

Investment in Thailand

Duangjai Asawachintachit

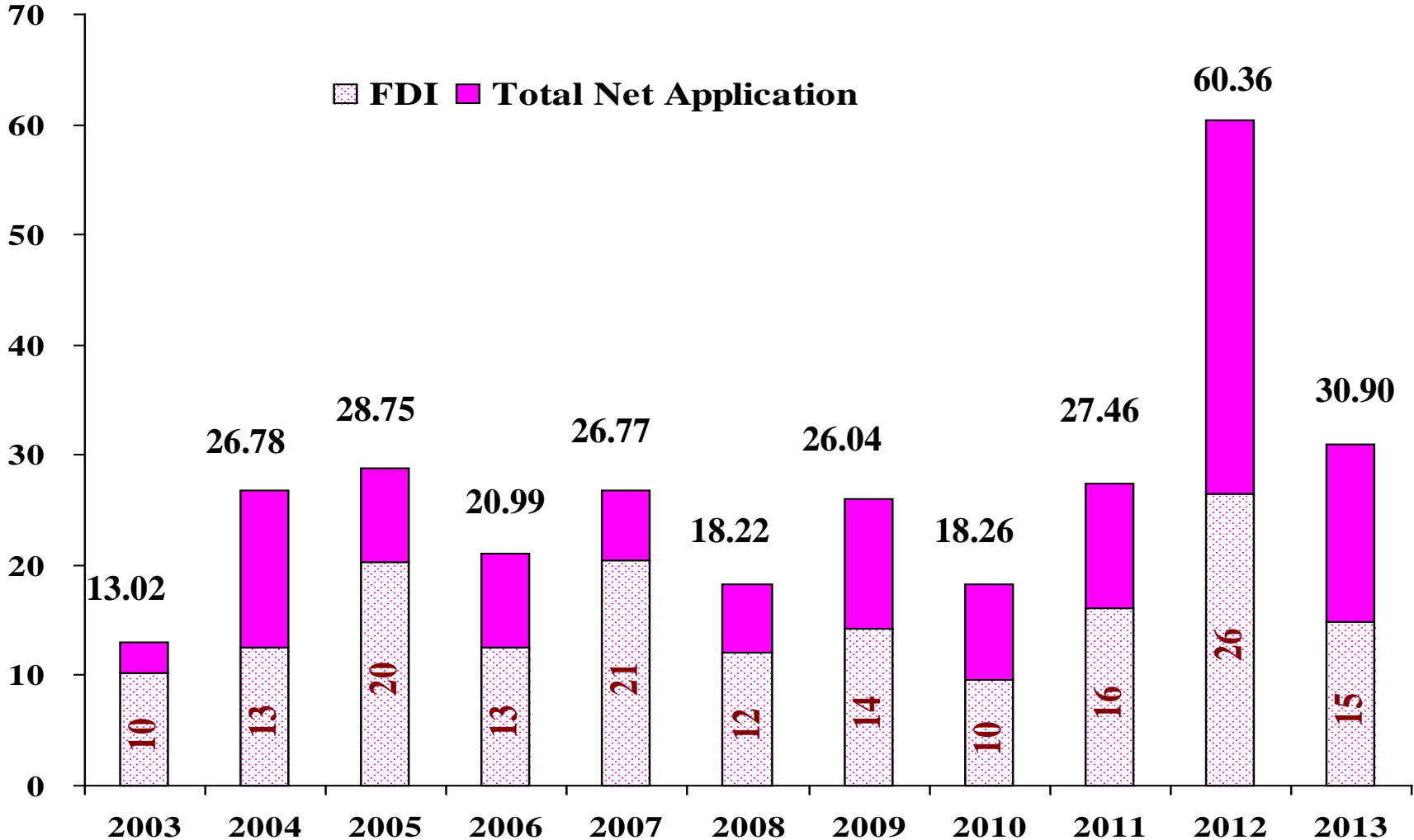
**Deputy Secretary General
Thailand Board of Investment**

**18 November 2013
Bangkok, Thailand**

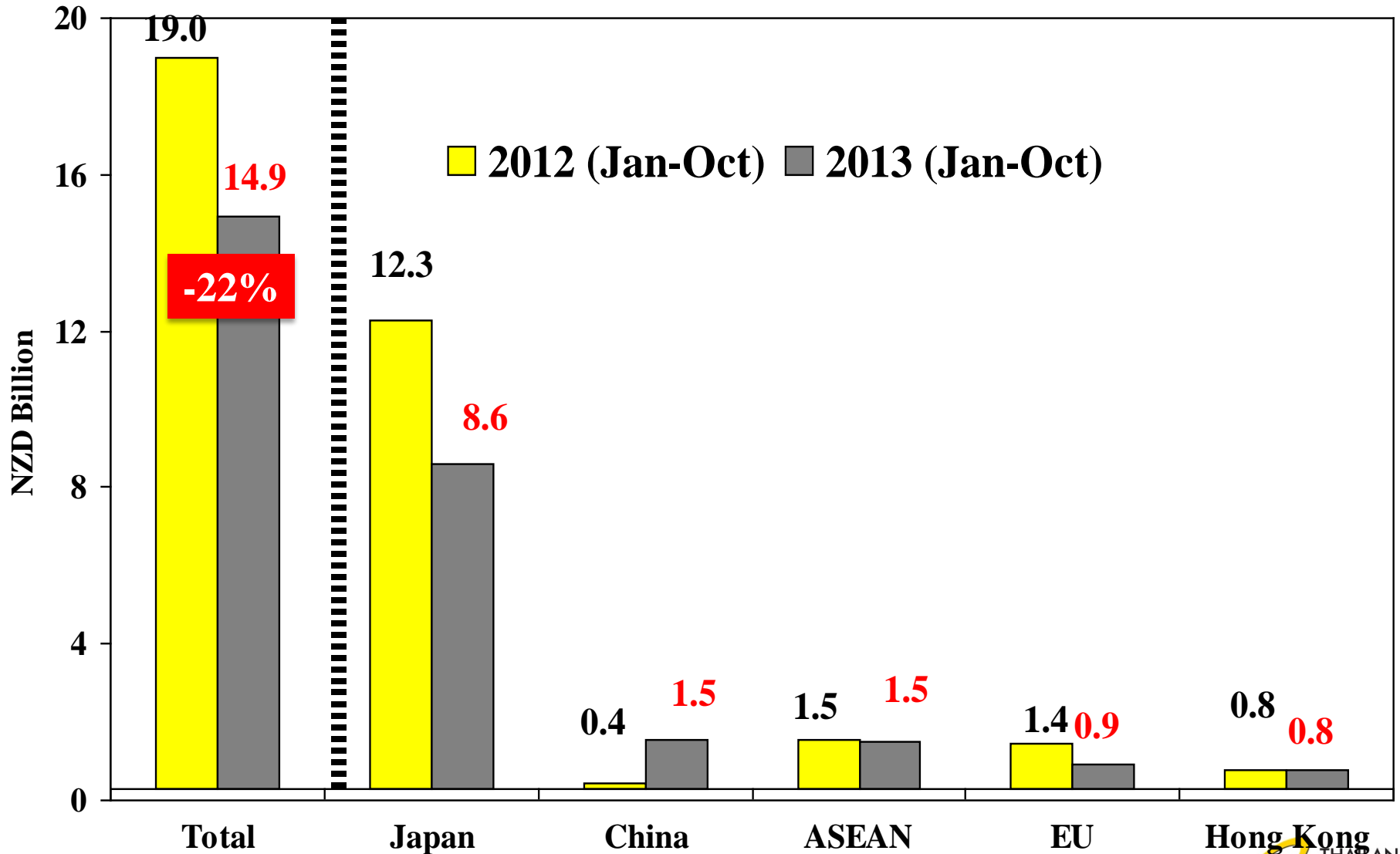
Current Situation

Investment Application Submitted to BOI 2003 – 2013 (Jan-Oct)

NZD billion



Foreign Direct Investment Applications



Market Potential

Thailand: 2nd Largest Economy in ASEAN

GDP US\$366 Billion (2012)
US\$5,390 per capita

45%
Industry

43%
Services

12%
Agriculture

Thailand is the world's

- **17th** largest manufacturer
(**10th** largest auto manufacturer)
- **20th** largest exporter of goods
- **33th** largest economy

Population: 67 Million

Labor Force: 40.2 Million

Sources: MOC, NESDB, Pocket World in Figures 2013 Edition Note:MYR1=Bt9.74 in Q2,2013

Thailand: the Crossroads of ASEAN

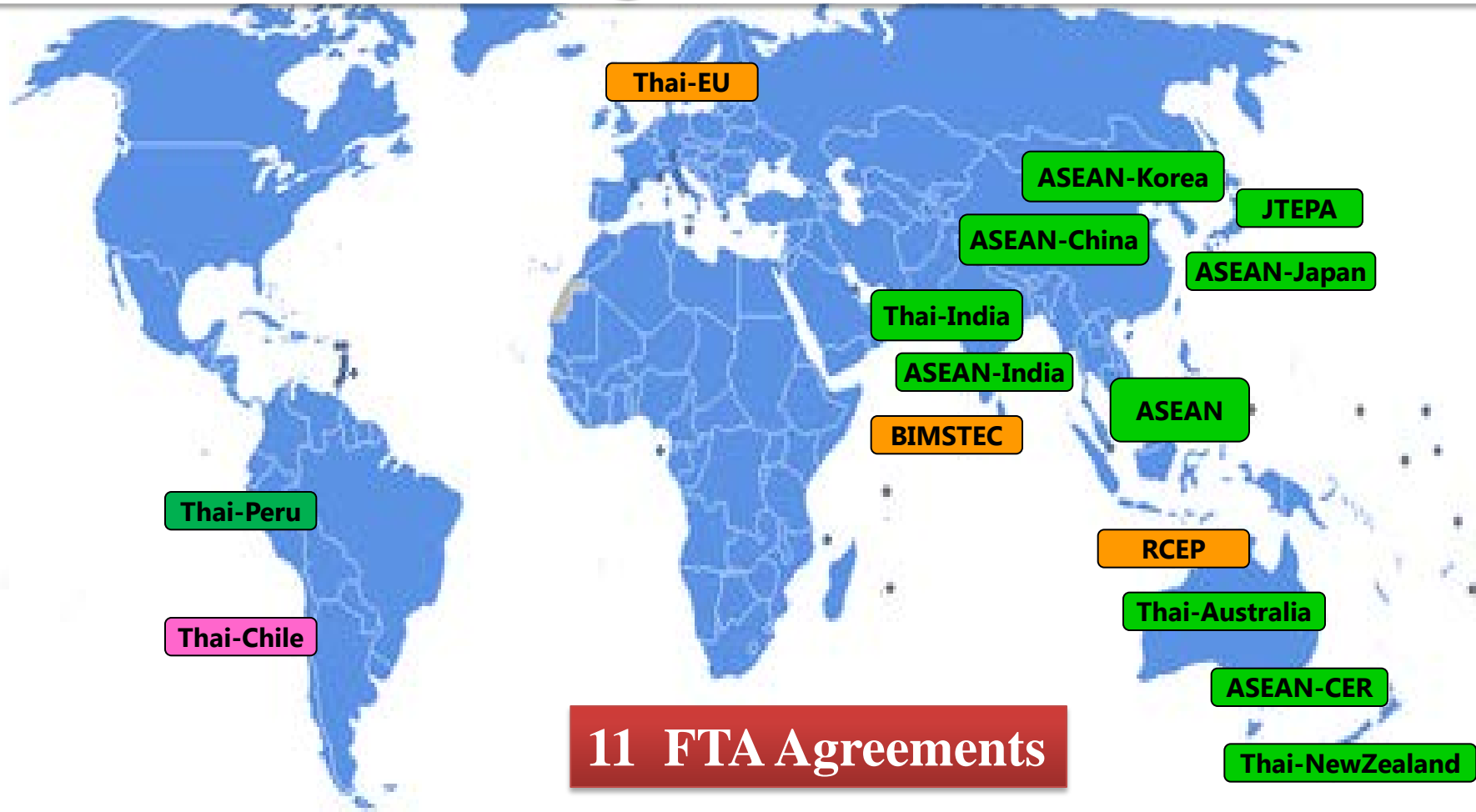
10 Countries, One Single Market in 2015



GDP	US\$ 2.3 trillion
Population	607 million
Foreign Direct Investment	US\$ 111 billion
GDP Growth	5.7% (2011) 6.4% (2012) 5.2% (2013)

ASEAN's GDP to double to US\$4.7 trillion in 2020

Thailand's Extensive Free Trade Agreement Network



In Effect

Under negotiation

finalized

11 FTA Agreements

Investment Environment

The World Bank Ranks Thailand among the easiest places to do Business in Asia and 18th in the World



UNCTAD Survey

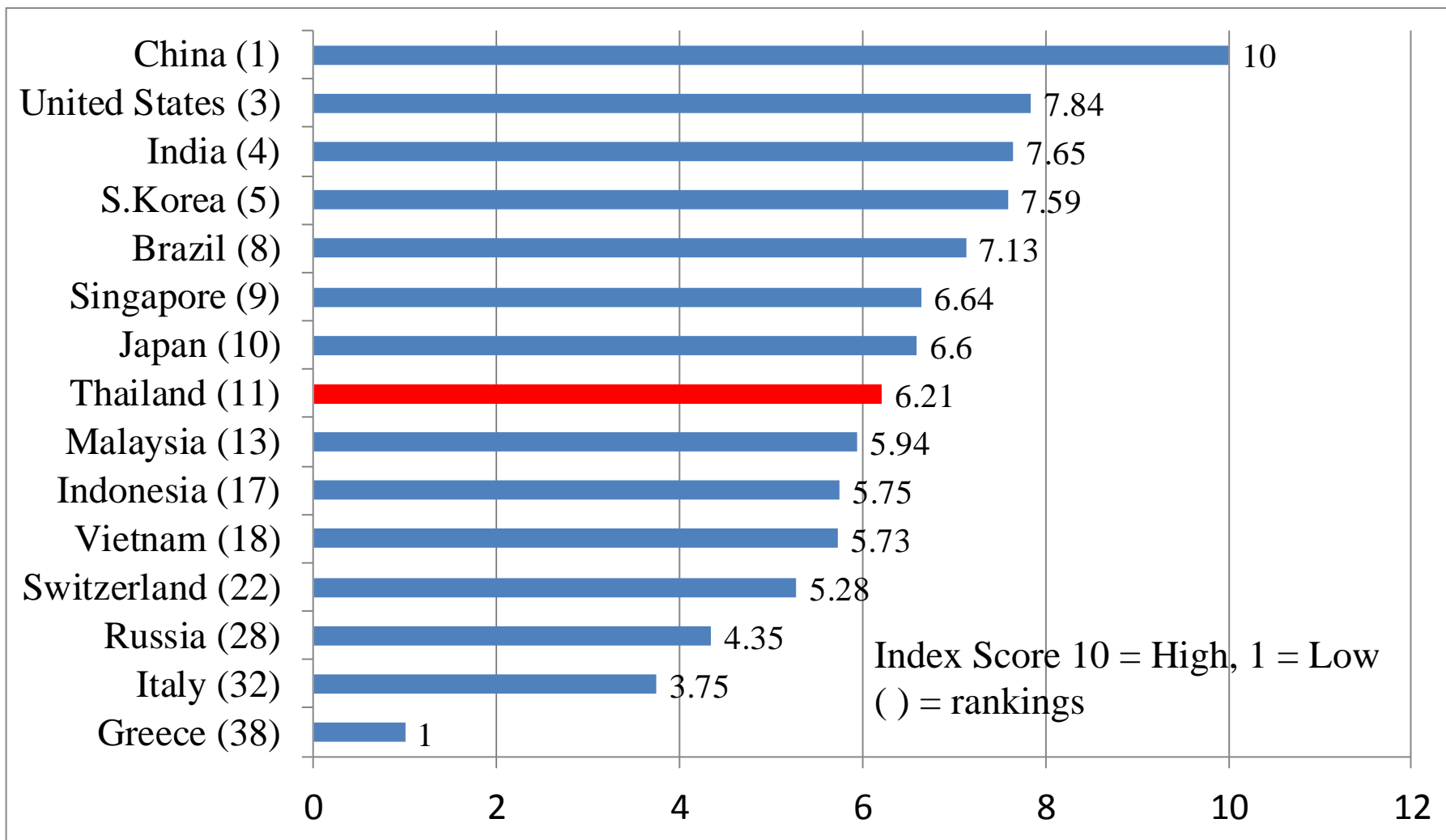
Top Ten Prospective Host Economies for 2013-2015



Source: UNCTAD
Investment Prospect
Survey, based on 159
company responses

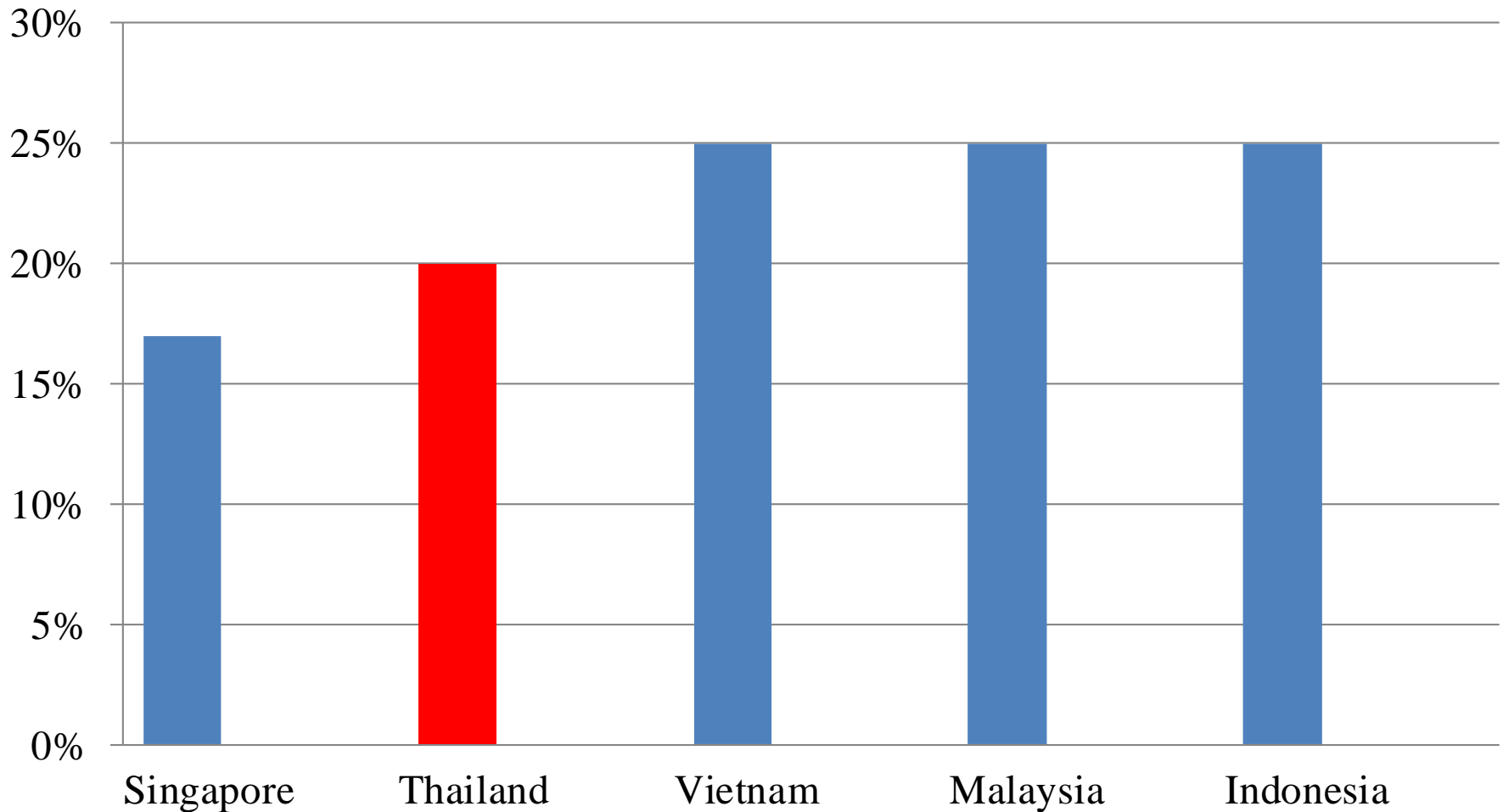
Country	Rank
China	1
USA	2
India	3
Indonesia	4
Brazil	5
Germany	6
Mexico	7
Thailand	8
UK	9
Japan	10

2013 Country Manufacturing Competitiveness Index Rankings



Source: 2013 Global Manufacturing Competitiveness Index, Deloitte Touche Tohmatsu Ltd. and the U.S. Council on Competitiveness as of April , 2013

Low Corporate Income Tax 2013



Source: KPMG

Special Tax Regime for Regional Operating Headquarters

Benefit

For portion of income from
OVERSEAS OPERATIONS

0% CORPORATE INCOME TAX for 15 years

Benefit

For portion of income from
LOCAL OPERATIONS

10% CORPORATE INCOME TAX for 15 years

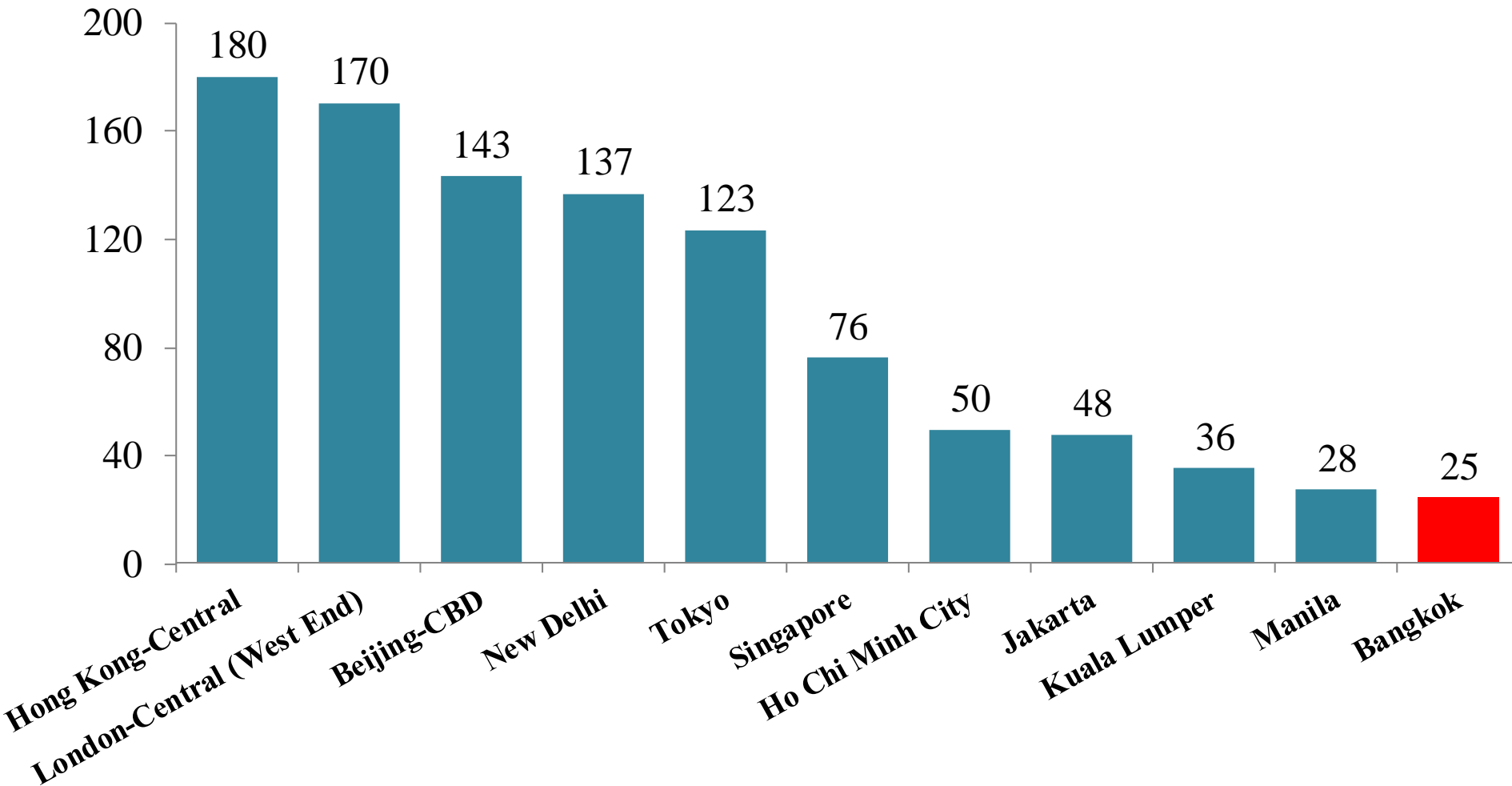
Benefit

For income of
EXPATRIATE EMPLOYEES

15% PERSONAL INCOME TAX for 8 years

Low Costs of Office Occupancy

Euro/sq ft/annum



Source: CBRE Prime Office Occupancy Costs, Q1/2013 as of June 24, 2013 Note: US\$1=Bt29.89 and Euro1=Bt39.03 in Q2, 2013

Living Abroad

Thailand: Best Overall Expat Experience

Ranking	Country
1	Thailand
2	Bahrain
3	China
4	Cayman Islands
5	Australia
6	Singapore
7	India
8	Taiwan
9	Spain
10	Brazil

Source: HSBC Expat Explorer 2013

No restrictions on
foreign currency

100% foreign
ownership

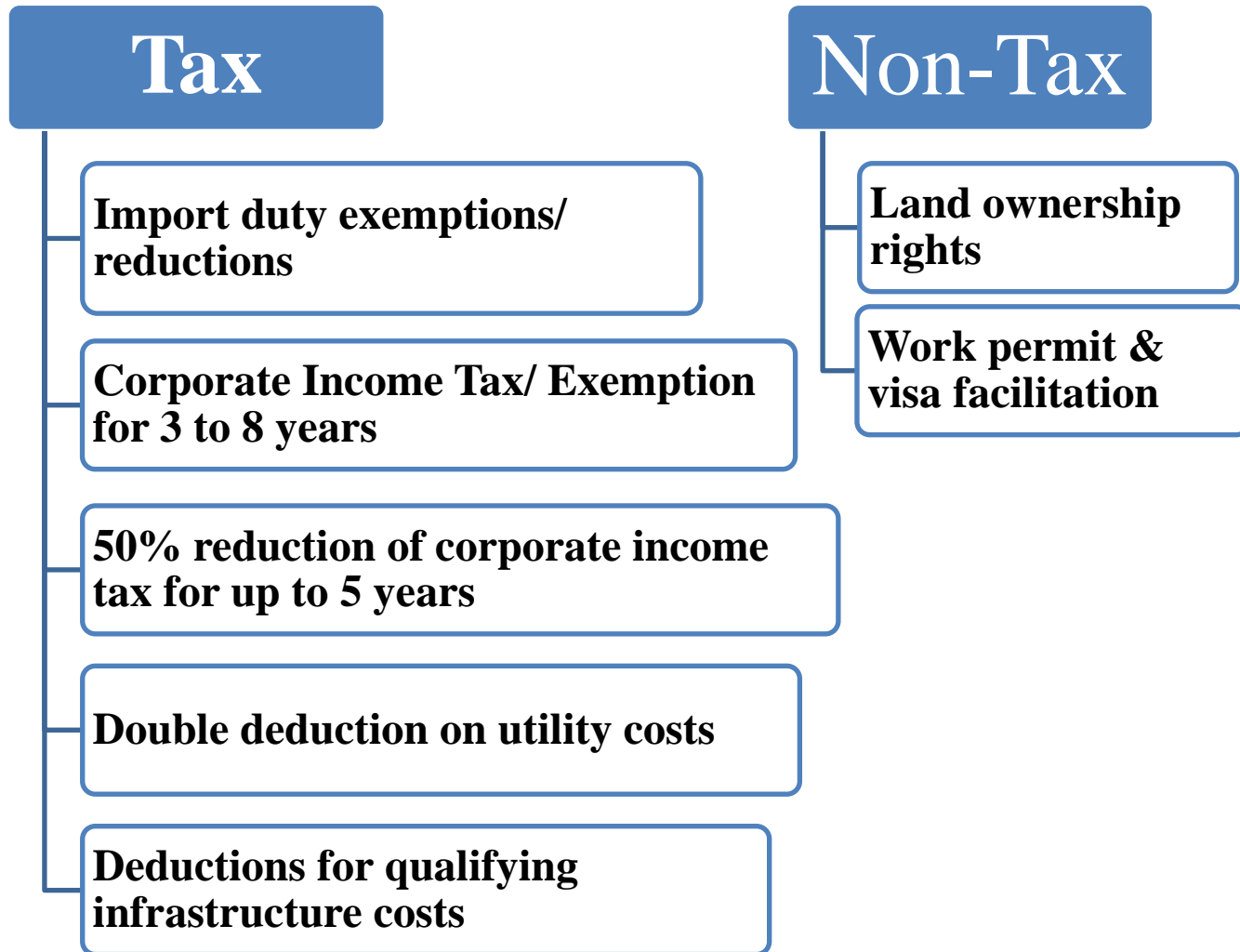
**LIBERAL
INVESTMENT REGIME**

No export
requirements

No local content
requirements

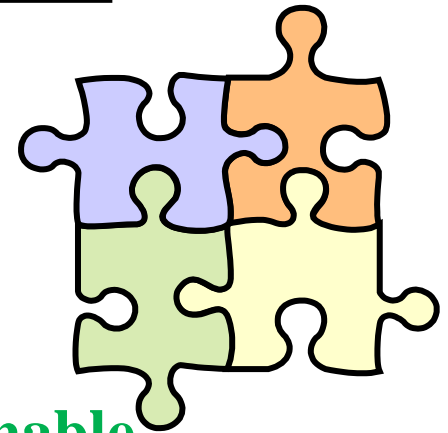
Government Support

BOI's Attractive Investment Incentives



Major BOI Incentives Schemes

- Decentralization
 - Incentives vary according to zones
- Priority activities receive
 - 8-year corporate income tax exemption and exemption of import duties on machinery regardless of location
- Sector-specific policies
- Optional incentive scheme
 - STI Scheme
- Special temporary measures:
 - **“Investment Promotion Policies for Sustainable Development”**

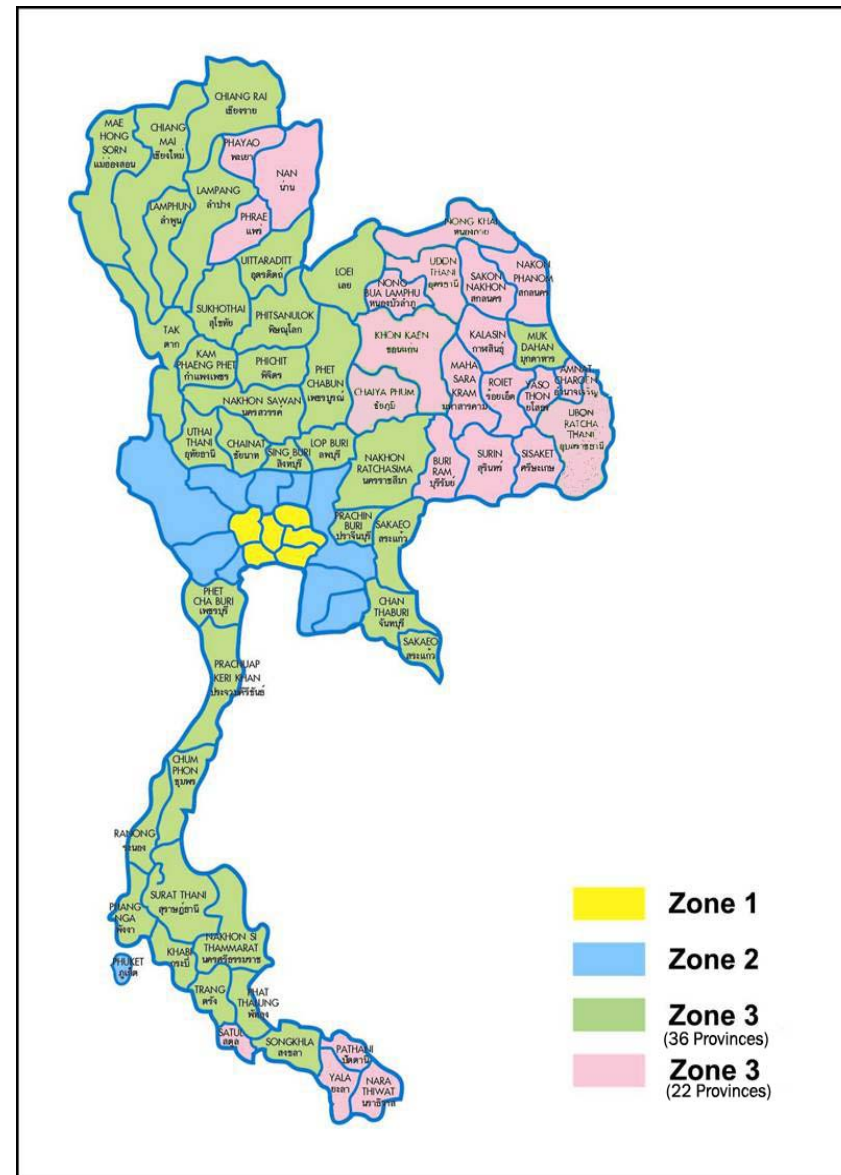


BOI ZONING AND INCENTIVES

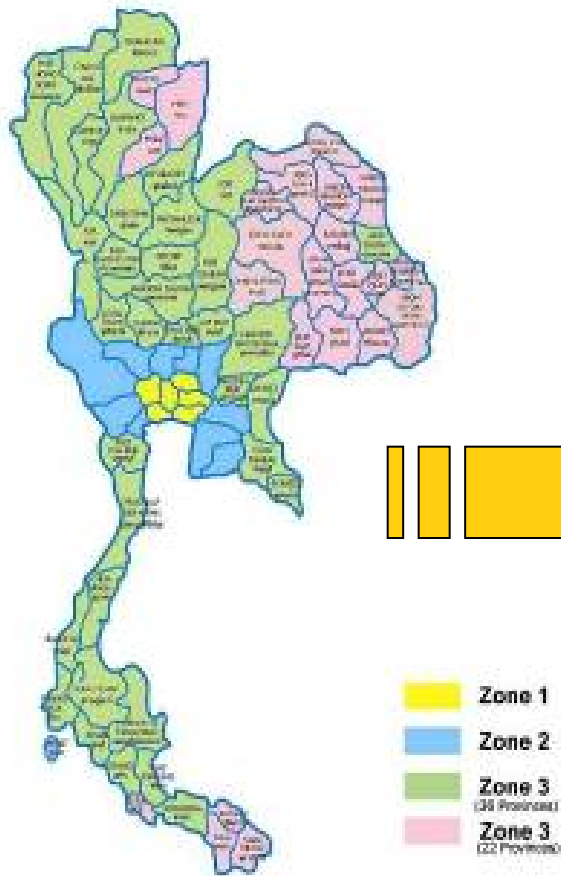
Zone: 1 2 3
 Incentives: Lower  Higher

Import Duty Privileges	Outside I.E	Inside I.E
Zone 1	50% Reduction	50% Reduction
Zone 2	50% Reduction	Exempt
Zone 3	Exempt	Exempt

Corporate Income Tax	Outside I.E	Inside I.E
Zone 1	No Privilege	3 years
Zone 2	3 years	7 years
Zone 3	8 years	8 years



From Zone-Based to Sectoral Approach



**Sector Matrix:
Incentives to strengthen
competitiveness**

**Strategic or Priority
Activities**

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

Zone-Based

Incentives:

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

Policies for 2010-2012

“Investment for Sustainable Development”

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

1. Special incentives for 3 groups of targeted activities

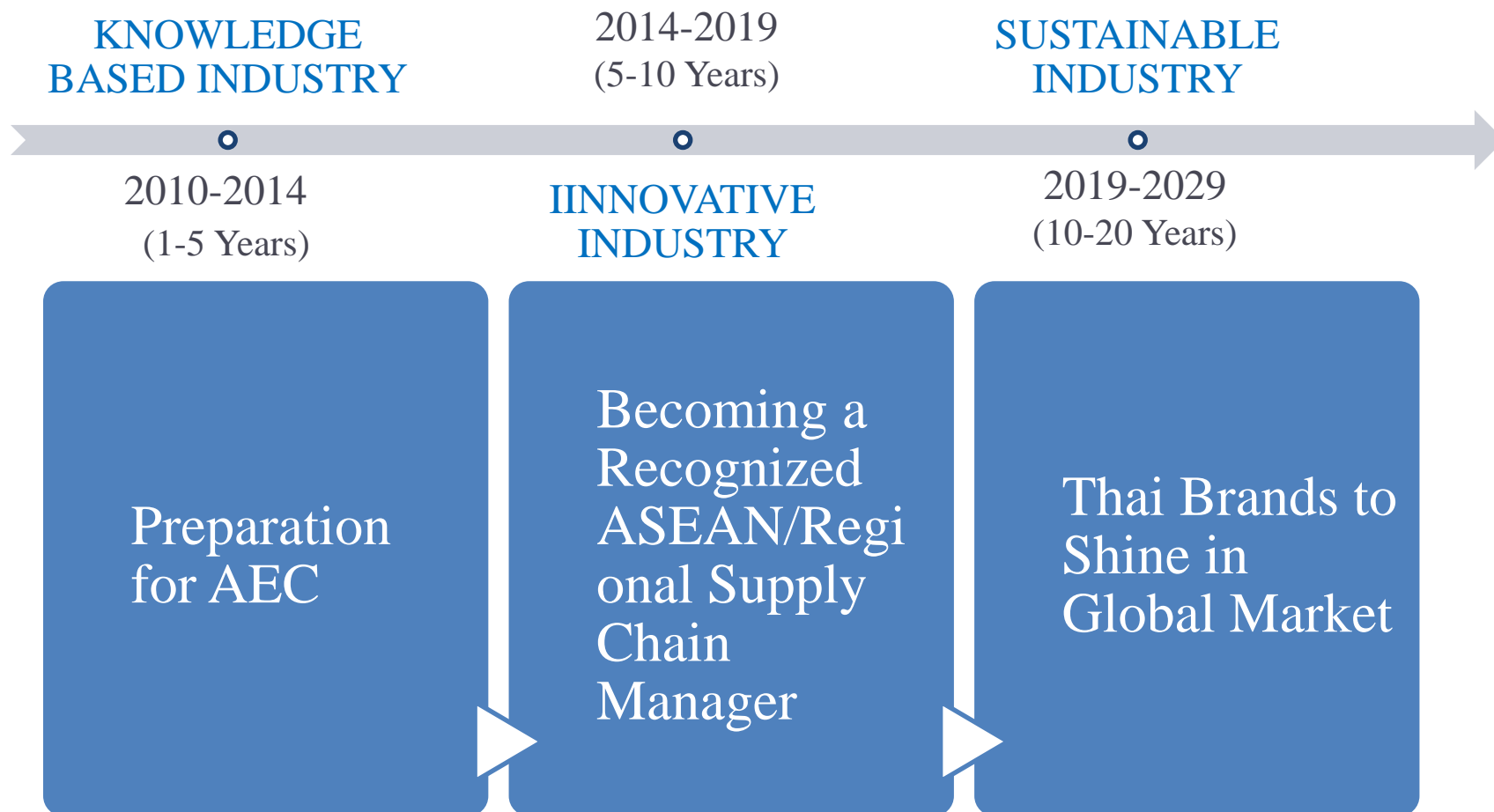
- 1) **Manufacture of eco-friendly material and product, e.g. bioplastics**
- 2) **Energy saving and alternative energy**
- 3) **High technology activities e.g. industrial electronics, electronic parts for vehicles, biotech, nano-tech, functional fiber etc.**

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**

Thailand's Master Plan for Future Industrial Development

VISION: To Move Forward Innovative, Well-Balanced, and Sustainable Industry



BOI : Politics Aside, Investment Policy Steady



Announced trade liberalization for the country and regions

Announcement no. 1/36

Financial crisis

Relaxation of investment Promotion criteria

Competitiveness Enhancement

- 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

Thailand Investment year (Economic and Political Crisis)

Special measures and incentives

Sustainable investment

- New vision
- Sustainable policy

Economic restructuring



1992-1996

1997-1999

2000-2007

2008-2009

2010-2012

2013-2017

New Investment Promotion Strategy Direction

To 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 industries to drive balanced and sustainable growth
- Promote new regional industrial clusters 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)

	Present	New	Action
1	Broad-based investment promotion	Focus & Prioritized investment promotion	<ul style="list-style-type: none"> ▪ Refocus the activities eligible for promotion ▪ Prioritize: Incentives vary, depending on the importance of activity
2	Sector-based Incentives	Sector & Merit-based Incentives	<ul style="list-style-type: none"> ▪ Reduce basic tax incentives ▪ Provide additional incentives based on projects' merits to encourage competitiveness enhancement activities such as R&D, design, advanced technological training, and local supplier development

New Investment Promotion Direction for Thai Economy Restructuring

(2/3)

	Present	New	Action
3	Zone-based incentives	Promote New Regional Clusters	<ul style="list-style-type: none">▪ 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	<ul style="list-style-type: none">▪ 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

Merit-based Incentives

1. Merit on competitiveness enhancement

Qualified Investment/ Expenditures

1. R&D

- in-house R&D
- outsourcing research in Thailand
- donation to Technology and Human Resources Development Fund/ educational or research institute/ governmental agency
- IP acquisition /licensing fee for commercializing technology developed in Thailand

2. Product & packaging design

- in-house
- outsourcing in Thailand

3. Advanced technology training

4. Development of local suppliers with at least 51% Thai shareholding (in advanced technology training and technical assistance)

Additional incentives vary depending on investment/ expenditure ratio:

Percentage of qualified Investment/ Expenditures to combined revenue of the first 3 years	Additional CIT Exemption (subject to 60% cap on qualified investment/ expenditures)
1%	1 year
2%	2 years
3%	3 years

2. Merit on industrial area development and decentralization

Projects located in industrial estate or promoted industrial zones : one additional year of CIT exemption

Projects located in the specified 22 provinces and 4 districts in Songkhla province

3 additional years of CIT exemption but activities in Group A1 or A2 which already receive 8-year CIT exemption will instead receive 5 additional years of 50% reduction of CIT.

All activities in Group A and some specified activities in Group B can apply for merit-based incentives.

New Investment Promotion Direction for Thai Economy Restructuring

(3/3)

	Present	New	Action
5	Promote inbound investment	Promote both inbound & outbound investment	<ul style="list-style-type: none">■ Promote overseas investment more actively in order to increase the competitiveness of Thai businesses
6	Evaluation by Applications	Evaluation by Outcomes	<ul style="list-style-type: none">■ Set clear KPIs to measure benefits and cost-effectiveness of investment promotion

Time Frame for Implementing New Strategy

Actions	Time frame
Announcement of the New Investment Promotion Strategy	By December 2013
Effective Date of the New Investment Promotion Strategy	<u>1st January</u> <u>2015</u>

Activities Eligible for BOI Promotion



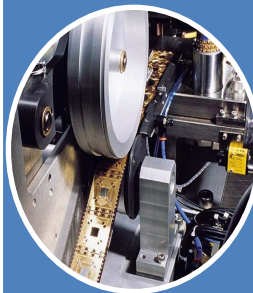
Agriculture



Mining,
Ceramics
Basic
Metals



Light
Industries



Metal
Products,
Machinery,
Transport



E&E



Chemicals,
paper,
plastics



Services



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

Email: osos@boi.go.th

Key Sectors of Opportunity

Automotive Industry

“Thailand: Automotive Hub of Asia”

10th largest automobile producer in the world in 2012

14 assemblers with a combined production of more than 2,000,000 in 2012

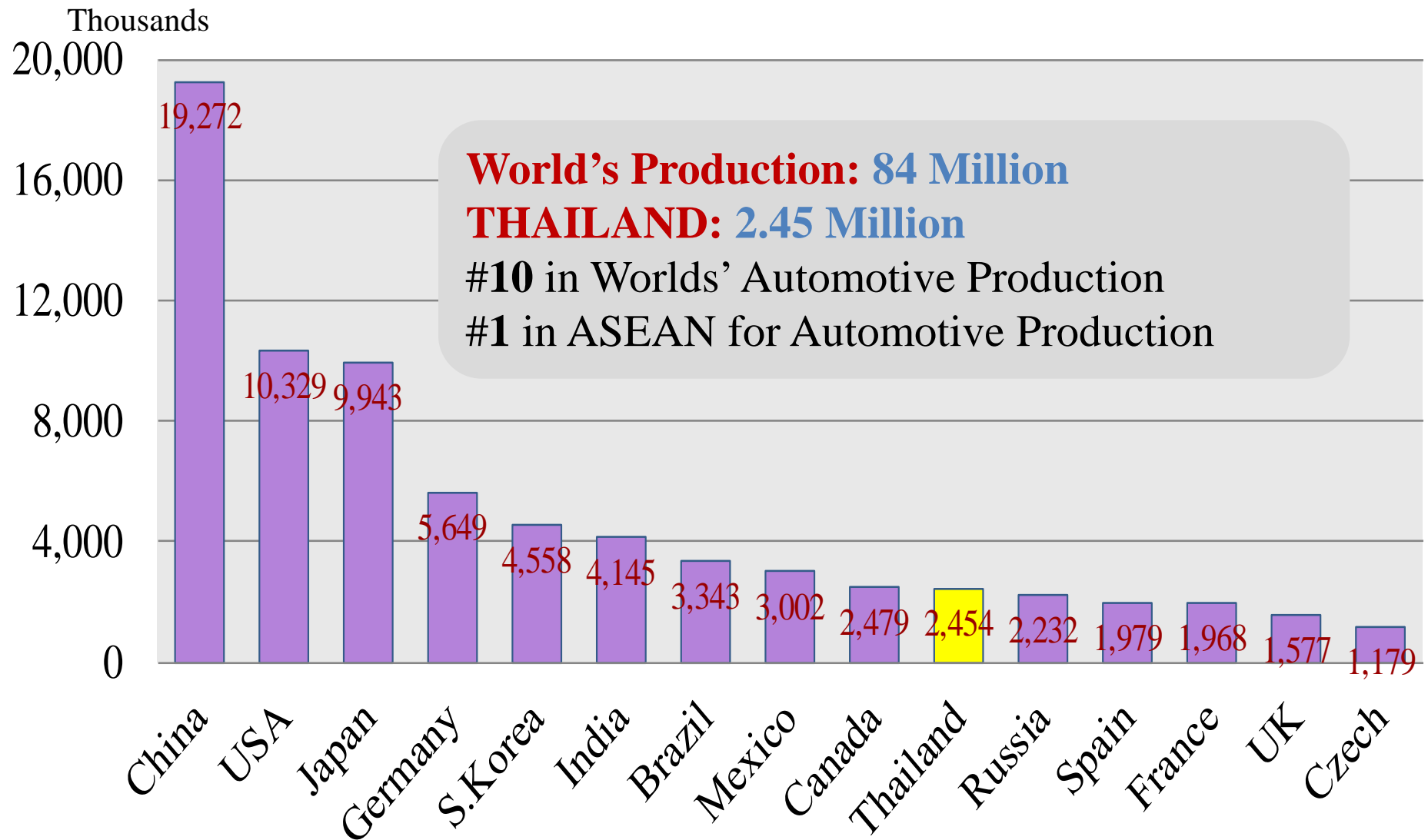
High Local content of up to 90%

Contributes 10% of Thailand’s manufacturing GDP

Employs over half a million skilled direct labor

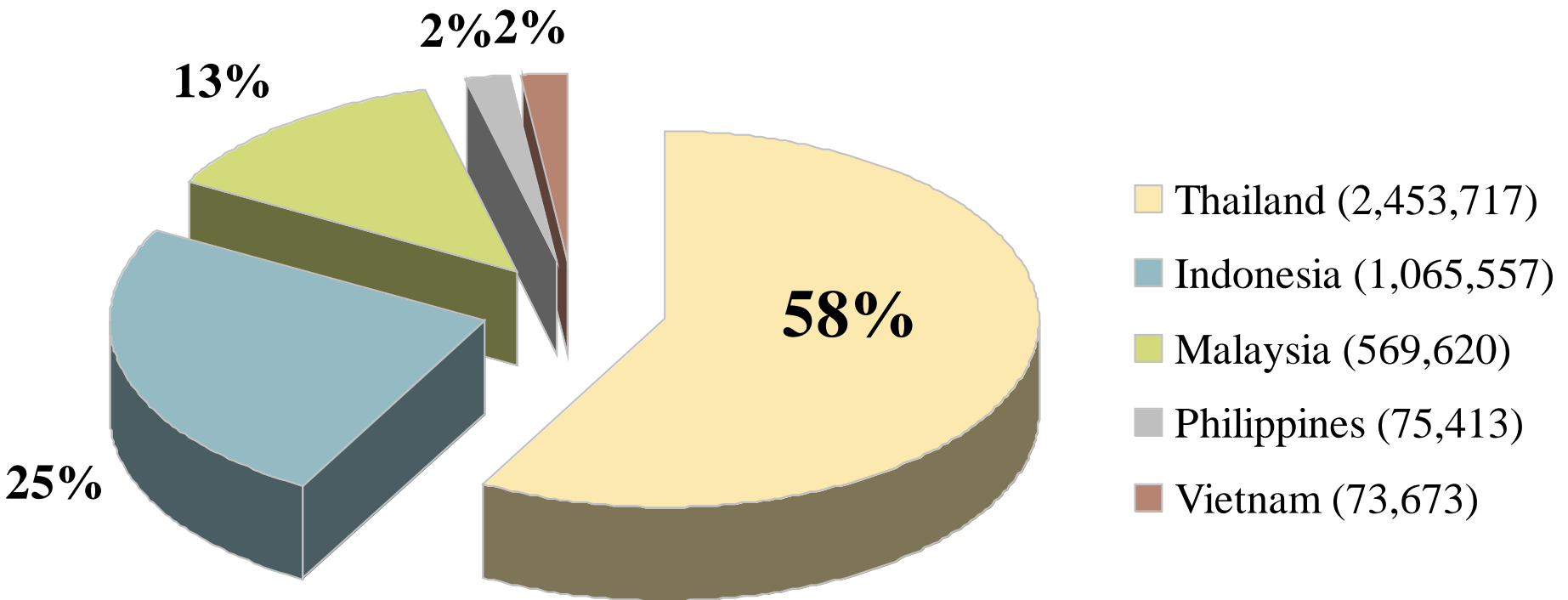
Source: Thailand Automotive Institute

World's Automotive Production 2012













Automotive Production Share in ASEAN 2012

Production Share (%)



Source: ASEAN Automotive Federation(Automotive Summit 2013) as of June 24, 2013

By 2018, ASEAN will be the 6th Largest Automotive Market Globally

Global Rank	SALE 2011	SALE 2015F	SALE 2018F
	17,708,634	29,010,852	33,391,276
	11,562,701	16,466,283	16,970,585
	3,524,789	5,788,462	9,039,806
	3,475,760	5,364,935	6,287,188
	3,173,634	4,591,476	4,717,218
	2,904,338	3,850,511	4,692,961
 ASEAN	2,593,769	3,499,860	4,025,975
	2,409,826	3,429,031	3,968,411
	2,204,229	2,704,451	2,897,909
	1,941,253	2,563,360	2,793,822

Thailand: A Hub of Automotive Industry for ASEAN & the World



Hub of Pick-up



Hub of Eco-Car



Hub of automobiles & parts regional R&D Center

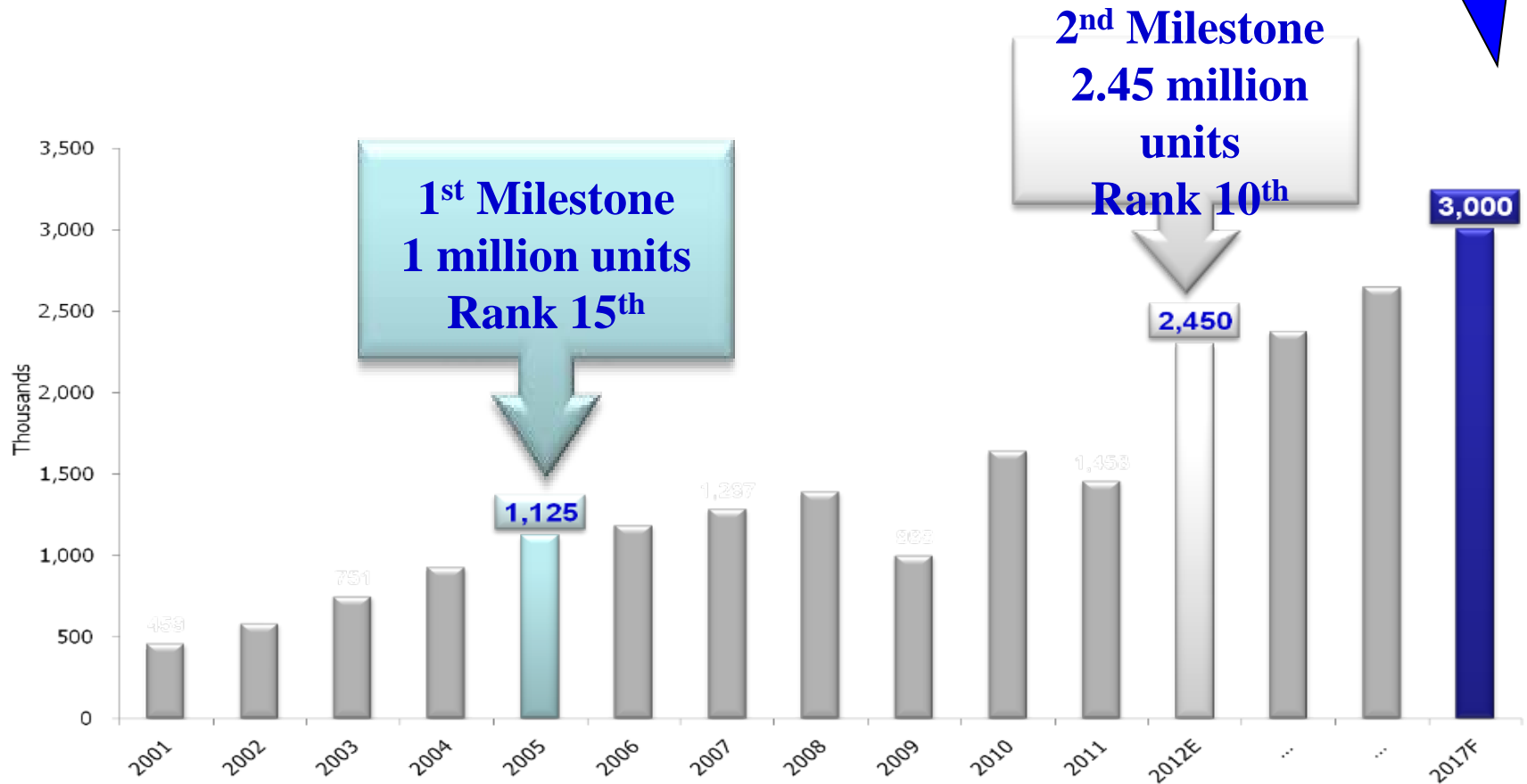
- Toyota Motor Asia Pacific Engineering & Manufacturing
- Denso International Asia (R&D)
- Isuzu R&D
- Nissan Technical Center South East Asia

Source: ASEAN Automotive Federation(Automotive Summit 2013) as of June 24, 2013

Thai Automotive Industry: ASEAN Hub

- Light Truck (1 ton Pick – up)
- Eco – Car
- Global supplier
- Automobiles & parts regional R&D center

3rd Milestone
3 million units



Thailand's Food Industry



Agro-business Sector

World's # 1 Cassava Exports

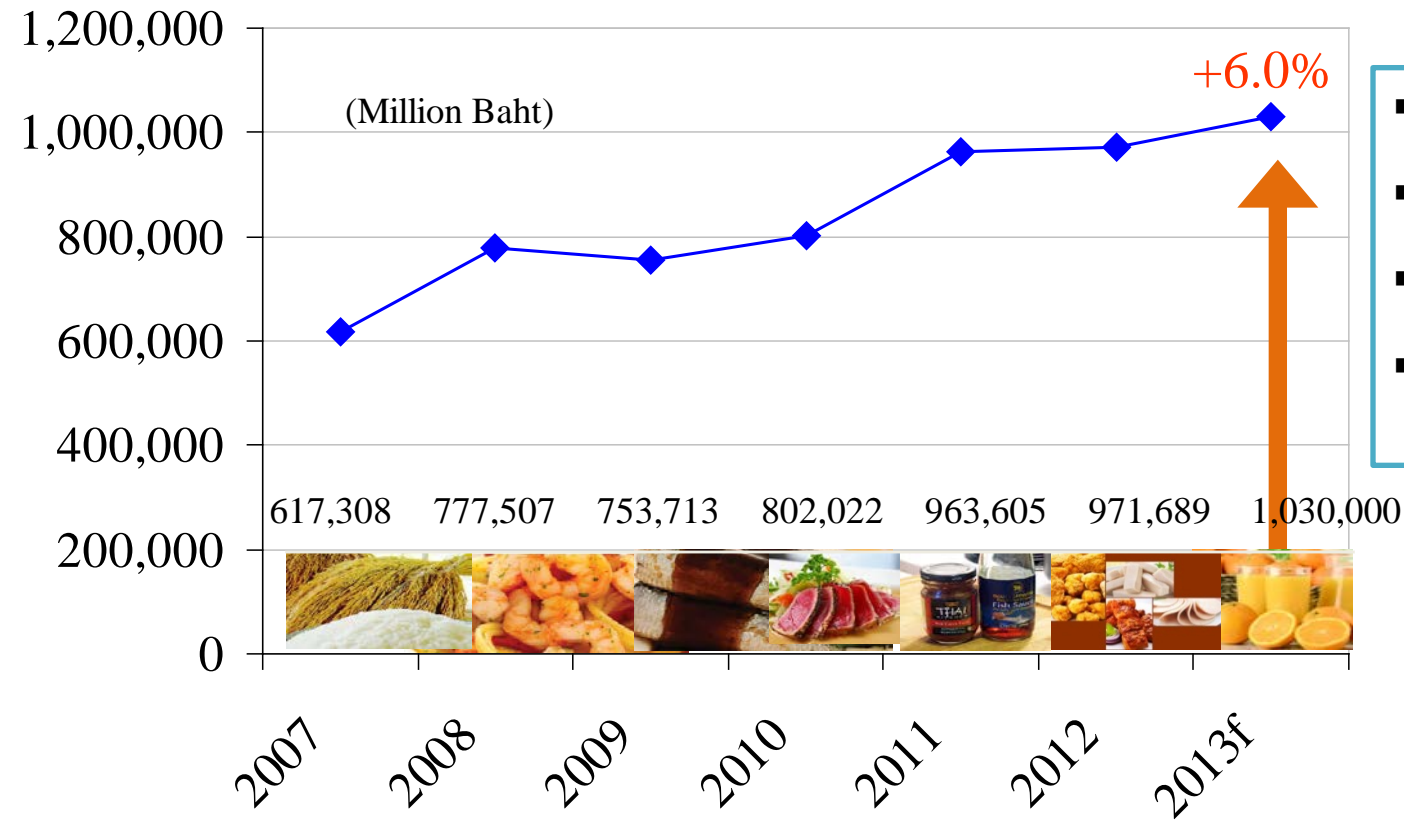
World's # 2 Sugar Exports

World's # 3 Fishery Exports

World's # 6 Rice & Grains Exports

Source: National Food Institute 2012

Thailand Food Exports Forecast in 2013

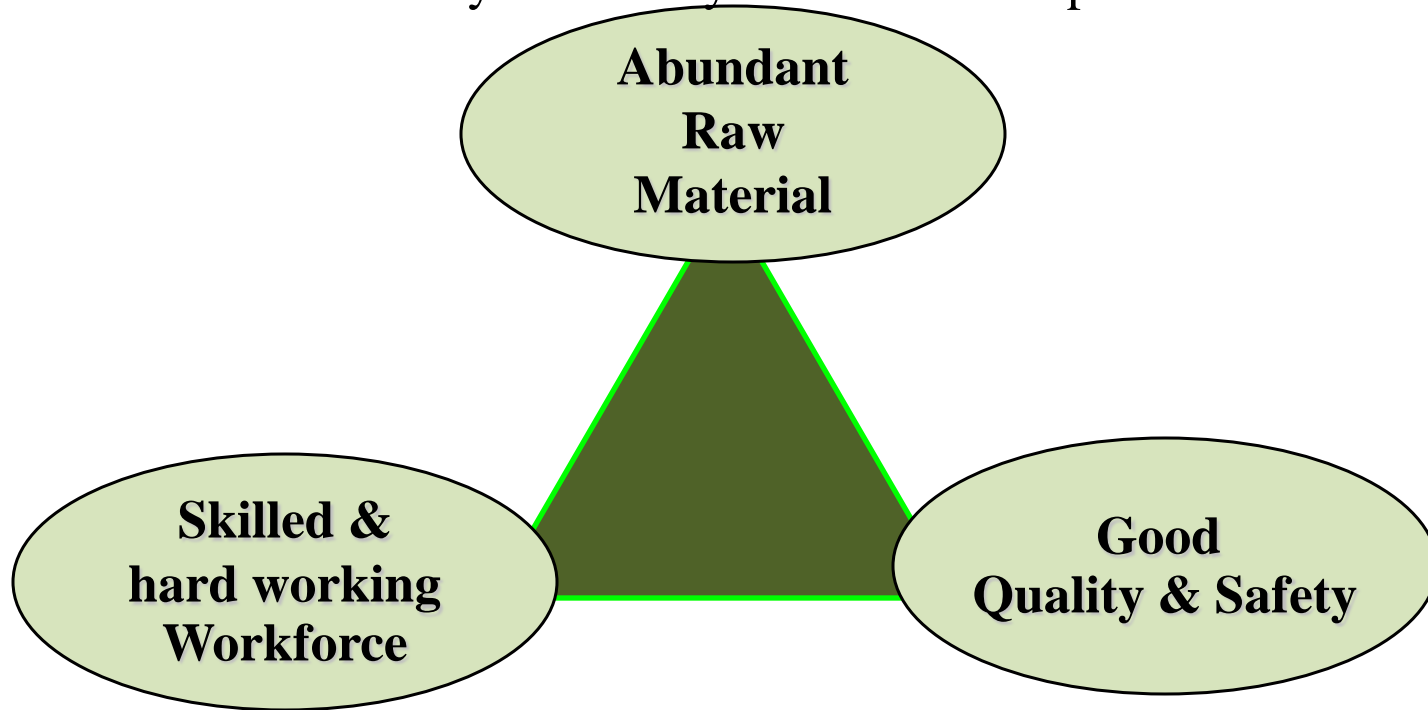


Assumptions:

- World GDP: +3.5%
- Currency: Bt29.50/\$
- World food price: +5%
- Domestic food price: +3%

Strengths of Thai Food Industry

> 80% of raw materials used by the food industry are locally sourced at low prices



Size of workforce now > 39.5 million
Minimum Daily Wage Bt300

GMP and International Standard
Good Manufacturing Practices is a mandatory measure for 54 types of food products

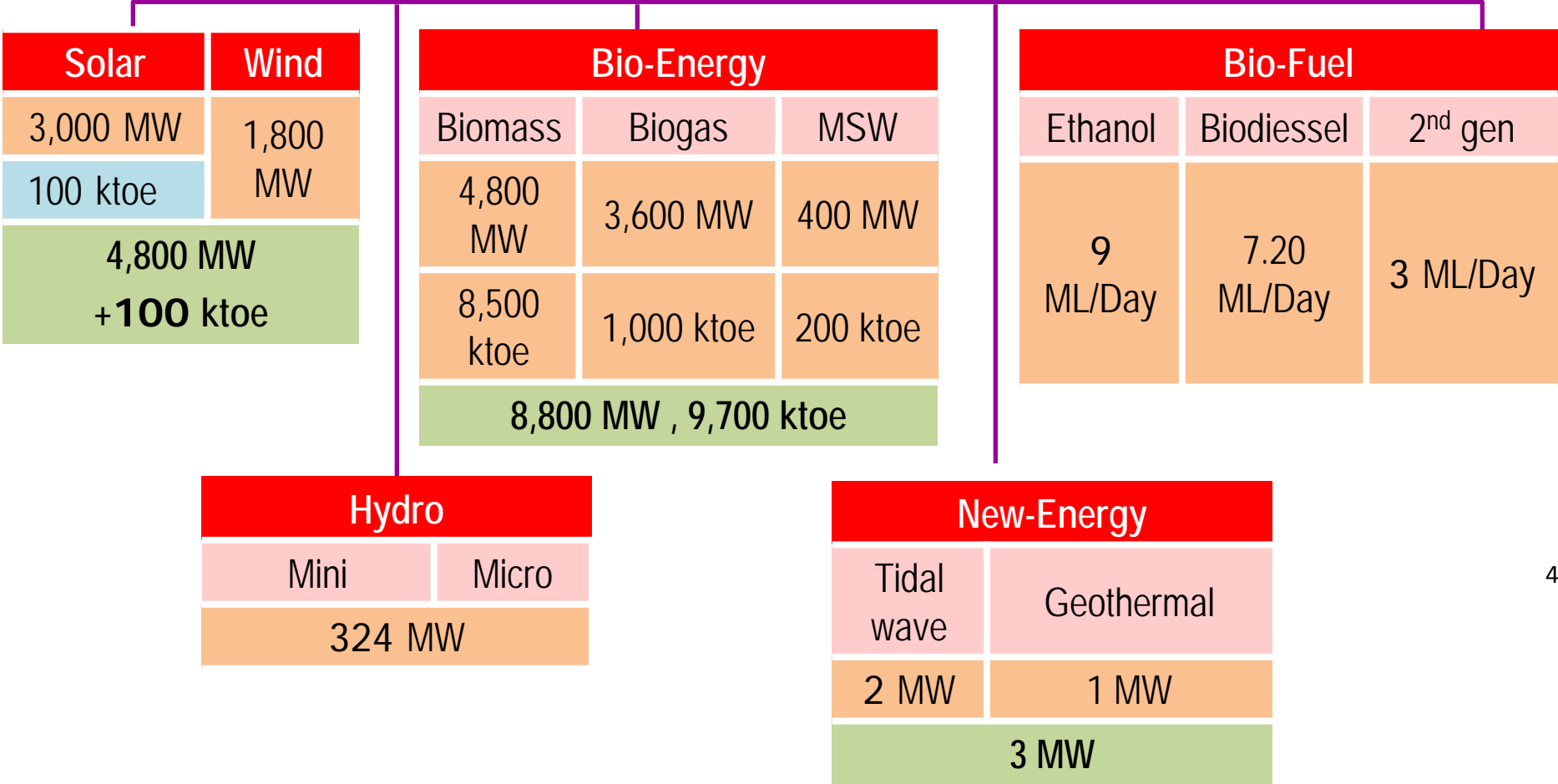
Source: Thailand Food Industry Outlook, Commercial Section, Royal Danish Embassy Mar 2011



Renewable Energy

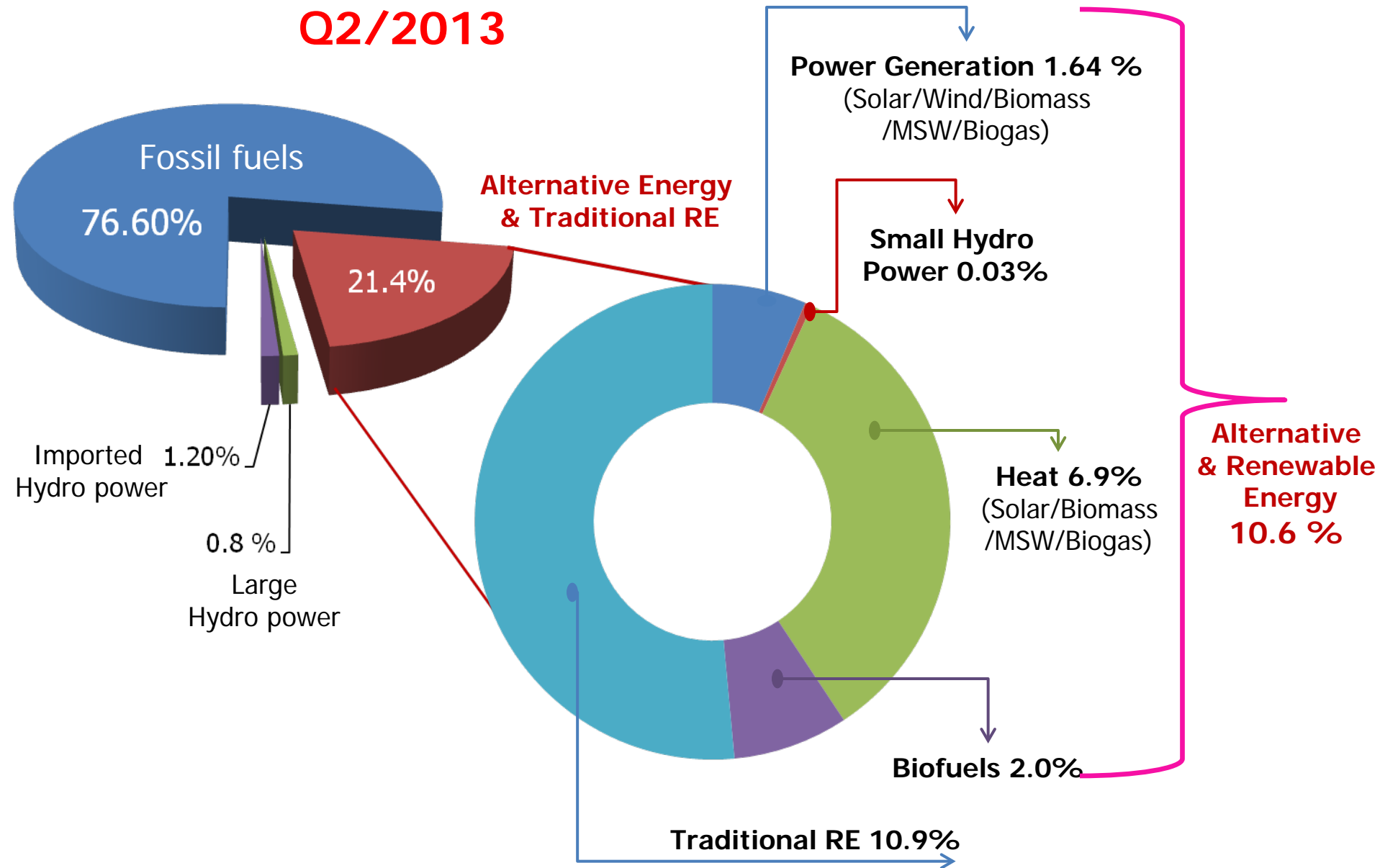
Alternative Energy Development Plan (AEDP : 2012-2021)

Target 25 % of RE in Total Energy Consumption by 2021



Source: Ministry of Energy

Final Energy Consumption Q2/2013



Share of Bioenergy in Energy Consumption

(as of Q2, 2013)

Type of Energy	Unit	2021 Target	Q2 2013 Status
Electricity			
Biomass	MW	4,800	2,185
Biogas	MW	3,600	240
MSW	MW	400	47
Heat			
Biomass	Ktoe	8,500	2,334
Biogas	Ktoe	1,000	241
MSW	Ktoe	200	40
Ethanol	ML/day	9	2.5
Biodiesel	ML/day	7.2	2.8
New Energy Replacing Diesel	ML/day	3	-
Compressed Bio-methane Gas	ton	1,200	-

Healthcare Sector

JCI/CCPC Accredited Hospitals

Popular Health Tourism Destination

Rated 2012 Day Spa of the Year

Medical Device and Pharmaceutical Sectors

Thailand as a Medical Hub of Asia

Thailand has successfully emerged as a **Regional Medical Center** in terms of the capabilities of its increasingly renowned doctors, attainment of international health delivery standards, and provision of excellent health services at relatively affordable prices. Along with enticing tourist attractions, Thailand is becoming a popular **medical tourism destination**, attracting visitors from all over the world.

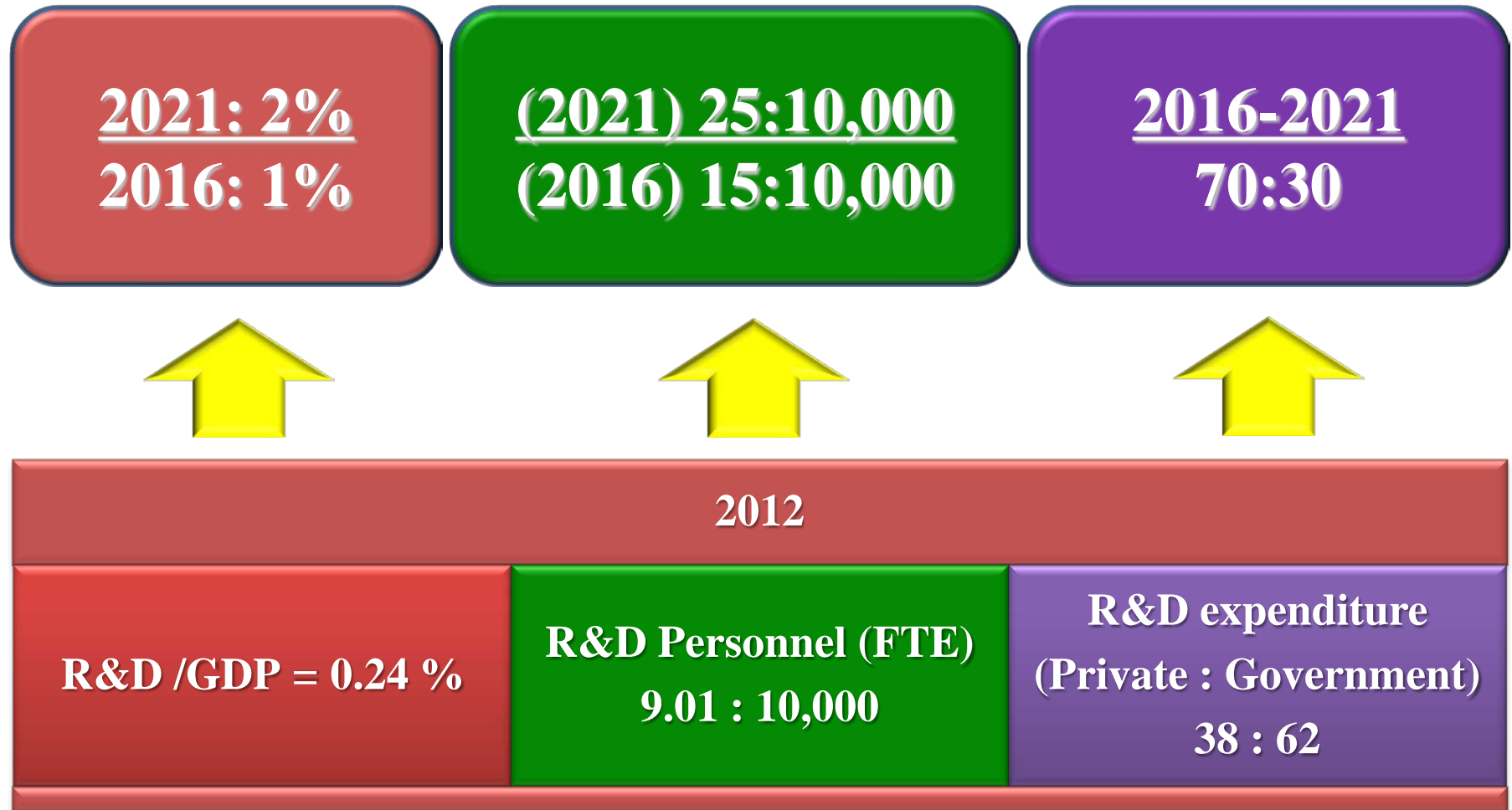


2011 Foreign Patient Visits:
1.3 mil.
Estimated national income:
Bt 80 bn.
Average revenue growth:
5.5-7.0%

*In 2012, Thailand has more than **80** JCI accredited hospitals and other internationally accredited hospitals, together with over **1,000** public hospitals and **300** private hospitals with well-trained staff.*

Source: NESDB Thailand's Competitiveness Report 2012 & Ministry of Public Health as of October 15, 2013

Science, Technology & Innovation Investment Targets



Thailand Status in 2012

- R&D Exp = 21,493 MB
- R&D Exp : Gov : Private =13,318:8,175 MB
- R&D Personnel = 57,220 (man-year)

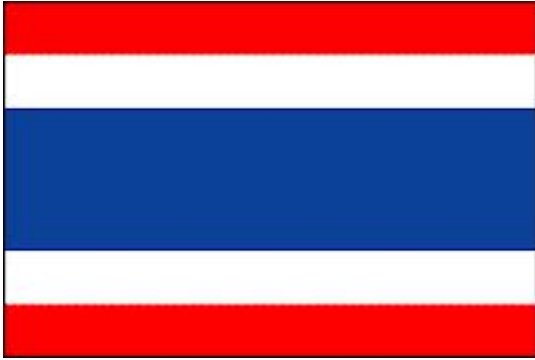
Source: National Science Technology and Innovation Policy Office

Examples of MNCs Establishing R&D Centers in Thailand



Examples of Thai-owned Large Firms Significantly Expanding R&D Investment





Thank You



Thailand Board of Investment Headquarters

Email: head@boi.go.th

BOI Contact in Australia & New Zealand

Mr. Wirat Tatsaringkansakul

Thailand Board of Investment

Level 1, 234 George Street, Sydney, NSW 2000, Australia

Tel: 61 2 9252 4882 Fax: 61 2 9252 2883

Email: sydney@boi.go.th