The Thai Defense Industry - Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017

Description: This report is the result of ICD Research / SDI's extensive market and company research covering the Thai defense industry. It provides detailed analysis of both historic and forecast defense industry values including key growth stimulators, analysis of the leading companies in the industry, and key news.

Introduction and Landscape

Why was the report written?

The Thai defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017, offers the reader an insight into the market opportunities and entry strategies adopted by foreign original equipment manufacturers (OEMs) to gain market share in the Thai defense industry.

What is the current market landscape and what is changing?

Thailand, the third largest country in Southeast Asia, has one of the fastest-growing defense markets in the world, and as a consequence of years of defense budget underfunding, Thailand's military spending is anticipated to increase during the forecast period as the country's armed forces undergo an extensive modernization program and, as a result, the country's military expenditure as a percentage of GDP is projected to increase. Thai defense expenditure is expected to be driven by factors such as security threats, modernization plans, border disputes, and an ongoing arms race within the Southeast Asian region.

What are the key drivers behind recent market changes?

Modernization initiatives, security threats, an arms race with neighboring countries, and border disputes are expected to drive defense spending. Thai defense expenditure witnessed a steady decline during 1997-2006 as a result of a national financial crisis, and low levels of defense spending during this period created the need to significantly upgrade defense systems such as fighter aircraft, submarines, armored vehicles, and battle vehicles. The country faces a separatist insurgency in its southernmost provinces, mainly comprising the Malay Pattani region of the country. Rapid economic growth across Asia-Pacific has led to an arms race among countries such as Singapore, Malaysia, Indonesia, and Thailand; owing to the competitive acquisition of defense systems within the region, total weapons purchases in Southeast Asia doubled between 2005 and 2009. Thailand is engaged in a border dispute with Myanmar, and with Cambodia, which has been ongoing since Cambodia won its independence in the early 1950s.

What makes this report unique and essential to read?

The Thai Defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017 provides detailed analysis of the current industry size and growth expectations from 2013 to 2017, including highlights of key growth stimulators. It also benchmarks the industry against key global markets and provides a detailed understanding of emerging opportunities in specific areas.

Key Report Features

The report provides a detailed analysis of the current industry size and growth expectations from 2013 to 2017, including highlights of key growth stimulators. It also benchmarks the industry against key global markets and provides a detailed understanding of emerging opportunities in specific areas.

The report includes trend analysis of imports and exports, together with their implications and impact on the Thai defense industry.

The report covers five forces analysis to identify various power centers in the industry and how these are expected to develop in the future.

The report allows readers to identify possible ways to enter the market, together with detailed descriptions
of how existing companies have entered the market, including key contracts, alliances, and strategic initiatives.

The report helps the reader to understand the competitive landscape of the defense industry in Thailand. It provides an overview of key defense companies, both domestic and foreign, together with insights such as key alliances, strategic initiatives, and a brief financial analysis.

Key Market Issues

Excessive corruption within the government’s procurement process hampers the entry of foreign investors into the Thai defense industry, and sometimes, foreign investors have resorted to paying bribes in order to win a contract, and these factors discourage foreign OEMs from entering the market.

Even though Thailand has an offset policy in order to enhance domestic defense capabilities, it accepts indirect offsets as an eligible activity; furthermore, the nation allows counter-purchase, according to which, foreign suppliers can buy non-defense-related goods such as fruit and rice in exchange for defense equipment. Additionally, a lack of multipliers within the country's offset policy fails to encourage foreign OEMs to provide technology transfers or jointly develop defense equipment with the country, and consequently, foreign suppliers are not incentivized to invest in the Thai defense sector.

Key Highlights

Thai military spending, estimated at US$5.4 billion in 2012, increased at a CAGR of 5.44% during the review period and is projected to register a CAGR of 8.5% during the forecast period, to reach US$8.2 billion by 2017. Along with an increase in the overall defense budget, Thai military spending as a percentage of GDP is anticipated to increase from an estimated 1.5% in 2012 to 1.9% in 2017. Overall, the nation is expected to spend an estimated US$35.3 billion on its armed forces during the forecast period, out of which US$12.2 billion will be earmarked for capital expenditure.

Thai HLS expenditure registered a CAGR of 11.97% during the review period and is expected to witness a CAGR of 10.11% during the forecast period, to reach an estimated US$11.86 billion in 2017. The country's internal security budget is expected to increase due to a rise in terrorist attacks, cross border infiltration, and mass protests, and furthermore, the nation has a vast coastline of 2,815 km, making it susceptible to attacks from pirates, the illicit drug trade, and illegal immigration. Over the forecast period, HLS equipment manufacturers will witness a surge in demand for equipment capable of preventing terrorist attacks and managing mass protests.

Thailand's defense industrial base is largely underdeveloped and the country's domestic defense capabilities are limited to the production of small arms and ammunition; as a result, the government is highly dependent on foreign defense systems manufacturers to fulfill the majority of its military requirements. Even though the government is encouraging domestic suppliers such as Avia Satcom Co. Ltd. to form strategic alliances with foreign defense firms such as Saab, the country's defense sector continues to be dominated by foreign companies. Moreover, the country's defense budget registered an increase in 2007 after witnessing a steady decline during 1997–2006. During the forecast period, arms imports by Thailand are anticipated to increase due to the domestic defense industry's limited capabilities.

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