Five-Year Investment Promotion Strategy Draft

By

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Secretary General

Thailand Board of Investment
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[ Updated as of 11 January 2013 ]
1. Rationale for revising investment promotion strategies

2. Proposal of 5-year investment promotion strategy

3. Rationale for amending Investment Promotion Act

4. Time frame for implementing new strategies
1. Rationale for Revising Investment Promotion Strategies
1. Rationale for revising investment promotion strategies

The situations in the world and the region

✓ The developing countries especially in ASEAN play greater role in world’s economy and investment.
✓ AEC will make ASEAN become a key investment destination, resulting in higher competition for investment among ASEAN members and more opportunity for Thailand to invest overseas.
✓ Japan, as the largest investor, need to invest more in ASEAN.
✓ The global business trend is changing: technological leapfrog, higher investment in service sector and emergence of fast-growing businesses e.g.
  • Healthcare and businesses related to aging population
  • Business that supports urban population
  • Creative industry
  • Green industry
  • Alternative energy and energy conservation
  • Corporate Social Responsibility (CSR)
The situation in Thailand

- Thailand is caught in the middle income trap for decades.
- Thailand’s economic structure relies heavily on external sector and is therefore sensitive to global changes.
- Economic inequality is high and income gap is widened.
- Thailand’s competitiveness is still low especially in S&T and logistics.
- R&D expenditure remains at a low rate of 0.2% of GDP for decades.
- The country faces labour shortage both in quantity and quality.
- Area to support new heavy industry is limited.
- The energy security will become a major problem in the future.
- Tax structure has changed:
  - Corporate income tax reduction from 30% to 23% in 2012, and to 20% in 2013.
  - Import tariff reduction due to several FTAs.
BOI in cooperation with Ministry of Finance shall review the criteria of investment promotion rights and benefits in response to the changing situation and investment incentives of other countries as well as the general corporate income tax reduction.
1. Rationale for revising investment promotion strategies

Thailand’s Future Industry Direction

(Data compiled from 11th National Economic and Social Development Plan and Thailand’s Industrial Development Plan)

Thailand 1.0
Agriculture

Thailand 2.0
Light industry

Thailand 3.0
FDI-based
(Auto, E&E, Petrochemical)

Thailand 4.0

- Knowledge-based Economy
- Creative Industry
- Green Industry
- Alternative Energy
- Hospitality & Wellness
- Logistics Hub

• R&D
• Product Champion & Specialty Products

ODM & OBM

Elevate the standard and value-added creation
BOI: Past – Present – Future

First Industrial Promotion Act
- National Executive Council
  - Announcement No.227
- Investment Promotion Act, 1977 (Amended 1991)
- Eastern Seaboard Development
  - Council Announcement No.33 – Industrial Promotion Act, 1960
  - BOI founded in 1966

Export promotion
- National Executive Council
  - Announcement no. 1/36

Trade & Industrial liberalization for the country and regions

Financial crisis
- Relaxation of investment promotion criteria
  - Announcement no. 1/43
  - Amendment of Act no. 2001
  - Increase CAP
  - Adjust the rules and regulations to conform the WTO’s
  - Focus on proactive marketing strategy

Competitiveness Enhancement
- Special measures and incentives

Thailand Investment year (Economic and Political Crisis)

Sustainable Investment
- New vision
- Sustainable investment policy

Economic Restructuring

- Sustainable Investment Policy
- New vision

Sustainable Investment
- BOI founded in 1966

1954-1957
1958-1971
1972-1991
1992-1996
1997-1999
2000-2007
2008-2009
2010-2012
2013-2017

Financial crisis
Relaxation of investment promotion criteria
Competitiveness Enhancement
Thailand Investment year (Economic and Political Crisis)
Sustainable Investment
Economic Restructuring

BOI: Past – Present – Future

Economic Restructuring
New Investment Promotion Strategy Direction

Promote investment to restructure Thai economy for sustainable development and to overcome “Middle Income Trap”

- Promote competitiveness development and value creation of industrial sector
- Promote green industry to drive balanced and sustainable growth
- Promote new industrial clusters in the regions to create new investment concentration
- Promote Thai overseas investment in order to increase competitiveness of Thai businesses
### New Investment Promotion Direction for Thai Economy Restructuring (1/3)

<table>
<thead>
<tr>
<th>Present</th>
<th>New</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Broad-based investment promotion</td>
<td><strong>Focus &amp; Prioritized investment promotion</strong></td>
<td>- Refocus the activities eligible for promotion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Prioritize: Incentives vary, depending on the importance of activity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Different incentives between new and re-investment projects</td>
</tr>
<tr>
<td><strong>2</strong> Sector-based Incentives</td>
<td><strong>Sector &amp; Merit-based Incentives</strong></td>
<td>- Reduce basic tax incentives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Provide additional incentives based on projects’ merits to encourage competitiveness enhancement activities such as R&amp;D, environmental protection etc.</td>
</tr>
</tbody>
</table>
### New Investment Promotion Direction for Thai Economy Restructuring (2/3)

<table>
<thead>
<tr>
<th>Present</th>
<th>New</th>
<th>Action</th>
</tr>
</thead>
</table>
| **3** Zone-based incentives | **Promote New Regional Clusters**        | - Abolish zone-based incentives  
- Promote new industrial clusters in each region or border area to create new investment concentration |
| **4** Tax Incentives – oriented promotion | **Tax Incentives & Facilitation – oriented promotion** | - Focus on facilitation through non-tax incentives and one stop service  
- Improve investment rules and regulations, reduce barriers to create better investment environment  
- Promote and coordinate human resources development to support industrial sector  
- Integrate supports from various government agencies as a package |
New Investment Promotion Direction for Thai Economy Restructuring

<table>
<thead>
<tr>
<th>Present</th>
<th>New</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote inbound investment</td>
<td>Promote both inbound &amp; outbound investment</td>
<td>- Promote overseas investment more actively in order to increase the competitiveness of Thai businesses</td>
</tr>
<tr>
<td>Evaluation by Applications</td>
<td>Evaluation by Outcomes</td>
<td>- Set clear KPIs to measure benefits and cost-effectiveness of investment promotion</td>
</tr>
</tbody>
</table>
Broad-based investment promotion

Focus & Prioritized investment promotion
Future industries to be promoted

1. Basic infrastructure for industrial development

2. Advanced core technologies that help elevate Thai industry

3. Industries that are developed from domestic resources and Thainess

4. Industries that Thailand is competent to be global manufacturing base (Global Supply Chain)
10 Industries to be promoted in the future (1/2)

- **Industrial Foundation**

1. **Basic infrastructure and logistics** (e.g. industrial zone, power generation from natural gas, tap water or water resources for industrial purpose, transportation and mass transit, commercial airport and logistics center).

2. **Basic industry** (e.g. steel, petrochemicals, pulp and paper, machinery)

3. **Medical device and scientific equipment** (e.g. medical device, medicine, medical food, scientific equipment)

4. **Alternative energy and environmental services** (e.g. power generation from renewable energy, recycling, wastewater treatment and industrial waste disposal service, Energy Services Company: ESCO)

5. **Services that support industrial sector** (e.g. R&D, HRD, engineering design, software, calibration services, ROH, trade and investment support office)
10 Industries to be promoted in the future

- **Advanced Core Technologies that helps elevating Thai industry**
  6. **Advance core technologies** (e.g. biotechnology, nanotechnology, advanced material technology)

- **Industries that are developed from domestic resources and Thainess**
  7. **Food and agricultural processing industry** (e.g. processed food, food additive, herbal extract, plant propagation and development, product from natural rubber, bio-fuel e.g. ethanol, biodiesel)

  8. **Hospitality & Wellness** (e.g. tourism and sports promotion activities, Thai motion picture production and related supporting services, dedicated health center, retirement home and care center)

- **Industries that Thailand is competent to be a global ’s manufacturing base**
  (Global Supply Chain)

  9. **Automotive and other transport equipment** (e.g. cars, motorcycle, train, electric train, aircraft, shipbuilding and maintenance)

  10. **Electric and electrical appliances** (e.g. electronic design, organics & printed electronics, HDD & SSD and parts, solar cells, white goods)
Activities and Incentives

A. Activities that are granted CIT incentives

The activities that are highly important for country’s economic restructuring and need to grant CIT exemption in order to stimulate investment and to be able to compete with other competitors.

B. Activities that are granted import duty exemption on machinery, and raw materials and non-tax incentives

The activities that still need to be promoted but it is not necessary to grant CIT exemption will receive import duty exemption on machinery and raw materials and non-tax incentives.

C. Exit group

Approx. 100 Activities
(Approx. 30 activities will be granted a maximum 8-year CIT exemption)

Approx. 30 Activities

Approx. 80 Activities
## Group A and B Incentives

<table>
<thead>
<tr>
<th>Group</th>
<th>CIT exemption</th>
<th>Import duty exemption on Machinery</th>
<th>Import duty exemption on raw materials for export</th>
<th>Non-tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1*</td>
<td>8 years (without cap)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>A1</td>
<td>8 years + Merit (to uncap)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>A2</td>
<td>5 years + Merit</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>A3</td>
<td>3 years + Merit</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>B1</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>B2</td>
<td>-</td>
<td>✓</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>B3</td>
<td>-</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>B4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>✓</td>
</tr>
</tbody>
</table>
## Categories under New Investment Strategy

Activity-focused and priority-based incentives and importance level

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>A1* (8 Yrs. without cap)</th>
<th>A1 (8 Yrs.)</th>
<th>A2 (5 Yrs.)</th>
<th>A3 (3 Yrs.)</th>
<th>B1</th>
<th>B2</th>
<th>B3</th>
<th>B4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Basic infrastructure and logistics</td>
<td>1</td>
<td>-</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2. Basic industry</td>
<td>-</td>
<td>5</td>
<td>9</td>
<td>10</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>3. Medical devices and scientific equipment</td>
<td>-</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4. Alternative energy and environmental services</td>
<td>1</td>
<td>6</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5. Services that support industrials sectors</td>
<td>5</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>6. Advanced core technology</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7. Food and agricultural processing</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8. Hospitality &amp; Wellness</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>9. Automotive and transport equipment</td>
<td>-</td>
<td>6</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10. Electronics and electrical appliances</td>
<td>2</td>
<td>-</td>
<td>10</td>
<td>11</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

| Total                                               | 10                        | 22          | 35          | 34          | 8  | 9  | 2  | 4  |
### Tax Rate and Incentives Comparison in ASEAN

<table>
<thead>
<tr>
<th></th>
<th>Thailand</th>
<th>Malaysia</th>
<th>Singapore</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CIT Rate</strong></td>
<td>20%¹</td>
<td>25%</td>
<td>17%</td>
<td>25%</td>
<td>30%</td>
<td>25%²</td>
</tr>
<tr>
<td><strong>PIT (maximum rate)</strong></td>
<td>35%¹</td>
<td>26%</td>
<td>20%</td>
<td>30%</td>
<td>32%</td>
<td>35%</td>
</tr>
<tr>
<td><strong>CIT Exemption</strong></td>
<td>no more than 8 years + 50% reduction with no more than 5 years</td>
<td>5-10 years</td>
<td>No more than 15 years</td>
<td>5 - 10 years + 2 year-50% reduction</td>
<td>No more than 8 years</td>
<td>2-4 years + 50% reduction with no more than 9 years</td>
</tr>
<tr>
<td><strong>Investment Allowance</strong></td>
<td>-</td>
<td>60-100% of investment</td>
<td>No more than 100% of investment</td>
<td>No more than 30% of investment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Grants</strong></td>
<td>-</td>
<td>R&amp;D / Training Grants</td>
<td>R&amp;D / Training Grants</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td><strong>Negotiations</strong></td>
<td>-</td>
<td>Possible through pre-package incentive measure</td>
<td>Customized package</td>
<td>N.A.</td>
<td>N.A.</td>
<td>Local government support e.g. cheaper land price</td>
</tr>
</tbody>
</table>

¹ Effective from 2013 onwards  
² Petrochemicals, gas, and natural resources industries pay 32-50% CIT.
Comparison of Return on Investment between Thailand and 3 other countries
(Indonesia, Malaysia, Vietnam)

Thailand’s tax incentives are competitive in most industries except sectors with low investment in assets e.g. R&D and services. Those activities should receive additional grant or funding support.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Thailand’s Investment Attractiveness Index*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The higher scores, the more attractiveness. Country in ASEAN that grants the highest incentives will have index value equal to 100. The index of activities that the BOI considers priority activities should be high e.g. those that receive 8-year CIT exemption.</td>
</tr>
<tr>
<td></td>
<td>8-Year-Corporate Income Tax Exemption</td>
</tr>
<tr>
<td>Basic infrastructure and logistics</td>
<td>98</td>
</tr>
<tr>
<td>Basic industry</td>
<td>99</td>
</tr>
<tr>
<td>Medical device and scientific equipment</td>
<td>90</td>
</tr>
<tr>
<td>Alternative energy and environmental service</td>
<td>94</td>
</tr>
<tr>
<td>Services that support industrials sectors</td>
<td>95</td>
</tr>
<tr>
<td>Advanced core technology</td>
<td>95</td>
</tr>
<tr>
<td>Food and agricultural processing</td>
<td>102</td>
</tr>
<tr>
<td>Hospitality and wellness</td>
<td>Activity not included in BOI promoted list</td>
</tr>
<tr>
<td>Automotive and transport equipment</td>
<td>98</td>
</tr>
<tr>
<td>Electronics and electrical appliances</td>
<td>100</td>
</tr>
</tbody>
</table>

* METR Index demonstrates Thailand’s investment attractiveness compared with other three countries. The index is calculated from 40 activity types representing each group of industry.
Reasons to exit some BOI-promoted activities

- **Low value-added, low technology, low complexity of production process, low linkage with other industries, labor intensive and common businesses which do not require promotion** (e.g. hydroponic cultivation, slaughtering, primary rubber, glass packaging, consumer plastic products, paper articles, abrasive paper, body care products, tea and coffee, snack, candy, chocolate, gum, trawling nets, e-commerce business, medium or low income housing)

- **They have environmental problems or consume a lot of energy.** (e.g. smelting, marble or granite mining, fire-resistant materials or heat insulation, manufacture of ferro-alloy, and tanneries)

- **They are concession or monopoly activities under State protection** (e.g. concession roads, satellite telecommunications, telephone services, mass transit electric train)

- **BOI promotion conflicts with relevant laws and regulations** (e.g. hospital activity that conflicts with The Statute on National Health System)
## Integrated Investment Promotion Policies

Groups of BOI activities that will be promoted as specific and integrated package with relevant agencies

<table>
<thead>
<tr>
<th>Agenda</th>
<th>Relevant agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME competitiveness Enhancement</td>
<td>DIP, OSMEP, SME Bank, ISMED, and independent institutes</td>
</tr>
<tr>
<td>Creative economy development</td>
<td>National Creative Economy Agency, OKMD, NIA, Ministry of Culture</td>
</tr>
<tr>
<td>Fashion industry development</td>
<td>DIP, Thailand Textile Institute, TCDC, Thailand Institute of Fashion Research, Ministry of Commerce</td>
</tr>
<tr>
<td>Social enterprise and CSR</td>
<td>Thailand Social Enterprise (TSEO), Ministry of Social Development and Human Security</td>
</tr>
</tbody>
</table>

**OR** other specific policies issued by the government, or Ministry of Industry
From Sector-based Incentives to Sector & Merit-based Incentives
Applying Merit Principles for Encouraging Investors to Improve their Capabilities and Upgrade the Industrial Sector

**Basic Incentives**

<table>
<thead>
<tr>
<th></th>
<th>New Project</th>
<th>Expansion Project</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A1</strong>*</td>
<td>8 years</td>
<td>8 years</td>
</tr>
<tr>
<td><strong>A1</strong></td>
<td>8 years</td>
<td>8 years</td>
</tr>
<tr>
<td><strong>A2</strong></td>
<td>5 years</td>
<td>3 years</td>
</tr>
<tr>
<td><strong>A3</strong></td>
<td>3 years</td>
<td>1 year</td>
</tr>
</tbody>
</table>

**Expansion project** is a project that existing BOI-promoted companies apply for promotion to invest in existing product without using more advanced technology or production process.

**Merit-based Incentives**

(Only activities in Group A1, A2, and A3)

- **R&D** (whether it is in-house, cooperation with educational or research institution, or donation to Technology and Human Resources Development Fund) The number of additional years of CIT exemption depends on the percentage of R&D expenditures to revenues:
  - 1% or not less than 150 million baht, one additional year of CIT exemption
  - 2% or not less than 300 million baht, two additional years of CIT exemption
  - 3% or not less than 450 million baht, three additional years of CIT exemption and CIT exemption cap will also be removed.

- **Environment** (Obtain ISO 14000 certificate, Carbon Footprint or other standards approved by the Board of Investment) one additional year of CIT exemption

- **Projects located within industrial estates / promoted industrial zones** one additional year of CIT exemption
## Project Consideration Guidelines

<table>
<thead>
<tr>
<th>Issues</th>
<th>Information to be considered</th>
</tr>
</thead>
</table>
| 1 Benefit to national economic restructuring | • Value added to workforce (baht/person)  
• Total HR training costs as a percentage of total salary expenditure (%)  
• Modern and complicated production process and new machinery usage (in case of used imported machinery, import duty exemption will be granted if the machinery is 5 years old, counting from the manufacturing year to the importing year, and obtains a Machinery Performance Certificate from a trusted institute) |
| 2 Environmental effect  | • Adequate and efficient environmental protection systems including wastewater treatment, sludge disposal, dust and flue gas treatment are installed.  
• Total sales as a percentage of total energy cost (%) |
| 3 Project feasibility   | • Corporate ratio of debt to equity [D/E ratio should not exceed 3 to 1 for new project. Expansion projects are considered on a case-by-case basis.]  
• IRR and capital return period of project  
• For a project with investment capital of over 750 million baht (excluding cost of land and working capital) must submit a project feasibility study  
• Business experiences and duration of business operation in Thailand |
From Zone-based Promotion to New Regional Industrial Clusters
1. **Abolish zone 1 - 3**  
Zone-based promotion had been successful, creating many new major cities. However, these cities are concentrated in the East and the area surrounding Bangkok, such as Rayong, Chonburi, Ayutthaya, Pathumthani, Chachoengsao, Samutprakan, etc. Meanwhile, most of zone 3 still lacks basic factors to support investments.

2. **Create new investment concentration**  
New industrial cluster in each region or border area, according to specific area development policy of the government or Ministry of Industry will be promoted. The BOI will consider incentives on a case-by-case basis and actively coordinate with relevant agencies in order to provide other supporting measures e.g. preparation of infrastructure and industrial area, public utility cost reduction, human resources development, and fiscal or financial supporting measures.
Establish “New Regional Industrial Cluster Development Promotion Subcommitee”
(under the Board of Investment)

<table>
<thead>
<tr>
<th>1. Identify clusters to be promoted</th>
<th>• Identify industrial clusters that are important to national economic restructuring and should be promoted as new regional clusters</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Identify target area</td>
<td>• Identify potential target area, considering specific area development plan of the government or Ministry of Industry, the readiness in terms of infrastructure, labor and other supporting factors. The demand of local people and the strength of network allies are also taken into account to ensure the feasibility of clusters</td>
</tr>
<tr>
<td>3. Formulate promotion incentives and measures</td>
<td>• Actively coordinate and discuss with related parties and jointly formulate suitable promotion incentives and measures for each cluster</td>
</tr>
<tr>
<td>4. Promote investment in clusters</td>
<td>• Collaborate with related parties to promote investment in each cluster among local investors, Thai investors from other regions, or foreign investors</td>
</tr>
</tbody>
</table>
New Regional Industrial Clusters

- Food processing cluster
- Halal food processing cluster
- Rubber cluster
- Fashion cluster
- Entertainment cluster
- Aerospace cluster
- Science and technology cluster
- Three southernmost provinces cluster
From Tax Incentives - Oriented Promotion to Tax Incentives & Facilitation - Oriented Promotion
• Good investment climate helps attract quality investments into the country.
• Rankings of Thailand’s investment climate remain the same, whereas those of competitors have improved.

A.T. Kearney FDI Confidence Index

<table>
<thead>
<tr>
<th>Year</th>
<th>TH</th>
<th>VN</th>
<th>MY</th>
<th>ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>16</td>
<td>21</td>
<td>23</td>
<td>25</td>
</tr>
<tr>
<td>2012</td>
<td>14</td>
<td>10</td>
<td>9</td>
<td>16</td>
</tr>
</tbody>
</table>

Source: A.T. Kearney
Note: A.T. Kearney FDI Confidence Index is based on the impact of political, economic, and regulatory changes on the FDI intentions and the preferences of the leaders of top companies around the world.

Ranking on the ease of doing business

<table>
<thead>
<tr>
<th>Year</th>
<th>TH</th>
<th>MY</th>
<th>ID</th>
<th>VN</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>135</td>
<td>104</td>
<td>25</td>
<td>128</td>
</tr>
<tr>
<td>2013</td>
<td>128</td>
<td>99</td>
<td>18</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Doing Business Report, World Bank
## BOI New Roles for Investment Promotion

<table>
<thead>
<tr>
<th>Roles</th>
<th>Actions</th>
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<tbody>
<tr>
<td>Support and facilitation</td>
<td>- Coordinate and encourage law and regulation improvement, investment obstacle reduction, and solution to investment problems to enhance investment climate</td>
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<td></td>
<td>- Create good investment image for Thailand</td>
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<td></td>
<td>- Integrate supporting measures from various agencies into a package</td>
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<td>- Facilitate investments through non-tax incentives, and excellent services in both pre and post investment stages, using One Start &amp; One Stop service approach</td>
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<td></td>
<td>- Act as in-depth investment information and advisory service center</td>
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<td></td>
<td>- Create networks and relations with foreign and Thai investors (CRM)</td>
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<tr>
<td>Regional cluster creation</td>
<td>- Actively coordinate to create border or regional clusters</td>
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<tr>
<td>Industry linkage development</td>
<td>- Expand the role of BUILD in various sectors</td>
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<tr>
<td>Human resources development of industrial sector</td>
<td>- Create networks between private sector, Ministry of Labor, and educational institutions in higher and vocational education levels (University – Industry Linkage)</td>
</tr>
<tr>
<td>Promote Thai overseas investment</td>
<td>- Provide information and consultation / Organize seminars and training courses / Coordinate / Facilitate / Arrange Thai overseas investment promotion activities</td>
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</table>
From Inbound Investment Promotion
to Inbound and Outbound Investment Promotion
• Thai overseas investment is necessary to enhance industrial competitiveness, to overcome domestic resource limitations and to seek new business opportunities. Presently, the level of Thai overseas investment is quite low compared with neighboring countries.

• BOI is expected to be the main body formulating national strategies and target industries and developing supporting measures and facilitation.

**ODI flows from Southeast Asia**

Unit: USD bln

Source: UNCTAD
## Promote Thai Overseas Investment to Enhance Domestic Industrial Competitiveness, Generate National Income, and Increase Role of Thailand in the World

<table>
<thead>
<tr>
<th>Objective</th>
<th>Sample of target industry</th>
<th>Form of investment</th>
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<tbody>
<tr>
<td>1. Seek raw materials which Thailand lacks</td>
<td>Jewelry, mining, tannery, fishery, forestry, energy, steel, and dairy farm</td>
<td>Joint venture with local investors to produce raw materials or primary processing products to supply industries in Thailand</td>
</tr>
<tr>
<td>2. Expand markets for domestic services or products</td>
<td>Food products, construction business, tourism business, plastic products (especially household appliances), animal feed, sales office, and distribution centre</td>
<td>100% investment or joint venture with local investors for producing finished goods by importing raw materials or semi-finished goods from Thailand</td>
</tr>
<tr>
<td>3. Maintain market bases or expand global market of Thai products</td>
<td>Finished clothes, shoes, jewelry, and electrical appliances</td>
<td>100% investment, joint venture with local investors, or hire local investors to produce goods for exporting to third country, using lower production costs and GSP privileges.</td>
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</tbody>
</table>
Identify Target Countries

- **No. 1** Indonesia, Myanmar, Vietnam, and Cambodia
- **No. 2** China, India, and other ASEAN countries
- **No. 3** Middle East, South Asia, and Africa
BOI’s Roles in Promoting Thai Overseas Investment

- Establish “Thai Overseas Investment Promotion Subcommittee” chaired by Minister of Industry to formulate policies and supporting measures including tax incentives, financial measures, and other necessary measures
- Establish “Thai Overseas Investment Promotion Bureau” (in the process)
- Establish Thai Overseas Investment Development Center to organize training course for Thai investors who want to invest overseas. (Now, it is the 3rd and 4th training course)
- Establish Thai Overseas Investment Information Center to provide information for investors with consultant team to guide Thai investors to invest in target countries
- In-depth study on investment opportunities in target industries
- Arrange seminars on investment opportunities on many issues e.g. laws and regulations of doing business overseas, market opportunity in interesting industries, etc.
- Lead Thai investors to explore investment opportunities and discuss with government agencies overseas
- Coordinate with other agencies to facilitate investment and solve problems for investors
- Negotiate G2G in target countries to create business opportunities and reduce investor’s obstacles
From Evaluation by values of project applications
to Evaluation by project outcomes
<table>
<thead>
<tr>
<th>Goal</th>
<th>Indicator</th>
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| Promote competitiveness development and value creation in industrial sector | • Number of projects and investment value in Activity Group A  
• R&D indices e.g. number of BOI-promoted R&D projects, R&D Intensity, number of registered patents, etc.  
• Value added per worker  
• Value of industrial linkages  
• Survey results of Thailand’s investment environment |
| Promote green industry development                                   | • Number of companies obtaining ISO 14000 certificate, carbon footprint or other environmental standards  
• Number of BOI-promoted environmental projects |
| Promote creation of new regional industrial clusters                 | Success in establishment of new industrial clusters, number of investment projects, values, and benefits |
| Promote Thai overseas investment                                     | Total Thai overseas investment value, especially in target industries and target countries |
### Expected Benefits of New Strategies Formulation

<table>
<thead>
<tr>
<th>Country</th>
<th>Investors</th>
<th>BOI</th>
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</table>
| • Improved investment environment of the country  
• Increased national competitiveness and upgraded industrial value chain  
• New industrial clusters in each region or border area leading to decentralization and inequity reduction  
• Lower fiscal burden and more cost-effective and efficient use of tax incentives | • Increased competitiveness due to tax and non-tax incentives especially merit-based incentives that will help upgrade and sustainably develop the industry  
• Receipt of better BOI service and facilitation in both pre and post investment stages for inbound and outbound investments | • Main agency to guide and take care of overall direct investment  
• Effective agency implementing policies with clear and measurable goals |
3. Rationale for amending Investment Promotion Act
Rationale for amending Investment Promotion Act

(1/2)

Inward Investment Promotion

Increase flexibility of existing promotional tools e.g.

• CIT exemption for more than 8 years to be able to compete with other countries for attracting high quality investment projects
• CIT reduction up to 90% of the normal rate (at present is 50% reduction) as additional tax incentive option
• Exemption of import duty on products for use in testing or research

Create new investment promotion tools e.g.

• Investment Tax Allowance and Reinvestment Allowance
• Investment Expenses Tax Deduction
• Grants for R&D or Advanced Technology Training
Add duty to promote Thai Overseas Investment

• Add the Office of the Board of Investment’s duty to promote Thai overseas investment

• Add tools for promoting Thai overseas investment

Outward Investment Promotion

Rationale for amending Investment Promotion Act
4. Time Frame for Implementing New Strategies
## Time Frame for Implementing New Strategies

<table>
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<tr>
<th>Process</th>
<th>Deadline</th>
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<tbody>
<tr>
<td>1. Organize public hearings in Bangkok and the regions</td>
<td>Jan-Feb 2013</td>
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<tr>
<td>2. Present the results of public hearings, together with the new</td>
<td>Mar 2013</td>
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<tr>
<td>strategies, to the Investment Promotion Policy Subcommittee and</td>
<td></td>
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<tr>
<td>the Board of Investment</td>
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<tr>
<td>3. Announce new investment promotion strategies and criteria</td>
<td>Mar 2013</td>
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<tr>
<td>- Expected to come into effect in mid-2013</td>
<td></td>
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<tr>
<td>- Organize seminars to promote new strategies in Bangkok, the</td>
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<td>regions, and overseas from April 2013 onwards</td>
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