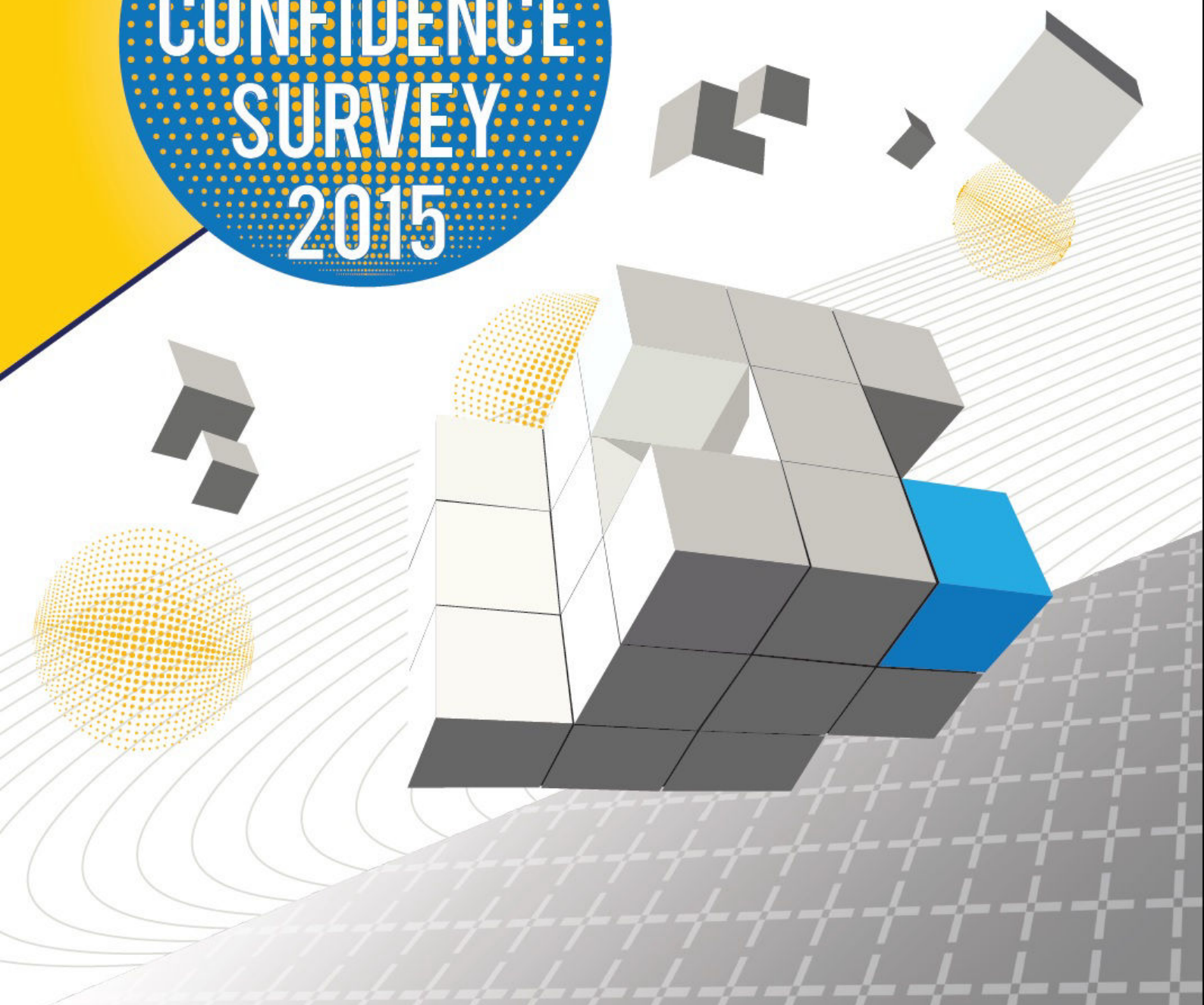
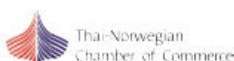




BUSINESS CONFIDENCE SURVEY 2015



European Association for Business and Commerce



A supported Initiative of the European Union





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Executive Summary

The 2015 Business Facilitation Survey is conducted by the European Association for Business and Commerce (EABC), in collaboration with a Consortium of 16 European Chambers of Commerce and Associations in Thailand and Europe. The objectives of this survey are (1) to keep statistical record of European business community operated in Thailand through our EABC member base, (2) to explore the impacts on the European business in Thailand on the cancellation of Generalized System of Preferences (GSPs) offered by European Union (EU) to Thailand, and (3) to receive the feedbacks of the European business members in Thailand regarding the renegotiation of EU – Thailand Free Trade Agreement (FTA). As a result, the questions cover business strategies, challenges, and outlook on growth.

Targeted respondents are senior executives of companies within the European business communities, particularly current members of EABC and European bilateral chambers in Thailand. Starting on 3 April 2015 and ending on 11 May 2015, the survey was distributed through the web link email via established networks of EABC's partners and associates. The survey consists of 26 questions, covered 5 categories, with the total number of 127 respondents.

About 90 percent of the respondents are CEO, President, or at least, senior executives, largely involved in manufacturing and services sector, sized as small and medium enterprises (SMEs), employed less than 250 employees. Most of them has been operating and in presence in Thailand more than 10 years with considerable revenues more than 5 million baht. At least 58 percent of the respondents have at least one office, either headquarter or branch, in Europe. 82 percent of them think that Thailand will be increasingly or equally important while 18 percent think opposite.

Business Outlook

- 80 percent of the respondent believed that the Thai economy will improve in the next two years; however, 20 percent expressed pessimistically.
- Over 60 percent of the respondents are still optimistic that there will be improvement in their business growth, profitability, and sales in the next 6 months. However, a plan for investment expansion both in Thailand and ASEAN is still reluctant.

Opportunities and Challenges

- The impact of GSP cancellation to the European companies in Thailand was confirmed by the respondents who are GSP users (91 percent of respondents who gained the GSP privileges from EU).
- Main strategies to deal with the GSP cancellation include improvement of competitiveness through upgrading/ enhancing quality of products and a search for new export markets.
- The biggest incentive to do business in Thailand was indicated as the realization of ASEAN Economic Community (AEC) by the end of 2015 when the BOI's investment promotion scheme and government policy to improve investment climate came to the second rank.
- The most challenging legislations are indicated as the Foreign Business Act and Foreign Employment Act. To facilitate the ease of doing business in Thailand, it is therefore recommended for the Thai Government to arrange a consultation session with the private sector prior to the announcement or implementation of any law amendments.

Strategies and Evaluations

- To reduce costs of doing business, 33 percent of the respondents developed their strategic plans toward reduction of procurement costs, followed by cutting costs of subcontracting and outsourcing, and decreasing numbers of staffs, respectively.
- Increasing customer base and sales activities are the first two prioritized strategies to raise their profits in the future.
- In terms of support and challenge, political uncertain was indicated as number one challenge of the Thai governance while the support to investors was considered as the best support (or least challenging).
- 61 percent of the respondents pointed that the EABC and Chambers of Commerce provided positive supports to their business, particular in the area of official dialogues with the Thai authorities and policy advocacy.

1. Demographic information

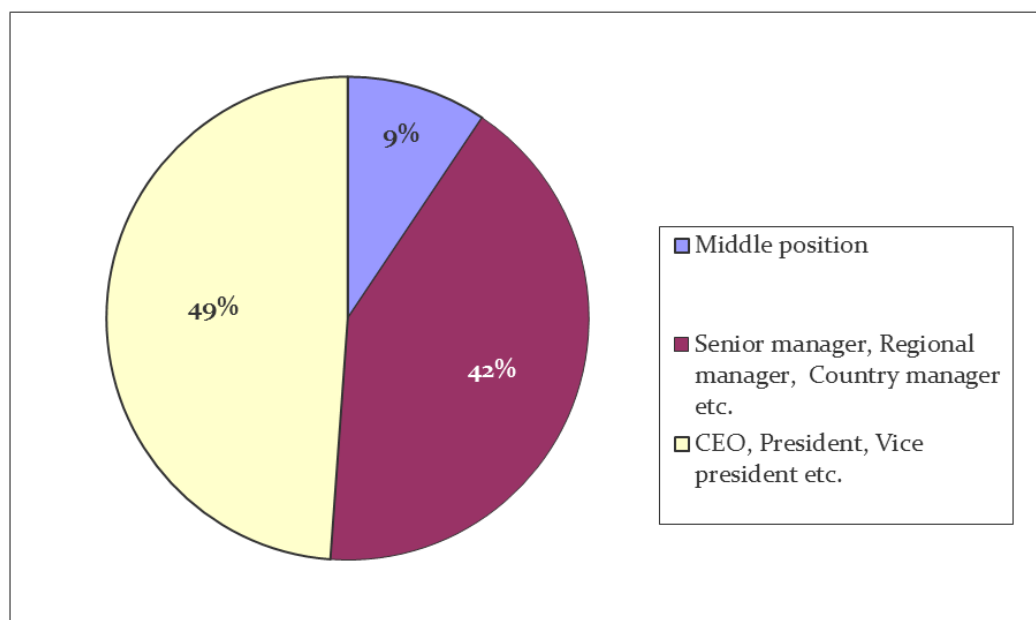
The Business Confidence Survey was officially conducted from 3 April to 11 May 2015 through the web link of email distribution. It is conducted through 26 questions under 5 categories, with the total number of 127 respondents.

The main objectives of this survey are (1) to keep statistical record of European business community operated in Thailand through our EABC member base, (2) to explore the impacts on the European business in Thailand on the cancellation of Generalized System of Preferences (GSPs) offered by European Union (EU) to Thailand, and (3) to receive the feedbacks of the European business members in Thailand regarding the renegotiation of EU – Thailand Free Trade Agreement (FTA).

1.1 Respondents profile

Main respondents of 2015 EABC Business Confidence Survey are divided into three groups of middle position, Regional Manager/ Country Manager and CEO/ President Figure 1 shows 49 percent of CEO, President and Vice President respondents while 42 percent were a group of senior manager, regional manager and country manager and 10 percent were middle position.

Figure 1: Please indicate which category describes your present job position?



In terms of legal entity, over 75 percent of the respondents are entitled as ‘limited company’ while some of them, accounted roughly for 10 percent, are ‘public limited company’. In terms of the ownership, 36 percent represented 50-percent-or-less foreign owned company while 34 percent represented a wholly foreign-owned company.

Figure 2: What is the legal entity of your company?

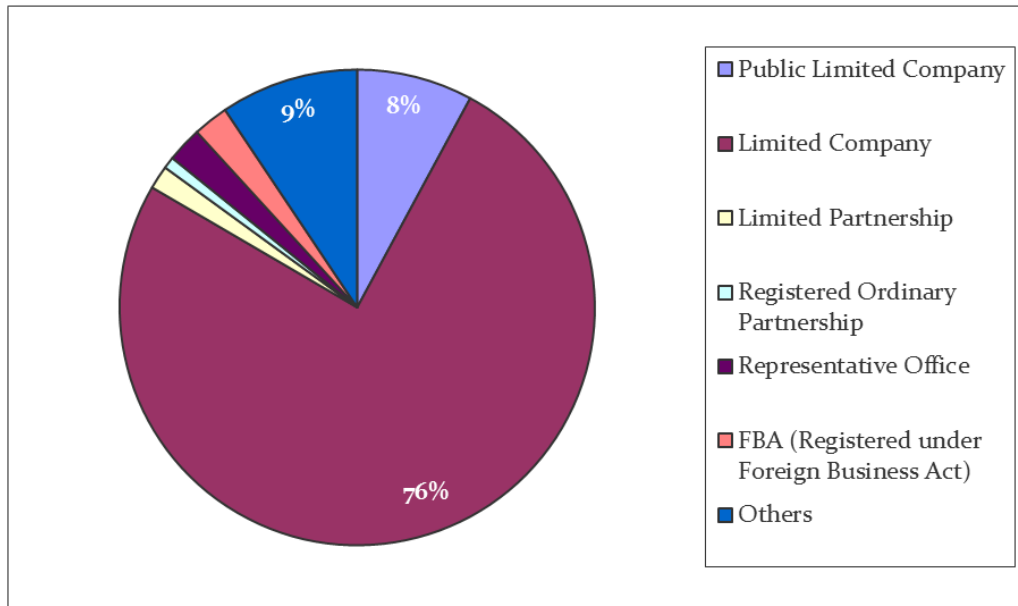
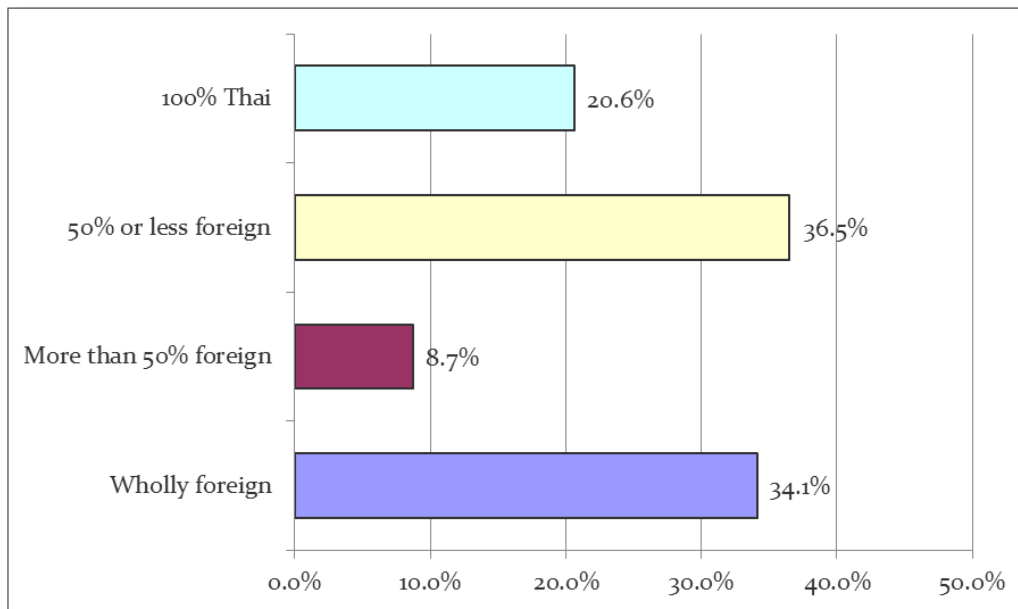


Figure 3: How do you describe the composition of shares capital of your company?



1.2 Industry breakdown of respondents

Among the major sectors, services sector holds the biggest share of 61 percent of the total respondents, followed by manufacturing sector and others at 25 percent and 14 percent, respectively. In terms of business sector, 35 percent of the respondents represents industrial goods and services, followed by professional services sector (28 percent) and consumer goods and services (24 percent). Others covered education, hospitality, trading associations, sales, and importers.

Figure 4: Indicate the primary sector of your company?

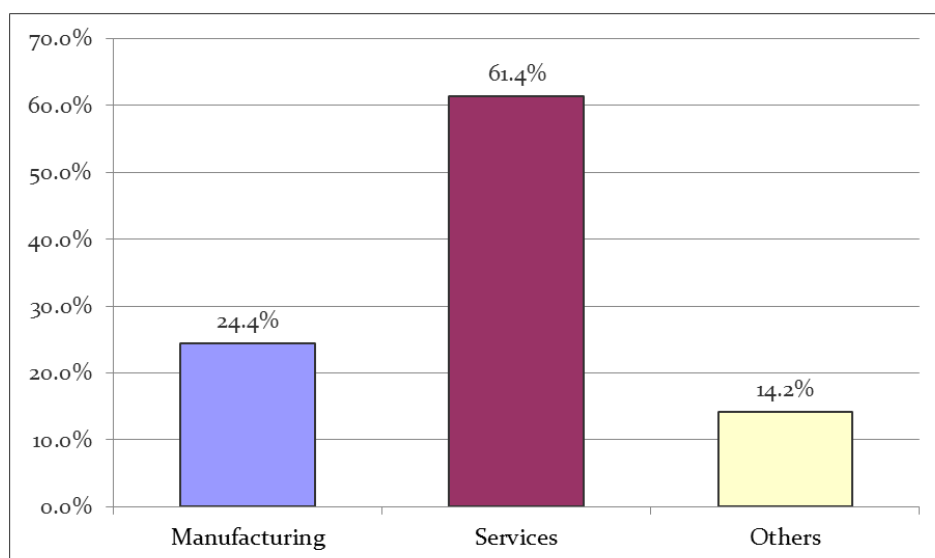
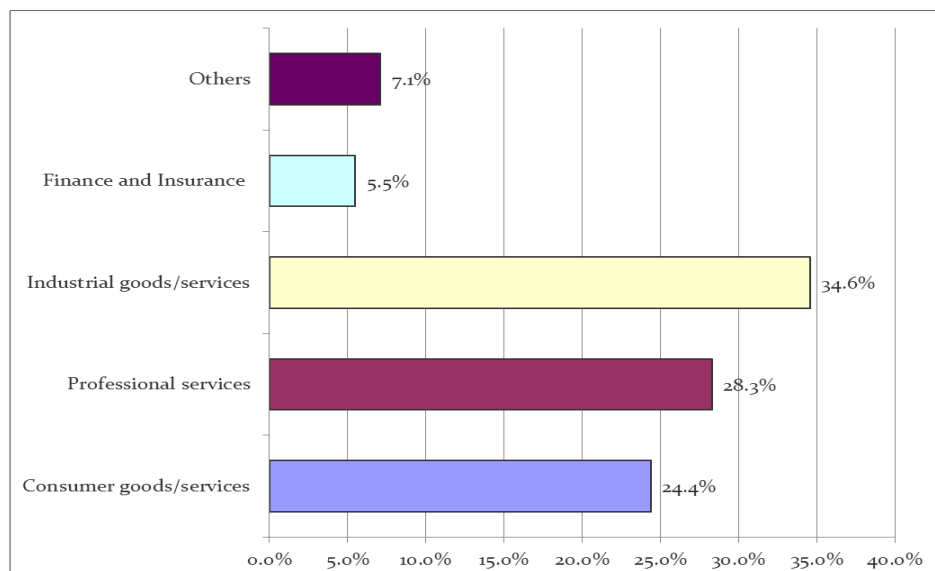


Figure 5: Main business sector - Indicate the sector that best describes the main business of your company:



Remarks: Consumer goods/services (Fashion & Textiles, Food & Beverages, Pharmaceuticals & Healthcare, Retail & Hospitality, Tourism & Travel, Other consumer goods)

Professional services (Media & Publishing, IT & Telecommunications, Legal consulting, Sciences, Standardization services, Advertising & Branding, Public relations & Communications, Management & HR consulting)

Industrial goods/services (Automotive, Chemicals & Petroleum, Civil engineering & Construction, Utilities, Commodities, Machinery, Transportation, Logistics & Distribution, Renewable energy equipment, Aeronautics, Paper manufacturing)

Finance and Insurance (Banks, Insurance company, Broker)

1.3 Size, revenue and history

Similar to the EABC 2012 Business confident survey, 80 percent of the companies representing in this survey are SMEs. The large firm; however, took part of this survey for 20 percent. 47 percent of them employ less than 50 employees, while the other 28 percent hire more than 250 staff in their business. Additionally, responding to a question on potential new employment, more than half of them think that they will not need to employ more of the foreign professionals.

Figure 6: Company Size - Your company can be described as:

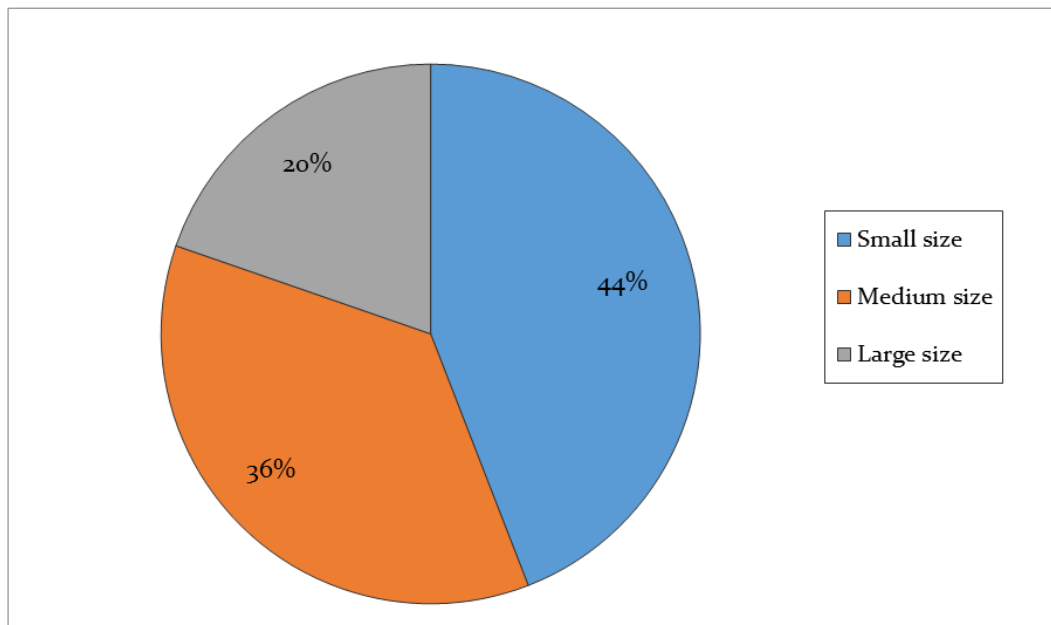
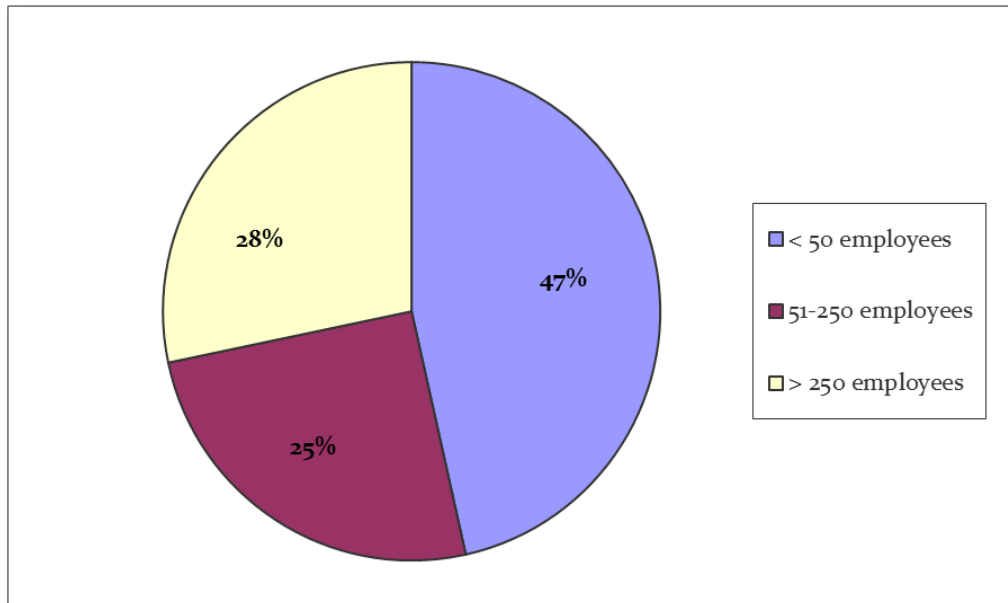
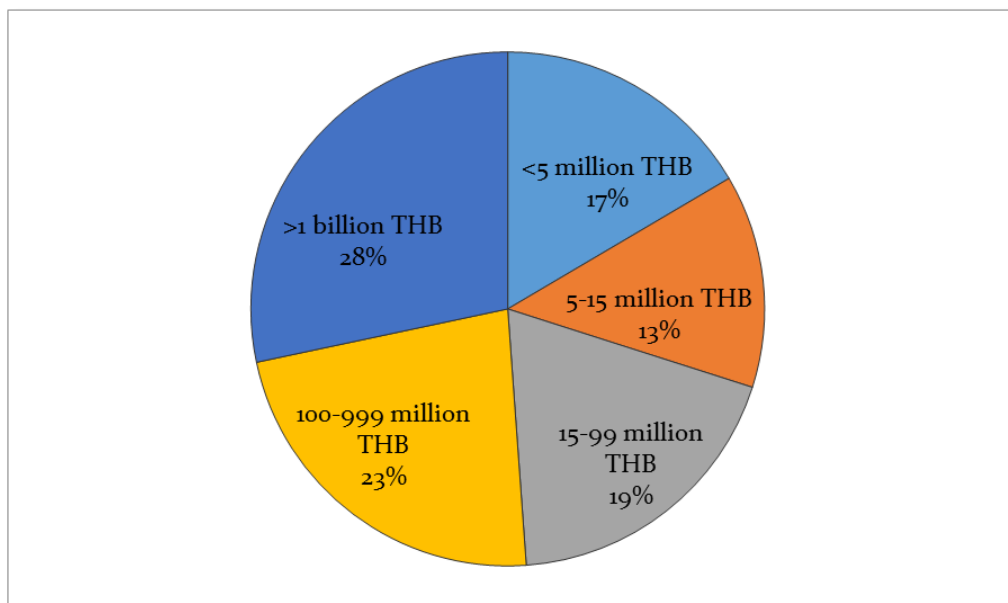


Figure 7: How many employees does your company have in Thailand?



Response on the total revenue of the company is well-distributed among the categories regardless of the sizes of companies; 28 percent of responded companies obtained more than THB 1 billion which reassured the good business performance in Thailand.

Figure 8: What was the total revenue of your company in Thailand in 2014?



Most of the responded companies has been operating and in presence in the Thai economy as more than 60 percent were established in Thailand before 2004. Only 5 percent of companies have been operated in Thailand in the last 12 months while 58 of them have at least one office – either headquarter or branch – in Europe.

Figure 9: How long has your company been operating in Thailand?

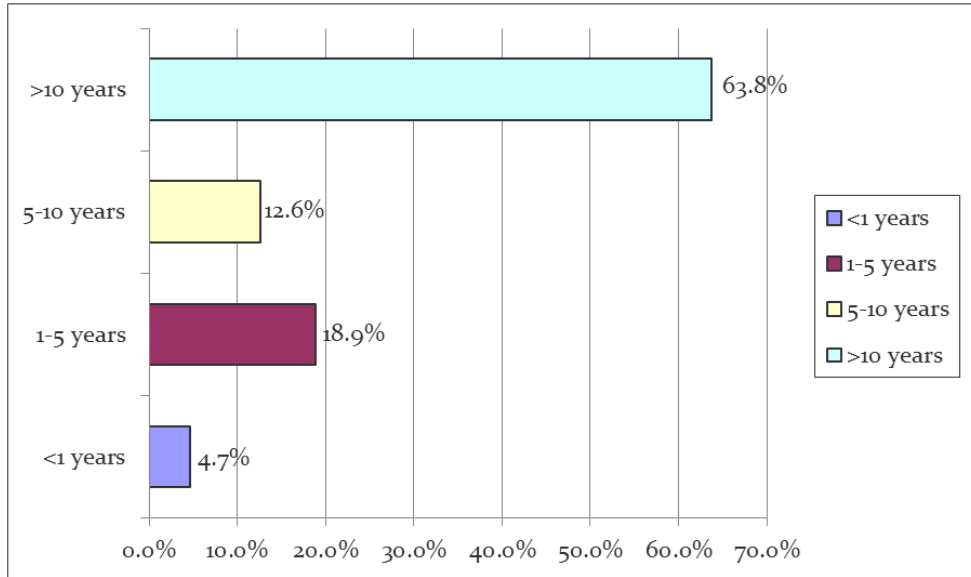
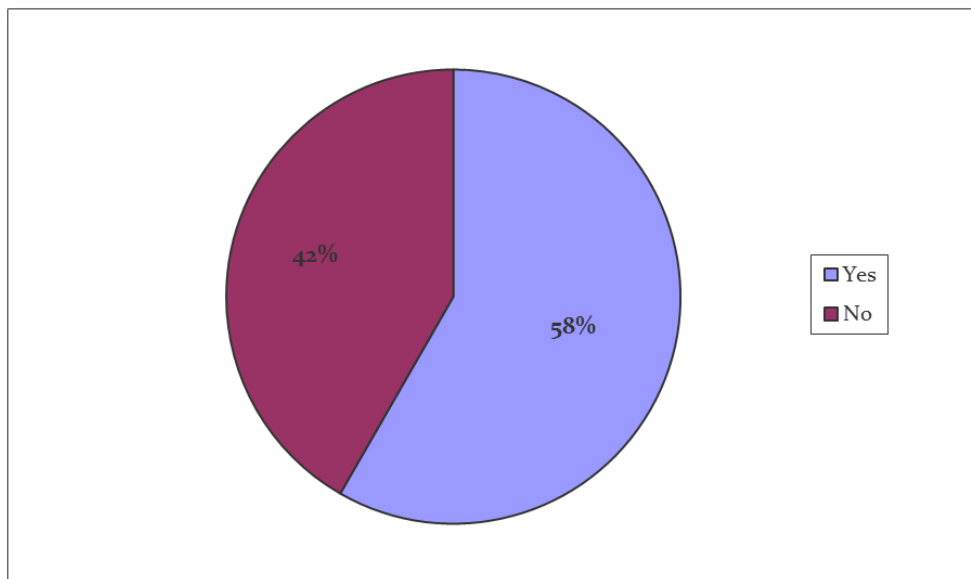


Figure 10: Does your company have at least one office in Europe (headquarter, branch)?



In their perspective, globally, Thailand is becoming more important to their business strategy due to its significance as export market (accounted for 40 percent) and a gateway/ hub to ASEAN markets (accounted for 31 percent).

Figure 10.a: Importance of Thai economy - How would you currently determine the importance of Thailand in your company’s overall global strategy?

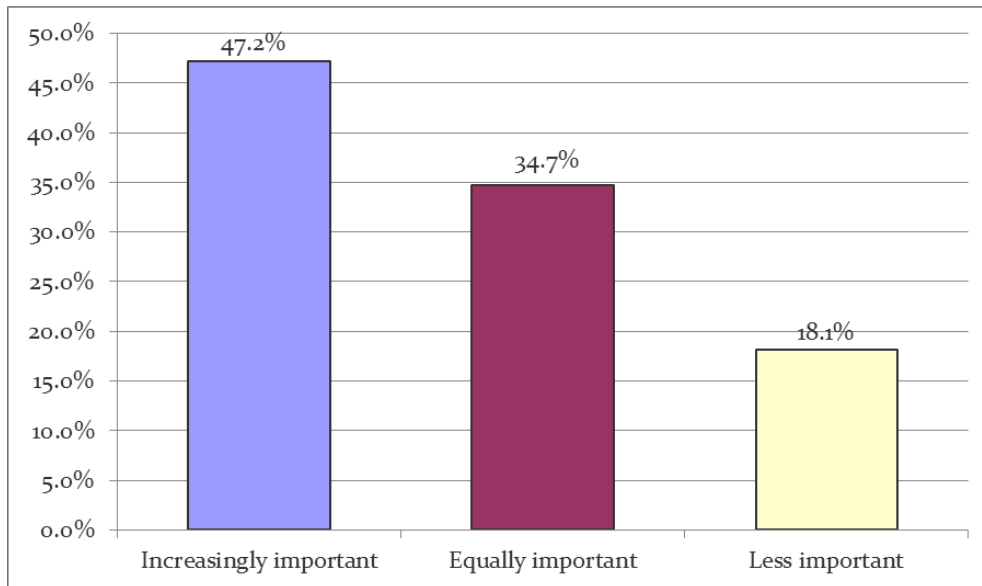
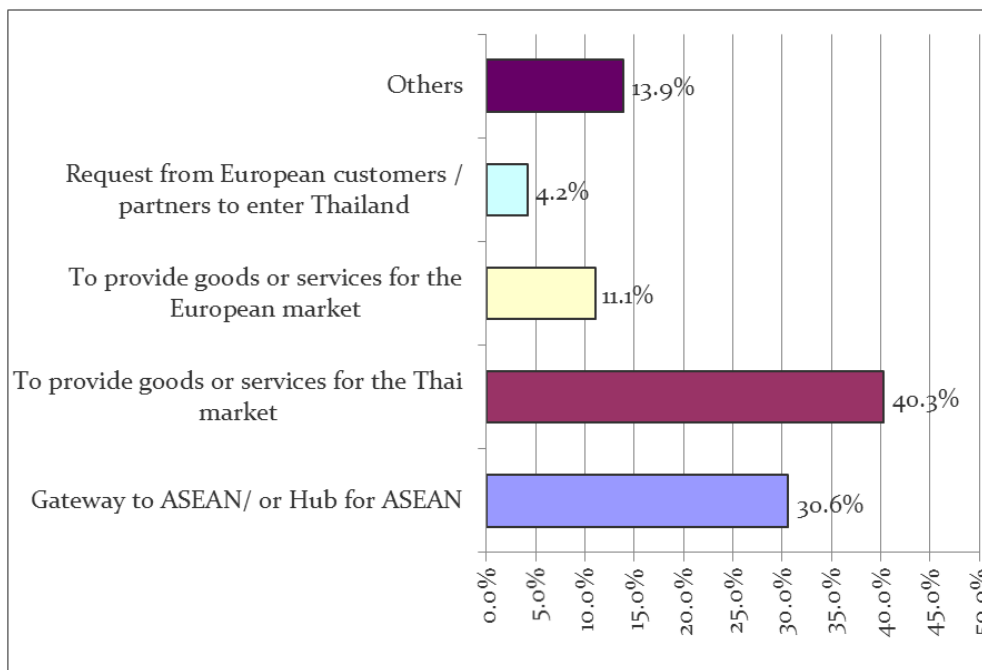


Figure 10.b: Main business reason - What is the strategic reason for your presence in Thailand?

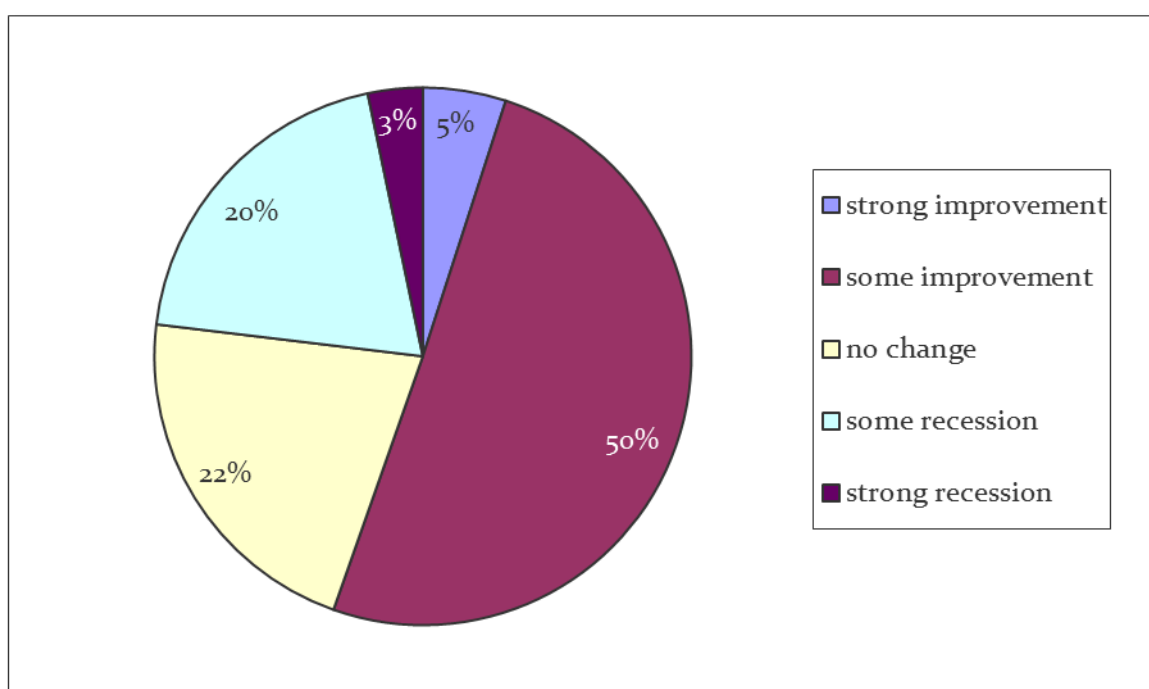


2. Outlooks

2.1 Growth in Thailand

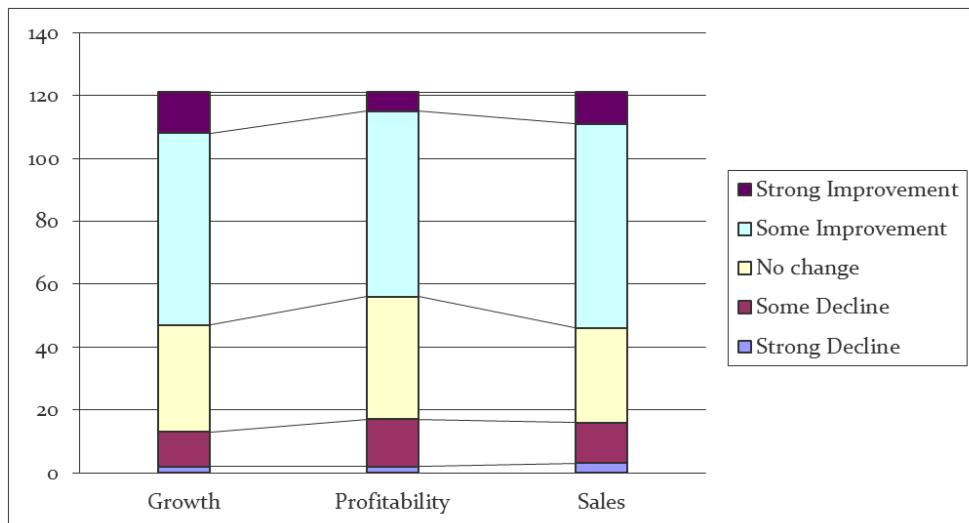
Half of the respondents still believed in the Thai economy that it will improve in the next two years. Nevertheless, 20 percent of the survey participants expressed pessimistically with a prospect of possible recession.

Figure 11: How do you estimate the economic performance in the Thai economy in the next 2 years?



Sequentially, over 60 percent of the respondents think that there will be some improvement in their growth, profitability and sales in the next 6 months. Notwithstanding, approximately 30 percent of respondents anticipated no change in their business performance while 1 percent expected a strong decline in the company's growth, profitability and sales.

Figure 12: How do you estimate growth, profitability and sales in the next 6 months in Thailand for your company?



In relation to the business performance, 70 percent believed that positive changes will turn up for their business in the next 2 years mainly due to an increase in customer base and market demand. However, almost 17 percent trusted that the positive government plans and regulations would help stimulate their business operation. Only 8 percent of the respondents expected a negative impact on their business performance possibly caused by a decline in customer base and market demand as well as the negative government plans and regulations.

Figure 13: What is your opinion on the business performance of your company in the next 2 years?

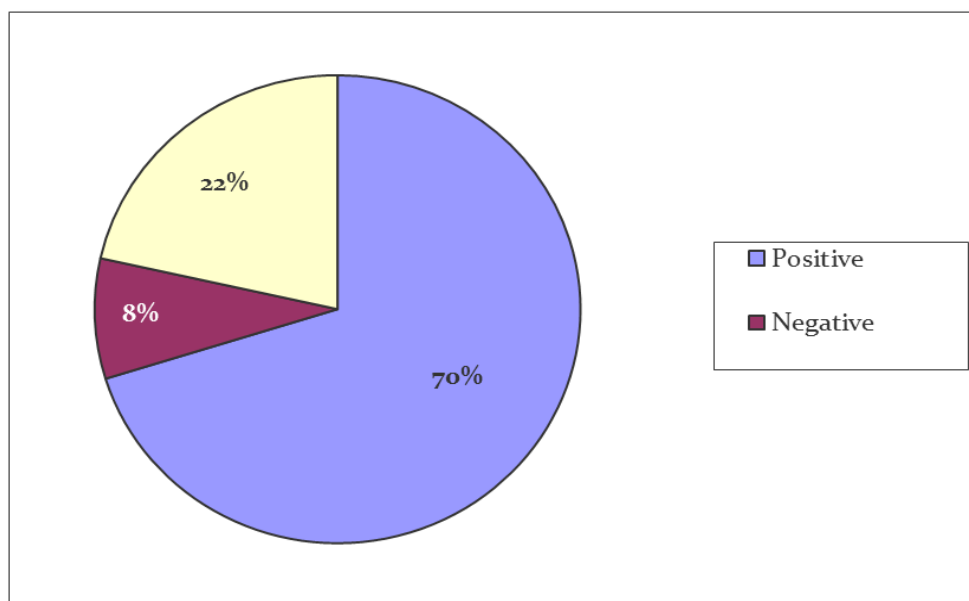


Figure 13.a: If POSITIVE, why?

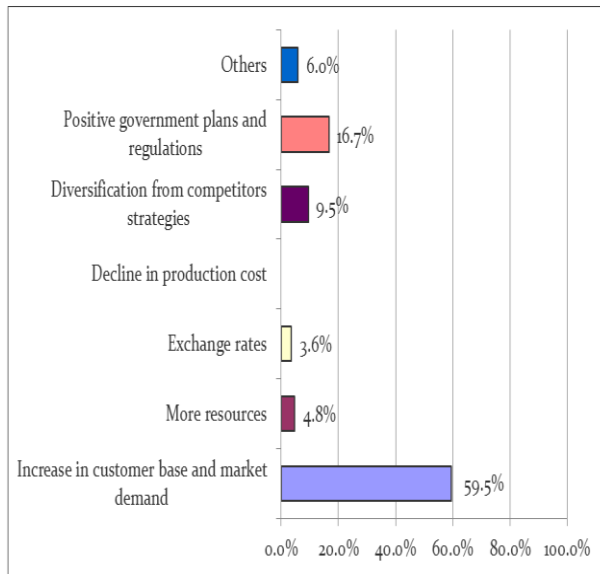
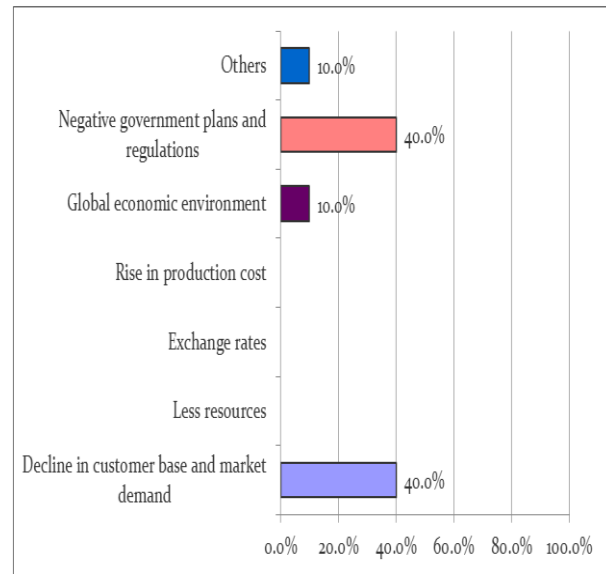


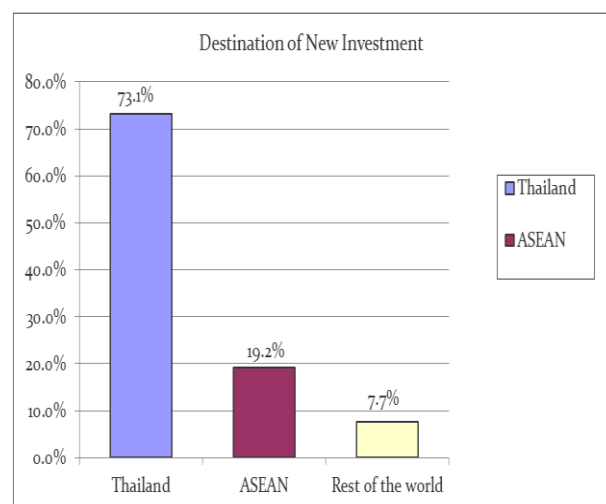
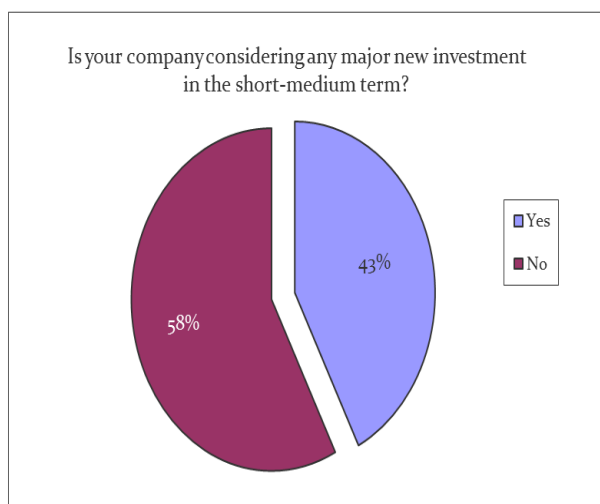
Figure 13.b: If NEGATIVE, why?



2.2 Investment

Nonetheless, the survey result indicates that less than half of the responded companies show an intention to expand their investment either in short or medium terms. In this group, 70 percent of them pointed that they will consider a new investment in Thailand while 19 percent said they are interested to invest more in ASEAN countries.

Figure 14: Investment Expansion Plan

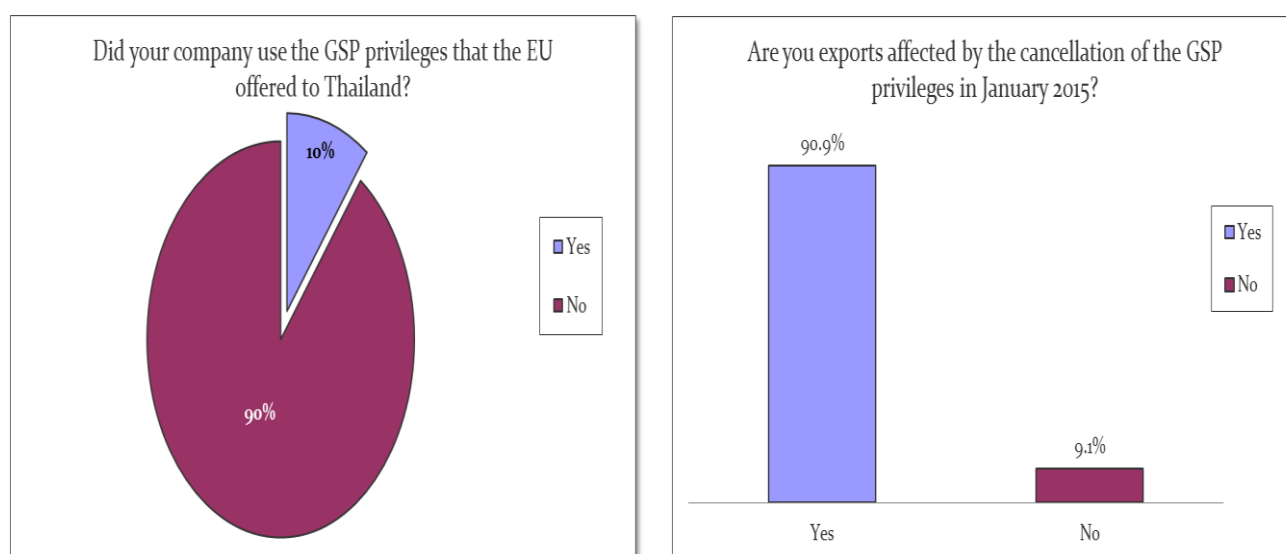


3. Opportunities and challenges - GSP/ AEC/FTA

This section of the survey includes the trade-related factors that would affect a company's export and business performance, particular to the European companies that produce in Thailand and export back to the EU markets. It gathers feedbacks from the survey participants on the cancellation of GSPs, implementation of AEC, and possibility of EU -Thailand FTA.

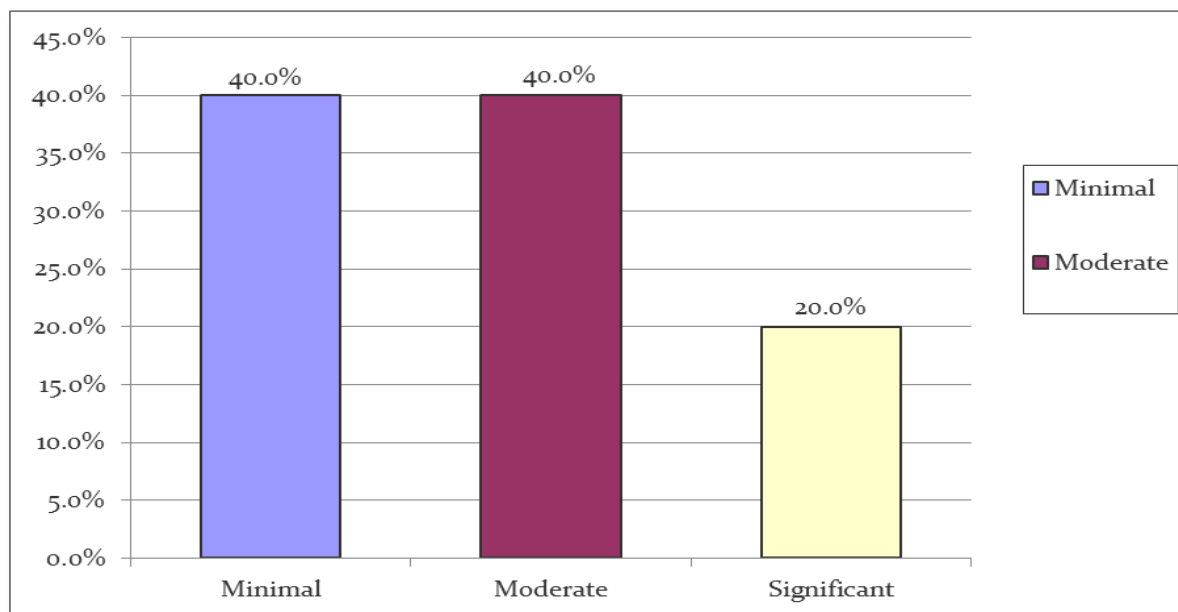
Given 61 percent of the respondents in services sector, the survey result shows that only 10 percent of the total respondents used the GSP privileges offered by the European Union (EU). Almost 91 percent of the respondents who gained the GSP privileges claimed that their exports were affected by the cancellation of the GSP privileges in January 2015.

Figure 15: GSP Usage and the Impact from its Cancellation



However, only 20 percent envisaged a significant loss in their exports in 2015. One company expected no impact from the loss of GSP privileges toward the company's export since most of their exports went to other markets, not the EU markets.

Figure 15a.1: How do you estimate the loss in your exports this year compared to the previous year?



For the action plans in dealing with the cancellation of GSP privileges, only 10 percent of total respondents have already adopted or are planning the action plans in order to alleviate the effect caused from the loss of GSP privileges. These measures include improvement of competitiveness through upgrading or enhancing quality of products and a search for new export markets.

Surprisingly, less than half of them believe that the renegotiation of EU – Thailand FTA would help their business lessen the impacts from loss of GSP.

Figure 16: Strategic Plan against Cancellation of GSP

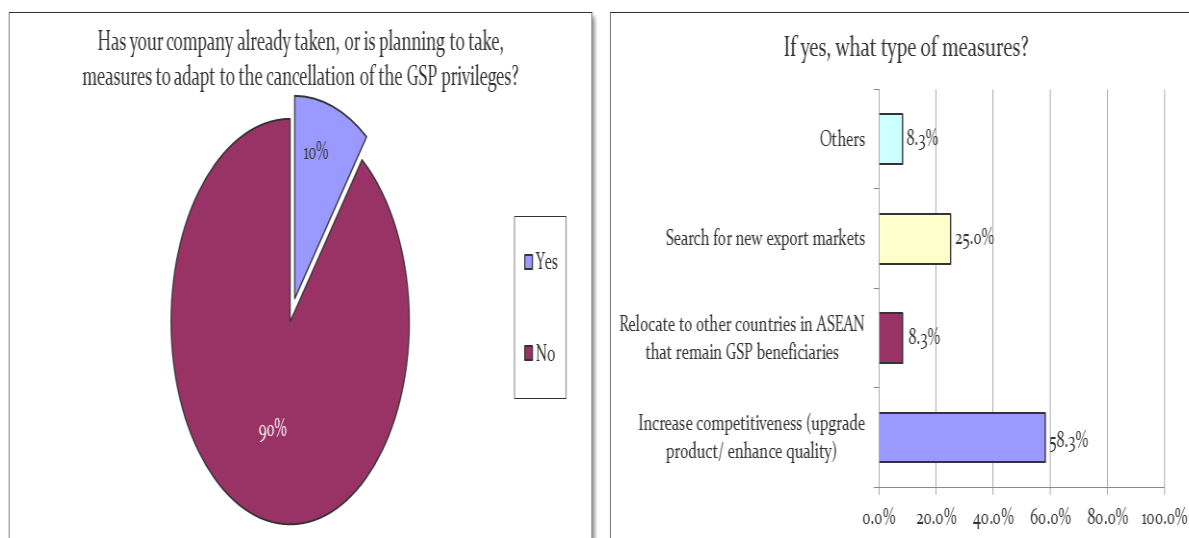
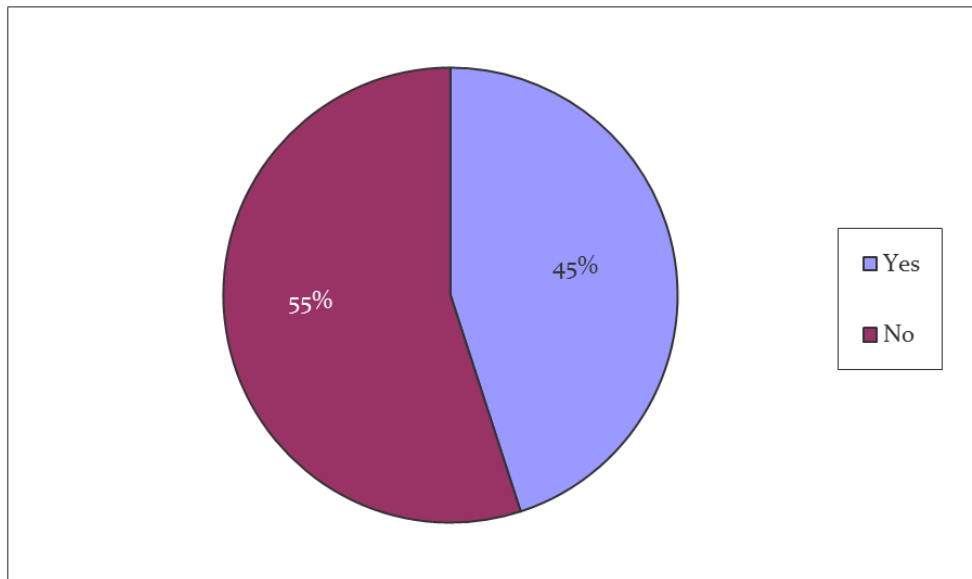


Figure 17: Do you think that without the GSP in place, the renegotiation of the EU-THAILAND FTA would help your business?



Among other incentives, the biggest factor for companies to do business in Thailand is the realization of the ASEAN Economic Community (AEC) by the end of 2015. The government policy and BOI incentives are as well viewed as the significant reasons that improve investment climate and motivate businesses in Thailand to invest more.

Figure 18: Among these factors, what is the biggest incentive for your company in doing business in Thailand at the moment?

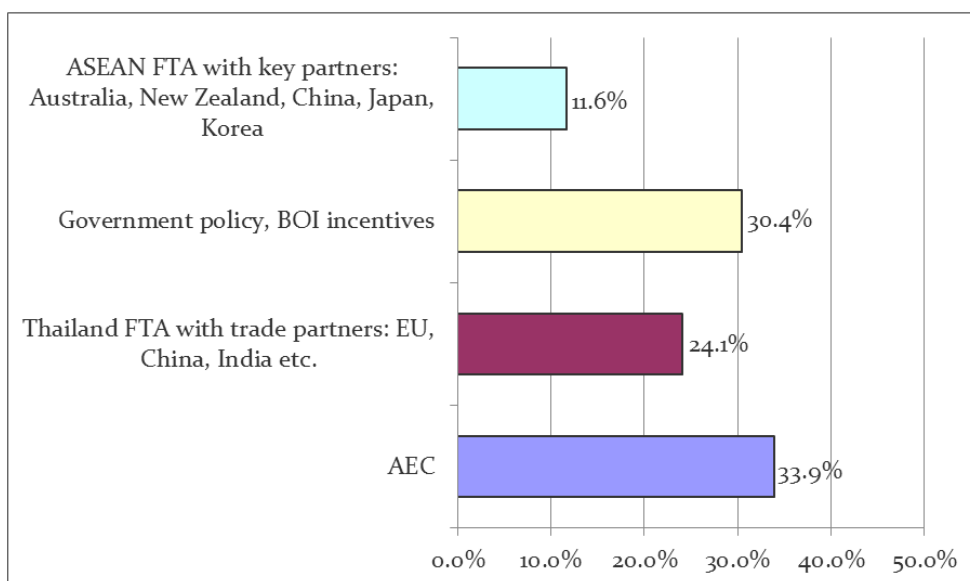
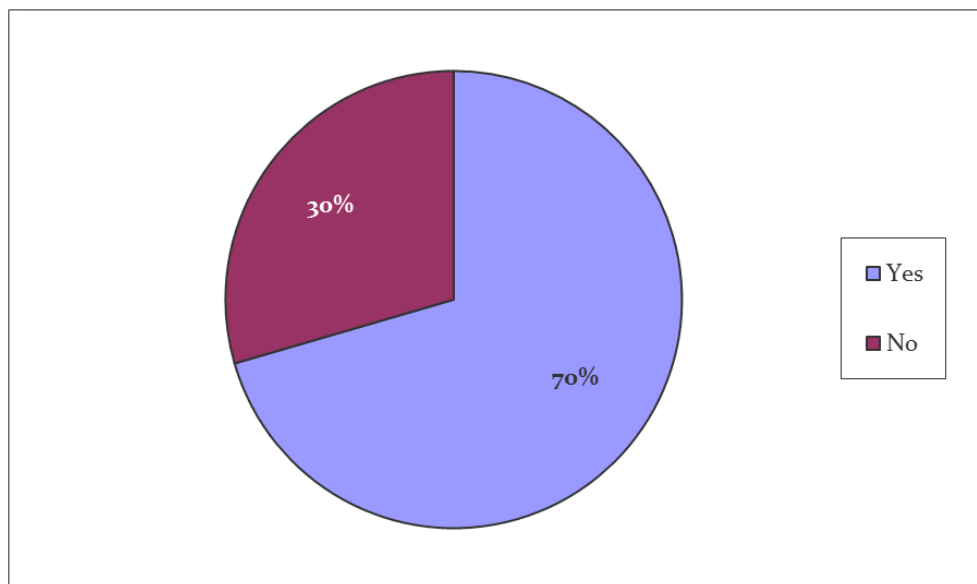
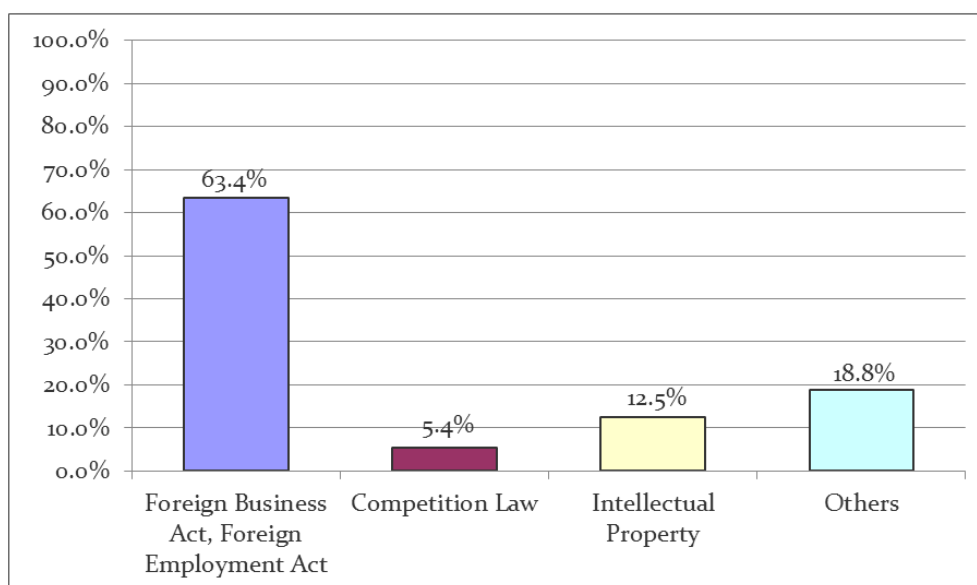


Figure 19: With the ongoing AEC, the Thai government will have to change some regulations to facilitate trade and investment in ASEAN. Do you think these changes will bring benefits to your company?



In terms of difficulties in doing business in Thailand, the Foreign Business Act (FBA) was indicated as the most challenging factors for the Thai economy. To facilitate the ease of doing business in Thailand, it is therefore important for the Thai government to arrange a consultation session with the private sector prior to the announcement or implementation of any law amendments.

Figure 20: Please indicate which legislation is considered the most challenging for your business in Thailand?

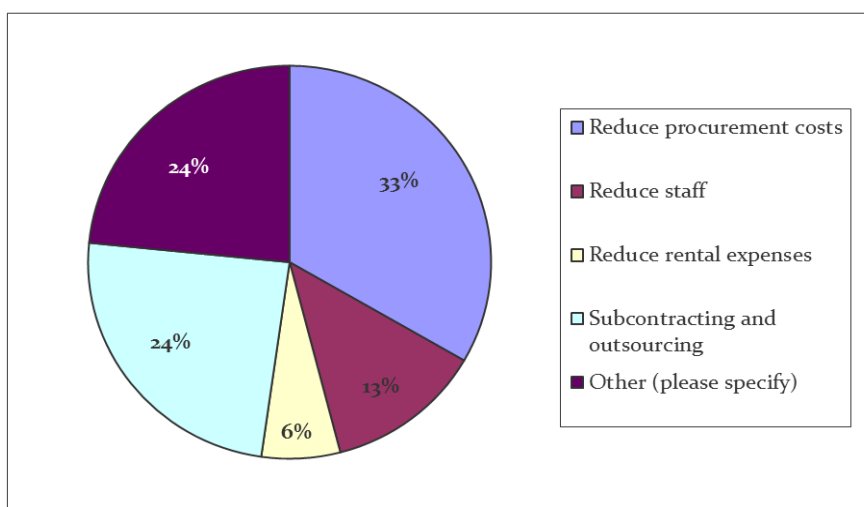


4. Strategies

4.1 Cost reduction and Profitability increase

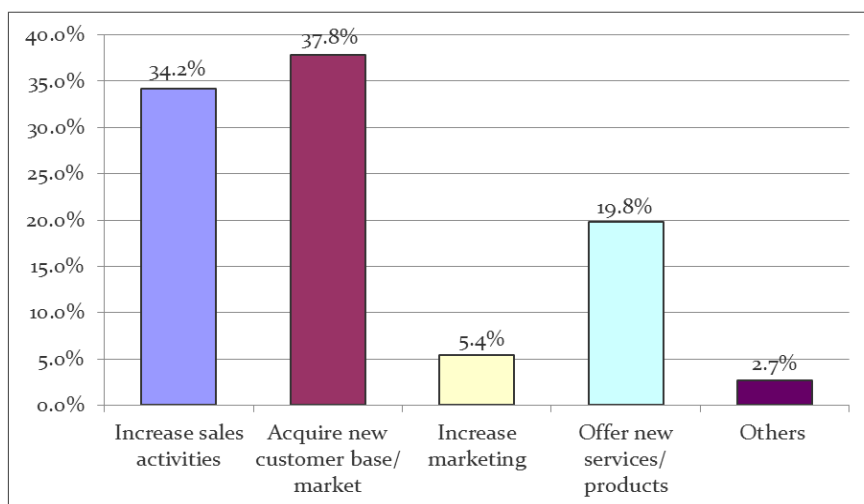
To reduce the costs of doing business, 33 percent of the companies strategized their plans toward reduction of procurement costs, followed by cutting costs of subcontracting and outsourcing, and decreasing numbers of staffs, respectively. Other strategies include increasing efficiency in operation and process as well as minimizing the operational costs and other expenses.

Figure 21: What is your company’s first priority for the next twelve months in order to reduce costs of doing business?



In increasing profits in the near future, enhancing customer base and increasing sales activities are the first two prioritized strategies indicated in the survey result. In addition, some companies considered to offer new services and products to acquire more profits.

Figure 22: What is your company’s first priority for the next twelve months in order to increase profit?

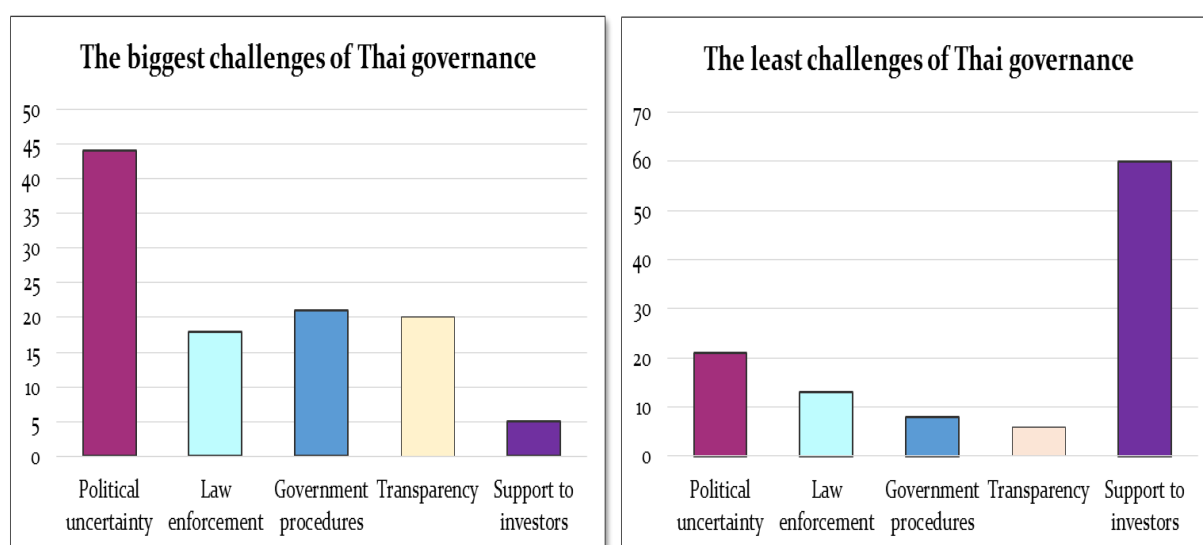


5. Evaluations

5.1 Challenges and supports

Political uncertainty is displayed as the number one challenge of the Thai governance in 2014-2015. On the other hand, half of companies pointed that the support to investors is the least difficulty from this government.

Figure 23: Please give a rank to the challenges of Thai governance (1 = biggest challenge, 5 = smallest challenge):



More than 60 percent of respondents indicated that the EABC and Chambers of Commerce provided positive supports to their business, particular in the area of dialogue with Thai authorities and policy advocacy. The business networking opportunities are presented at the second best activity supported by the Chambers of Commerce.

Figure 24: How do you evaluate the work of Chambers of commerce/EABC to support your business?

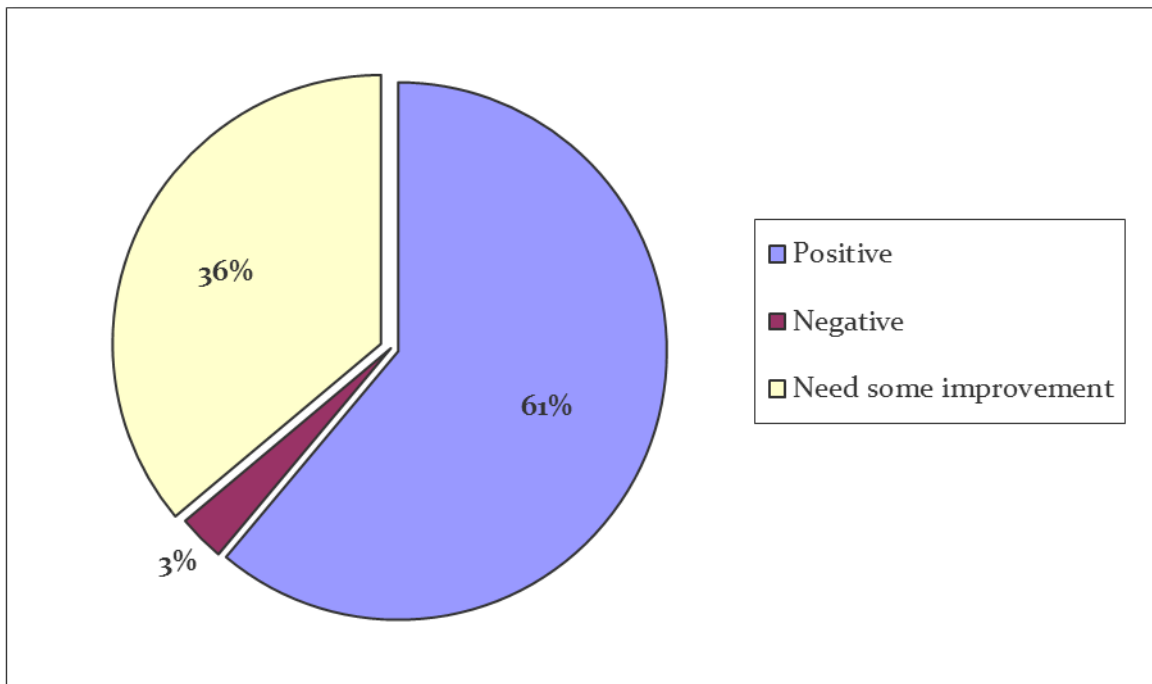
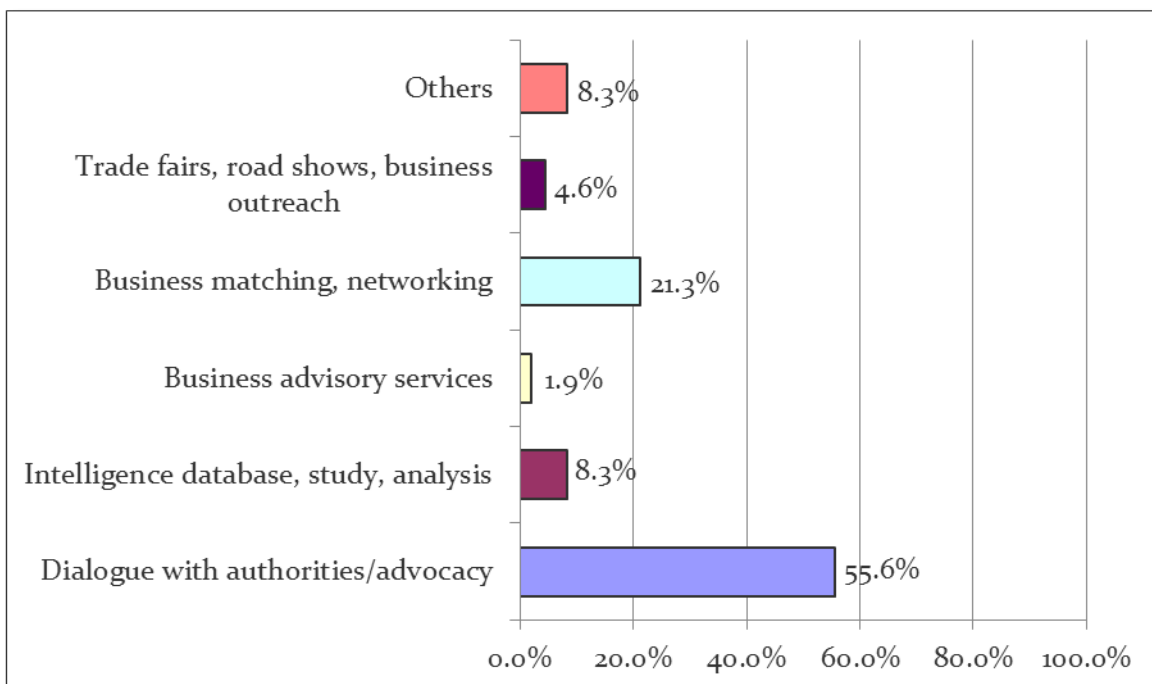


Figure 25: In which area, you think, is the most beneficial support of the Chambers for your company?



6. Implications

To conclude the 2015 Business Confidence Survey, the implications derived from the survey can be summarized as follows;

- Most of our respondents are in the services sector – industrial services, professional services, and customer services sectors.
- 80 percent of the respondents are SMEs while most of them have been operating in Thailand more than 10 years.
- In terms of business outlook, the companies still believe in the Thai economy and think that an increase in the customer base and market demand will help them to gain profits. Nonetheless, the main reason of negative outlook for business performance is indicated as the negative government plans and regulations. Intention of investment expansion in the Thai market is still little.
- The feedback on GSP cancellation received from the respondents demonstrated a concern on competitiveness of the Thai economy affecting European business in Thailand. However, the potential renegotiation of the EU – Thailand FTA does not seem to be a complete solution that helps improving business performance. Regulatory reforms are rather important element needed to upgrade Thailand's competitiveness and ease of doing business.
- The political uncertainty is the biggest challenge posted against the European business community. To maintain their profitability, enhancing customer base and sale activities are ranked as the top two prioritized strategies.
- The most important area of support from chambers of commerce is voted as policy advocacy and dialogues with government authorities. This activity is considered as a tool to smooth business procedures in the Thai market.