

THAILAND

Doing Business in
Thailand

THAILAND

Key Facts:

Capital: Bangkok

Surface Area: 513,000 km²

Official Language: Thai

Population: 67 million (2013)

Government: Constitutional Monarchy

Head of State: HM King Bhumibhol Adulyadej

Head of Government: PM Prayuth Chan-ocha

Exchange Rate: €1=approx. 37 THB (Feb 23 2015)

Country Overview



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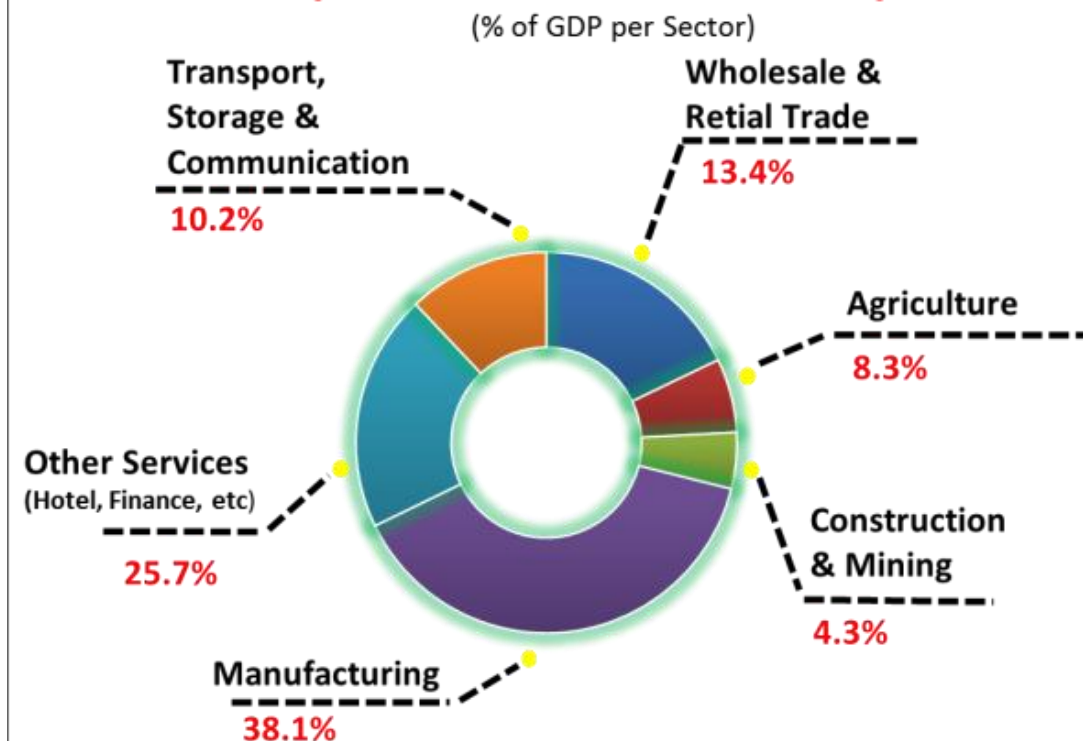
Key Facts:

Indicators	units	2011	2012	2013
Population	Millions	66.6	66.8	67.0
GDP	Billions of EUR	248.3	284.8	291.6
GDP per Capita	EUR	3,730	4,265	4,351
Real GDP Growth	%	0.1	7.7	1.8
Inflation Rate	%	3.8	3.0	2.2
Current Account Balance	% of GDP	1.2	-0.4	-
Unemployment Rate	%	0.7	0.7	0.7

Source: Eurostat, Trading Economics, World Bank

Economic Overview

Composition of Thai Economy 2013



Source: Bank of Thailand

Source: Bank of Thailand

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Economic Overview

Key Sectors:

- Manufacturing Sector
 - Automotive
 - Textiles
 - Electronics and Electrical Appliances
- Healthcare and Medical Sector
 - Medical Tourism
 - Medical Equipment
 - Pharmaceuticals
- ICT Sector
 - Thailand Digital Economy Plan
- Transport and Logistics Sector
 - Thailand as regional logistics Hub

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Economic Overview

Economic Outlook

- GDP expected to grow by 3.6% in 2015 and 4.1% in 2016. Contributing factors:
 - relatively calm political environment, government investment and lower fuel costs
- Looming drought, which is expected to be the worst in a decade, will severely affect Thailand's agriculture sector
- Total projections for export growth for 2015 revised down to 0.4%
- Tourism sector is projected to grow at 13.7% for 2015

Source: Dupress, Bangkok Post, Thai PBS

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Economic Overview

11th National Economic & Social Development Plan

- Investment in educational and social development infrastructures to improve capabilities of Thai Citizens
- Restructuring the economy towards:
 - sustainable growth
 - strengthening of sectors such as food and energy,
 - and increased investment in public infrastructure projects to create better connectivity within Thailand, as well as with Thailand's ASEAN neighbors
- Managing of natural resources (energy, ecosystems) towards sustainability and efficiency

Source: NESDB

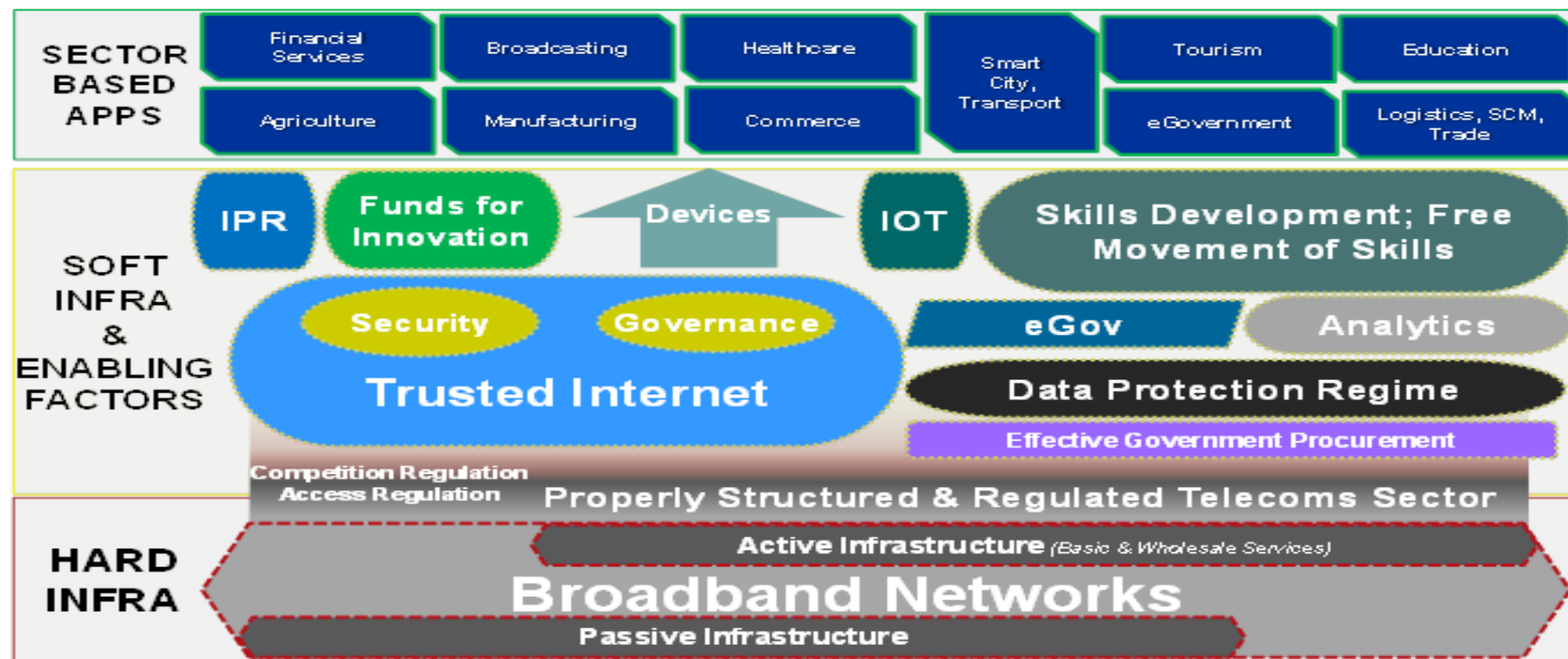
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Economic Overview

Thailand Digital Economy Plan

- Plan to shift Thailand from low end manufacturing to a digital economy
- Five themes:
 - Hard-Infrastructure
 - Soft-Infrastructure
 - Service Infrastructure
 - Promotion and Innovation

Digital Economy Schematic



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Trade Overview

Key Facts:

- Major Export Destinations:

- China – 11.9%
- US – 10.1%
- Japan – 9.7%
- Hong Kong – 5.8%
- Malaysia – 5.7%

Thailand Major Exports 2013

Share of Total Exports

Electronics	14.3%
Automotive	13.8%
Agro-Manufacturing Products	12.2%

- Major Import Sources:

- Japan – 16.4%
- China – 15.0%
- UAE – 6.9%
- US – 5.9%
- Malaysia – 5.3%

Thailand Major Imports 2013

Share of Total Imports

Machinery & Equipment	18.1%
Crude Oil	15.5%
Electronics	10.6%

Source: Bank of Thailand, Charting Thailand's Economy

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Trade Overview (Thailand – EU)

Key Facts:

Indicators	2011	2012	2013	Average Growth Rate
Total EU Imports from Thailand	€17.7 B	€17.0 B	€17.1 B	4.4%
Total EU Exports to Thailand	€12.3 B	€14.8 B	€15.0 B	18.4%

Major EU exports to Thailand 2013

- **Machinery Transport Equipment: €6,893M**
(45.8% of total EU to Thailand export value)
- **Chemicals: € 2,106 M**
(14.0% of total EU to Thailand export value)
- **Food and Raw Materials: € 1,350 M**
(9.0% of total EU to Thailand export value)

Major EU imports from Thailand 2013

- **Machinery and Transport Equipment: €7,758 M**
(45.5% of total EU imports from Thailand value)
- **Food and Raw Materials: € 966 M**
(20.9% of total EU imports from Thailand value)
- **Other Manufactures: € 2,412 M**
(14.1% of total EU imports from Thailand value)

Source: Eurostat

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Doing Business in Thailand

Attractiveness of the Thai Market

- Strategic Geographic Location (Heart of South East Asia) – part of ASEAN
- Strong Transport and Logistics Infrastructure
- World Bank Ease of Doing Business Rank: 26 (2015)
- WEF Global Competitiveness Rank: 31 (2014-2015)
- Competitive Corporate Income Tax Rate – 20% (2015)

Source: International Trade Centre

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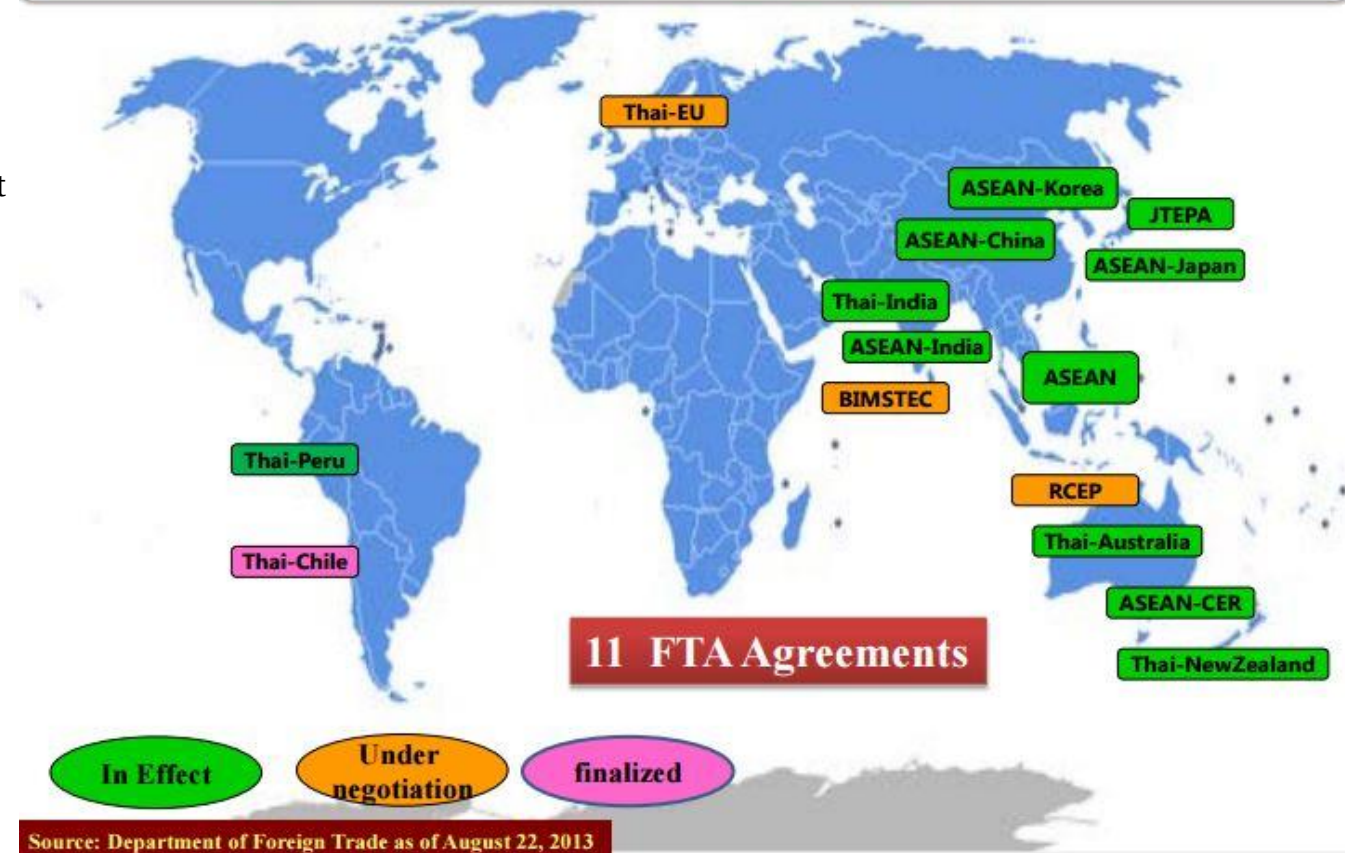
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Strategic Advantages for Investors/SMEs

- Thailand EU FTA – on the Horizon
- ASEAN Economic Community – December 31st 2015
- Various Free Trade Agreements and Regional Trade Agreements

❖ FTAs:	❖ RTAs:
○ Thailand-Peru	○ ASEAN-China
○ Thailand-New Zealand	○ ASEAN-India
○ Thailand-India	○ ASEAN-Japan
○ Thailand-Australia	○ ASEAN-Korea
○ Thailand Japan	○ BIMSTEC

Thailand's Extensive FTA Network



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Challenges and Potential Risks

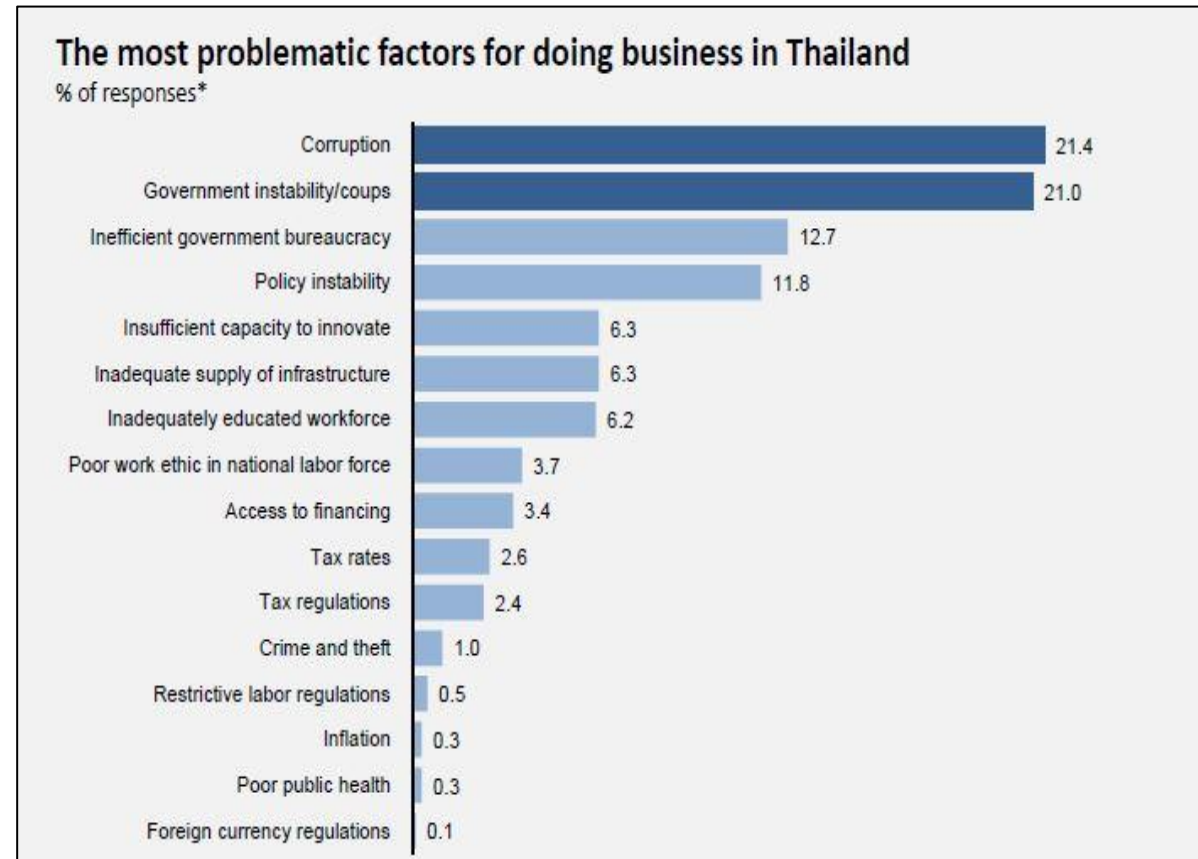
- Loss of GSP Privileges
- Suspension of EU-Thai FTA Negotiations
- International outcry towards Thailand's Human Rights Issues
- Political Instability
 - Elections further postponed, hampering international business development

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Challenges and Potential Risks

- Lack of transparency, and corruption
- Poor regulatory environment
- Organized crime, money laundering, trafficking (humans, drugs)
- Conflicts of interest
- Fraud
- Counterfeiting/Infringement of property rights
- Industrial disputes



Source: The Global Competitiveness Report 2014-2015, World Economic Forum

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Foreign Business Act (FBA)

- Foreign Business Act regulates the activities of companies designated as “foreigner”
- The Act reserves certain business activities for Thai nationals
- Foreigners must apply for a Foreign Business License to engage in business reserved for Thai nationals under the FBA

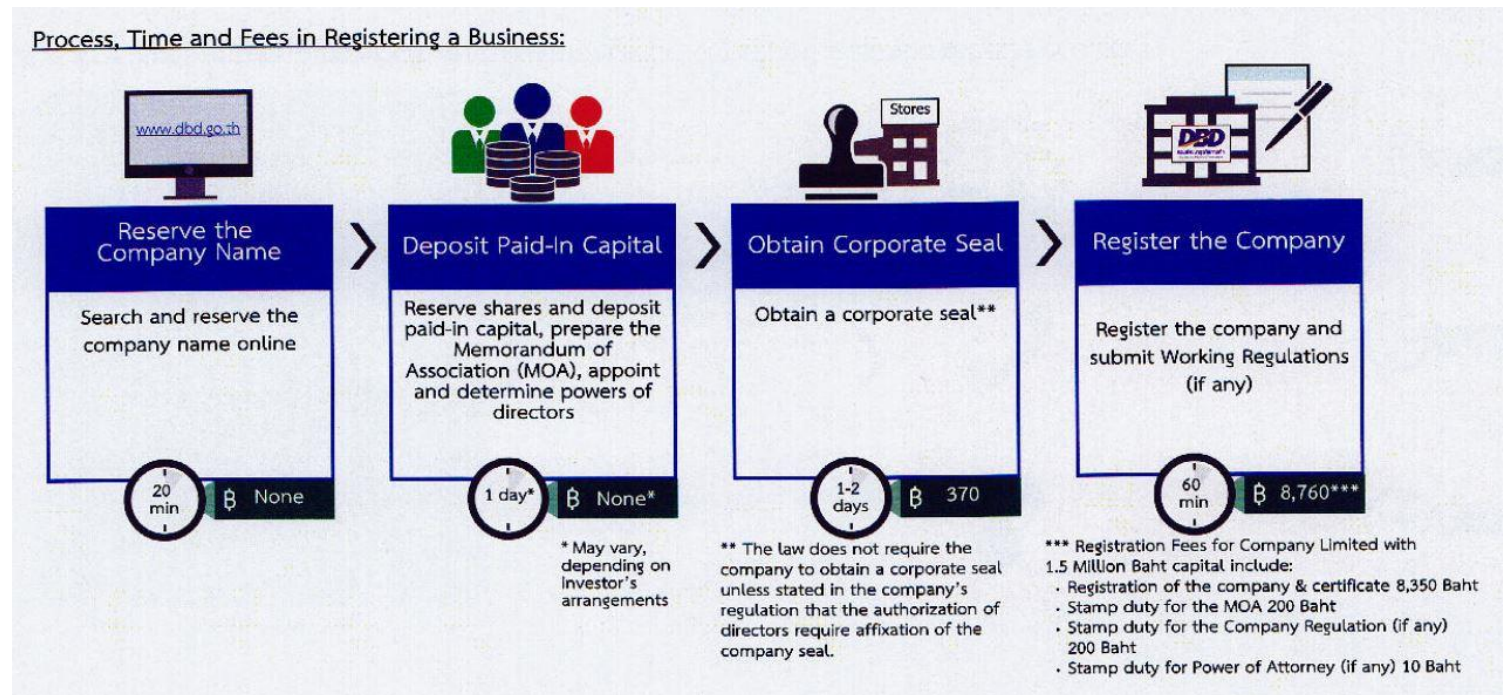
Source: Department of Business Development

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Setting up a Business in Thailand

- Forms for establishing a business in Thailand:
 1. Limited Companies,
 2. Partnerships
 3. Joint Ventures.
 4. Branch Offices
 5. Representative Offices
 6. Regional Operating Headquarters



Source: Department of Business Development

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Investment Promotion

- The Board of Investment (BOI) of Thailand, is the government agency responsible for promoting overseas investment in Thailand
- The new (BOI) 7-year Investment Strategy for 2015 – 2022 is aimed at promoting specific sector-based activities and reformulating investment promotions to:
 1. Enhance Thailand's Competitiveness
 2. Encourage Green Industry and Regenerative Energy
 3. Create Investment Concentrations
 4. Boost Investments in Southern Provinces
 5. Bolster Special Economic Zones at borders to prepare for AEC
 6. Stimulate Thai Overseas Investment

Source: BOI

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Investment Promotion

- Under the Investment Promotion Scheme, there are several tax and non-tax incentives that companies will be eligible for on the basis of Activities and Merit.
- Activities eligible for incentives under the Investment Promotion Scheme are as follows:
 1. Agriculture and agricultural products
 2. Mineral, ceramics and basic metals
 3. Light industry
 4. Metal products, machinery and transport equipment

Group	corporate income tax exemption	Exemption of import duty on machinery	Exemption of import duty on raw or essential materials used in manufacturing export products	Non-tax
Group A: shall receive corporate income tax incentives, machinery and raw materials import duty incentives and other non-tax incentives.				
A1	8 year (Without cap) + Merit	✓	✓	✓
A2	8 year + Merit	✓	✓	✓
A3	5 year + Merit	✓	✓	✓
A4	3 year + Merit	✓	✓	✓
Group B: shall receive only machinery and raw materials import duty incentives and other non-tax incentives.				
B1	Merit (some activities)	✓	✓	✓
B2	Merit (some activities)	-	✓	✓

5. Electronics and electrical appliances industry
6. Chemicals, paper and plastics
7. Service and public utilities

Source: BOI

THANK YOU

Q&A

THE EUROPEAN
ASSOCIATION FOR BUSINESS
AND COMMERCE