

# “Thailand Business Environment and Investment Policies”



[www.boi.go.th](http://www.boi.go.th)

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# Presentation Outline

- Macroeconomic Overview
- Why Thailand
- Investment Policies
- Investment Opportunities

# Macroeconomic Overview

# Economic Performance & Outlook 2011

<b>Economic Projections</b>	<b>2009</b>	<b>2010</b>	<b>2011e</b>
<b>1) GDP (at 1988 prices)</b>	<b>-2.3</b>	<b>7.8</b>	<b>3.5-5.0</b>
<b>2) GDP per Capita</b> (million KRW per year)	<b>4.86</b>	<b>5.40</b>	<b>5.77</b>
<b>3) Export, FOB value</b> (percent y-o-y)	<b>-14.0</b>	<b>28.5</b>	<b>12.5</b>
<b>4) Import, CIF value</b> (percent y-o-y)	<b>-25.2</b>	<b>36.8</b>	<b>14.6</b>
<b>5) Industrial Capacity Utilization (%)</b>	<b>61.0</b>	<b>63.4</b>	<b>NA</b>
<b>6) Inflation</b>	<b>-0.8</b>	<b>3.3</b>	<b>2.8-3.8</b>

# Selected Costs of Doing Business

- Corporate Income Tax: 30%
- Personal Income Tax: 5 to 37% based on level of taxable income
- Value Added Tax: 7%
- Water Rates for business: KRW 340 to 568 per cubic meter based on water volume used
- Electricity Rates for business (medium general service): KRW 6,310 to 7,950 per kW based on level of voltage
- Selling Prices of Areas in Industrial Estate: KRW 34 to 268.5 million per 1 rai (0.4 acres) based on location



# Thai Labour Force

- 93.9% adult literacy rate
- Labour force 56.4%  
(Population: 67 million)
- Thailand ranks #25 out of 138 countries for women's economic participation and opportunity



## No. of Population Aged 15 Years and Over by Labour Force Status and Level of Education Attainment: 2009

Level of Educational Attainment	Employed (,000)	Unemployed (,000)	Total (,000)
<b>Higher Level</b>	<b>5,908.2</b>	<b>147.1</b>	<b>6,055.3</b>
<i>Academic</i>	3,287.5	77.4	3,364.9
<i>Higher Technical Education</i>	1,832.5	59.1	1,891.6
<i>Teacher Training</i>	788.2	10.6	798.8
<b>Upper Secondary</b>	<b>5,050.5</b>	<b>72.6</b>	<b>5,123.1</b>
<i>General / Academic</i>	3,733.7	43.2	3,776.9
<i>Vocational</i>	1,305.6	29.4	1,335.0
<i>Teacher Training</i>	11.2	-	11.2
<b>Lower Secondary</b>	<b>5,816.0</b>	<b>112.4</b>	<b>5,928.4</b>
<b>Elementary</b>	<b>8,743.5</b>	<b>80.9</b>	<b>8,824.4</b>
<b>Less Than Elementary</b>	<b>11,591.3</b>	<b>39.4</b>	<b>11,630.7</b>
<b>Other (Including Short Course Vocational)</b>	<b>18.4</b>	<b>0.2</b>	<b>18.6</b>
<b>No Education</b>	<b>1,173.3</b>	<b>3.1</b>	<b>1,176.4</b>
<b>Unknown</b>	<b>70.5</b>	<b>0.4</b>	<b>70.9</b>
<b>Total</b>	<b>38,371.5</b>	<b>456.1</b>	<b>38,827.6</b>

*Source: The Labour Force Survey Whole Kingdom 2010, National Statistical Office*

# Selected Salaries for Thai Workers

- Engineer KRW 647,280 /month
- Sales Staff KRW 539,400 /month
- Office Clerk KRW 359,600 /month
- Driver KRW 287,680 /month
- Minimum Wage KRW 5,430-7,410 /day *(31 May 2010)*  
(depending on location)

**Number of working hours: 48/week**

**Social security contribution by employers**

-Social security fund: 5% of salary

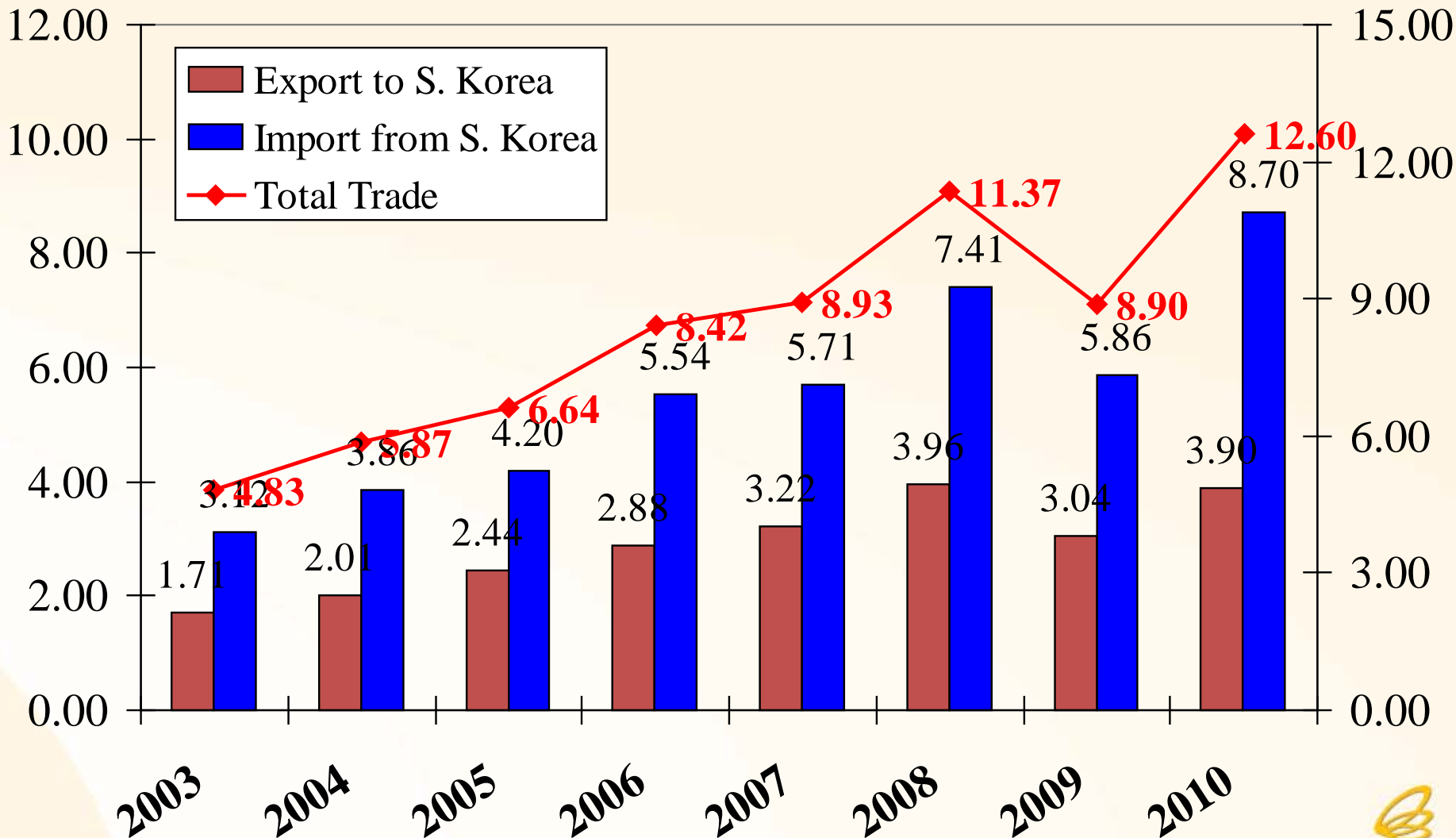
-Workman's compensation fund: 0.2 – 1.0% depending on the type of business.



# Thailand – S. Korea Trade 2002 – Nov 2010

KRW trillion

KRW trillion



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# Principal Exports to S. Korea

unit: KRW billion

Description	2008	2009	2010	2010 (Jan-Feb)	2011 (Jan-Feb)	% Growth (YOY)
Rubber	467.9	265.5	605.3	71.2	136.4	91.77
Electronic integrated circuits	353.1	428.7	428.8	83.4	57.6	-30.96
Other electrical equipment and parts thereof	97.1	114.9	209.8	25.5	52.9	108.06
Automatic data processing machines and parts thereof	233.1	238.7	230.7	46.0	35.2	-23.34
Sugar	71.4	59.8	75.8	10.4	33.9	225.68
Others	2,740.3	1,936.8	2,348.2	393.2	463.3	17.81
<b>Total</b>	<b>3,962.7</b>	<b>3,044.4</b>	<b>3,898.7</b>	<b>629.6</b>	<b>779.4</b>	<b>23.79</b>

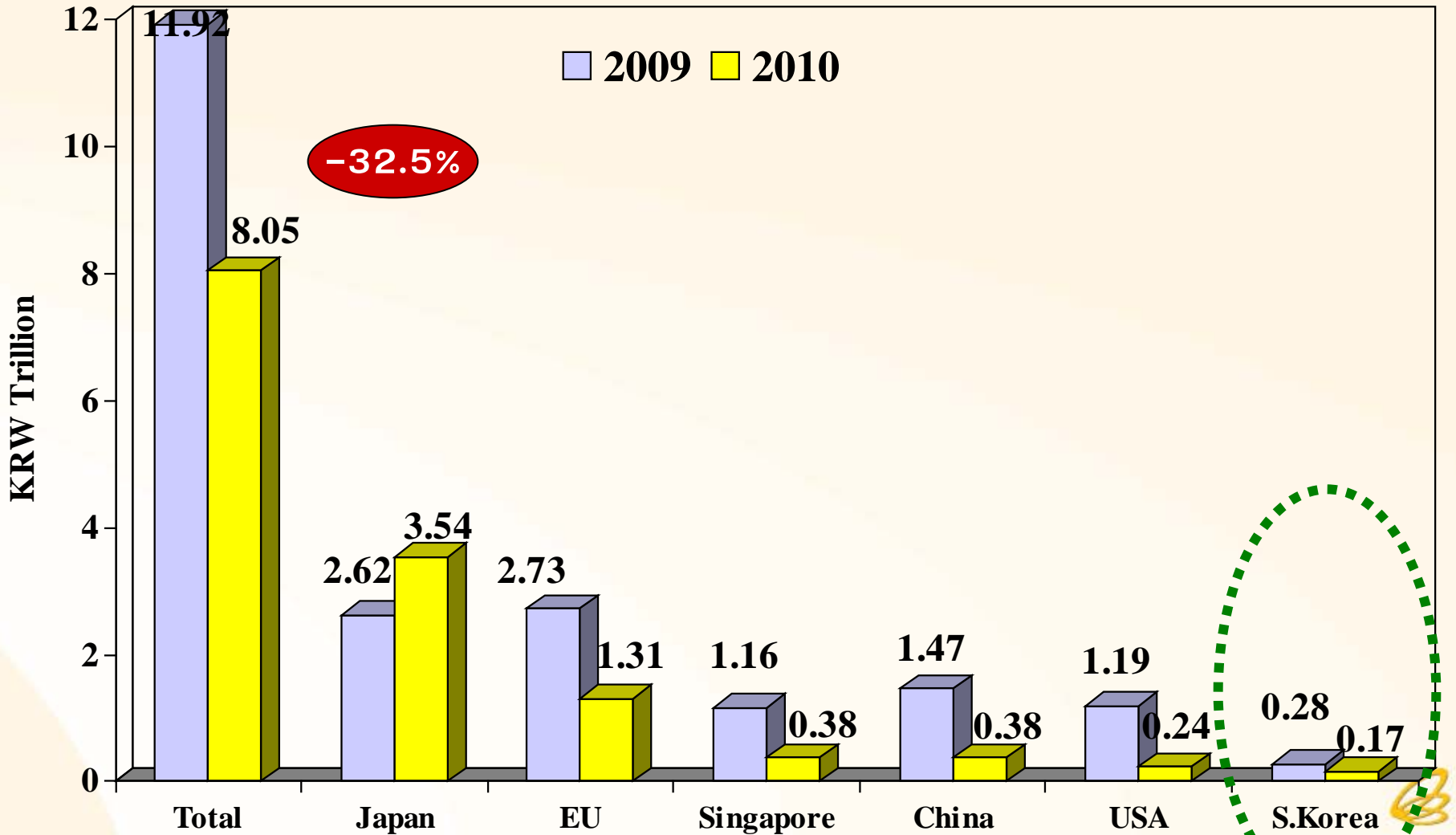
Source: MOC, as of April 12, 2011. Note: KRW1 = Bt0.03 as of May 6, 2011

# Principal Imports from S. Korea

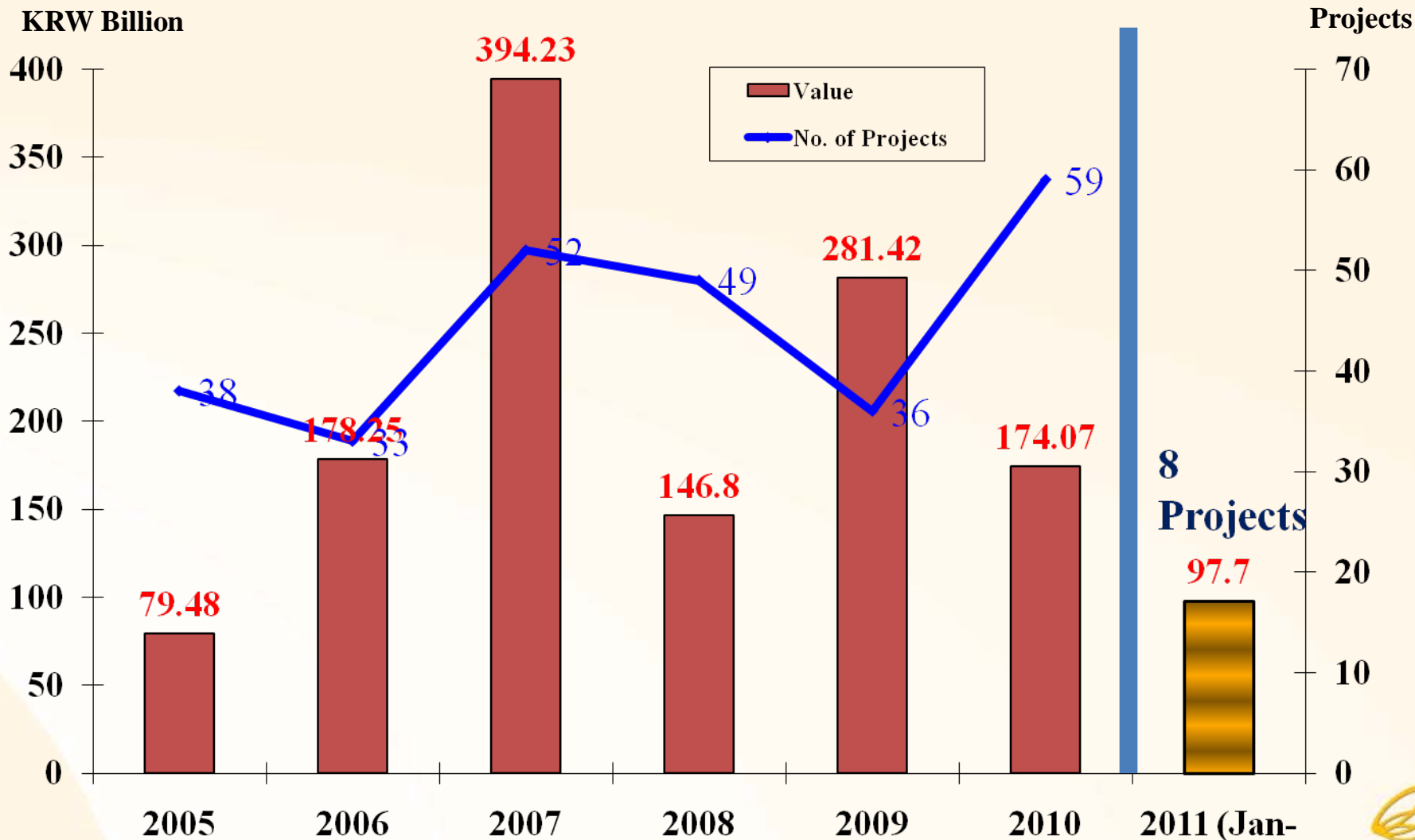
unit: KRW billion

Description	2008	2009	2010	2010 (Jan-Feb)	2011 (Jan-Feb)	% Growth (YOY)
Iron, steel and products	1,387.6	731.8	1,304.2	204.4	237.6	16.19
Chemicals	776.7	570.5	842.1	121.8	143.4	17.76
Machinery and parts	727.5	585.3	801.8	124.0	120.5	-2.79
Electronic integrated circuities	503.8	425.3	656.2	108.4	101.1	-6.77
Electrical household appliances	566.0	558.9	487.4	76.6	80.0	4.56
Others	3,447.0	2,983.9	4,609.4	763.0	659.9	-13.51
<b>Total</b>	<b>7,408.7</b>	<b>5,855.5</b>	<b>8,701.0</b>	<b>1,398.3</b>	<b>1,342.5</b>	<b>-3.98</b>

# Foreign Direct Investment Applications



# South Korean Investment Applications



# South Korean Investment Applications

## Totals by Sector: 2005 – Mar 2011

Sector	Projects	KRW Billion
Agriculture	8	21.71
Minerals and Ceramics	7	212.17
Light Industry	14	21.63
Auto and Metal Processing	53	210.95
Electrical and Electronics	112	450.42
Petrochemicals, Chemicals	46	84.90
Services and Infrastructure	35	350.20
<b>TOTAL</b>	<b>275</b>	<b>1,351.97</b>

# BOI Promoted Companies - South Korea

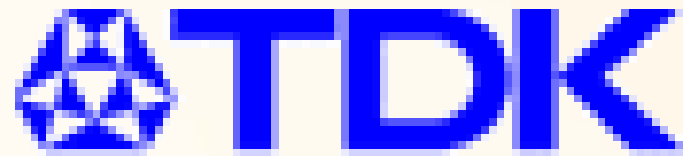


posco



SkyStar

SKYSTAR AIRWAYS CO.,LTD.



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**SNC Group**



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# Why Thailand

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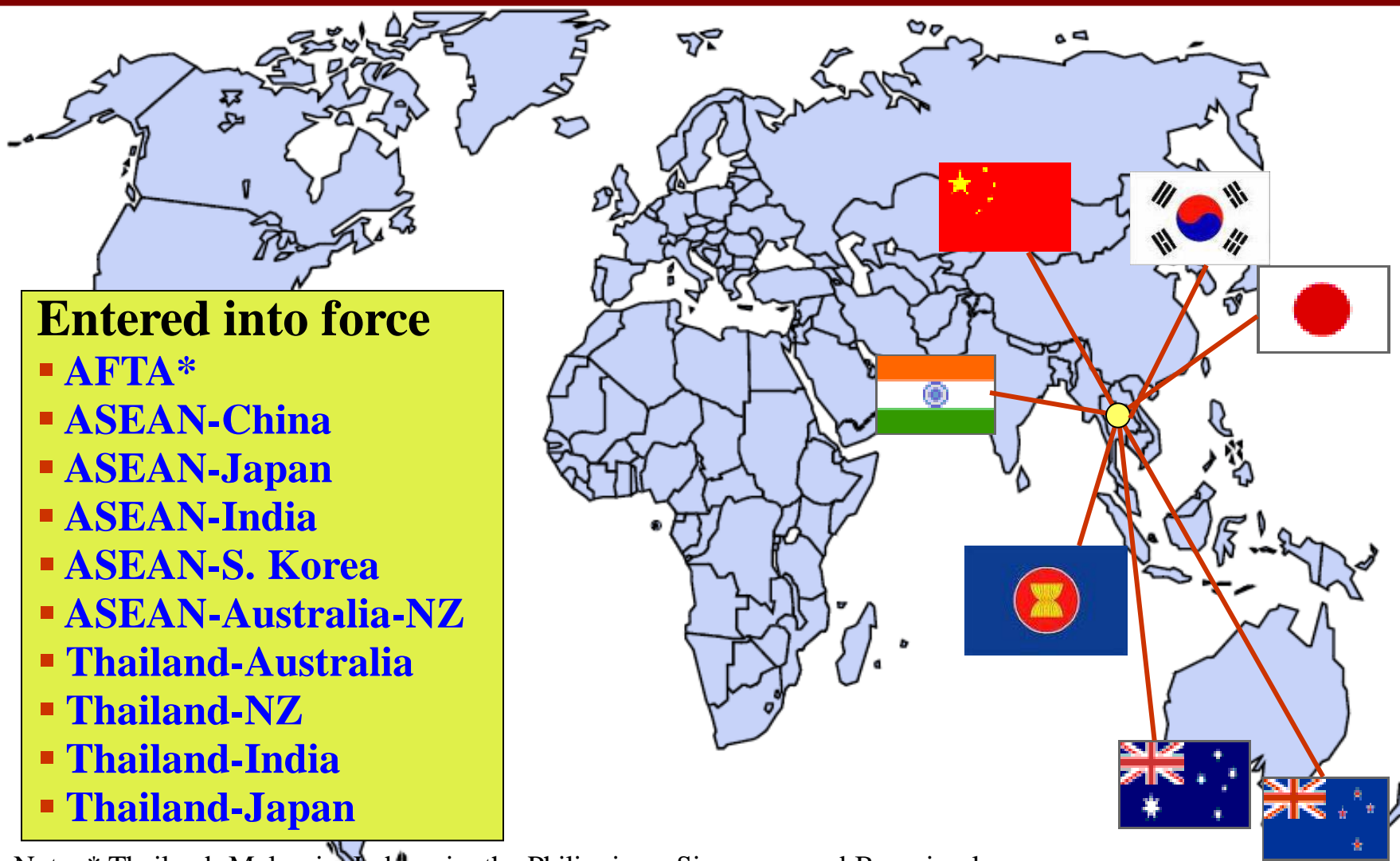


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# Free Trade Agreements



## Entered into force

- **AFTA\***
- **ASEAN-China**
- **ASEAN-Japan**
- **ASEAN-India**
- **ASEAN-S. Korea**
- **ASEAN-Australia-NZ**
- **Thailand-Australia**
- **Thailand-NZ**
- **Thailand-India**
- **Thailand-Japan**

Note: \* Thailand, Malaysia, Indonesia, the Philippines, Singapore and Brunei only.

# Infrastructure - Strong and Growing



**Six International Airports run by AOT: 2009 operations: 50 million passengers and 1.04 million tons of cargo**

**Suvarnabhumi Intl. Airport: Initial capacity: 45 million passengers and 3 million tons of cargo/year**

**Mass Transit : Skytrain, Subway, Bus Systems all to be expanded**

**Highway System: Over 70,000 km to all provinces**

**Internet: Wi-Fi capability and inexpensive broadband widely available (up to 5 Mbps)**



**Deep Sea Ports: 6 deep sea ports and 2 international river ports, capacity over 10 million TEU – Laem Chabang ranked 21<sup>st</sup> among top 120 container ports**

**Rail: 4,346 km rail links to Malaysia, Singapore; Bangkok Light Rail expansion plan for 137 km 2006-2012**

**Industrial Estates: 38 under IEAT and an additional 18 industrial zones and parks**

**CBD Office Rent (Bangkok): Bt 685 sq.m/month**

**Communications: 52.8% cell phone use, 18.2% broadband Internet**



# Greater Mekong Subregion Transportation Routes



The Cabinet has given preliminary approval for negotiations with China to build a high-speed train, as part of planned Transnational RR linking China and Southeast Asia

Project to cover 615 km and the train will travel at a top speed of 200km/hr

Will link Kunming in China with Bangkok and Rayong, and connect to the border with Malaysia



-  **304 Industrial Park**
-  **Amata Industrial Estate**
-  **Asia Industrial Estate**
-  **Gateway City Industrial Estate**
-  **Hemaraj Land and Development PLC**
-  **Laem Chabang Industrial Estate**
-  **Map Ta Phut Industrial Estate**
-  **Padaeng Industrial Estate**
-  **Ping Thong Industrial Estate**
-  **Rojana Industrial Park**
-  **Wellgrow Industrial Estate**
-  **International School & University**
-  **Golf Course**
-  **Hospital**

Recommended Route



# Investment Policies

# BOI's Foreign Equity Participation Criteria

- No restriction on foreign shareholding in manufacturing
- 100% foreign shareholding allowed in some services
- At least 51% Thai ownership is required for activities in List 1 of the Foreign Business Act

# Package of Privileges and Incentives

## TAX Incentives

- **Import duty reductions or exemptions on machinery and raw materials**
- **Corporate income tax holidays up to 8 years; additional 50% reductions for 5 years**
- **Double deduction of public utility costs**
- **Deductions for construction/installation costs infrastructure**

## NON-TAX Incentives

- **100% ownership land rights for foreign investors**
- **Permission to bring in foreign experts and technicians**
- **Work permit & Visa facilitation**

**STI Policy – Additional Incentives**

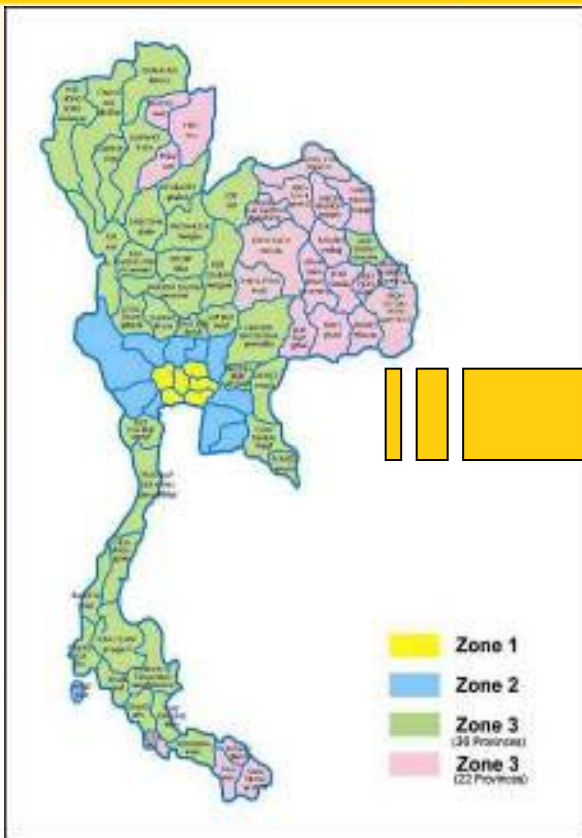
# **Additional Incentive Package for STI**

**Privileges will be based on the project's total investment in STI (Skill, Technology & Innovation) expenditures in any of the following three STI categories:**

- Research and development or design**
- Advanced technology training**
- Support for educational and research institutes**



# Zones



**Sector Matrix:  
Incentives to strengthen  
competitiveness**

## **Strategic or Priority Industries**

- **Maximum incentives regardless of location**
- **Customized packages**

### **Zone-Based**

### **Incentives:**

- **Zone 1**
- **Zone 2**
- **Zone 3**

# New Policies for 2010-2012

## “Investment for Sustainable Development”

Application submission deadline: **December 31, 2012**

### Special incentives for 3 groups of targeted activities

- 1) Manufacture of eco-friendly material and products, e.g. bioplastics
- 2) Energy-saving and alternative energy
- 3) High-technology activities, e.g. industrial electronics, electronic parts for vehicles, biotech, nano-tech, functional fiber

### Incentives

- Exemption of import duties on machinery
- 8-year exemption of corporate income tax with no cap
- 5-year 50% reduction of corporate income tax on net profit
- 10-year double deduction of transportation, electricity and water supply costs
- Deduction from net profit of 25% of investment in infrastructure installation and construction costs in addition to normal capital depreciation



# Investment Opportunities

# Target Industries

- Automotives and Parts
- Machinery
- Electronics and Electrical Products
- Renewable and Alternative Energy

# Automotives

## *Driving the Future*

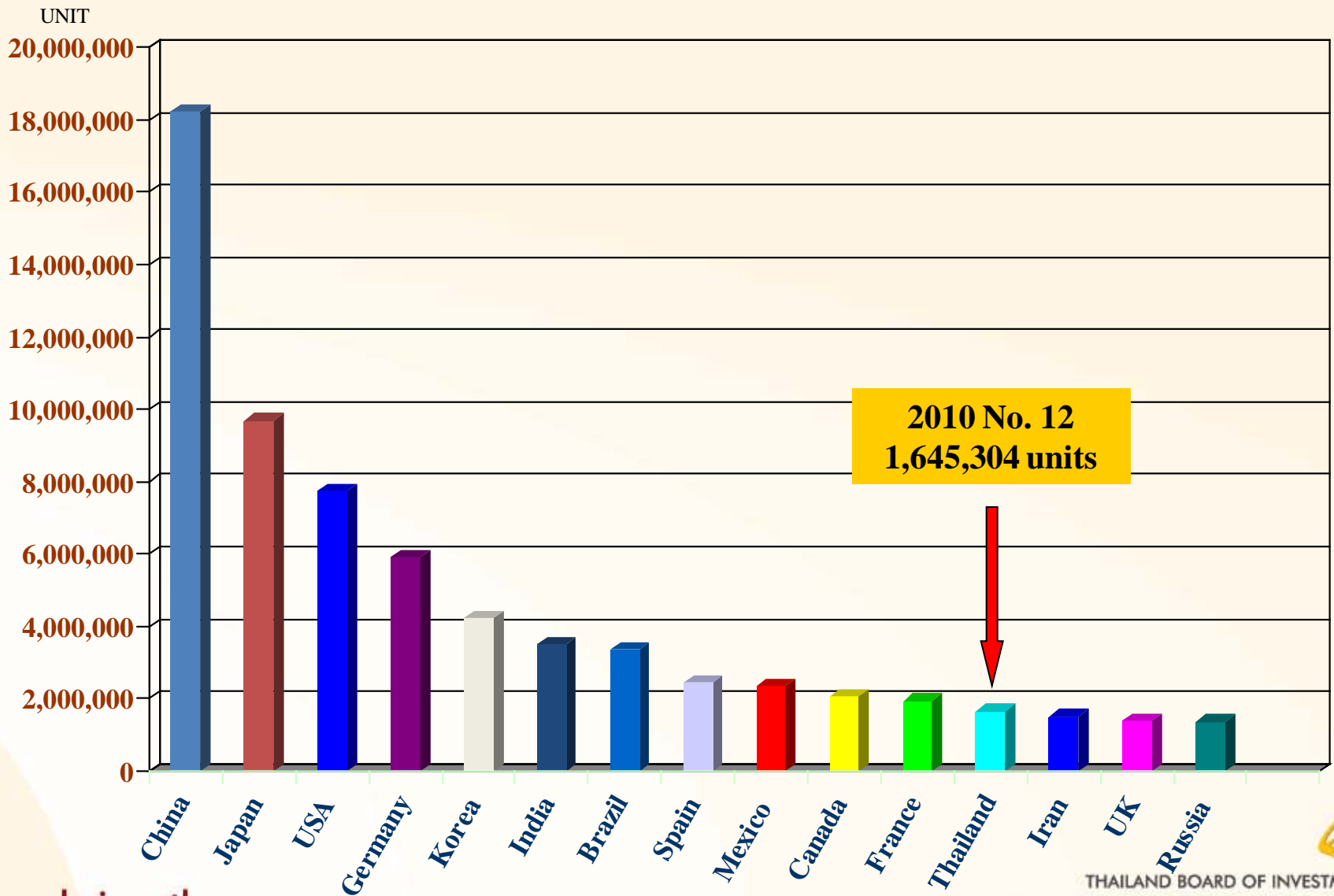


# Automotives

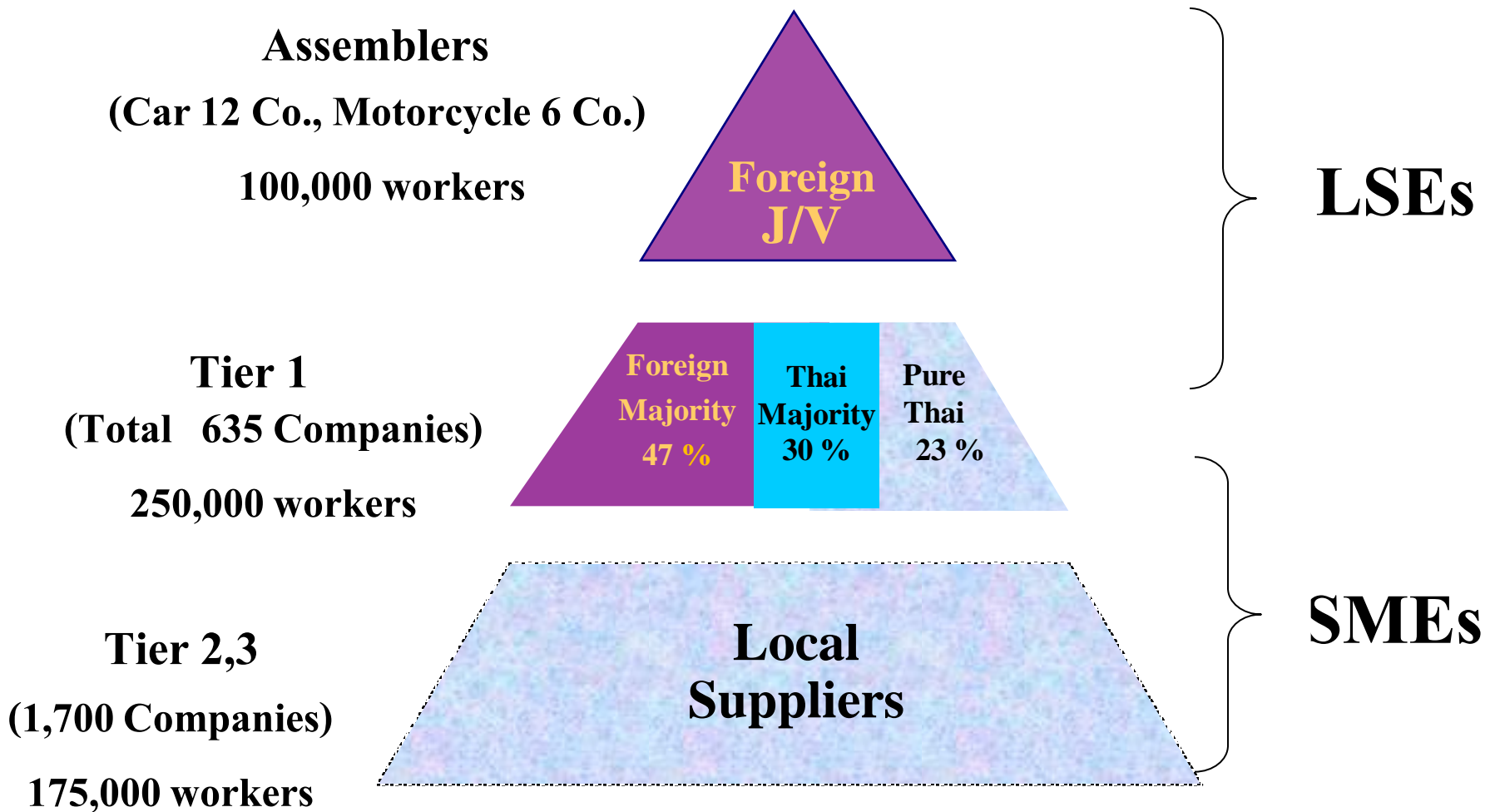
- Thailand is ranked as 12<sup>th</sup> largest auto manufacturing country in the world (up from 13<sup>th</sup> in 2009)
- Thailand is the largest auto producer in Southeast Asia and the world's 2<sup>nd</sup> largest producer and market of pickup trucks.
- High local content: 80-90% for pickups and 30-70% for passenger cars
- Target: producing 1.8 million units in 2011

# Thailand Ranked #12

## 2010 Automobile Production



# Structure of Thai Automotive Industry



[\* LSEs : Large Scale Enterprises

SMEs : Small & Medium Enterprises]

Data updated in July 2010 by TAI

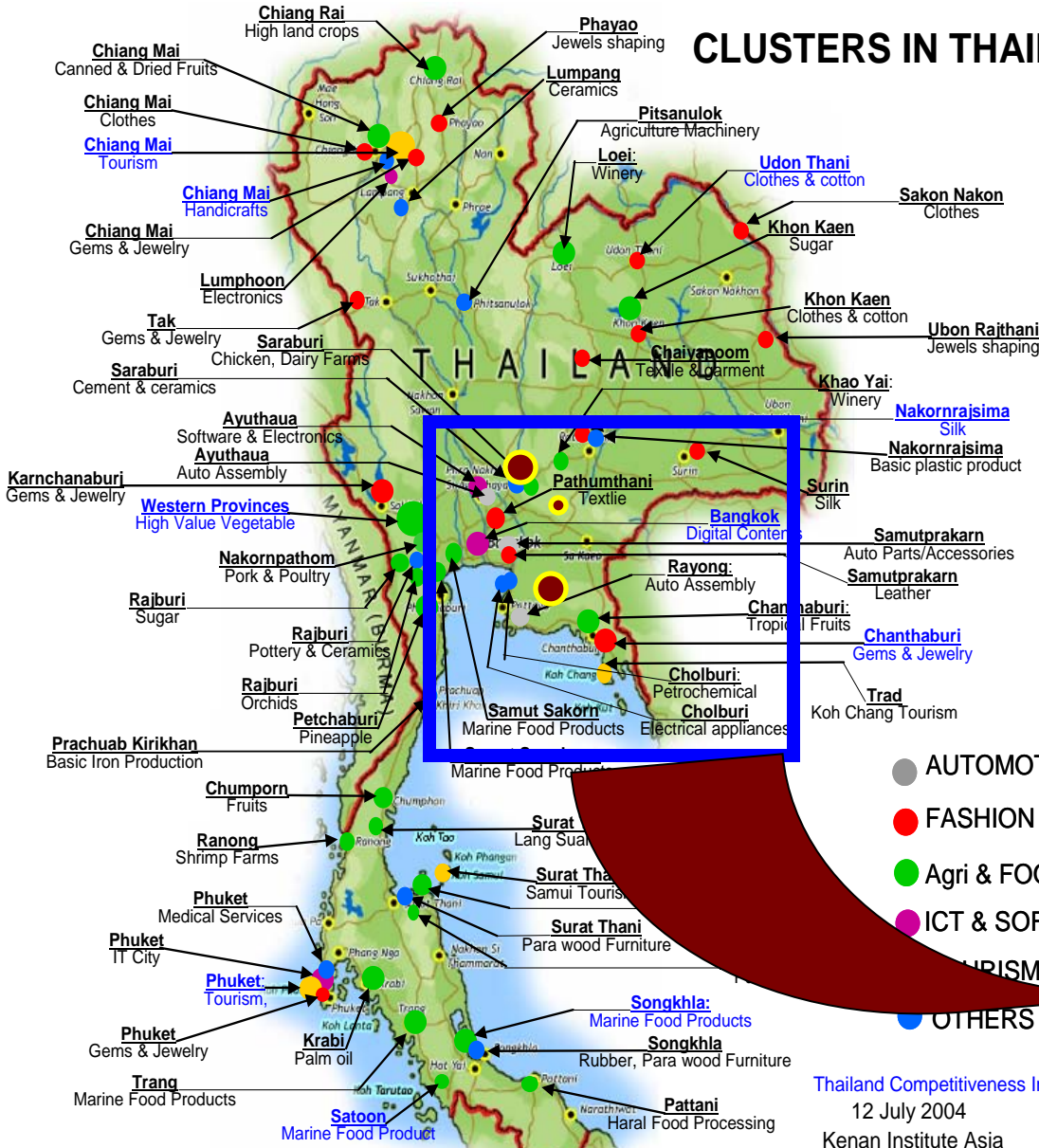


# Automotive Industry 2010

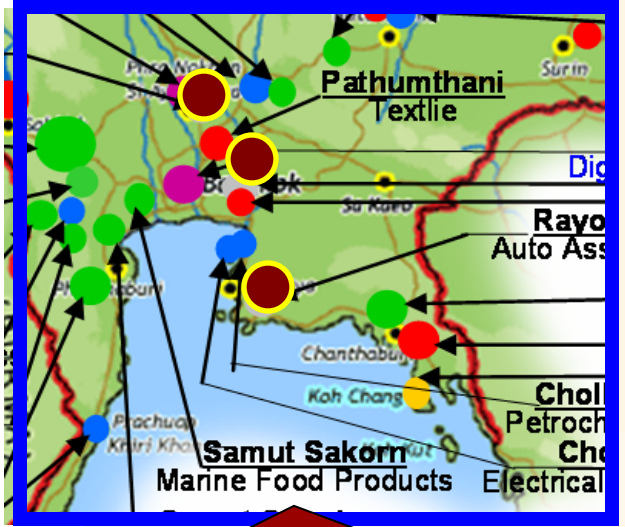
- **Domestic car sales volume: 800,357 units**  
**\*45.8% year over year increase**
- **Manufactured cars: 1,645,304 units**  
**\*64.63% year over year increase**
- **Exports: 894,690 units**  
**\*62.06% year over year increase,**  
**with a total value of KRW 20.9 Trillion**

# Samples of Clusters in Thailand

## CLUSTERS IN THAILAND



## Auto Clusters



- AUTOMOTIVE
- FASHION
- Agri & FOODS
- ICT & SOFTWARE
- TOURISM
- OTHERS

Thailand Competitiveness Initiative Projects  
 12 July 2004  
 Kenan Institute Asia

# Automotive Excise Taxes

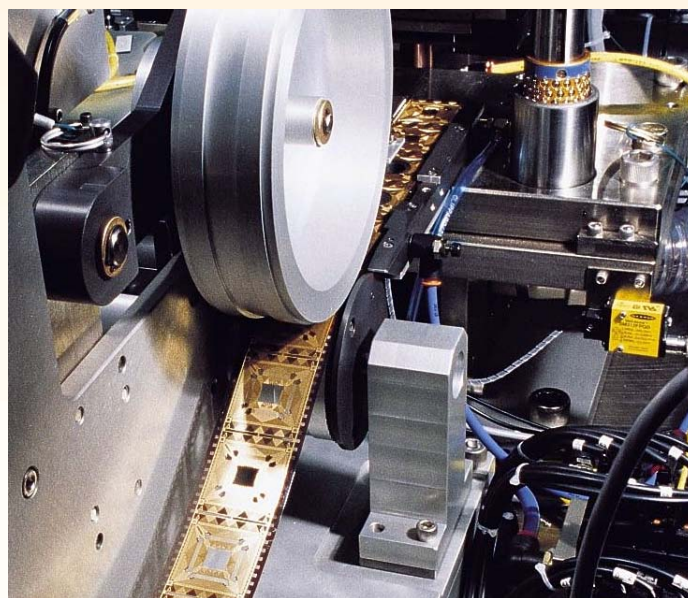
<b>Passenger Car</b>	1,000-2,000 cc <b>30%</b>	2,001-2,500 cc <b>35%</b>	2,501-3,000 cc <b>40%</b>
<b>Passenger Car using Ethanol 20%</b>	1,000-2,000 cc <b>25%</b>	2,001-2,500 cc <b>30%</b>	2,501-3,000 cc <b>35%</b>
<b>Flex Fuel Vehicle using variety fuel up to E85 gasohol **</b>	1,780-2,000 cc <b>22%</b>	2,000-2,500 cc <b>27%</b>	2,500-3,000 cc <b>32%</b>
<b>Pickup Passenger Vehicle ≤ 3,250 cc</b>	<b>Single &amp; Space Cab 3%</b>	<b>Double Cab 12%</b>	<b>PPV 20%</b>
<b>Transport Vehicle</b>	<b>Large Van 0%</b>	<b>Bus and Truck 0%</b>	
<b>Eco Car*</b>	<b>17% if ≤ 1,300 cc for Gasoline Engines or ≤ 1,400 cc for Diesel Engines</b>		
<b>Alternative Fuel Vehicle</b>	≤ 3,000 cc <b>10%</b>	≥ 3,001 cc <b>50%</b>	

\* Effective date: 1<sup>st</sup> Oct 2009

\*\* Effective date: 1<sup>st</sup> Jan 2011

# Machinery

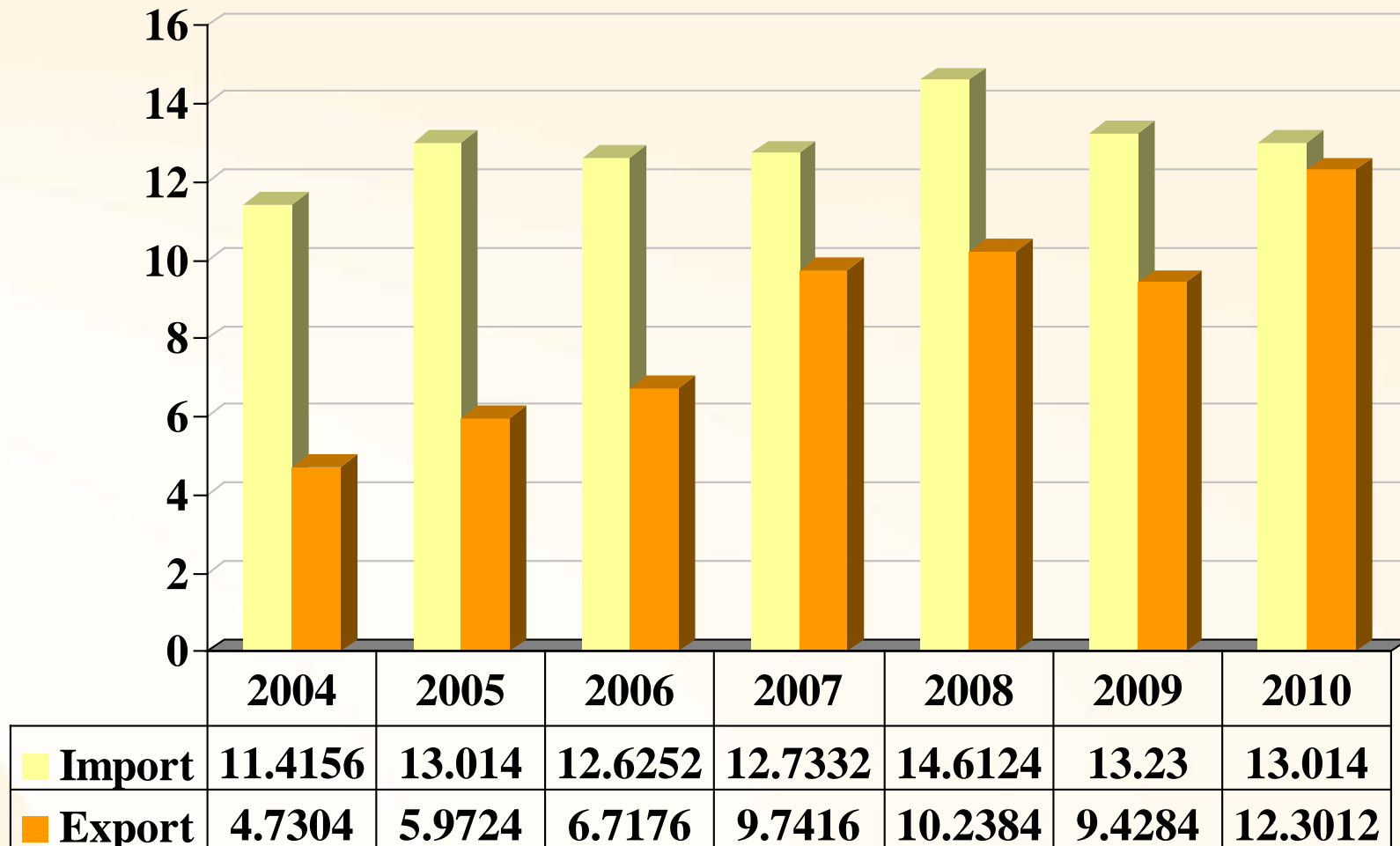
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**Machinery to meet demand is in demand**

# Industrial Machinery and Parts, Imports and Exports, 2004 – 2010

KRW Trillion



# Opportunities in Machinery

- Thailand continues to industrialize, but is dependent on foreign industrial machinery for the immediate future.
- High demand for:
  - Food and farm machinery
  - Alternative energy/energy conservation machinery
  - Textile machinery
  - Automotive machinery
  - Mould & die industry

## **Specific Industrial Machinery Needed:**

- Turning machines
- Drilling machines
- Milling machines
- Grinding machines
- Machine centers
- Gear cutting & finishing machines
- Die sinking EDMs
- Wire cut EDMs
- Laser beam machines
- Plasma arc cutting machines
- Electron beam machines
- Broaching machines

**BOI Priority Activities – 8 years corporate income tax holiday, duty free machinery**

# More Moulds & Dies Needed in Thailand

**Thailand is still in need of moulds & dies to produce the following products:**

- **Moulds for Die Casting**
  - **Engine block**
  - **Crank shaft**
  - **Front case**
  - **Oil pan**
  - **Gear box – auto**
  - **Safety parts : Master pump & clipper brake**

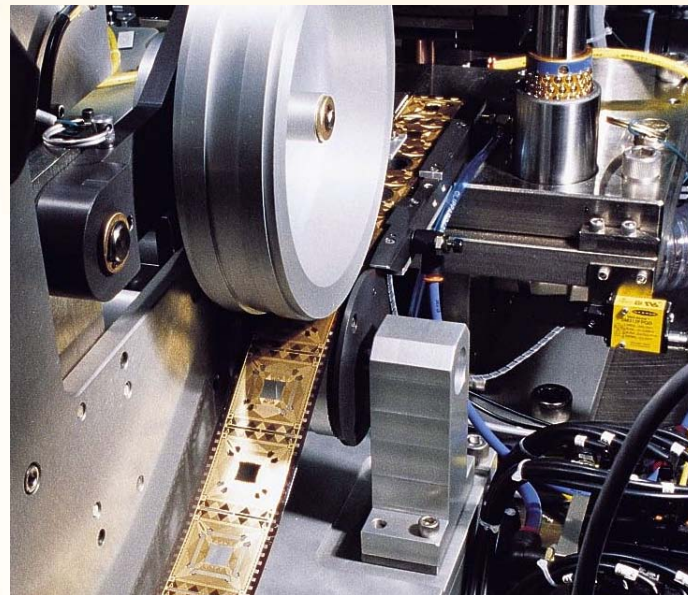


# **More Moulds & Dies Needed in Thailand (2/2)**

- **Moulds for Plastic Injection**
  - **Automotive Electronic Control Units (ECU)**
  - **Housing for automotive steering columns**
  - **Automotive dashboards**
  - **Parts for digital cameras & cellular telephones**
  - **Parts for notebook computers and PDA (personal digital assistants)**
- **Transfer press dies**
  - **Automotive body press die**

# Electronics & Electrical Products

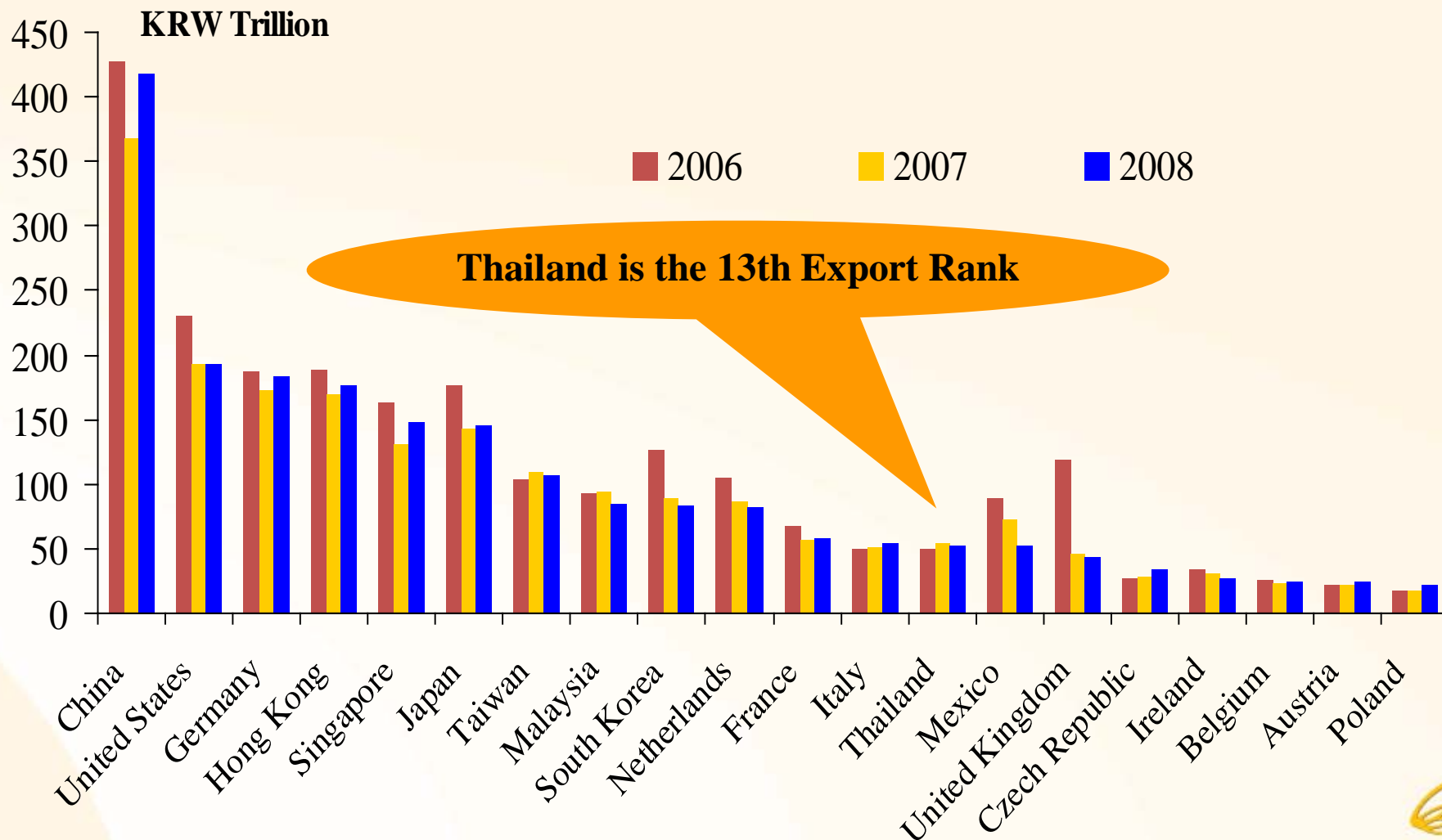
## Integrating Innovation & Technology



# Electronics and Electrical Industry

- Exported KRW57.6 trillion in 2010, almost 30% of total exports
- Major products: computer components, ICs, air conditioners & other white goods
- World's largest producer of HDDs
- Strong supporting industries for electrical appliances, compressors, motors, plastic and metal parts

# Electrical and Electronics Global Exporter



# Integrated Circuit Cluster in Thailand

## IC Design

- Rohm LSI
- Silicon Craft Technology

## Wafer

## Assembly

- Microchip
- NXP
- Spansion
- Hana Semiconductor
- Circuit Electronics
- Millennium Microtech
- Utac Thai
- Stars Microelectronics
- Statschippac
- Oki
- Sony Device Technology
- Sanyo Semiconductor
- Rohm Integrated System
- Toshiba Semiconductor
- Thai NJR
- Vigilant Technology

## Lead Frame

- Sumiko LeadFrame
- TSP-T
- Rohm Mechatech
- Yamakin

## Testing

- Microchip
- Maxim Integrated

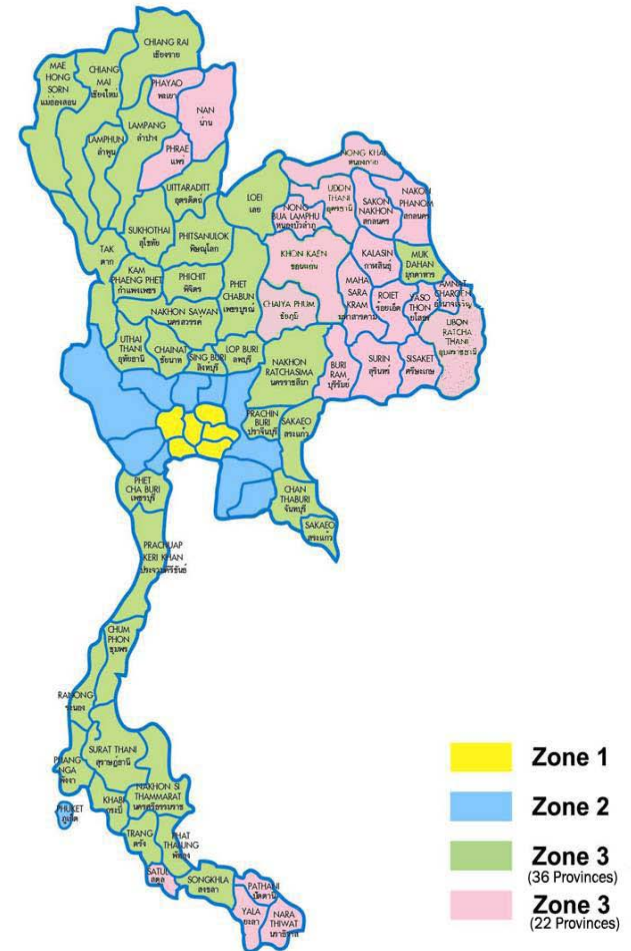
# Basic Incentives for E & E

Exemption on import duties for machinery

Permission to import machinery to improve or replace existing machinery for the life of the project

Tax holidays

Zone 1	: 5 years
Zone 2	: 6 years
Zone 2 in IE	: 7 years
Zone 3	: 8 years



**Remarks: Priority activities such as production of wafers and solar cells still receive maximum 8-year exemption regardless of location**

IE = Industrial estates/industrial parks

# **Investment Incentives for Alternative & Renewable Energy**

# Alternative Energy in Thailand

## The Fifteen-Year Alternative Energy Plan

### Objectives

- To enable Thailand to use alternative energy as the main source of energy to replace oil imports
- To strengthen Thailand's energy security
- To promote use of alternative energy as part of a strategy to promote green communities
- To support alternative energy technology production in Thailand
- To research, develop and promote high efficiency technology for alternative energy



### Target

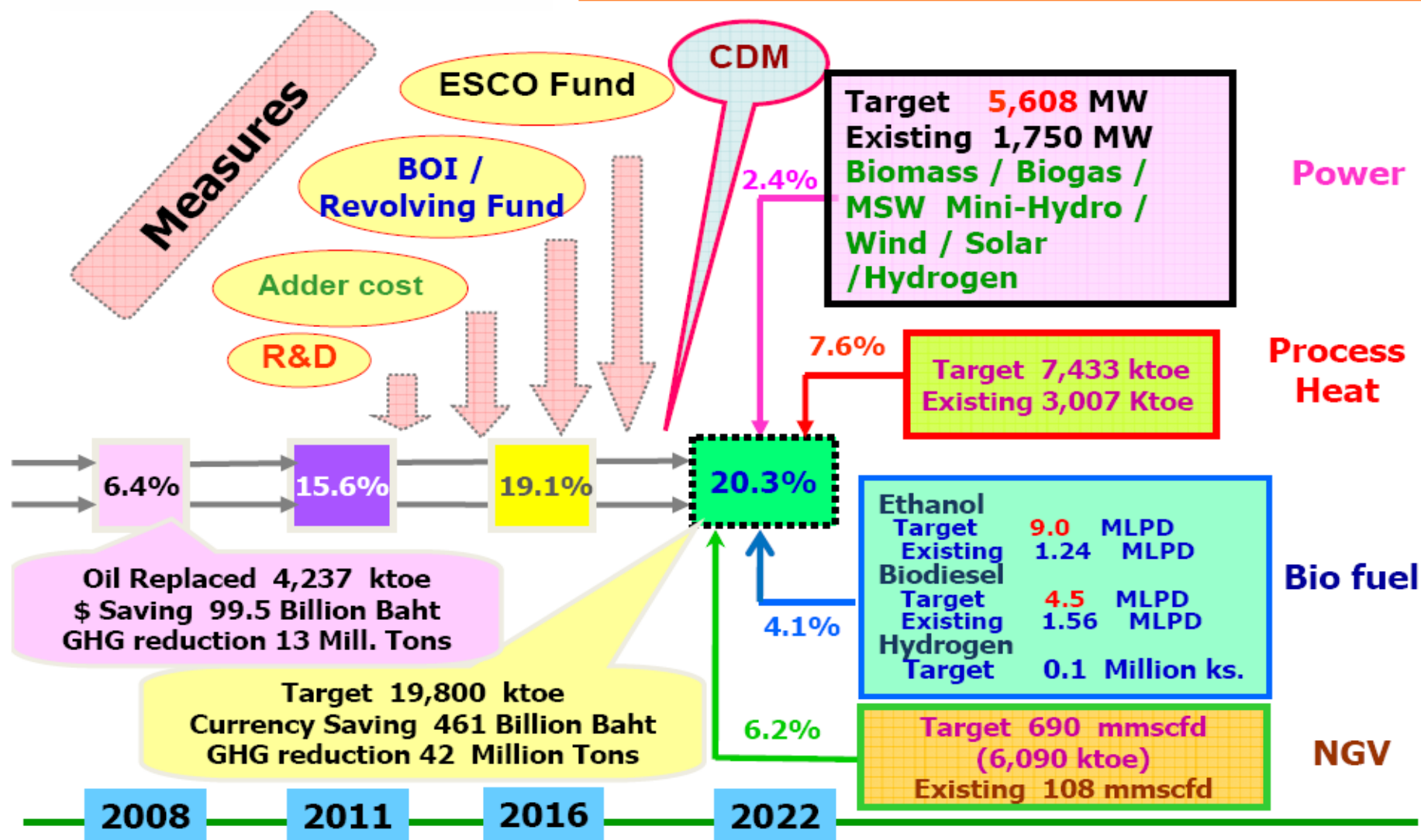
**“Increasing the proportion of alternative energy to 20% of the national final energy consumption by 2022”**





Department of Alternative Energy Development and Efficiency  
MINISTRY OF ENERGY

## Alternative Energy Development Plan; AEDP (2008 - 2022)



## Potential and Targets

Type	Potential	Existing	2008 – 2011		2012 – 2016		2017 – 2022	
Electricity	MW	MW	MW	Ktoe	MW	Ktoe	MW	Ktoe
<i>Solar</i>	50,000	32	55	6	95	11	500	56
<i>Wind</i>	1,600	1	115	13	375	42	800	89
<i>Hydro power</i>	700	56	165	43	281	73	324	85
<i>Biomass</i>	4,400	1,610	2,800	1,463	3,220	1,682	3,700	1,933
<i>Biogas</i>	190	46	60	27	90	40	120	54
<i>MSW</i>	400	5	78	35	130	58	160	72
<i>Hydrogen</i>			0	0	0	0	3.5	1
<b>Total</b>		<b>1,750</b>	<b>3,273</b>	<b>1,587</b>	<b>4,191</b>	<b>1,907</b>	<b>5,608</b>	<b>2,290</b>

# Incentives for Alternative Energy Projects

## BOI Incentives

- Import duty exemption for machinery (all zones)
- 8-year corporate income tax exemption with no cap (all zones)
- Additional incentives for Zone 3
  - Additional 50% reductions of corporate income tax 5 years
  - Deductions for infrastructure construction costs
  - Double deduction on public utility costs

## Support from Ministry of Energy

- Adder price for electricity from renewable source

# Support from Ministry of Energy

- Adder price for electricity from renewable source
  - Solar 6.50 ฿/kWh (10 yrs.)
  - Wind 3.50 ฿/kWh (10 yrs.)
  - MSW 2.50 ฿/kWh (7 yrs.)
  - Micro hydro 0.80 ฿/kWh (7 yrs.)
  - Mini hydro 0.40 ฿/kWh (7 yrs.)
  - Biomass/Biogas 0.30 ฿/kWh (7 yrs.)

## **BOI Promoted Renewable Power Plants** as of April 2011

<b>Fuel</b>	<b>No</b>	<b>Capacity (MW)</b>
Hydro	1	6
Biomass	103	1,358
Biogas	102	344
Solar Cell	67	363
Wind	8	288
MSW	8	44
Waste Heat	4	106
Total	373	2,509



# Location of BOI promoted Solar Power Plant Projects

● North	11	MW
● Central	146	MW
● East	8	MW
● Northeast	79	MW
● West	17	MW

**Thailand Administrative Divisions**

- International boundary
- Province (*tinh*) boundary
- ★ National capital
- ⊙ Province (*tinh*) capital

Provinces have the same names as their respective capitals.

0 50 100 Kilometers  
0 50 100 Miles

Lambert Conformal Conic Projection, SP 12 40 N / 2000 N



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# Location of BOI promoted Wind Power Plant Projects

	<b>Central</b>	<b>1.6</b>	<b>MW</b>
	<b>Northeast</b>	<b>287</b>	<b>MW</b>
	<b>South</b>	<b>0.08</b>	<b>MW</b>

# Investment Opportunities for Alternative Energy

- Availability of raw materials
- Strong demand in Thailand and region
- Strong support policy from government
- Well developed infrastructure
- Capable and efficient skilled work force
- Strong supporting industries



## **BOI Support Services**



**Investment Matchmaking Program**

**1-Stop for visas & work permits:  
work permits in 3 hours**

**Industrial Subcontracting Services  
Vendors meet customers program  
(BUILD Unit)**

**ASEAN Supporting Industry Database**

**Interaction with other govt. agencies  
on behalf of investors**

**Country desks**

**Overseas offices**

One Start One Stop Investment Center



**More convenience,  
less time,  
more efficiency!**



**18th Floor, Chamchuri Square Building**

**319 Phayathai Road, Pathumwan**

**Domestic Call: 0 2209 1100, Inter. Call: (66 2) 209 1100**

**E-mail: [osos@boi.go.th](mailto:osos@boi.go.th)**

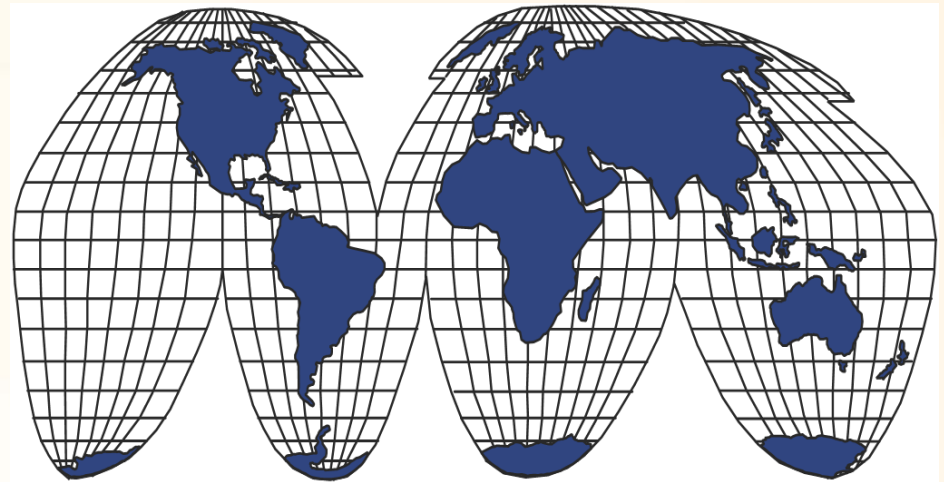
# Services at OSOS

- **Staff from relevant agencies available for consultations on a range of topics**
- **Help investors with applications to make sure investors know what is required to:**
  - **Apply for investment promotion privileges**
  - **Obtain a foreign business license**
  - **Tax registration**
  - **Complete an environmental impact assessment**
  - **Obtain utilities, and much more**

# BOI in Seoul

## Seoul

- **Thailand Board of Investment**
- **1804, 18<sup>th</sup> Floor, Coryo Daeyungak Tower, 25-5, Chungmuro 1-ga, Jung-gu, Seoul, 100-706, Korea**
- **Telephone: (822) 319 9998**
- **Fax: (822) 319 9997**
- **E-mail: [seoul@boi.go.th](mailto:seoul@boi.go.th)**



# Thailand – Each Piece Fits Perfectly

The puzzle consists of several sections, each with a background color and a title:

- Human resources** (orange background): Includes icons for 'Road network', 'Sea and fish culture', 'Skilled labor', and 'Campus housing'.
- Sufficient and highly developed infrastructure** (purple background): Includes icons for 'Modern transportation', 'Sea port', and 'Air transport'.
- Leisure Activities** (red background): Includes icons for 'Shopping complex', 'Spa & Resort', and 'Sport'.
- Industrial Cluster & Top notch supply chains** (green background): Includes icons for 'Automotive Industry', 'Mechanical Industry', 'Electronics', 'Automotive Components', 'Electrical', and 'Industrial Estate'.
- Quality of life** (pink background): Includes icons for 'School', 'International Schools', 'Hospital', and 'Smile'.
- Hub of Asia** (purple background): Includes icons for 'Location' and 'Investment Policies'.

A hand is shown placing a puzzle piece labeled 'Profit' into the bottom right corner of the puzzle.

Each piece fits *perfectly*