

THE ASEAN BUSINESS OUTLOOK SURVEY 2011

THAILAND REPORT



Compiled by:

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INTRODUCTION

Research Background & Objectives

The American Chamber of Commerce in Singapore (AmCham Singapore), in cooperation with other AmChams in the ASEAN region, conducted a study among U.S. companies based in seven Southeast Asian countries: Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

This study is now in its 10th year. The purpose of the study is to understand members' outlook on business growth in Southeast Asia and their perceptions about a series of local factors. The members surveyed were senior executives, working with a company held by or with an American majority interest. AmCham Singapore developed a survey design using a web-based instrument.

This report presents the feedback received from executives of U.S. companies in **Thailand**.

Survey Methodology

Table 1.1

| | |
|--------------------------------|---|
| Survey Scope: | Senior Executives of U.S. Companies based in Thailand |
| Sample Size: | A list of 286 AmCham members with e-mail contacts was provided by AmCham Thailand. Response rate was about 31% (88) at the end of the data collection period. |
| Data Collection Method: | Web-based, self-administered survey. No enforcement on participation. |
| Data Collection Period: | May 18 to June 8, 2011 |

Note: Percentages in graphs may not add to 100 due to respondents selecting "I don't know" or "Not applicable."

Sample Profile

(See Appendix D)

- About half of the Thailand respondents (53%) have responsibility for multiple countries.
- The portion of respondents whose companies are in the services sector increased from 44% in 2009 to 52% in 2010, and remains at that figure in 2011. The percentage of respondents in the manufacturing sector decreased slightly from 38% in 2009 to 34% in 2010, and continued the decrease in 2011 to 29%. The combined force of these changes results in a slight increase in the services to manufacturing ratio (from 1.5:1 in 2010 to 1.8:1 in 2011).
- This shift occurred mostly because of relatively significant decrease in two manufacturing sectors—the manufacturing of electronics and of machinery and equipment.
- 32% of respondents said that their companies had less than 50 employees in the region, and 48% stated that their companies had a workforce of between 50 and 500 employees in the region.
- The largest portion of respondents (48%) had a turnover of between \$1 million and \$50 million in Thailand, and Thailand turnover accounted for less than 5% of global turnover for more than half of respondents and between 5 and 25% of ASEAN turnover for 31% of respondents. Singapore held the next highest ASEAN turnover for 25% of respondents.

BRIEF SUMMARY

BUSINESS OUTLOOK

World Economic Outlook:

- 44% predict a better or much better performing economy in 2011 than in 2010. 54% of respondents predicted a better economy in 2010 than in 2009.

Current Business Climate:

- Respondents facing significant financing constraints decreased from 27% in 2010 to 21% in 2011.
- A small but increasing portion of respondents face higher costs of borrowing (34% in 2011, 27% in 2010)

Importance of ASEAN Markets in Global Business:

- 66% of respondents feel that ASEAN markets have increased in importance to their companies in the past two years.
- Respondents expecting ASEAN importance to increase in the next two years rose from 60% in 2009 to 71% in 2010 and 82% in 2011.

Effectiveness of ASEAN:

- 79% of respondents find ASEAN integration important to helping their companies do business in the region.
- 80% of respondents use the ASEAN FTA.
- 61% of respondents use the ASEAN-China agreement.

Business Direction and Movement in ASEAN:

- 71% of respondents' companies expanded in ASEAN in the past two years. 85% of respondents plan to expand in the next two years.
- The largest portion (31%) of respondents plans to expand in Thailand.

Profit Outlook:

- 64% expect a profit increase in 2011.
- 81% expect a profit increase in 2012.

Workforce Expansion:

- 62% expect a workforce increase in 2011.
- 33% of respondents expect an increase of 5% to 10%.
- 49% expected such a workforce increase in 2010.

FACTORS IMPACTING BUSINESS IN THAILAND

Economic Conditions:

- 76% expect the overall Thailand economy to expand.
- 83% expect an increase in cost of living.
- 72% expect an increase in interest rate.
- 67% expect the Thai Baht to appreciate against the U.S. Dollar.
- 60% expect an increase in housing cost.

Figure 1: World Economic Outlook in 2011 in Comparison With 2010 Economy

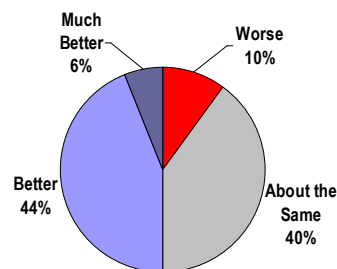


Figure 2: Growth of ASEAN Importance over Next Two Years

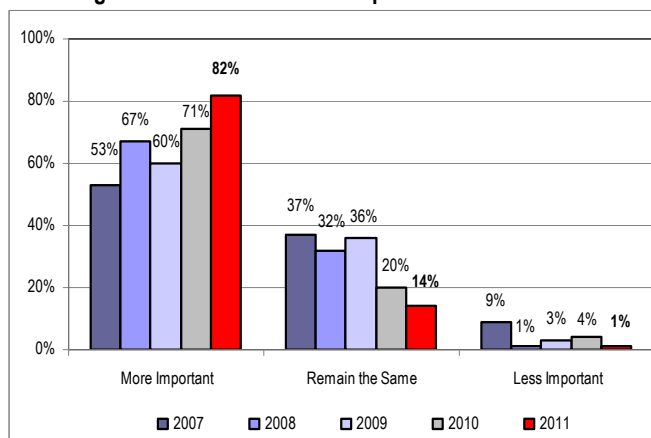


Figure 3: Profit Outlook 2011

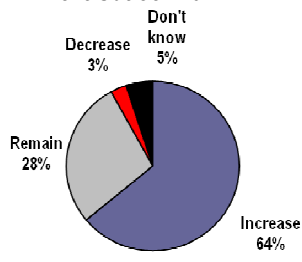
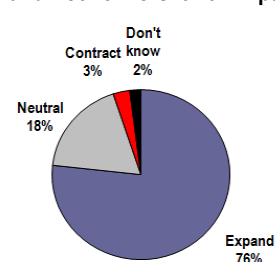


Figure 4: Expectations of Thailand Economic Growth Expansion



| Major Strengths (% Satisfied) | Major Concerns (% Dissatisfied) |
|--------------------------------------|--|
| Sentiment Towards the U.S. (67%) | Corruption (61%) |
| Infrastructure (59%) | |
| Housing Cost (58%) | Stable Government & Political System (59%) |
| Personal Security (58%) | |
| Office Lease Cost (57%) | |
| Availability of Low Cost Labor (48%) | Local Protectionism (50%) |

2. BUSINESS OUTLOOK

2.1 World Economic Outlook

Figure 2.1.1: Expectations for performance of world economy compared with 2010

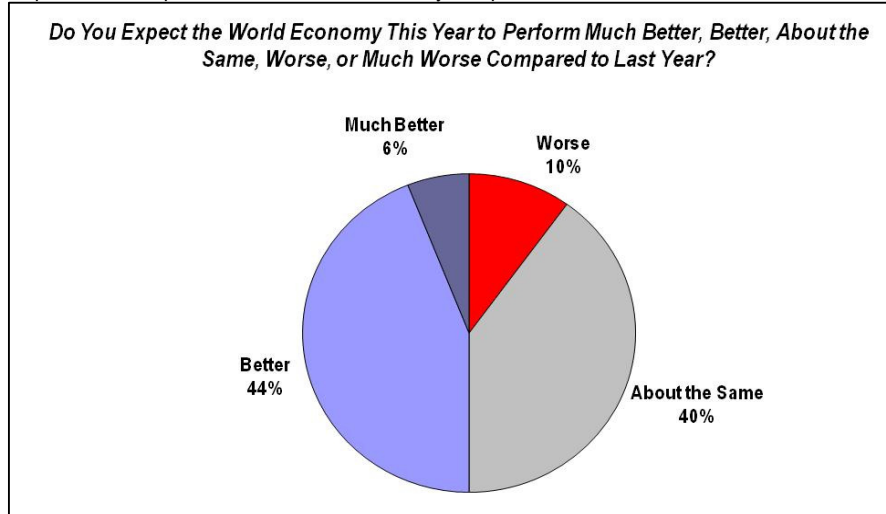
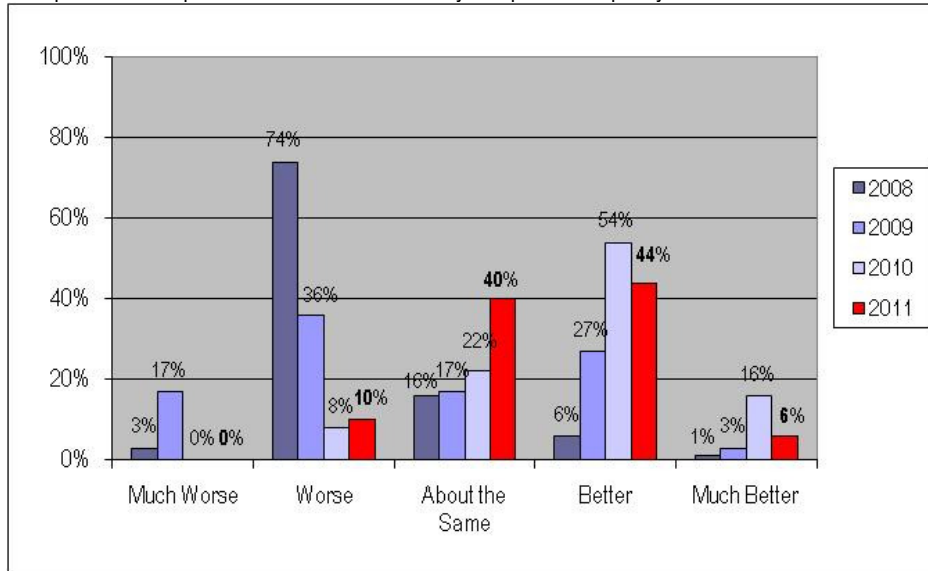


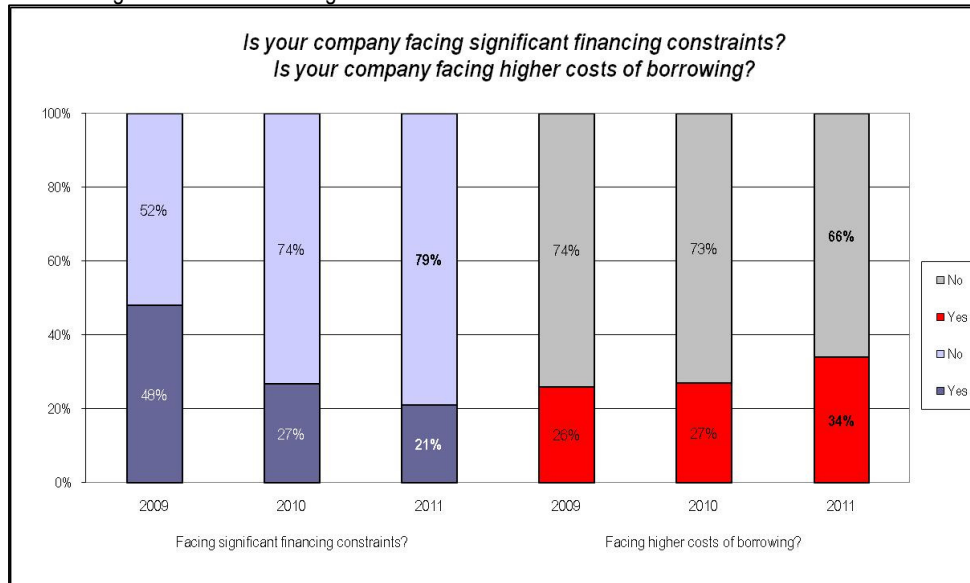
Figure 2.1.2: Expectations for performance of world economy compared with past years



- ◆ Economic outlook is positive in 2011, with half of the respondents (50%) expecting a better or much better performance of the world economy this year than last year, and none expecting a much worse performance of the world economy compared to last year.
- ◆ The economic outlook is slightly less positive than in 2010, when 70% of respondents expected a better or much better performance of the world economy than the previous year.

2.2 Business Climate

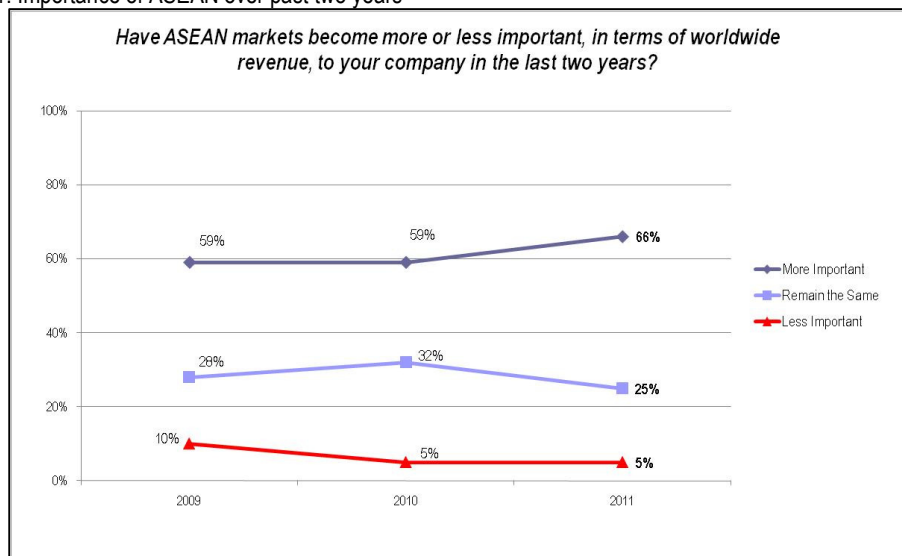
Figure 2.2: Financing and costs of borrowing



- ◆ The percentage of businesses facing significant financing constraints continues to decrease in 2011, reaching a low of 21%. This is more than a 50% decrease from 2009, in which 48% of respondents faced significant financing constraints.
- ◆ In contrast, the percentage of businesses facing higher costs of borrowing has continued to grow, reaching a high of 34% this year, compared with 26% in 2009 and 27% in 2010.

2.3 Importance of ASEAN Markets in Global Business

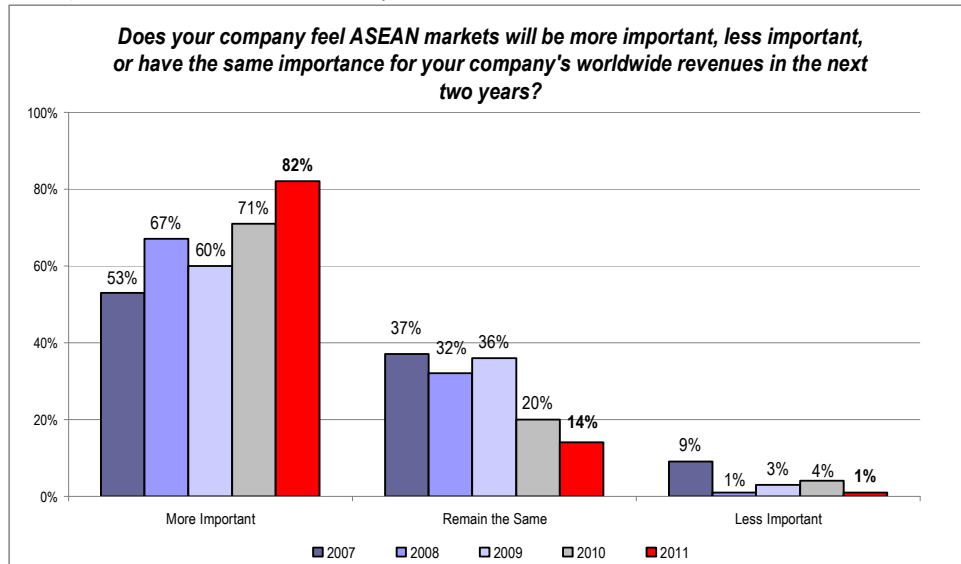
Figure 2.3.1: Importance of ASEAN over past two years



- ◆ ASEAN markets continue to grow in importance, with 66% of respondents stating that ASEAN markets became more important in terms of worldwide revenue to their company in the last two years.
- ◆ Only 5% of respondents believe ASEAN markets have become less important.

Importance of ASEAN over the Next Two Years

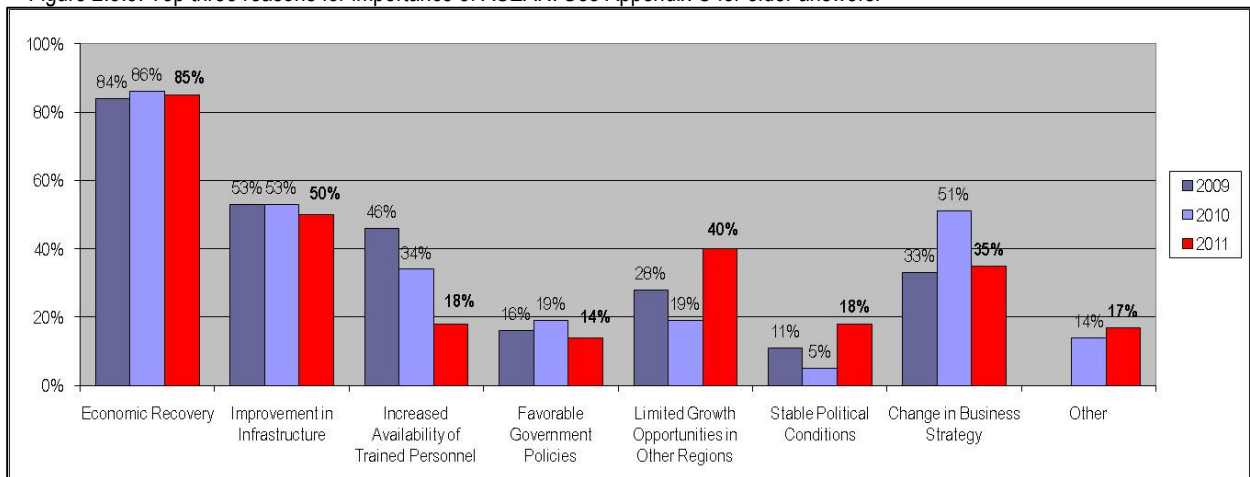
Figure 2.3.2: Importance of ASEAN over next two years



- ◆ Most respondents (82%) believe that ASEAN markets will be more important in the next two years.
- ◆ Only 1% of respondents believe that ASEAN markets will be less important in the next two years.

Top Three Reasons for Importance of ASEAN

Figure 2.3.3: Top three reasons for importance of ASEAN. See Appendix C for older answers.



- ◆ “Economic recovery” continues to be a top reason for believing that ASEAN markets will be more important in the next two years, cited by 85% of respondents.
- ◆ “Limited growth opportunities in other regions” more than doubled from 2010 to 2011, reaching 40%.
- ◆ “Increased availability of trained personnel” decreased in 2011 to 18%, from 34% in 2010 and 46% in 2009.
- ◆ “Change in business strategy” also decreased as a top reason, from 51% last year to 35% this year.

What does your company view as the most significant barrier to conducting business within ASEAN?

This was an open-ended response; selected responses are listed.

“Availability of trained work force”

“Corruption and over-regulation by non-transparent government bureaucracies, especially in the authoritarian countries of Laos, Vietnam, Cambodia and Myanmar”

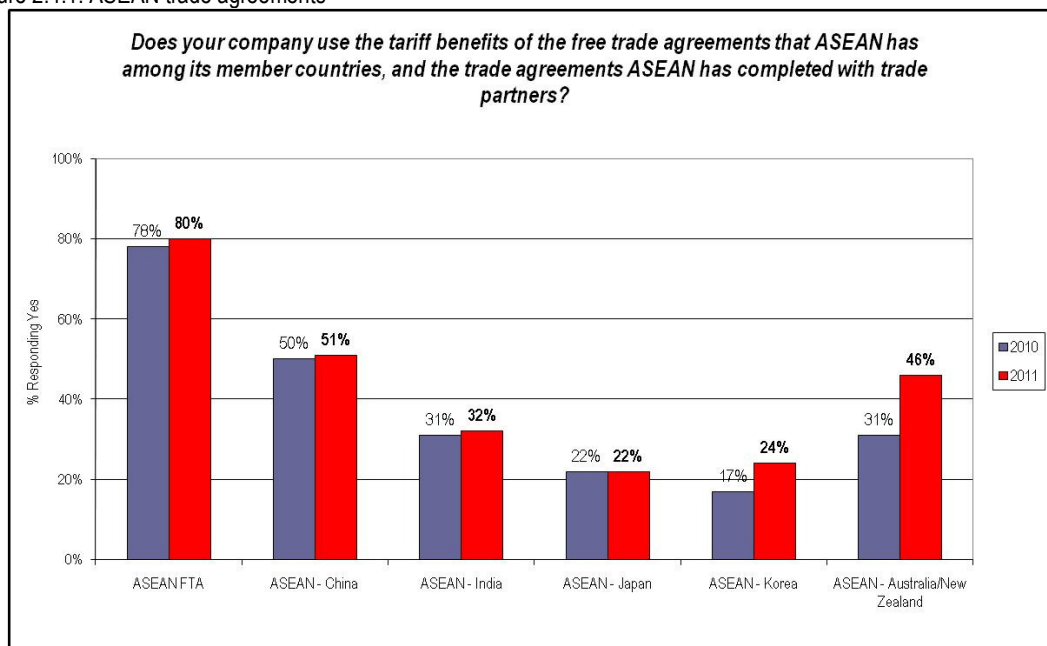
“Political Instability”

“Differences in cross border customs regulations and ratings”

“Local regulatory requirements on tax and compliance and American tax code for American Companies abroad”

2.4 Effectiveness of ASEAN

Figure 2.4.1: ASEAN trade agreements



- ◆ The ASEAN FTA is the most used trade agreement, with 80% of respondents using its tariff benefits.
- ◆ The percentage of respondents using the ASEAN- Australia /New Zealand agreement increased from 31% in 2010 to 46% in 2011.
- ◆ The percentage using the ASEAN-Korea agreement increased from 17% to 24%.

What hinders your business in using these trade agreements?

This was an open-ended response; selected responses are listed.

“We are a consulting company and trade in services not goods, these agreements cover goods only”

“Non-tariff trade barriers such as local content rules and preferential consideration of domestic suppliers”

“Not easy to use and understand between the countries. Standards are not standards.”

“Low cost but under qualified manufacturers”

“No FTA with the US”

Importance of ASEAN Integration

Figure 2.4.2: Importance of ASEAN integration

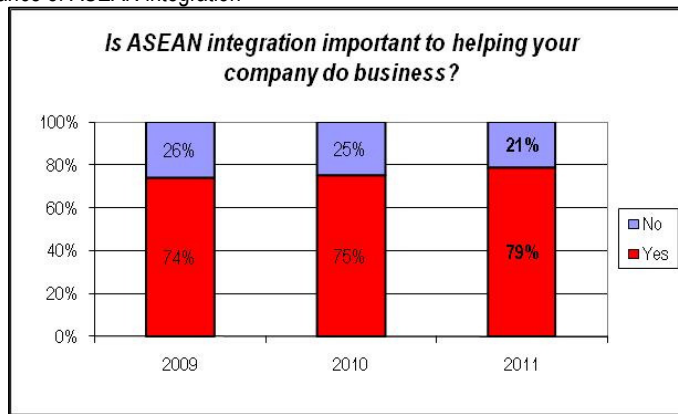
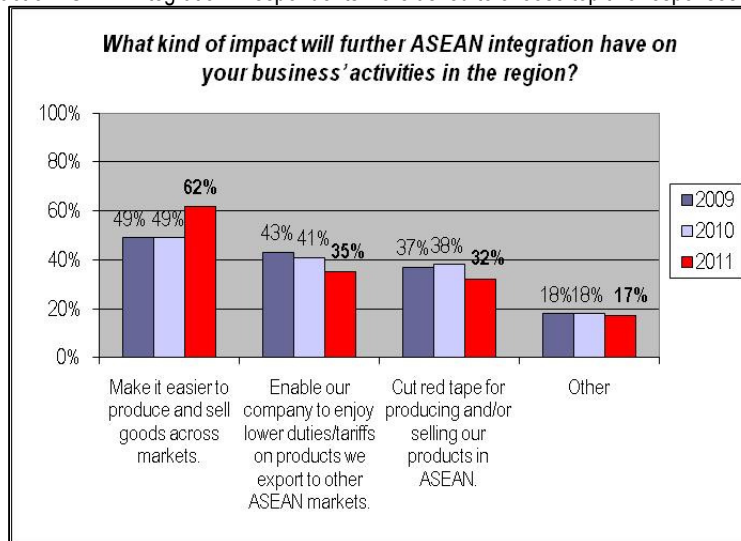


Figure 2.4.3: Impact of ASEAN integration. Respondents were asked to choose top two responses.



- ◆ ASEAN integration continues to be important in 2011. 79% of respondents stated that it is important to helping their companies do business.
- ◆ The majority of respondents stated that the impact that further ASEAN integration will have on their business' activity is to "make it easier to produce and sell goods across markets" (62%). This is an increase from the 49% of respondents who chose this response in 2009 and 2010.
- ◆ Responses to "other" include "free movement of labor" and "more investment opportunities."

2.5 Business Direction and Movement in ASEAN

Figure 2.5.1: Past ASEAN expansion

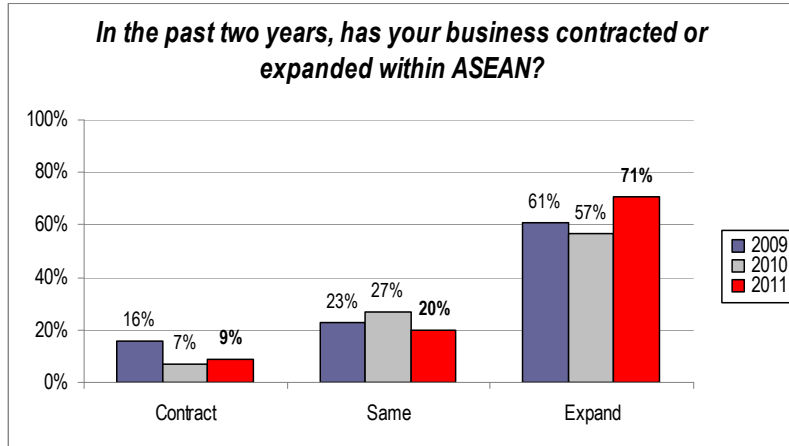
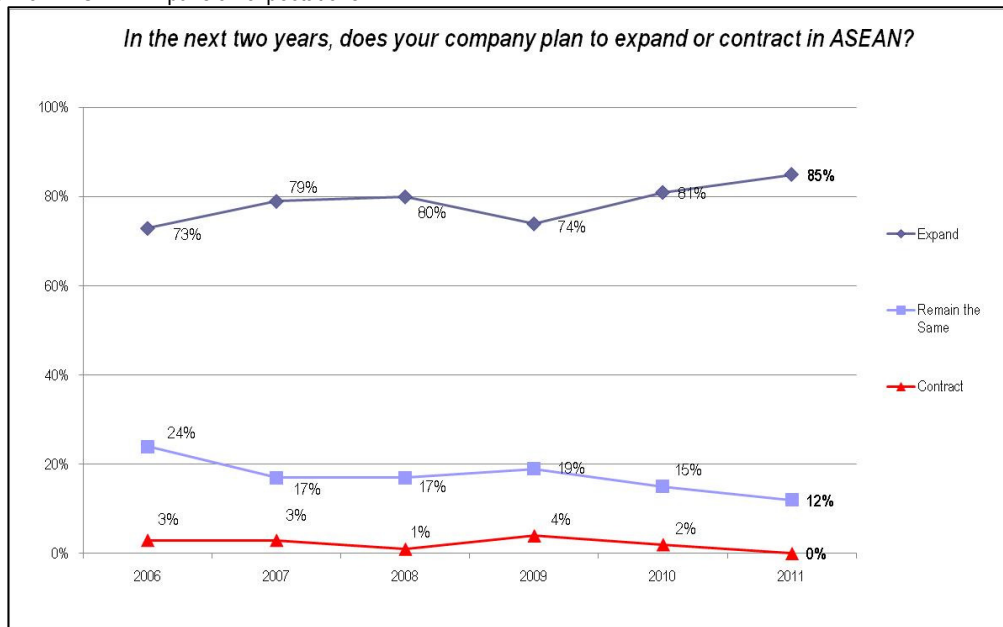


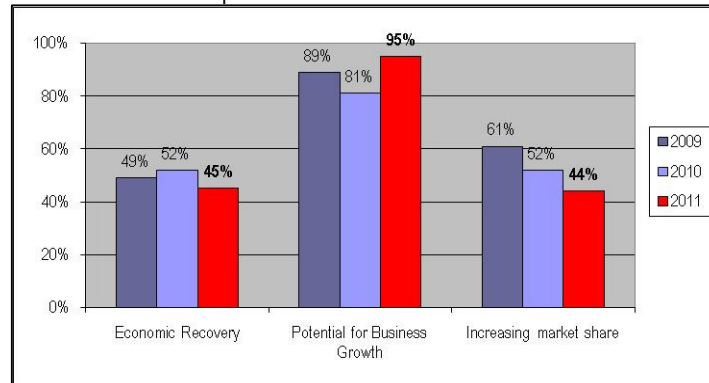
Figure 2.5.2: ASEAN Expansion expectations.



- ◆ During the past two years, 71% of respondents increased or significantly increased their business in ASEAN, an increase from the 2010 figure of 57%.
- ◆ Most respondents (85%) plan to expand in ASEAN over the next two years, the highest rate recorded so far.
- ◆ No respondents plan to contract their presence in ASEAN over the next two years.

Top Three Reasons for ASEAN Expansion

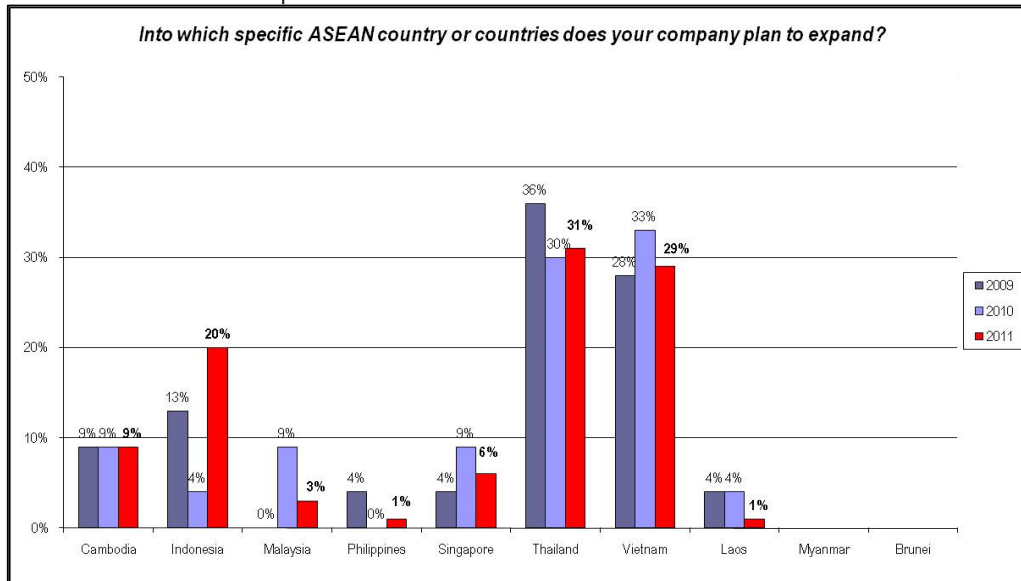
Figure 2.5.3: Top three reasons for ASEAN expansion



- ◆ “Economic recovery” decreased slightly as a reason for ASEAN expansion, from 52% of respondents in 2010 citing it as a top reason to 45% in 2011.
- ◆ “Potential for business growth” grew significantly as a top reason for ASEAN expansion, with nearly all respondents (95%) citing it as one of their top reasons in 2011, compared to 81% in 2010.
- ◆ “Increasing market share” decreased slightly as a top reason for ASEAN expansion in 2011 to 44% from 52% in 2010. See Appendix B for more reasons.

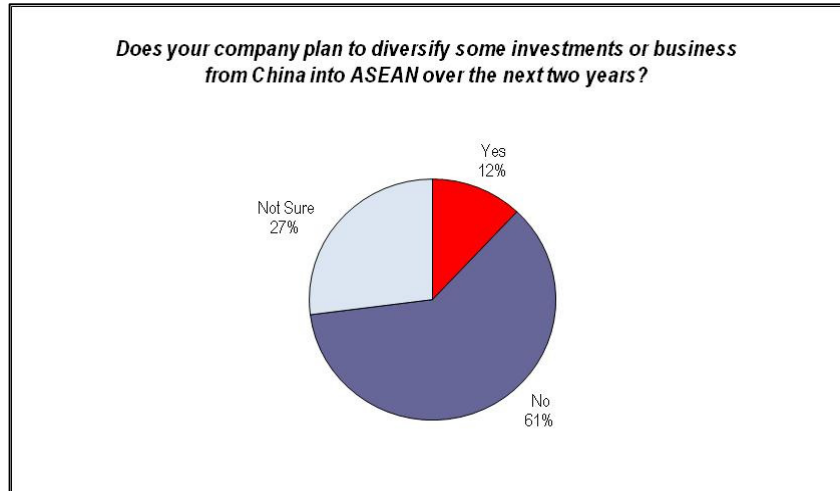
Location of ASEAN Expansion

Figure 2.5.4: Location of ASEAN expansion



- ◆ Thailand is the most popular site for expansion at 31%.
- ◆ Vietnam is the second most popular site for ASEAN expansion at 29%.
- ◆ Indonesia increased significantly as a site for ASEAN expansion this year to 20%, from only 4% in 2010.
- ◆ Malaysia decreased in 2011, from 9% the previous year to 3% this year.
- ◆ See Appendix E for reasons behind choice.

Figure 2.5.5: Diversification from China into ASEAN



- ◆ The majority (61%) of respondents stated that their companies do not plan to diversify some investments or business from China into ASEAN over the next two years.
- ◆ 27% of respondents are unsure if their companies will diversify investments or business from China into ASEAN over the next two years.

2.6 Profit Outlook

Compared to last year do you expect your profits in ASEAN in the current and coming years to increase, decrease, or remain the same?

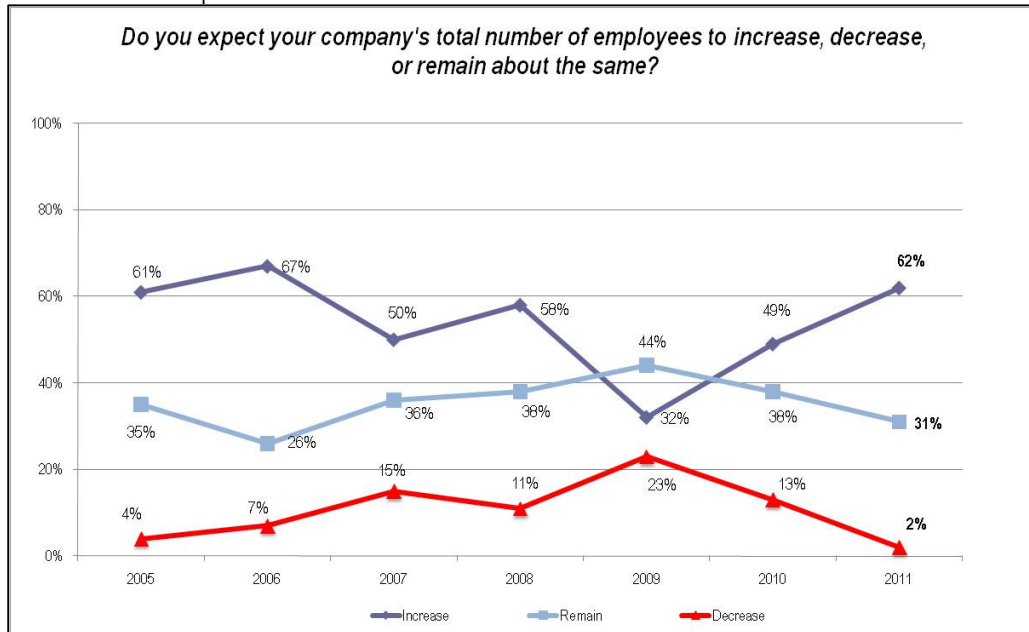
Figure 2.6: ASEAN profit outlook

| Year of Survey | | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------|--------------|----------|------|------|------|------|------|------|
| Profit Expectation | Current Year | Increase | 60% | 63% | 65% | 40% | 63% | 64% |
| | | Remain | 24% | 26% | 25% | 30% | 23% | 28% |
| | | Decrease | 14% | 9% | 10% | 29% | 10% | 3% |
| | Coming Year | Increase | 71% | 75% | 78% | 70% | 88% | 81% |
| | | Remain | 14% | 16% | 20% | 14% | 10% | 13% |
| | | Decrease | 9% | 5% | 2% | 13% | 0% | 0% |

- ◆ Profit outlook remains positive, with the vast majority of respondents (92%) expecting profits to remain the same or increase for the current year, and 94% expecting profits to remain the same or increase in the coming year.
- ◆ A lower percentage of respondents this year expect profits to decrease the current year (3%), compared to those in 2010 (10%).

2.7 Workforce Expansion

Figure 2.7.1: Workforce expansion



By what percentage will the number of employees increase?

Table 2.7.1: Percentage of employee increase.

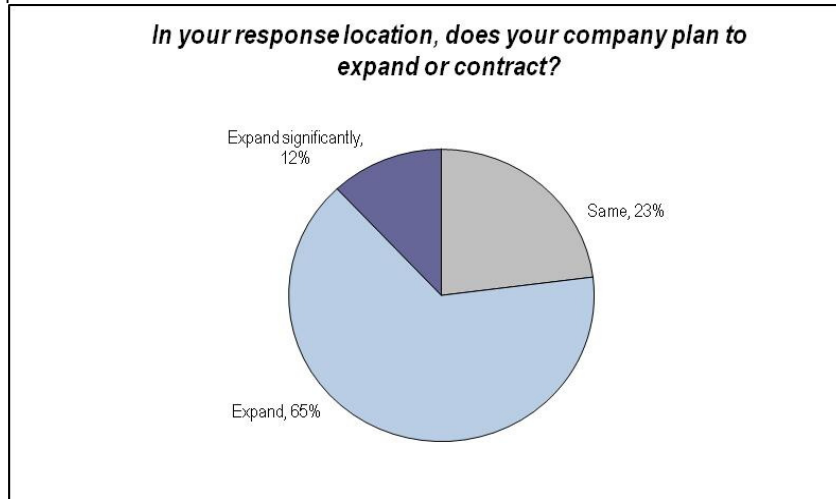
| Year of Survey | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------------|---------------------|------|------|------|------|------|------|------|------|
| Workplace Expansion | 0 to less than 5% | | | | | | | | 9% |
| | 5 to less than 10% | 44% | 27% | 38% | 46% | 42% | 44% | 47% | 44% |
| | 10 to less than 15% | | | | | | | | 24% |
| | 15 to less than 20% | 28% | 47% | 43% | 38% | 45% | 36% | 23% | 37% |
| | 20 to less than 50% | 22% | 23% | 12% | 10% | 11% | 14% | 20% | 5% |
| | >50% | 6% | 3% | 8% | 6% | 3% | 6% | 0% | 10% |

In 2011 for the first time, 0-10% was further split into 0-5% and 5-10%. 10-20% was split into 10-15% and 15-20%.

- ◆ Most respondents (62%) expect their number of employees to increase, a significant increase from those who expected it last year (48%). Out of these respondents, 33% expect an increase of 5% to 10%, and 24% expect an increase of 10% to 15%.
- ◆ The percentage of respondents who expect the number of employees to decrease dropped to 2% in 2011, from 13% in 2010.
- ◆ Out of the respondents who expect the number of employees to decrease (2%), 50% expect a decrease of 20% to 50%, and the other 50% expect a decrease of 10% to 15%.

Future Expansion

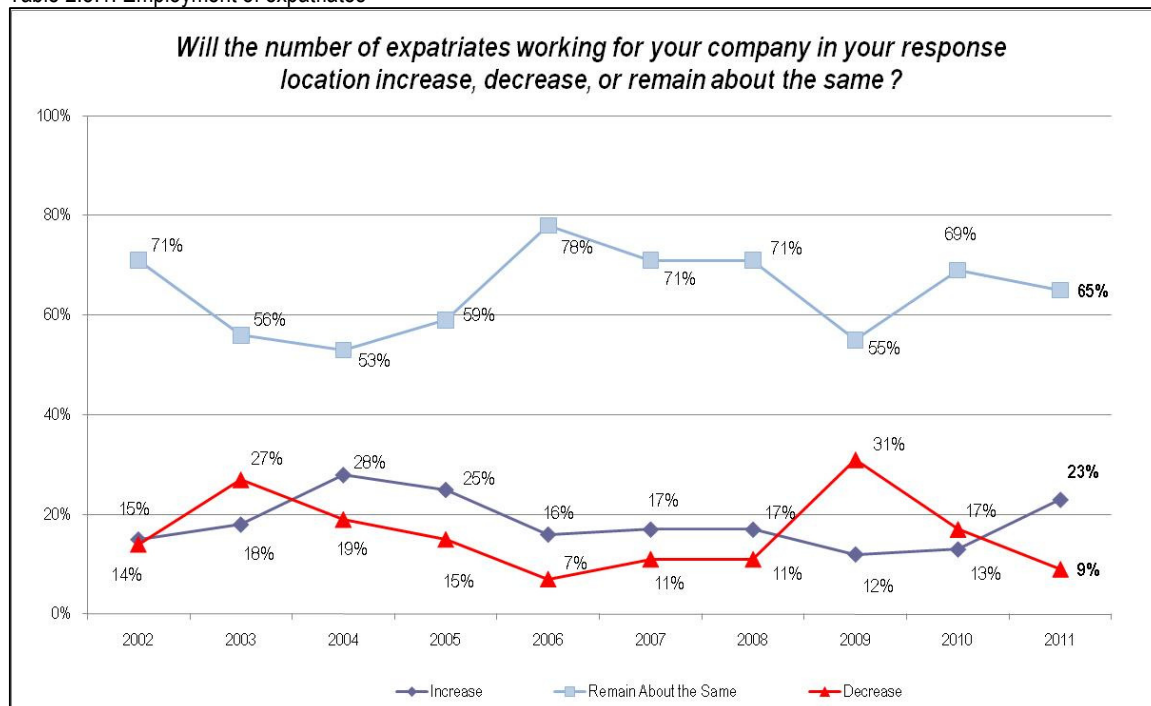
Figure 2.7.2: Expansion or contraction



- ◆ The majority (77%) of companies plan to expand or expand significantly in the response location.
- ◆ The top reasons for expansion include “potential for business growth” (87%), “increasing market share” (54%), and “economic recovery” (46%). Respondents were asked to choose their top three reasons.

2.8 Employment of Expatriates

Table 2.8.1: Employment of expatriates



What are the TOP THREE reasons the number of expatriates working for your company will INCREASE?

Table 2.8.2: Reasons for increased employment of expatriates

| Year of Survey | 2009 | 2010 | 2011 |
|--|------|------|------|
| Policy decision by Head Office | 9% | 18% | 20% |
| Lack of skilled manpower in the local market | 82% | 55% | 65% |
| Business expansion | 64% | 55% | 85% |
| Improved security conditions for expatriates | 9% | 0% | 10% |
| Other | 46% | 46% | 25% |

- ◆ A higher portion of respondents stated that their company will increase the number of expatriate employees in 2011 (23%), compared with the 2010 figure (13%).
- ◆ The number of respondents who stated that their company will decrease the number of expatriate employees dropped in 2011 to 9% from 17%.
- ◆ The top reason for expecting an increase in the number of expatriate employee is “business expansion,” with 85% of respondents citing it as a top three reason.
- ◆ The top reasons for expecting a decrease in number of expatriates are a “decision from the Head Office” (62%) and “availability of skilled manpower in the local market” (62%).

Table 2.8.3: Expatriate satisfaction

| Year of Survey | 2009 | 2010 | 2011 |
|---|------|------|------|
| <i>Does your company regularly receive requests from employees based in other locations to work in your response location?</i> | | | |
| Yes | 34% | 44% | 51% |
| No | 66% | 56% | 49% |
| <i>Are your expatriate employees generally satisfied with their assignments in your response location?</i> | | | |
| Yes | 94% | 99% | 98% |
| No | 6% | 1% | 2% |
| <i>Do your expatriate employees attempt to extend their time in your response location?</i> | | | |
| Yes | 84% | 89% | 83% |
| No | 16% | 11% | 17% |

- ◆ Overall expatriate employee satisfaction remains high at 98%.
- ◆ There is a slight decrease in the percentage of respondents who had expatriate employees attempt to extend their time in Thailand, from 89% in 2010 to 83% in 2011.
- ◆ About half the respondents (51%) stated that their company regularly receives requests from employees based in other locations to work in Thailand.

3. FACTORS IMPACTING BUSINESS IN THAILAND

Respondents were asked to rate their satisfaction with a series of local factors that could affect their business. The percentage of respondents who are satisfied or extremely satisfied with a given factor can be used to identify factors of strength. Conversely, the percentage of respondents dissatisfied or extremely dissatisfied with a particular factor can be used to identify areas held as concerns.

3.1 Local Business Environment Factors

Major Strengths

(Responded “Satisfied” or “Extremely Satisfied” at a considerable rate in the 2011 survey)

Table 3.1.1: Time Comparison of satisfaction with major strengths.

| Factors | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Infrastructure | | | | | 53% | 56% | 64% | 59% |
| Office Lease Cost | | | | | 51% | 63% | 60% | 57% |
| Housing Cost | 60% | 60% | 62% | 58% | 42% | 55% | 61% | 58% |
| Personal Security | 76% | 76% | 82% | 65% | 73% | 70% | 61% | 58% |
| Sentiment Towards the U.S. | | | | | 55% | 55% | 73% | 67% |

See Appendix, Table A -1 for responses on all listed factors). *Empty boxes indicate areas that were neither strengths nor concerns for the year indicated. Responses bolded represent that year’s response with the highest rate of satisfaction.

- ◆ Thailand is rated highly for “infrastructure” (59% satisfaction), “sentiment towards the U.S.” (67%), “housing cost” (58%), and “personal security” (58%).
- ◆ Satisfaction levels generally decreased in major strengths from 2010 levels, with satisfaction down a few percentage points in all categories. The most significant change is in the category of “availability of low cost labor,” which decreased from 68% in 2010 to 48% in 2011, and is not longer a major strength.
- ◆ “Personal security” reached its lowest point in satisfaction since 2003, with 58% of 2011’s respondents stating that they are satisfied with this factor.

Major Concerns

(Responded “Dissatisfied” or “Extremely Dissatisfied” at a considerable rate)

Table 3.1.2: Time Comparison of satisfaction with major concerns.

| Factors | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Corruption | 62% | 69% | 67% | 63% | 66% | 69% | 66% | 61% |
| Local Protectionism | 41% | 42% | 45% | 46% | 46% | 46% | 47% | 50% |
| Stable Government & Political System | | | 31% | 57% | 66% | 74% | 77% | 59% |
| Laws and Regulations | 40% | 50% | | 53% | | 51% | | 43% |

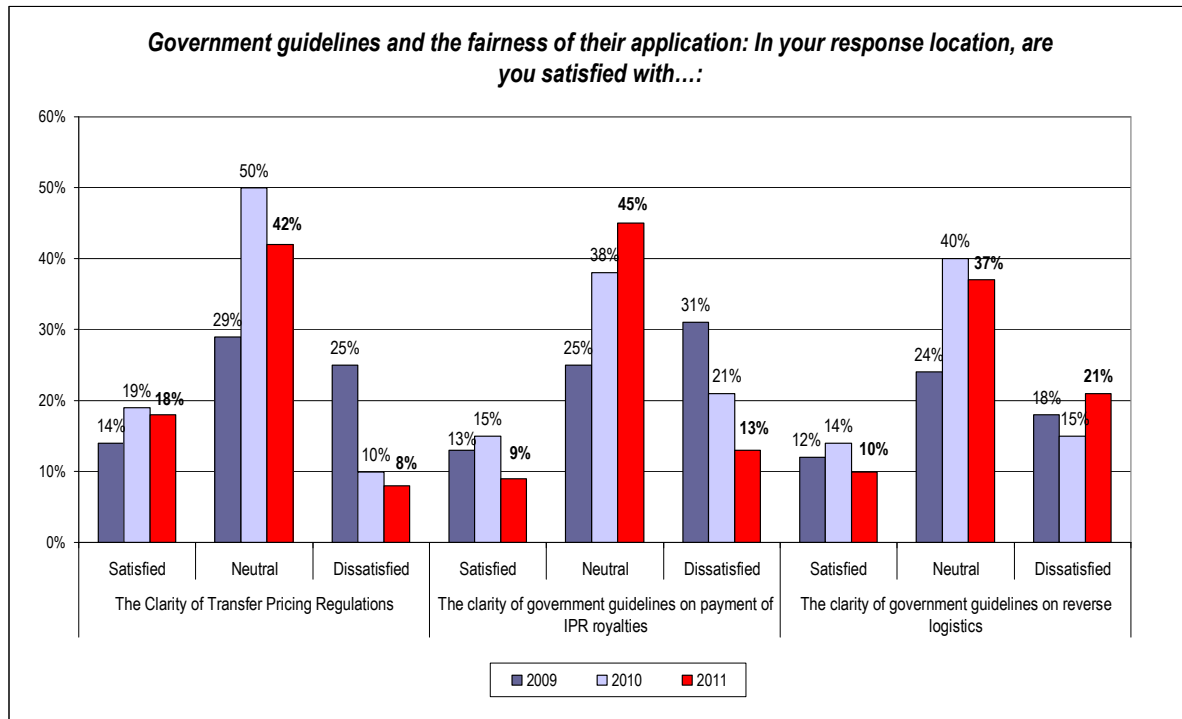
(See Appendix, Table A-1 for responses on all listed factors). *Empty boxes indicate areas that are neither strengths nor concerns. Responses bolded represent that year’s response with the highest rate of dissatisfaction.

- ◆ There is high dissatisfaction with corruption (61%), local protectionism (50%), and “stable government & political system” (59%).
- ◆ Dissatisfaction grew in the “local protectionism,” from 47% last year to a high of 50% this year. Dissatisfaction decreased in “corruption,” from 66% last year to a low of 61% this year, and in “stable government & political system,” from a high of 77% last year to 59% this year.
- ◆ 2011 marks the first time since 2007 that “stable government and political system” was not the top concern.

3.2 Other Local Business Factors

Government Guidelines and the Fairness of their Application

Figure 3.2.1: Government guidelines



- ◆ There is less satisfaction with “the clarity of government guidelines on payment of IPR royalties, from 15% in 2010 to 9% in 2011. Respondents who selected “neutral” increased in this category in 2011, from 38% to 45%. The percentage dissatisfied dropped from 21% last year to 13% this year.
- ◆ The “clarity of transfer pricing regulations” has the highest rate of satisfaction, with 18% of respondents selecting satisfied as their answer.
- ◆ Most respondents are neutral towards all three government guidelines.

Local Government Institutions

- ◆ Respondents in Thailand overall have neutral attitudes towards local government institutions.
- ◆ The “agency to promote/develop investment” received the highest satisfaction ratings (32%).
- ◆ “Customs” received the highest dissatisfaction ratings (40%). See appendix table A-2 for more details.

3.3 Economic Conditions

Over this year, 2011, what do you think will happen in your response location regarding...?

Table 3.3: Expectations about local factors.

| | Total Appreciate/Increase | Appreciate/Increase Significantly | Appreciate/Increase | Neutral | Depreciate/Decrease | Depreciate/Decrease Significantly | Total Depreciate/Decrease |
|-------------------------------------|----------------------------------|-----------------------------------|---------------------|----------------|---------------------|-----------------------------------|----------------------------------|
| Local currency vs. US dollar | 67% | 7% | 60% | 19% | 11% | 0% | 11% |
| Housing Cost | 60% | 1% | 59% | 37% | 2% | 0% | 2% |
| Living Cost | 83% | 9% | 75% | 16% | 0% | 0% | 0% |
| Interest Rate | 72% | 2% | 70% | 22% | 1% | 0% | 1% |
| Overall economic growth | 76% | 2% | 74% | 18% | 3% | 0% | 3% |

- ◆ Outlook among respondents is positive overall, with the majority (76%) believing that there will be an increase in economic growth.
- ◆ Most respondents predict that the cost of living will increase (83%), and the majority expects the housing cost to also increase (60%).
- ◆ Most respondents (72%) expect the interest rate to increase.
- ◆ 67% of respondents predict that the local currency will appreciate.

*The U.S. Taxation, International Schools, and Corporate Social Responsibility sections were optional questions on the 2010 and 2011 surveys, and thus have a significantly smaller sample size. Of the 88 respondents that took the 2011 survey, 47 answered the optional questions (53%). Results may have been affected by this change.

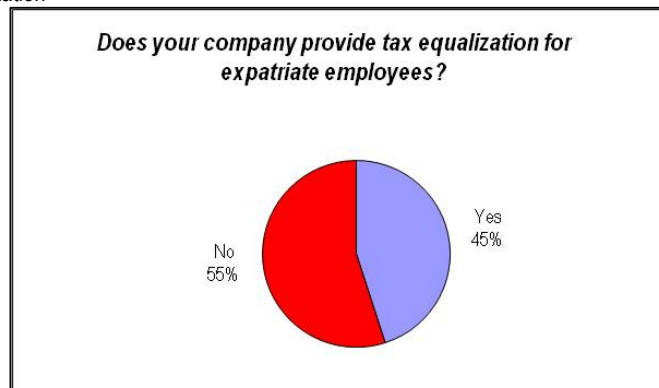
3.4 Taxation

Table 3.4.1: U.S. taxation

| Year of Survey | 2008 | 2009 | 2010 | 2011 |
|---|------|------|------|------|
| <i>Have you experienced a significant increase in the amount you must pay toward U.S. income tax on your foreign earned income since the recent legislative changes in 2006?</i> | | | | |
| Yes | 36% | 34% | 44% | 43% |
| No | 64% | 66% | 56% | 57% |

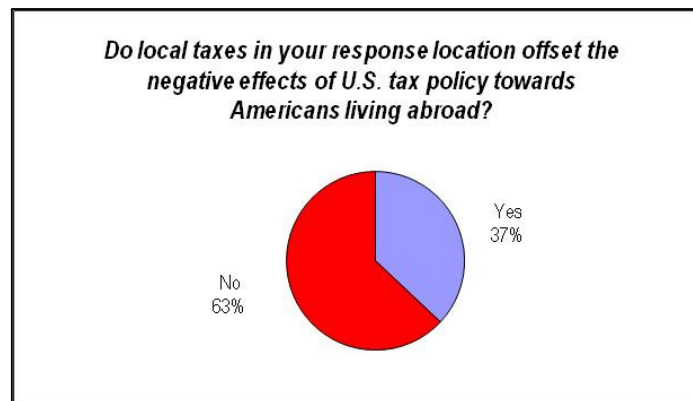
- ◆ A minority of respondents cited that they have experienced a significant increase in the amount they must pay toward U.S. income tax on their foreign earned income (43%). This figure decreased slightly from the 2010 response of 44%.

Figure 3.4.1: Tax equalization



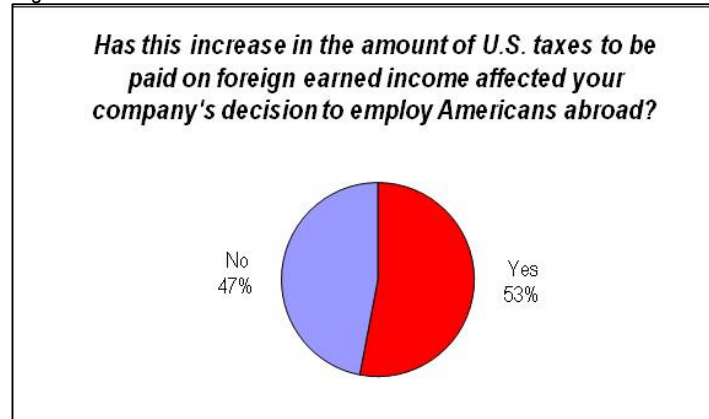
- ◆ A majority of the respondents' companies (55%) do not provide tax equalization for their expatriate employees.

3.4.2: Local taxes



- ◆ A majority of the respondents (63%) cited that local taxes in Thailand do not offset the negative effects of U.S. tax policy towards Americans living abroad.

Figure 3.4.3: Tax on foreign earned income



- ◆ A majority of respondents (53%) reported that this increase in the amount of U.S. taxes on foreign earned income affected their companies' decision to employ Americans abroad.

Selected Comments on Taxation

“It may impact the willingness of Americans to work abroad”

“It has increased as the total amount of deduction has not kept pace with inflation, and I feel that my U.S. based counterparts have had the benefits of tax reductions while those of us who live abroad and are spreading the business opportunities for U.S. companies and products to world markets are being penalized”

“Most jobs foreign assignments now go to Europeans, Australians, UK, and Canada, all which have favorable tax treatment”

“The main problem is not just increased taxes, but increased burdens for filing, especially with regard to foreign passive investment companies and foreign bank accounts”

“It is not significant to the overall expense”

3.5 International Schools

Table 3.5: International schools

| Year of survey | 2008 | 2009 | 2010 | 2011 |
|--|------------|------------|------------|-------------|
| Will the ability to find adequate space at international educational institutions in your response location be a significant problem in the next 1-3 years? | | | | |
| Yes | 14% | 20% | 15% | 13% |
| No | 86% | 80% | 85% | 87% |
| Do you feel that the government of your response location is actively pursuing solutions to correct the space constraint at international educational institutions? | | | | |
| Yes | 27% | 47% | 33% | 0% |
| No | 73% | 53% | 67% | 100% |
| Will the lack of adequate space at international educational institutions at your response location affect your company's decision to hire more local employees over foreign employees? | | | | |
| Yes | 36% | 18% | 50% | 50% |
| No | 64% | 82% | 50% | 50% |

- ◆ The ability to find adequate space at international educational institutions is not a significant problem for most respondents this year (87%), compared with 85% in 2010.
- ◆ There is a significant decrease in the percentage of respondents who stated that the Thai government is actively pursuing solutions to correct this space constraint, down to 0% in 2011 from 33% in 2010 and 47% in 2009.
- ◆ Respondents are evenly split on if the lack of space at international educational institutions affects their companies' decision to hire more local employees.

Selected Comments on International Schools

“Space is generally available; however, tuition costs are now very high in most schools”

“Not sure. Seems that schooling is getting tighter but we have not had anyone denied entry into their choice of school”

“Space is available, but the costs are astronomical. This is the single highest personal expense borne by expat employees with children”

“[There are] many international schools in Bangkok”

3.6 Corporate Social Responsibility

Table 3.6: Corporate Social Responsibility

| Year of Survey | 2009 | 2010 | 2011 |
|---|------|------|------|
| Is your company involved in CSR efforts? | | | |
| Yes | 71% | 72% | 77% |
| No | 30% | 28% | 23% |
| Do you expect your company's CSR efforts to increase or decrease in 2011 compared with 2010? | | | |
| Increase | 28% | 61% | 72% |
| Remain the Same | 58% | 39% | 25% |
| Decrease | 11% | 0% | 0% |
| How frequent are your company's CSR efforts? | | | |
| Ongoing | 45% | 57% | 43% |
| Monthly | 6% | 4% | 11% |
| Multiple times per year | 32% | 39% | 38% |
| Yearly | 20% | 4% | 8% |
| What form does your company's CSR efforts take? (check all that apply) | | | |
| Fundraising | 32% | 48% | 69% |
| Employee volunteering | 79% | 78% | 78% |
| Cash donations | 69% | 82% | 86% |

- ◆ Most respondents (77%) stated that their company is involved in CSR efforts. This is an increase from the 72% who chose this response in 2010. A large majority (72%) expect their company's CSR efforts to increase in 2011, an increase compared with 2010 (61%), and none expect a decrease in efforts.
- ◆ 43% of respondents stated that the frequency of their company's CSR efforts is ongoing, the most popular response.
- ◆ Cash donations are the most popular form of CSR effort (86%), followed by employee volunteering (78%). Fundraising increased as a form of CSR effort, from 48% in 2010 to 69% in 2011.

4. CONCLUSION

Outlook

The overall outlook of respondents in Thailand is optimistic in 2011. On a global scale, half of the respondents predict a better performance of the world economy compared to 2010, and 76% of them expect an expansion in the growth of the Thai economy this year. Respondents also have positive expectations for their own companies. The majority predict that there will be an increase in the total number of employees in their businesses, and only 2% expect shrinkage in the workforce. About a quarter of companies also expect an increase in the number of expatriate employees. Workforce increases are linked to business expansion, as 77% predict an expansion of their company in Thailand, due to the potential for business growth as well as an increasing market share.

ASEAN

ASEAN markets are becoming increasingly important to the respondents from Thailand, due to the economic recovery as well as improvements in infrastructure in the region. Most businesses expect the importance of ASEAN to their business to increase in the next two years. Additionally, 85% of respondents plan to expand their business in ASEAN during the next two years due to what they see as potential for business growth. ASEAN integration is therefore beneficial, mainly because integration makes it easier to produce and sell goods across markets. Most members also use the ASEAN free trade agreement. However, there still exist many problems with doing business in ASEAN. Respondents cited issues such as corruption, lack of transparency, and differences in cross-border regulations that act as barriers to business in the region.

Location Specific

The business environment in Thailand has many strengths. The sentiment towards the U.S. has been rated consistently highly for the past few years. Respondents also enjoy a good level of personal security, adequate infrastructure, and reasonable housing and office lease costs. Most report that the ability to find space in international education institutions is not a concern. However, the majority predict that housing and living costs, as well as the interest rate, will increase in 2011. Additionally, there exist concerns about the stability of the government and political system of Thailand, and corruption. These factors could have a negative effect on doing business in the country. Nonetheless, companies continue to expand in Thailand, and respondents report that 98% of expatriate employees are satisfied with their assignments.

APPENDICES

(A) Local Factors Impacting Business

How Satisfied Are You With These Local Factors?

Table A: Satisfaction with factors

| | Total Satisfied | Extremely Satisfied | Satisfied | Neutral | Dissatisfied | Extremely Dissatisfied | Total Dissatisfied |
|--|-----------------|---------------------|-----------|---------|--------------|------------------------|--------------------|
| Infrastructure | 59% | 6% | 53% | 17% | 23% | 1% | 24% |
| Availability of raw materials | 38% | 2% | 36% | 31% | 5% | 1% | 6% |
| Availability of low cost labor | 48% | 7% | 41% | 29% | 9% | 1% | 10% |
| Availability of trained personnel | 44% | 8% | 36% | 21% | 28% | 7% | 35% |
| Office lease costs | 57% | 13% | 44% | 30% | 8% | 0% | 8% |
| Housing costs | 58% | 13% | 45% | 28% | 8% | 0% | 8% |
| Laws & regulations | 24% | 2% | 22% | 31% | 36% | 7% | 43% |
| Corruption | 6% | 0% | 6% | 31% | 40% | 21% | 61% |
| Local protectionism | 16% | 1% | 15% | 30% | 39% | 11% | 50% |
| Tax structure | 26% | 2% | 24% | 33% | 30% | 7% | 37% |
| Personal security | 68% | 22% | 46% | 22% | 6% | 1% | 7% |
| Stable government and political system | 13% | 1% | 12% | 28% | 43% | 16% | 59% |
| New business incentives by government | 26% | 9% | 17% | 33% | 28% | 3% | 31% |
| Sentiment towards the U.S. | 67% | 18% | 49% | 26% | 3% | 0% | 3% |
| Free movement of goods within the region | 36% | 9% | 27% | 34% | 13% | 3% | 16% |
| Ease of moving products through customs | 28% | 3% | 25% | 28% | 21% | 6% | 27% |

How Satisfied are You with Local Government Institutions?

Table A-2: Satisfaction with local government institutions.

| | Total Satisfied | Extremely Satisfied | Satisfied | Neutral | Dissatisfied | Extremely Dissatisfied | Total Dissatisfied |
|--------------------------------------|-----------------|---------------------|-----------|---------|--------------|------------------------|--------------------|
| Agency to promote/develop investment | 32% | 5% | 27% | 37% | 8% | 2% | 10% |
| Customs | 16% | 0% | 16% | 29% | 27% | 13% | 40% |
| Immigration | 26% | 1% | 25% | 28% | 26% | 9% | 35% |
| Taxation/Revenue | 19% | 2% | 17% | 44% | 27% | 7% | 34% |
| Central Bank | 29% | 1% | 28% | 42% | 7% | 2% | 9% |
| Ministry of Finance | 29% | 1% | 28% | 38% | 6% | 6% | 12% |

(B) Reasons for Business Expansion in ASEAN over the Next Two Years

Table B: Top 3 Reasons for ASEAN Expansion.

| Year of Survey | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|------|------|------|------|------|
| Reasons for Expansion | | | | | |
| Economic recovery | 60% | 58% | 49% | 52% | 45% |
| Potential for business growth | 60% | 58% | 89% | 81% | 95% |
| Increasing market share | 70% | 68% | 61% | 52% | 44% |
| Reasonable production cost | 42% | 28% | 31% | 18% | 20% |
| Diversity of customer base | 30% | 45% | 33% | 40% | 33% |
| Lack of growth in current market/countries | 15% | 12% | 11% | 15% | 15% |
| Availability of trained personnel/efficient manpower | 15% | 24% | 7% | 12% | 9% |
| Availability of raw materials | 13% | 11% | 3% | 3% | 3% |
| High level of personal security | 2% | 1% | 0% | 0% | 0% |
| Low level of corruption | 2% | 0% | 0% | 0% | 0% |
| Adequate laws and regulations to protect business | 2% | 3% | 0% | 0% | 0% |
| Adequate laws and regulations to encourage foreign investment | 0% | 7% | 0% | 0% | 5% |
| Stable government and political system | 7% | 0% | 1% | 3% | 3% |
| Low level of local protectionism | 3% | 0% | 0% | 0% | 1% |
| Weak competition in market/countries | 18% | 17% | 9% | 7% | 12% |
| Other | 17% | 16% | 4% | 12% | 4% |

Empty boxes indicate that no comparative data is available for those years.

(C) Importance of ASEAN Markets over the Next Two Years

Table C: Top Reasons for ASEAN Importance over Next Two Years.

| Year of Survey | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|------|------|------|------|------|
| Reason | | | | | |
| Economic recovery | 68% | 64% | 84% | 86% | 85% |
| Limited growth opportunities in other regions | 50% | 61% | 53% | 53% | 40% |
| Improvement in infrastructure | 63% | 28% | 46% | 34% | 50% |
| Increased availability of trained personnel | 15% | 20% | 16% | 19% | 18% |
| Favorable government policies | 15% | 61% | 28% | 19% | 14% |
| Stable political conditions | 23% | 11% | 11% | 5% | 18% |
| Change in business strategy | | 34% | 33% | 51% | 35% |
| Other | | | | 14% | 17% |

Empty boxes indicate that no comparative data is available for those years.

(D) Sample Profile

Table D: Workforce and Turnover

| Year of Survey | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Scope of responsibility | One country | 38% | 37% | 43% | 55% | 42% | 42% | 52% | 51% | 47% |
| | Multiple countries | 62% | 63% | 57% | 45% | 58% | 58% | 48% | 49% | 53% |
| Size of Current Workforce in Region | Below 50 employees | 22% | 34% | 42% | 29% | 24% | 24% | 33% | 28% | 32% |
| | 50 to <500 employees | 53% | 36% | 37% | 45% | 48% | 45% | 40% | 42% | 48% |
| | 500 to <1000 employees | 7% | 22% | 5% | 14% | 17% | 11% | 12% | 11% | 8% |
| | 1000 to <1500 employees | 2% | 2% | 3% | 3% | 1% | 4% | 4% | 5% | 3% |
| | 1500 to <2000 employees | 7% | 0% | 3% | 0% | 0% | 0% | 1% | 1% | 0% |
| | 2000 employees or above | 9% | 6% | 10% | 9% | 9% | 15% | 10% | 13% | 9% |
| Company's Past Year Turnover in Thailand (USD) | Below \$1 million | 14% | 11% | 20% | 14% | 14% | 13% | 17% | 23% | 17% |
| | \$1 to <\$50 million | 45% | 47% | 47% | 41% | 39% | 43% | 39% | 40% | 48% |
| | \$50 to <\$100 million | 20% | 23% | 9% | 22% | 18% | 12% | 9% | 10% | 8% |
| | \$100 to <\$500 million | 14% | 11% | 16% | 10% | 18% | 19% | 23% | 16% | 15% |
| | \$500 to <\$1 billion | 2% | 6% | 4% | 7% | 3% | 1% | 2% | 4% | 0% |
| | \$1 billion or above | 5% | 2% | 4% | 3% | 5% | 7% | 8% | 5% | 9% |
| Past Year's Turnover As Percentage of Company's Global Turnover | Below 5% | 58% | | | 64% | 59% | 57% | 56% | 58% | 52% |
| | 5 to <25% (Before 2006: 5 to <20%) | 11% | | | 11% | 20% | 10% | 16% | 16% | 18% |
| | 25 to <50% (Before 2006: 20- <50%) | 11% | | | 4% | 7% | 13% | 7% | 9% | 7% |
| | 50 to <75% (Before 2006: 50% or above) | 20% | | | 2% | 1% | 3% | 5% | 4% | 6% |
| | 75 to <100% | | | | 7% | 4% | 8% | 6% | 4% | 4% |
| | 100% | | | | 13% | 9% | 10% | 11% | 10% | 13% |

Empty boxes indicate that no comparative data is available for those years.

| | | | | |
|---|----------------------|------------|------------|------------|
| Past Year's Turnover as Percentage of Company's Total ASEAN Turnover | Below 5% | 16% | 17% | 17% |
| | 5 to less than 25% | 30% | 30% | 31% |
| | 25 to less than 50% | 25% | 19% | 15% |
| | 50 to less than 75% | 8% | 8% | 10% |
| | 75 to less than 100% | 3% | 12% | 12% |
| | 100% | 17% | 15% | 15% |
| ASEAN Country That Holds the Next Largest Turnover for Company | Vietnam | 14% | 9% | 10% |
| | Cambodia | 0% | 1% | 1% |
| | Indonesia | 9% | 12% | 15% |
| | Laos | 1% | 1% | 1% |
| | Malaysia | 12% | 13% | 10% |
| | Thailand | 33% | 22% | 27% |
| | Philippines | 8% | 15% | 13% |
| | Singapore | 23% | 25% | 22% |

| Primary Activity | | 2009 | 2010 | 2011 |
|------------------|---|----------------------------|------------|------------|
| Services | Accounting | 0% | 0% | 0% |
| | Architecture and Engineering Services | 2% | 4% | 3% |
| | Banking | 1% | 2% | 2% |
| | Consulting | 7% | 8% | 14% |
| | Education | 3% | 1% | 3% |
| | Healthcare | 1% | 2% | 1% |
| | HR Services | 2% | 4% | 2% |
| | Insurance brokers | 1% | 1% | 0% |
| | Legal | 2% | 1% | 0% |
| | Marketing & Communications Services | 2% | 4% | 0% |
| | Other Financial Services | 2% | 1% | 5% |
| | Software, IT, Telecommunications Services | 5% | 6% | 6% |
| | Transportation & Logistics | 8% | 7% | 8% |
| | Wholesale & Retail | 5% | 6% | 5% |
| | Business Process Outsourcing/ Shares Services | 0% | 1% | 0% |
| | Other | 3% | 3% | 3% |
| | Total Services | 44% | 52% | 52% |
| Manufacturing | Consumer Goods | 12% | 6% | 5% |
| | Electronics | 8% | 7% | 3% |
| | Food & Food Products | 3% | 6% | 7% |
| | Oil & Petrochemical | 3% | 1% | 1% |
| | Pharmaceuticals/Medical | 2% | 2% | 3% |
| | Machinery & Equipment | 3% | 5% | 1% |
| | Other | 7% | 6% | 9% |
| | | Total Manufacturing | 38% | 33% |
| Other | | 15% | 14% | 18% |

E) Reasons behind the choice of ASEAN country for business expansion

Table E: ASEAN Expansion

| Year of Survey | 2009 | 2010 | 2011 |
|---|------|------|------|
| Reasonable production costs | 49% | 32% | 25% |
| Availability of raw materials | 5% | 0% | 11% |
| Availability of trained personnel/efficient manpower | 23% | 13% | 13% |
| Increasing market share | 46% | 47% | 52% |
| Diversification of customer base | 23% | 16% | 41% |
| High level of personal security | 8% | 0% | 3% |
| Low level of corruption | 0% | 3% | 0% |
| Adequate laws and regulations to protect business | 5% | 5% | 10% |
| Adequate laws and regulations to encourage foreign investment | 15% | 8% | 8% |
| Stable government and political system | 36% | 34% | 18% |
| Low level of local protectionism | 0% | 0% | 1% |
| Weak competition in the market/country | 13% | 8% | 18% |
| Other | 26% | 16% | 17% |