

Asian Gateway: Thailand celebrates 175 years of U.S.-Thai relations

In the year 1833, a presidential envoy named Edmund Roberts traveled to the Royal City of Sia-Yut'hia, commonly known as Bangkok, to sign a Treaty of Amity and Commerce with His Majesty Rama III, the magnificent King of Siam. It marked the first-ever treaty between the United States of America and an Asian nation, establishing that the citizens of both nations be in perpetual peace with each other and that they "shall, with sincerity, hold commercial intercourse in the Ports of their respective nations, as long as Heaven and Earth shall endure."

During a recent visit to that very same city, President George W. Bush marked the 175th anniversary of that historic occasion, vowing to enhance bilateral relations, as the country assumed chairmanship of the Association of Southeast Asian Nations (ASEAN). "We support Thailand's efforts to reduce trade barriers, expand economic opportunity, and help Southeast Asia grow in hope." President Bush's remarks underlined the continued importance of U.S.-Thai ties; in 2007, bilateral trade amounted to approximately \$31.2 billion. The United States remains the number-one export market for Thailand (around \$22.75 billion last year) and second-largest supplier after Japan. Over the past decades, the trade balance on everything from textiles to rice to automobiles has been positive for Thailand.

ENDURING STRENGTH

Faced with worldwide recessionary phenomena, to what extent can Thailand weather the economic storm? Rising oil and consumer-goods prices may have become a serious domestic challenge; however, Mr. Ampon Kittiampon of the National Economic and Social Development Board (NESDB) sees Thailand's macroeconomic fundamentals as

the main strength in overcoming the global financial turmoil. "Foreign investors are looking at how countries like Thailand survive the shock of inflationary pressures", says the board's secretary-general. Fears of inflation hitting double-digit rates circulated throughout 2008, but were quelled by interest-rate increases. "The diversification of the energy matrix and implementation of autonomous fiscal and monetary policies by the Ministry of Finance and the Bank of Thailand are proof that we can survive."

Dr. Twatchai Yongkittikul, secretary-general of the Thai Bankers Association, sees these rate raises as an effective curbing agent. "As an economist I believe that at this juncture, targeting inflation is more important because in June and July we had extremely high rates and if we don't prevent it from further escalating we would have typically spiraling inflation in which the costs of labor, production, and food supply would suffer great pressure."

Despite slowing growth, the Thai economy still managed to expand by 5.3 percent in the three months up to June 30, 2008. Thailand's agricultural surplus increased farmers' income, softening the effect of inflation on domestic consumption. In addition, the government is promoting ethanol production from sugarcane, cassava, and biodiesel from palm oil to lessen the dependency on heavily imported fossil fuels. NESDB's Ampon Kittiampon predicts GDP growth may even hit 5.8 percent this year, in spite of the country's ongoing political adjustments. "This is not a miracle. It is growth based on the structure and the long-term vision of previous governments. We are building a development system that will bring the core economics to move forward," states Kittiampon, setting a celebratory foundation for an additional 175 years of cooperation. ■

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Hungry for Energy, Thailand Discovers New Recipes

Thailand's economic boom, like that of so many other developing nations, has depended on — and continues to lay great demands on — energy supply. Not being blessed with copious reserves of fossil fuel has, however, turned the issue of growth into a serious challenge. "Thailand is a net oil importing country and an energy-deficit nation," explains Dr. Kurujit Nakornthap, deputy permanent secretary of the Energy Ministry. "More than 64 percent of our energy needs are imported." Thus, finding alternative solutions has become a daily quest for the Thai government and energy industry. In doing so, it has pioneered some highly successful fuel models.

With the industrial and transportation sectors being the most energy-intensive consumers (28 percent and 21 percent, respectively) they have automatically become the center of focus. Natural gas for vehicles (NGV) was introduced as far back as 1984 by PTT Public Company Limited, the national energy company. The Ministry of Transport is upbeat about its plan to lease 6,000 new, air-conditioned, NGV-powered buses to improve the public transport service starting in 2009. In addition, the country has been mass-producing and innovating gasohol, a blend of gasoline and ethanol, which does not require extensive modifications to existing cars and which is sourced from second-generation crops such as cassava and sugar cane using only biomass remnants so as not to diminish food supplies. The amount of gasohol being used in Thailand is now up to eight million liters per day, constituting a 40 percent market penetration. "We have been quite successful and very proud that our gasohol has been so widely accepted," says Dr. Nakornthap. "I think we can claim to be leaders in the promotion of these two substances in Asia."

Thailand is now considering upping the ethanol content in gasohol to 85 percent from its current 5 to 10 percent. Senator General Lertrat Ratanavanich, of the Senate of Thailand's Energy Committee, reveals that incentives for the production of "flexible-fuel vehicles" will soon be introduced, with many foreign car manufacturers preparing to benefit from these measures. "We need automotive companies that are willing to produce flex-fuel vehicles in Thailand. American companies coming to our country should focus on that sector." Other investment incentives for

energy-efficiency sectors exist in biodiesel, biogas, wind, and solar power. This may well give Thailand an edge in becoming a regional electricity and gas hub, as Deputy Permanent Secretary Nakornthap points out. "Slowly, we are also becoming a center for supply and demand of natural gas. We are a robust economy, hungry for energy, and we adopt a liberalized policy and a free market with connections to Malaysia, Laos, Vietnam, and Cambodia."

PTT'S ONGOING SUCCESS

Leading these developments for the past thirty years has been the privatized and Stock Exchange of Thailand (SET)-listed PTT Public Company Limited. Currently ranked 135 in the Fortune 500, PTT has a combined market capitalization of around \$49 billion, or 17 percent of the country's GDP. PTT has built up a reputation for focusing on and pioneering alternative and renewable energy solutions, all the while committing to good corporate governance and corporate social responsibility. In fact, its efforts, together with previous governments, of bringing liquefied petroleum gas (LPG) to consumers at subsidized prices created so much demand that early this year Thailand transformed from an LPG exporter into an importer.

"The current government has now recognized this problem and is developing action plans to properly manage and gradually increase the domestic price for LPG to reflect world prices," clarifies Prasert Bunsumpun, president of PTT. "Our aspiration is to become a Fortune 100 company by 2012–2020. To reach such an aspiration we need to increase our revenues 15 percent per year on average. One of our key strategies to drive growth is strategic mergers and acquisitions. We are considering all opportunities domestically and globally in exploration and production, petrochemical and refining businesses."

The race for green energies plays a central role in building PTT into the premier Thai multinational. Diversification plans include focusing on bioethanol, bioplastics, hydropower, and water management, as well as constructing the first liquefied natural gas (LNG) regasification terminal as a supplement to domestic gas supply. "PTT supports the Thai society

and economy in forging their way to a sustainable future," says Bunsumpun. "In striving for green energies and supporting environmental friendliness, PTT has embarked on several initiatives and developmental projects, including Gasohol E10, E20, and E85 (percentage equivalent), second-generation crops for the production of ethanol and biodiesel, particularly from biomass such as rice straw, bagasses and sawdust, and collaboration with vehicle manufacturers in research and development (R&D)."

PTT's most recent R&D partnership in this field is the Collaborative Research Project on Advanced Energy Technology, with General Motors. Initially the cooperation will focus on cellulosic ethanol, followed by a wide spectrum of advanced energy technologies that have a minimum environmental impact as their aimed result.

A remarkable development among PTT's various biofuel projects is the investigation into utilizing al-

gae for the production of biodiesel. "Algae is one of the most promising sources in view of its availability and accessibility, its much higher oil yield compared to that of other crops or oil seeds, and its ability to digest pollutants," explains PTT's president. Research is therefore being expedited in collaboration with both the academic and industrial sectors in an effort to strike yet another breakthrough in the production of cost-effective biodiesel on a sustainable basis.

"Throughout our thirty years of existence, our assorted activities have continued unabated," stresses Prasert Bunsumpun, his vision firmly fixed on the future. "The same can be said of our mission to fortify Thailand's energy security. As part of Thai society, PTT is determined to foster a body of knowledge derived from business operation and experience for the benefit of all Thais." With PTT's increased activities on the international stage, this may very well lead to benefits for every world citizen. ■

Thailand Investment Year: A Call for Confidence

Ever since the Treaty of Amity and Commerce was signed 175 years ago, Thailand has been a prime destination for American and foreign investment in Asia. But even the most popular destinations have their ebbs and flows. Having recently gone through a period of political uncertainty, Thailand's government has sought to restore confidence among newcomers by declaring 2008–2009 "Thailand Investment Year."

"The idea is to strengthen the sectors in which we are already competitive," explains Satit Chanjanakul, secretary-general of the Board of Investment (BOI). As an example, he earmarks the electronic and automotive industries as hotbeds of new initiatives. "2007 was the first year when production of cars was directed more to exports than the domestic market, with 53 percent being exported. Similarly, about 40 percent of the world's hard disk drive production now comes from Thailand. When we develop these sectors into an economy of scale, then they become clusters and it becomes even easier to attract more investors."

According to BOI, established companies see the long-term benefits of competitive business opera-

tions, cost of production, skilled labor, exemplary infrastructure, and growing demand. In parallel, policies as well as laws and regulations pertaining to investment have remained consistent. New initiatives to boost confidence include an investment fair—expected to attract 1,200 participants—to show the progress of mega-projects worth \$45 billion, and an NESDB initiative named Vision 2027 with a big focus on green energy, human resources, health care, global warming, and technology. "In the next ten to twenty years, this region will no longer be a producer of commodities," says NESDB's Ampon Kittiampon. "We have to move into the knowledge-based society, into the era of value creation." ■

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