprisonment still remains the same. Since the fine is increased, a concessive period will be given to the previous violator for their adjustment to be in accordance with the law. The violator is required to inform the official within 90 days and to correct such violation within 1 year. This is to persuade the foreigner to act according to the law.

3. Improvement of Business Control List

- (1) Revocation of businesses being already supervised/controlled by other laws or government agencies and such agencies directed the Ministry of Commerce to revoke the control over such businesses such as guided tour, trading in non-delivery agricultural commodity futures and related businesses, derivatives instruments and related businesses, banking business, funding business, credit foncier.
- (2) Permission is required for both small and large retail business.

This amendment of law shall not affect the foreigner's businesses operating in the field of industry, export business and business promoted under the investment promotion law in any respect.

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• **Joint Foreign Chambers**

Thailand is changing ... but in what direction?? After the coup came the new visa laws, then the new Bank of Thailand rules, then were the bombings and now the FBA amendments ... just wondering what will be next?

By the way: please note two further changes: The One – Stop Service Center for Visas and Work Permits of the BOI was moved to a new location at Rasa Tower 2; 16th Floor, 555 Phaholyothin Road, Chatuchak, Bangkok 10900 since 25 December 2006.



The other One-stop Visa Office at the Ministry of Labour has now only very limited competence and can not issue visa renewals any more, only 90days reports can be filed.

Back to square one.

Position Approvals at BOI

Some members have reported that it is becoming difficult at the BOI One-stop Office to receive the position approvals for foreign managers and specialists, even all known conditions are fulfilled. Kindly check with your staff handling this subject and inform us about your experience during 2006. Looking forward to your feedback to

info@swissthai.com , Thomas Gerber, ED

- Swiss Embassy News

No news.

- Events Calendar

- **AGM, Tuesday, January 30, 2007** at
AMARI WATERGATE HOTEL, 847 Petchburi Road
TIME: 17:00 hrs. > Registration from 16:30 onwards
MAP see at:
<http://www.amari.com/watergate/fastfactslocation.asp>
Price: THB 700.00, cash at door, booking is binding
The invitation will be sent out soon.

- **Up coming STAMM, Thursday, February 8, 2007**
will be hosted by the AMATA Group.
Time: 17:30 - 21:00 hrs.
Location: Rooftop of the Kromadit Building in New
Petchburi Road (Sony repair center, 6th Floor)
Details will be announced soon.

For more information please see Events at
www.swissthai.com

- Miscellaneous

- **Manpower:**
Please go to our website www.swissthai.com >
"Members" > "Classifieds" where you will find
interesting manpower offers to be contacted
directly. Direct link:
http://www.swissthai.com/upshow_classifieds.asp

- **Trade Fairs**
Please visit the following sites for detailed info:
www.cmpthailand.com
www.impact.co.th
www.bitec.net
www.tradefairs.ch

- Secretary

Please be so kind and inform us about any
changes in your contact information.

Member List

If you need a hard copy of our member list please
contact the secretary at secretary@swissthai.com.

- Membership fee 2007

The invoice for the membership fee of this year will
be sent out soon. We thank you in advance or a
prompt settlement.
secretary@swissthai.com

- Comments from our Members

This place is reserved **for our members!**
If you have any suggestions, a wish or you want to
bring us closer to your business, please do it here.
Thank you.
secretary@swissthai.com

- Swiss Society Bangkok

For social activities, please check the following
address: www.ssb.or.th

- Useful Links

- Swiss Trade Promotion Office
www.osec.ch and www.osec.ch/newsletter
- CH Foreign Trade
www.swisstrade.com
- CH News Paper NZZ
www.nzz.ch
- Swiss Embassy Bangkok
www.eda.admin.ch/bangkok
- State Secretariat for Economic Affairs
www.seco-admin.ch
- World Economic Forum
www.weforum.org
- Swiss Business Federation
www.economiesuisse.ch
- Swissinfo
www.swissinfo.org
- The Federal Authorities
of the Swiss Confederation
New outfit please have a look.
www.admin.ch

- EU launches on-line helpdesk to foster developing country access to EU markets
<http://europa.eu/int/comm/trade/issues/global/development/thd-en.htm>

- Interesting links in Thailand
www.yellowpages.co.th
www.thailandexportguide.com
www.eguide.co.th
www.tradepointthailand.com
www.bankok.com
www.thailand.com
www.thaiwebsites.com

- Department of Export Promotion's websites:
www.deptahai.go.th and www.thaitrade.com

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Next Newsletter: April 2007
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