



THAILAND BOARD OF INVESTMENT

Thailand's Special Economic Zones - new opportunity connected

With its strategic location in the center of ASEAN with emerging markets, including Cambodia, Laos, Myanmar, Malaysia and southern China, on its border, Thailand is well position to connect investors to new opportunities arising from the increasing border trade and the region's rapid economic growth.

Growing border trade

In the first nine months of 2017, statistics from Thailand's Department of Foreign Trade showed that value of border trade (Malaysia, Myanmar, Laos, and Cambodia) and goods crossing the borders (from Singapore-southern China and Vietnam) totaled 971.42 billion baht, an increase of 9.68% from 885.71 billion baht in the same period in the previous year. Out of this, border trade value was 800.52 billion baht while value of goods crossing the border was 170.90 billion baht, a significant increase of 25.5%.

While cross border trade is growing, strong economic growth in those neighboring countries is also significant. World Bank's East Asia and Pacific Economic Update forecasted strong GDP growth in CLMV countries with Cambodia leading the group with 6.8% GDP growth, followed by Laos of 6.7%, Malaysia of 5.2% and Thailand of 3.5% for example.

SEZ – customized to available local resources

Benefiting from the strong trend are businesses and investors running business in the “Special Economic Zones (SEZ)” in 10 provinces around Thailand, including Tak, Mukdahan, Sa Kaeo, Trat, Songkhla, Chiang Rai, Nong Khai, Nakorn Phanom, Kanchanaburi, and Narathiwat.

The SEZ policy was first launched in 2015 based on the government's belief in the strong potential of the 10 areas to connect with the neighboring countries in terms of trade, economy and investment. With their proximity to neighboring countries, SEZ enjoy the benefit from the large pool of labor in the nearby area. The Thai government has also relaxed the rules on foreign labors to support SEZs. In addition, specific target industries for each SEZ have been clearly identified based on unique geographical strength and locally available resources. Most of the target industries are labor-intensive ones, including garment, agricultural and agricultural processing, fishery, furniture, logistics distribution center, bonded warehouses and tourism.

Since then, growing investment flow into these SEZs. In 2015, total investment in SEZ was 280.1 million baht before it jumped to 8.31 billion baht in 2016. Most of the businesses investing in SEZ are garment and garment and textile manufacturing, coconut oil production, plastic bottles and

bags, animal feed, ready mixed concrete, plastic fiber for fishing net production, rubber gloves, palm oil and metal parts, for example.

More benefits for investors

Like other investment packaged offered to investors, the government offers both tax and non-tax incentives. Tax incentives for those investing in SEZs include an up to 8-year corporate tax exemption plus 50% tax holiday for another 5 years. In addition, entrepreneurs will enjoy double deduction for transportation, electricity, and water utility cost, up to 25% deduction for utility construction costs, import duty exemption for machinery, import duty exemption for raw materials used for export, permission to use no-skilled labor and others like foreign ownership of land and foreign expert employment.

Easily connected

Each of SEZ has a clear infrastructure development plan, ranging from roads to dual-track rails, airports, public utilities (water, electricity), and customs services. This has provided investors with greater confidence and convenience for efficient goods and people transport. In addition to infrastructure and utilities, the government has promoted private sector's participation in development of those areas by renting land plots in SEZs to private companies for industrial parks or facilities development to support investors.

In addition, some of the existing infrastructure projects are R9 route (East-West Economic Corridor: EWEC) connecting Thailand, Myanmar, Vietnam and Laos, R3A route (North-South Economic Corridor: NSEC) connecting Thailand, Laos and China, and R1 route (Southern Economic Corridor) connecting Thailand, Cambodia and Vietnam.

Looking beyond the CLMV, connectivity to other ASEAN countries is also convenient. It takes only 1-4 hours by air within ASEAN countries and 4-5 hours to China and India. The proximity to one of the world's fastest growing regions also provide investors with an easy access to 600 million ASEAN consumers and 3 billion Asian consumers.

New opportunities for SMEs

According to Ms. Duangjai Asawachintachit, Secretary General of the Board of Investment (BOI), BOI intends to attract more investment projects. At the November 2017 BOI Board meeting, the board has approved a new measure to encourage investors to build Trading and Product Development Center within SEZ.

Under this scheme, the center located in any SEZ will be eligible for eight years of corporate income tax (CIT) exemption, with 100 per cent cap of investment capital, excluding land and revolving capital) plus 50 per cent tax reduction for another five years at the end of the CIT exemption period. In case the investors establish a Trading and Product Development Center outside SEZs, the investors must also invest at least one project in SEZ in parallel. In this case, the BOI will provide up to five years of CIT exemption (with 100 per cent cap of investment capital of the investment in SEZ, excluding land and revolving capital). The condition is designed to encourage large investors to work with and help SMEs grow their businesses.

The new measure will allow SMEs to increase distribution channels and expand their marketing activities utilizing strategic location of each SEZ. At the same time, other businesses, especially SMEs outside SEZ, will also reap the benefits from this measure.

“SMEs and large investors are equally important. SEZ promotion is among many measures we initiated to provide SMEs with greater opportunity to connect with new markets, distribution channels and new business opportunities. With supporting environment for both large and small investors, we are building stronger economy with inclusive growth,” said Ms. Duangjai.

For more information, please visit www.boi.go.th or email to thailandinvestmentyear@gmail.com
