

# Think Asia, Invest Thailand

## Policy Updates



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**Mekong-Japan Year 2009 Seminar**  
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# **Thailand's Macroeconomic Overview**

# Thailand's Global Economic Ranking

- 18<sup>th</sup> largest tourist receipts
- **19<sup>th</sup> largest economy by purchasing power**
- 20<sup>th</sup> largest manufacturing output
- 25<sup>th</sup> biggest trader of goods
- 27<sup>th</sup> largest industrial output
- 30<sup>th</sup> biggest exporter as % of world exports
- 35<sup>th</sup> largest service output
- 36<sup>th</sup> largest economy

Source: The Economist's Pocket World in Figures, 2008



## Economic Performance in Q3 &amp; Outlook 2010

Economic Projections	2009				2010f
	Q1	Q2	Q3	2009f	
1) GDP (at 1988 price)	-7.1	-4.9	-2.8	-3.0	3.0-4.0
2) Export, FOB value (percent y-o-y)	-19.9	-26.1	-17.5	-13.7	10.0
3) Import, CIF value (percent y-o-y)	-38.3	-32.3	-28.3	-26.1	18.5
4) Current account to GDP (%)	14.8	3.7	5.6	8.8	5.3
5) Inflation	-0.3	-2.8	-2.2	-0.9	2.5-3.5
6) Unemployment rate	2.1	1.6	1.2	1.7	1.4

# Summary Forecast as of October 2009

%	2008	2009	2010
<b>GDP Growth</b>	<b>2.6</b>	<b>(-3.5) – (-2.5)</b>	<b>3.3 – 5.3</b>
<i>Old</i>		<i>((-4.5) – (-3.0))</i>	<i>(3.0-5.0)</i>
<b>Core Inflation</b>	<b>2.4</b>	<b>0.0 – 0.5</b>	<b>1.5 – 2.5</b>
<i>Old</i>		<i>((-0.5) – 0.5)</i>	<i>(1.0 – 2.5)</i>
<b>Headline Inflation</b>	<b>5.5</b>	<b>(-1.5) – (-0.5)</b>	<b>3.5 – 5.5</b>
<i>Old</i>		<i>((-1.5) – 0.0)</i>	<i>(3.5 – 5.5)</i>

Source: Bank of Thailand, as of October 30, 2009

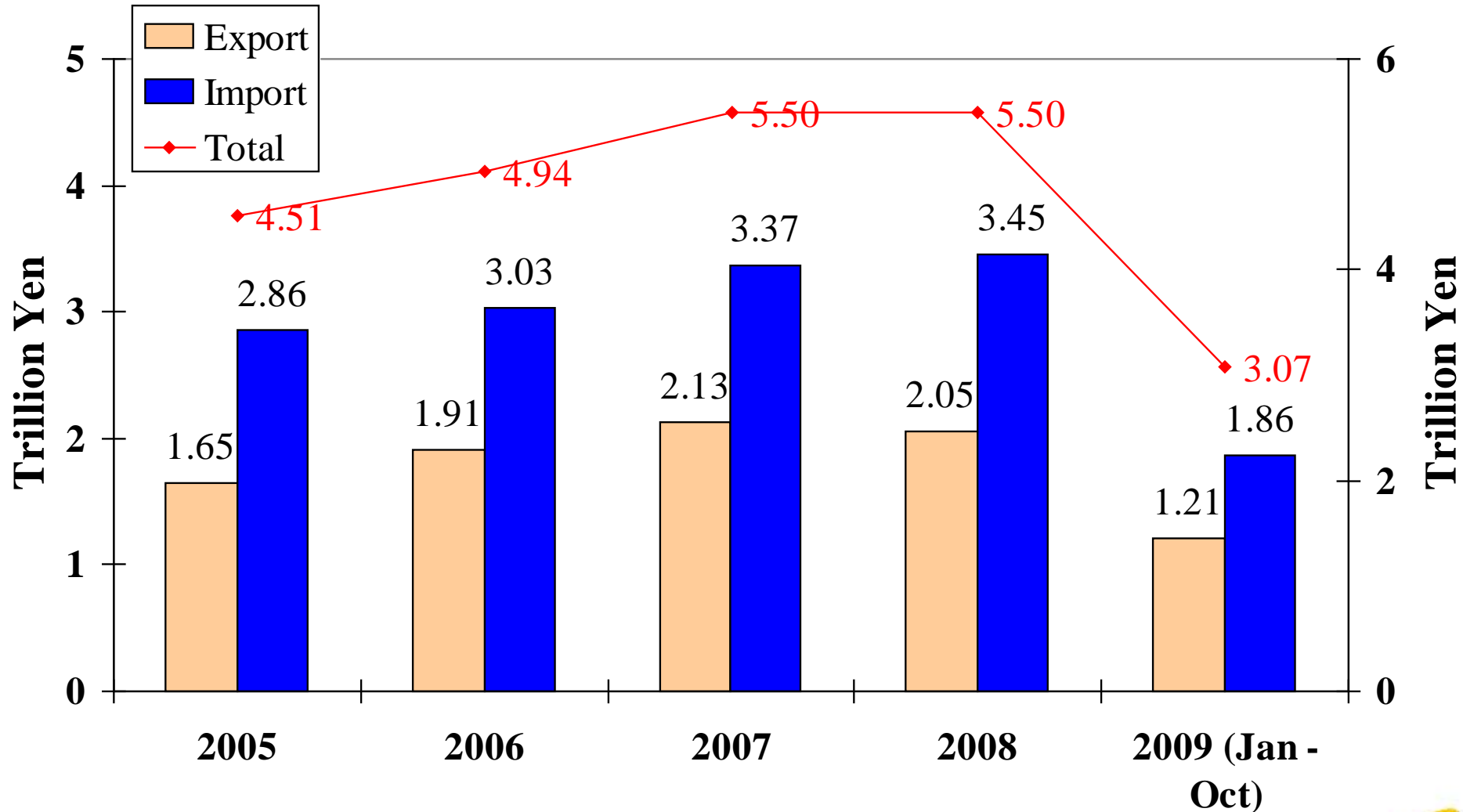
# Political Situation Stable

- Coalition parties have carried on discussions and worked on drafts to amend certain provisions in the present Constitution, which were highlighted by a parliamentary committee as a matter priority in order to promote reconciliation.
- Calls have been made on the opposition to join the process. In addition, it has earlier been agreed that a referendum would be held on the draft amendments so as to allow the people to have their say whether to accept the amendments or not.

# Map Ta Phut

- Court ordered suspension of 11 projects has been lifted, while 65 projects are still awaiting compliance with Section 67(2) of the constitution.
- Kasikorn Research notes this removes some of the uncertainties over new investment projects.

# Trade Summary between Thailand/Japan



Source: MOC, as of Nov 24, 2009 BOT/Exchange Rate (2005-2009) Yearly Average Basis

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



# Thai Overseas Investment

Country	No. of projects	Total Investment (Million US\$)
Myanmar (1988-2006)	57	7,375
Laos (1988-Sep.2006)	391	3,413
Cambodia (1994-Oct.2006)	57	135
Vietnam (1988-Oct.2006)	141	1,315

Source: Investment Agency of Mekong sub-region countries

# Principal Imports from Japan

Unit: ¥ Billion

Description	2006	2007	2008	2008 (Jan – Oct)	2009 (Jan – Oct)	Growth (YOY)
Machinery and parts	582.05	627.08	676.10	556.32	364.81	-26.43
Iron, steel and products	382.60	439.67	555.42	455.34	211.16	-47.97
Electronic integrated circuits	285.27	349.22	271.00	235.10	185.14	-11.65
Electrical machinery and parts	298.83	337.63	313.76	264.33	177.63	-24.61
Parts and accessories of vehicles	241.51	247.17	249.93	210.02	145.73	-22.15
Others	1,234.92	1,367.10	1,386.29	1,188.65	774.20	-26.92
<b>Total</b>	<b>3,025.18</b>	<b>3,367.87</b>	<b>3,452.49</b>	<b>2,909.76</b>	<b>1,858.66</b>	<b>-28.33</b>

Source: MOC, as of Nov 24, 2009 BOT/Exchange Rate (2006-2009) Yearly Average Basis

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## Principal Exports to Japan

Unit: ¥ Billion

Description	2006	2007	2008	2008 (Jan – Oct)	2009 (Jan – Oct)	Growth (YOY)
Automatic data processing machines and unit thereof	119.20	137.15	110.53	93.20	75.72	-8.84
Electronic integrated circuits	131.88	146.61	110.79	95.44	69.18	-18.68
Prepared poultry	38.90	40.69	68.99	53.10	52.06	9.99
Prepared or preserved fish, crustaceans, molluscs in airtight containers	52.41	53.01	57.07	45.57	42.63	4.96
Motor cars, parts and accessories	77.86	94.03	96.94	87.05	40.70	-47.55
Others	1,494.53	1,659.37	1,601.48	1,365.47	927.79	-23.77
<b>Total</b>	<b>1,914.78</b>	<b>2,130.85</b>	<b>2,045.80</b>	<b>1,739.84</b>	<b>1,208.08</b>	<b>-22.10</b>

# Japanese Investment Applications

## Totals by Sector: 2004 – Oct 2009

Sector	Projects	Bt Billion
Agriculture	74	30.56
Minerals and Ceramics	55	32.76
Light Industry	62	12.05
Auto and Metal Processing	761	359.51
Electrical and Electronics	366	137.58
Petrochemicals, Chemicals	224	74.33
Services and Infrastructure	375	44.51
<b>TOTAL</b>	<b>1,917</b>	<b>691.29</b>

Source: BOI as of Nov 24, 2009

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



# Japanese Project Approvals

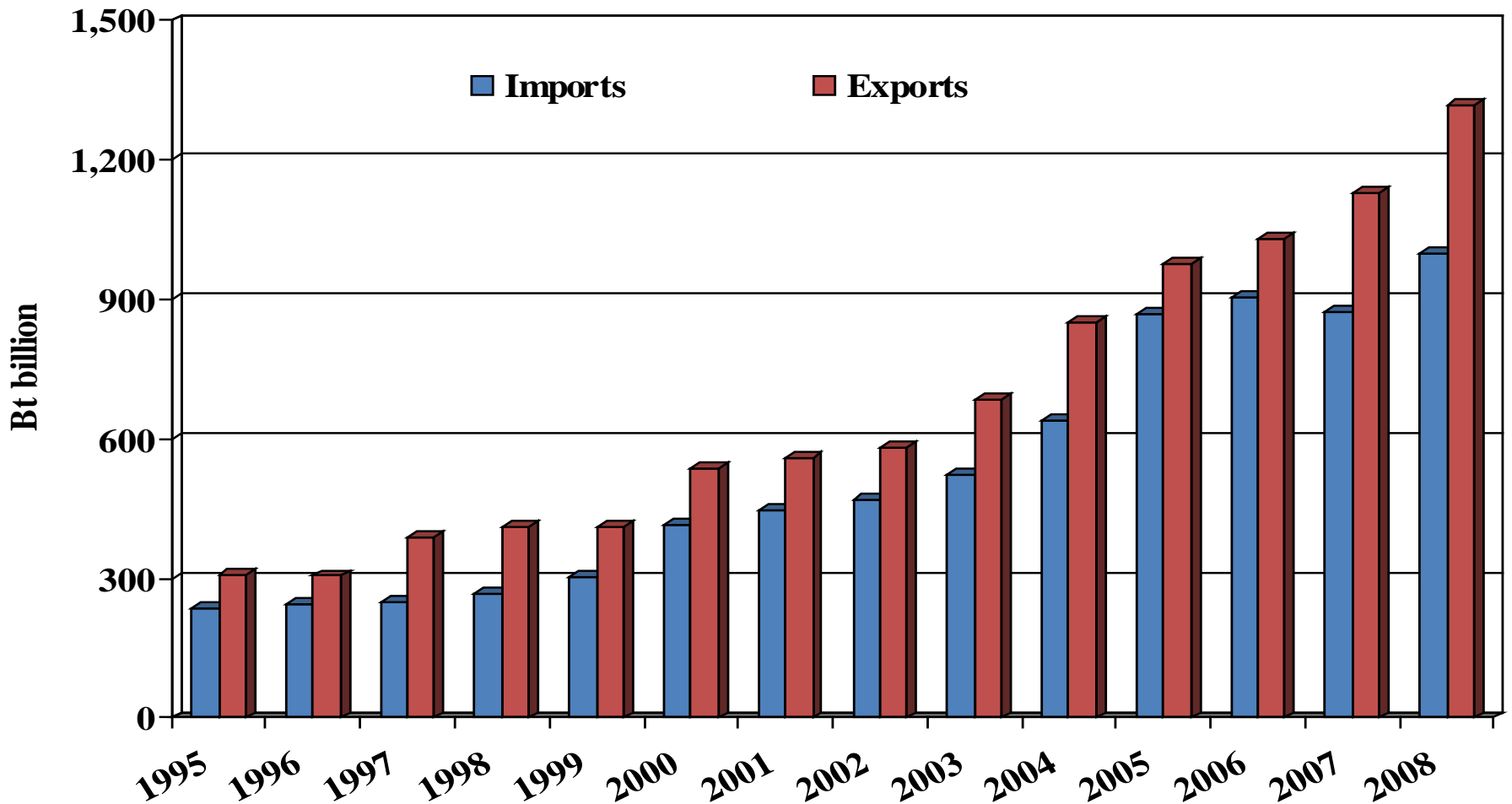
## Totals by Sector: 2004 – Oct 2009

Sector	Projects	Bt Billion
Agriculture	69	28.07
Minerals and Ceramics	57	33.33
Light Industry	61	15.00
Auto and Metal Processing	772	383.63
Electrical and Electronics	353	138.62
Petrochemicals, Chemicals	227	95.86
Services and Infrastructure	359	32.97
<b>TOTAL</b>	<b>1,898</b>	<b>727.47</b>

Source: BOI as of Nov 24, 2009



# Thailand-ASEAN Trade



# **The Utilization & Benefits of ASEAN-Japan Comprehensive Economic Partnership**

# AJCEP-Economic Benefits

	Exports	GDP	Economic sector partnership
<b>ASEAN</b>	ASEAN's exports to Japan by 44.2% ↑	1.99% ↑	<ul style="list-style-type: none"> <li>• Business environment</li> <li>• Intellectual property</li> <li>• Energy</li> </ul>
<b>Japan</b>	Japan's exports to ASEAN by 27.5% ↑	0.07% ↑	<ul style="list-style-type: none"> <li>• Information &amp; technology</li> <li>• Human resource development</li> <li>• Tourism</li> <li>• Transport and logistics</li> <li>• Agriculture, fishery &amp; forestry</li> <li>• Trade competition policy</li> </ul>

# Tariff Reduction : Japan Imports

		Japan's import duty	Japan's import duty under AJCEP
Fruits and vegetables	Fresh, chilled, frozen, processed fruits (banana, coconut, mango, etc)	1.5-7.5%	No tariff
	Fresh, chilled, frozen, processed vegetables (broccoli, asparaguses, etc)	3-6%	No tariff
Fishery products	Frozen shrimp, crab , octopus, and jellyfish	1-7%	No tariff or reduced to 0% within 5-7 years

# Tariff Reduction : Japan Imports

		Japan's import duty	Japan's import duty under AJCEP
Agricultural products	Processed shrimp and squid	4.8-9.6%	0% tariff reduction within 5-7 years
	Processed and canned fruits, fruit juice	6-25.5%	No tariff or reduced to 0% within 5-15 years
	Processed , canned vegetables	7.5-18%	No tariff or reduced to 0% within 7-17 years
	Other condiments	7.2-10.5%	

# Tariff Reduction : Japan Imports

	Japan's import duty	Japan's import duty under AJCEP
Garments & textile	3.5-14.2%	No tariff
Gems & jewelry	2.7-10%	
Electronics parts and components	3.3-4.8%	
Petroleum and plastics products	3.1%	Reduce to 0% within 5 years
Wood and wooden products	6-8.5%	Reduced to 5% within 10 years
Organic and inorganic chemical products	2.6-6%	No tariff
Leather products	3.3-16%	Reduced to 0% within 10 years

# Tariff Reduction : Thailand Imports

		Thailand's import duty	Thailand's import duty under AJCEP
Fruits and vegetables	Fruits (cherry, apricot, peach and other berries)	30-40%	No tariff or reduced to 0% within 2-7 years
	Oil, fat from plants and animals	10-27%	No tariff or reduced to 0% within 4-10 years
Fishery products	Processed and canned seafood	20-30%	No tariff or reduced to 0% within 4-8 years

# Tariff Reduction : Japan Imports

	Thailand's import duty	Thailand's import duty under AJCEP
Fuel from mineral and mineral oil	0-20%	No tariff or reduced to 0% within 2-5 years
Organic and inorganic chemical products	0-5%	No tariff or reduced to 0% within 3-5 years
Synthetic yarn, garments and textile	1-60%	No tariff or reduced to 0% within 5 years
Iron and steel	1-10%	No tariff or reduced to 0% on year 6, 9 or 10

# **BOI Measures Update**

# Policy Measures from 14 September Board Meeting

- Revision of Promoted Activities
  - Four New Activities Eligible for Investment Promotion Privileges
  - Increase Incentives for Technology-supporting industries
- Improvement of ROH Promotion Scheme
- Establishment of Matching Fund for Technology & Human Resource Development
- Promotion of CDM Projects

# Revision of Promoted Activities

- BOI Announcement 10/2552 dated 15 October 2009
- Effective 14 September 2009
- Regroup of activities
- Increase incentives and relax conditions
- No elimination of activities or reduction of incentives
- Is now available on the BOI website in Thai and English

# Four New Activities Eligible for Investment Promotion Privileges

1. Production of NANO materials or products from NANO materials
  - Classified as an activity of special importance and benefit to the country
2. Manufacture of musical instruments
3. Manufacture of completely built up (CBU) houses or completely knocked down (CKD) houses
4. Service industrial estates

# Increase incentives for technology-supporting industries (1 of 2)

- Added 5 activities to the list of activities of special importance and benefit to the country (No cap)
  1. Manufacture of machinery, equipment and parts that come from engineering design
  2. Manufacture of trains, electric trains or parts (only with rail systems)
  3. Manufacture of media/platter for hard disk drives
  4. Manufacture of flat panel displays
  5. Manufacture of material for micro-electronics

## Increase incentives for technology-supporting industries (2 of 2)

- Added 12 activities to the list of priority activities (with cap) for the manufacture of:
  1. Steel pipes or stainless steel pipes
  2. Functional fiber
  3. Functional yarn
  4. Machinery, equipment and other parts
  5. Electronics products for industrial use
  6. Electronics products for agriculture
  7. Telecommunications equipment
  8. HDD and parts
  9. Parts used for medical electronics products
  10. Parts used for agricultural electronic products
  11. Electronics parts for vehicles
  12. Flexible printed circuit or mutli layer printed circuit boards

# Improvement of Incentives for Activities 7.3 and 7.4

- **Tourism Promotion (7.3), except for tour boat or yacht renting)**
  - Tour boat and yacht renting will receive exemption of import duty on machinery and corporate income tax for five years
- **Activities to support tourism (e.g. convention halls, international exhibition centers)**
  - Exempt from import duty on machinery, regardless of zone
  - Exempt from corporate income tax for five years in Zone 1, seven years in Zone 2, and eight years in Zone 3.

# Regional Operating Headquarters

- The Board recently approved the establishment of the ROH sub-committee, chaired by Deputy Finance Minister Pradit Phataraprasit.
- The sub-committee will review existing promotion packages for ROH and consider offering additional incentives to ROH investors in order to make the ROH promotion scheme more attractive.

# Promotion of Matching Funds in Technology and Human Resource Development

- To enhance competitiveness (e.g. HRD, R&D, technology and innovation, SME promotion, including testing centers for industrial standards certification), the Board approved establishment of a matching fund for technology and human resource development under the National Science and Technology Development Agency (NSTDA).
- Donations to this fund qualified as STI expenses

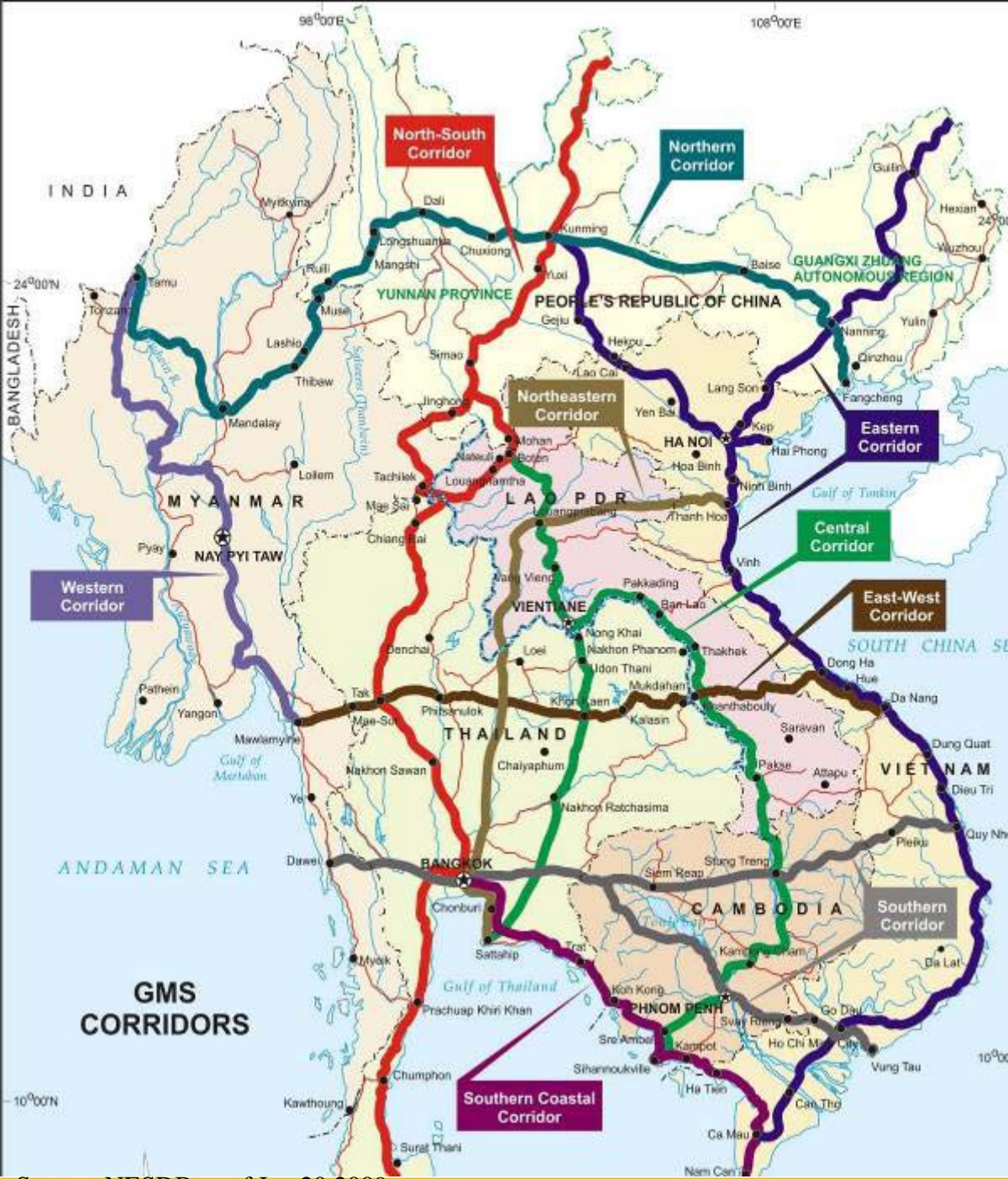
# Promotion of CDM Projects

- The BOI provides incentive to CDM projects by exempting revenue on carbon-credit trading from CIT.
- Criteria: all types of CDM projects could apply for tax privileges. The eligible activities cover renewable energy (wind turbine, biomass and biogas power plants as well as energy efficiency improvement in factories and office buildings).

## SET/MAI

- To encourage BOI-promoted companies to be listed on SET or MAI, the BOI has approved the removal of the corporate income tax exemption cap on the BOI-promoted projects of these companies once they are listed on SET or MAI.
- Applications for the corporate income tax exemption cap removal must be submitted to BOI before the applicant receives approval for SET or MAI listing.
- Cap removal will be applicable to all projects of which corporate income tax exemption is still in effect (still in the tax holidays period and cap not yet exhausted) when SET/MAI listing is approved.

# GMS Infrastructure Development

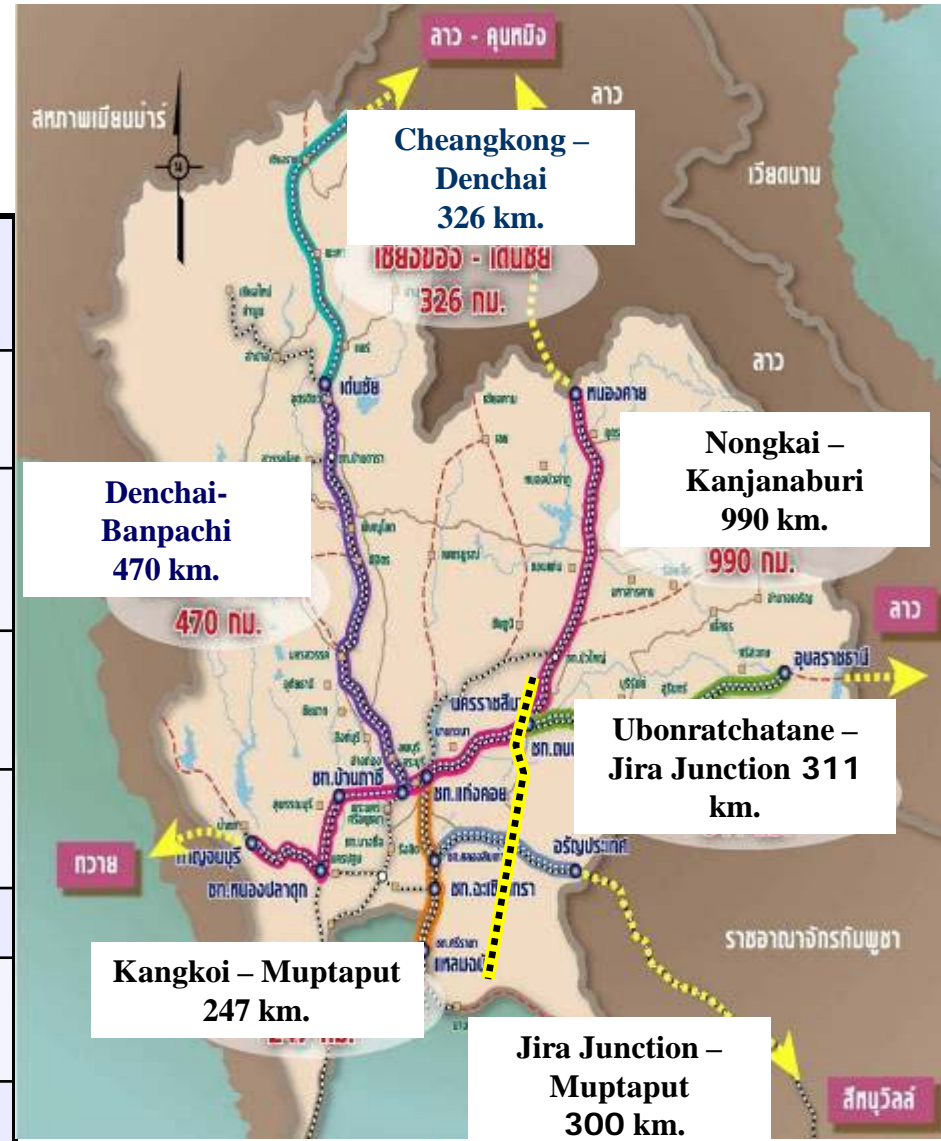


- **3 Major Economic Corridors will be completed within 2011 and will be expanded to 6 more corridors which will be completed within 2017**

- **In 2007, Thailand supported neighboring countries on infrastructure development such as Route 67 in Cambodia, North – South Bridge and Road network in Loa PDR.**

## Develop New Railway Network (Standard Gauge)

Double Track	Distance (Km.)	Investment (Billion-Baht)
Northeast – West <b>Nongkai - Kanjanaburi</b>	990	132.65
Northeast <b>Ubonratchatane – Jira Junction</b>	311	41.66
West <b>Kangkoi - Muptaput</b>	247	33.11
North <b>Cheangkong – Banpachi</b>	796	111.88
<b>Sub-Total</b>	<b>2,344</b>	<b>319.30</b>
Northeast - East <b>Jira Junction – Muptaput</b>	300	48
<b>Total</b>	<b>2,644</b>	<b>367.32</b>



Source : MOT, NESDB as of Jan 20,2009

(Exchange Rate 1US\$ = 31 Baht)

**Development of Southern Thailand**

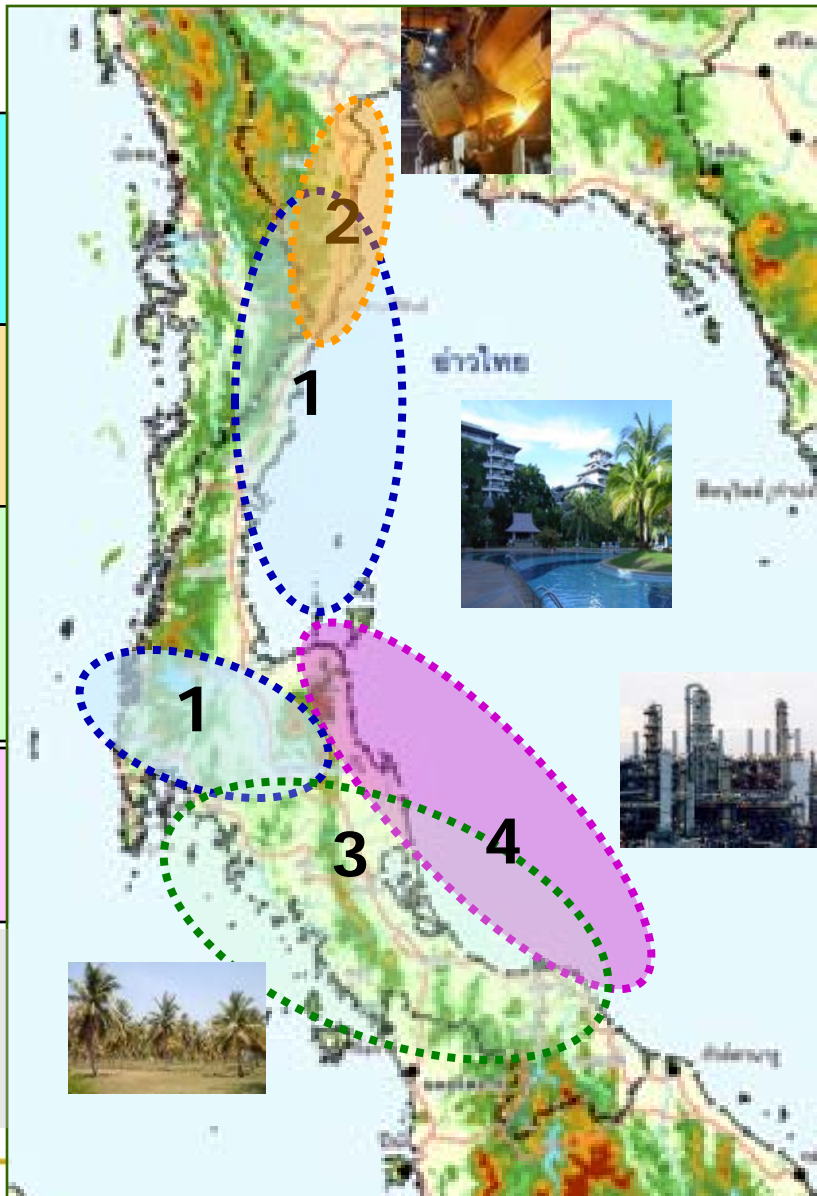
<b>Group 1</b>	<p><b>Tourism</b> Andaman Coast (Phuket, Phang Nga and Krabi) And Gulf of Thailand</p>
<b>Group 2</b>	<p><b>Upstream Iron and Steel Industry</b> Prachuap Khiri Khan, Chumphon</p>
<b>Group 3</b>	<p><b>Agro Industry and Biofuel</b> Gulf of Thailand (Krabi) and Provinces bordering Malaysia (Pattani, Yala, Narathiwat, Satun)</p>
<b>Group 4</b>	<p><b>Petrochemicals and Powerplant</b> Nakhon Si Thammar, Songkhla and Pattani)</p>

**Thailand will connect between Andaman Coast and Gulf of Thailand by multimodal Transport.**

**(Road-Rail- Pipeline - Seaport)**

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

Source: NESDB as of Jan 20,2009



# One Start One Stop Investment Center

- Staff from relevant agencies will also be available for consultations on a range of topics.
- Help investors with applications to make sure investors know what is required to:
  - **Register a company**
  - **Apply for investment promotion privileges**
  - **Obtain a foreign business license**
  - **Tax registration**
  - **Complete an environmental impact assessment**
  - **Obtain utilities, etc.**
- OSOS staff will also accept applications for things such as corporate name registration, corporate tax ID numbers, VAT registration, foreign business licenses, investment promotion incentives, etc.



# Represented Agencies at OSOS

