

Thailand 4.0 and Recent Investment Trends

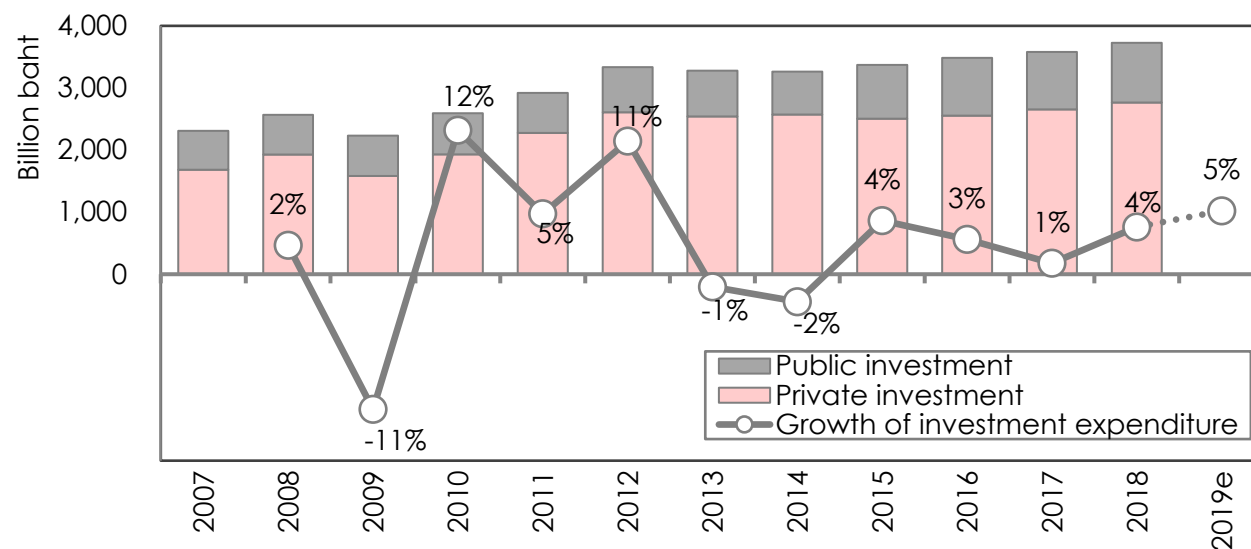
A large, decorative red curved shape that starts from the bottom right corner and sweeps upwards and to the left, framing the bottom right of the slide.

The country's investment expenditure shows a recovering trend.

The initiative of the Thailand 4.0 policy presents a strong commitment of the Thai government to push the country forward towards a value-added and innovation-driven economy. The investment has been employed as a key mechanism for industrial restructuring. Therefore, several policies, regulations, and incentives have been launched to promote investment in high technology and innovative business activities. This has led to an investment expansion in recent years and will impact the investment landscape of Thailand in the future.

- The country's investment spending has shown positive growth since 2015. Between 2015-2016, accelerated investments in large-scale infrastructure projects contributed to the investment recovery. The speedy progress of infrastructure projects and the announcement of the Thailand 4.0 policy has led to private investment growth in 2017.
- NESDC estimated that investments will grow by 5% in 2019. The significant progress of several infrastructure projects that are entering the construction phase and the investors' confidence regarding the continuity of the government's key policies contribute to the investment expansion in the year ahead.

Thailand's Investment Expenditure Trend

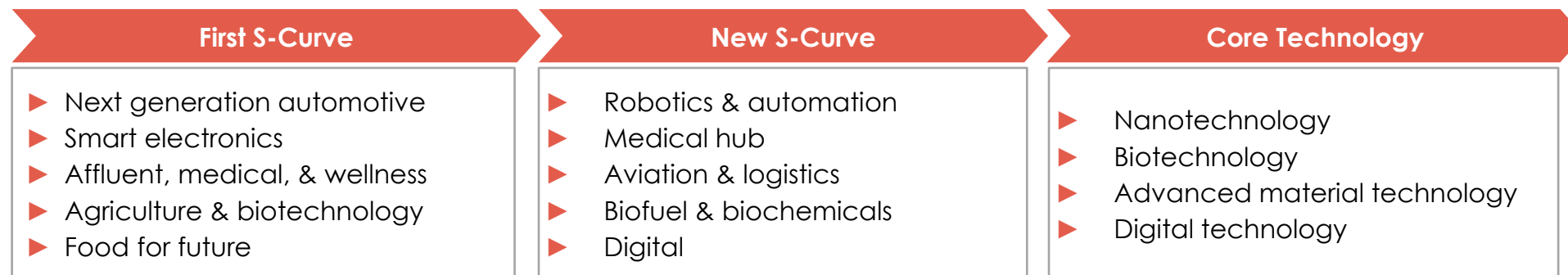


	Public investment	Private investment
2015	+28%	-2%
2016	+10%	+0.5%
2017	-1%	+2%
2018	+3%	+4%
2019e	+6%	+5%

Source: National Economics and Social Development Council (NESDC)

Investments in target industries were boosted by generous incentives.

- Under the Thailand 4.0 policy, **10 industries and 4 core technologies** were designated to be the main activities driving the country to produce/ generate value-added products/ services.



- Generous investment incentives have been offered to boost investment in high technology industries and innovative activities.

Maximum Period of CIT Exemption

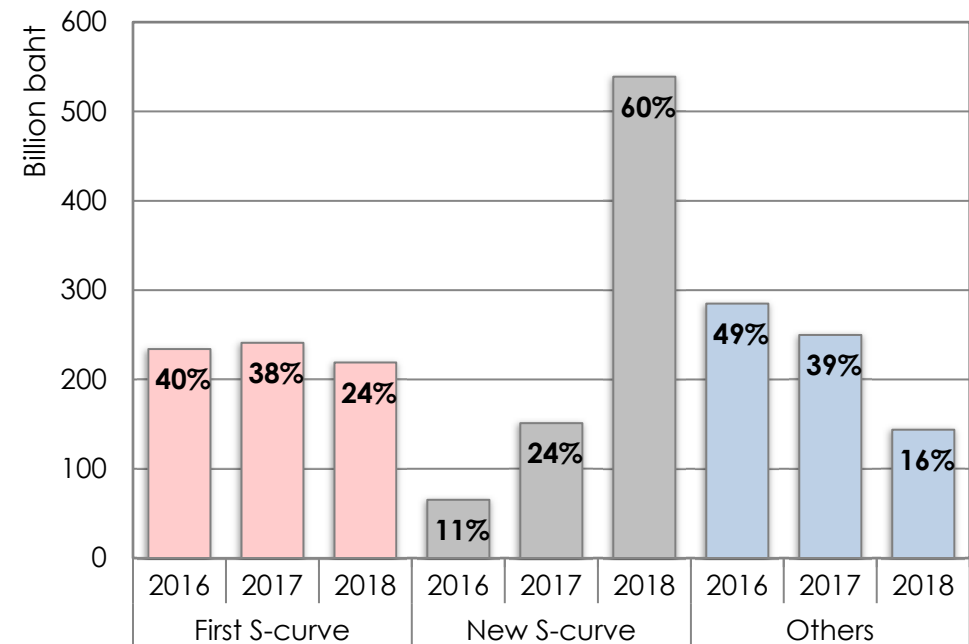
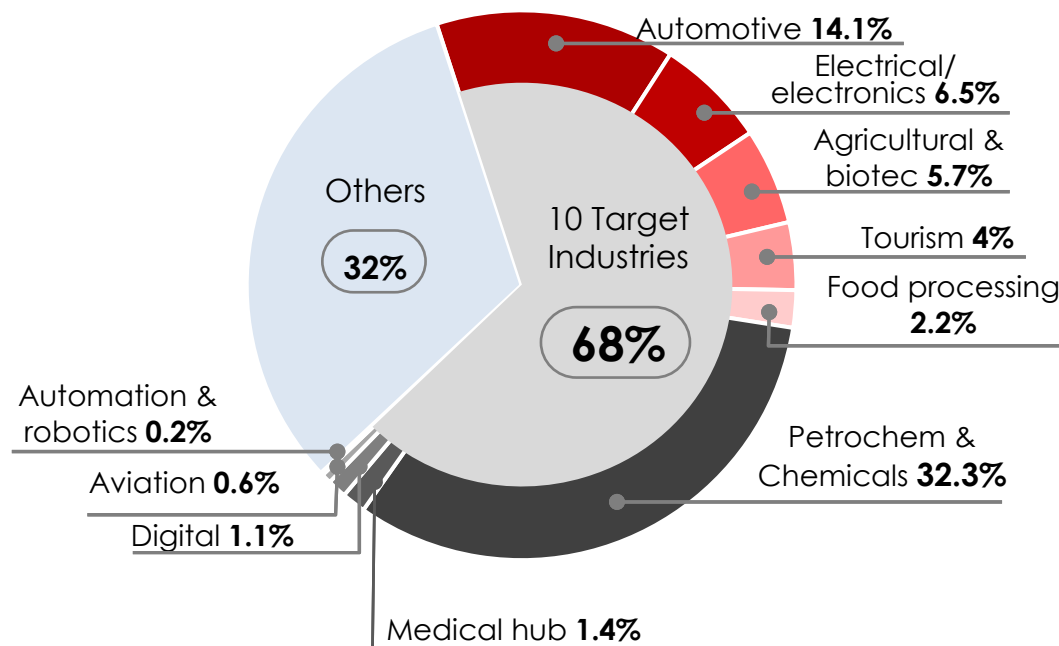
Target industries (first S-Curve and new S-Curve)	11 Years	➡	8 Years Standard package	+	3 Years For projects with R&D activities
Core technologies	13 Years	➡	10 Years Standard package	+	3 Years For projects with R&D activities
New products/ New technologies (not previously present in Thailand)	15 Years	+	Investment subsidies granted for R&D activities		

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Investments in target industries were boosted by generous incentives.

- Base on the submission of BOI applications, investments in the country's target industries dominate overall investment with a share of around 68% of total investment value between 2016 – 2018.
- Investments in first S-curve industries, which are the country's high potential industries, accounted for 32.5% of overall investment through BOI between 2016-2018. The world's leading automotive and electronic manufacturers have made continuous investments here and positioned Thailand as their regional production hub due to the strategic location, skilled workers, and strong and extensive supply chain networks.
- Investments in new S-curve industries increased remarkably in 2017-2018 thanks to huge investments in petrochemical projects, especially investments in petroleum plants and specialty polymers.

BOI-Investment Application Submitted by Type of Industries (2016 - 2018)



Source: BOI

% represents the share to total investment amount of application submissions to BOI each year.

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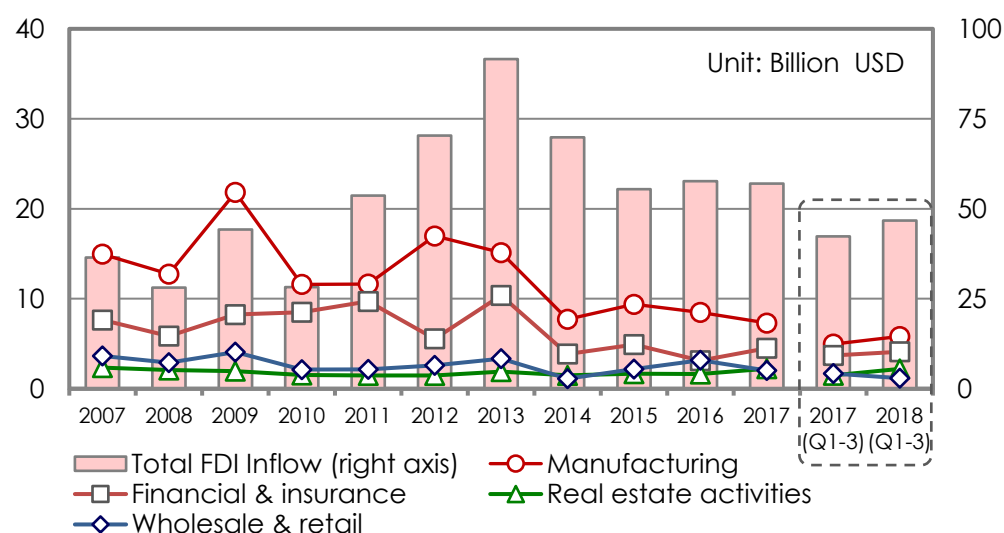
Thailand 4.0 and Recent Investment Trends

FDI inflow into the country show signs of recovery.

- The FDI inflow in Thailand has been decelerating since 2014, according to Bank of Thailand. The underserved investment amount was attributed to several negative factors, i.e., the sluggish global economy, political uncertainty, high household debt, unclear government's policies, etc.
- Base on BOI data, which includes only investments in manufacturing and some service sectors, Thailand experienced a marked drop of FDI in 2015 as a result of the unclear measures and complicated tax incentive structure of new BOI investment policy.
- The investment situation showed positive signs in 2018 thanks to the effectiveness of the EEC act and substantial progress on mega infrastructure projects, which rebooted investors' confidence.
- Nevertheless, most investments have not reached the same levels as before 2015 due to several determinants, such as concerns on skilled labor shortages and manufacturing relocation of some industries to neighboring countries due to high wages and labor shortages.
- Concerns on insufficient S&T manpower is believed to be a major factor discouraging foreign investment in high technology businesses. Accordingly, the academic sector has been developing various S&T programs as well as collaboration with manufacturers to set up work-integrated learning programs to produce a more capable workforce. In the meantime, a series of tax and non-tax incentives⁽¹⁾ have been launched to attract foreign highly-skilled workforce into the country.

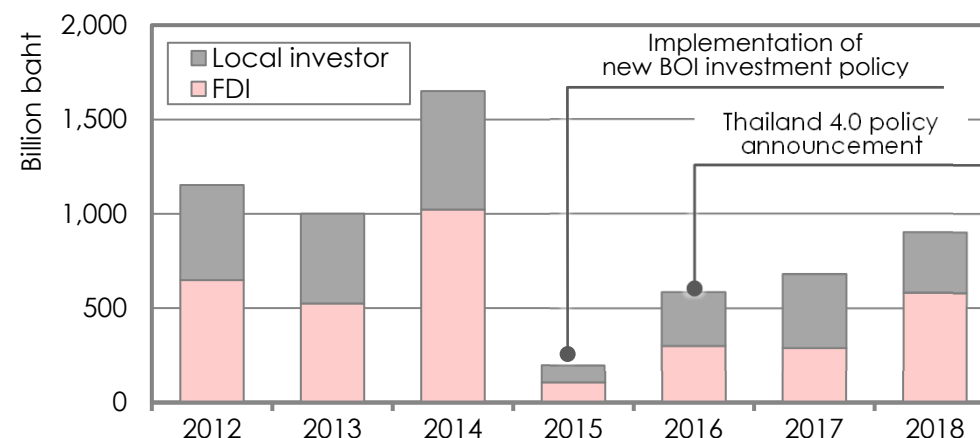
Note: (1) i.e., tax exemption for investments in R&D and human resource development activities, the permission to bring in foreign specialists, and personal income tax reduction for highly skilled workers/ experts/ researchers who work in the 10 target industries.

FDI Inflow of Major Business Sectors in Thailand



Source: Bank of Thailand

Investment Trends (base on BOI application submissions)



Source: BOI

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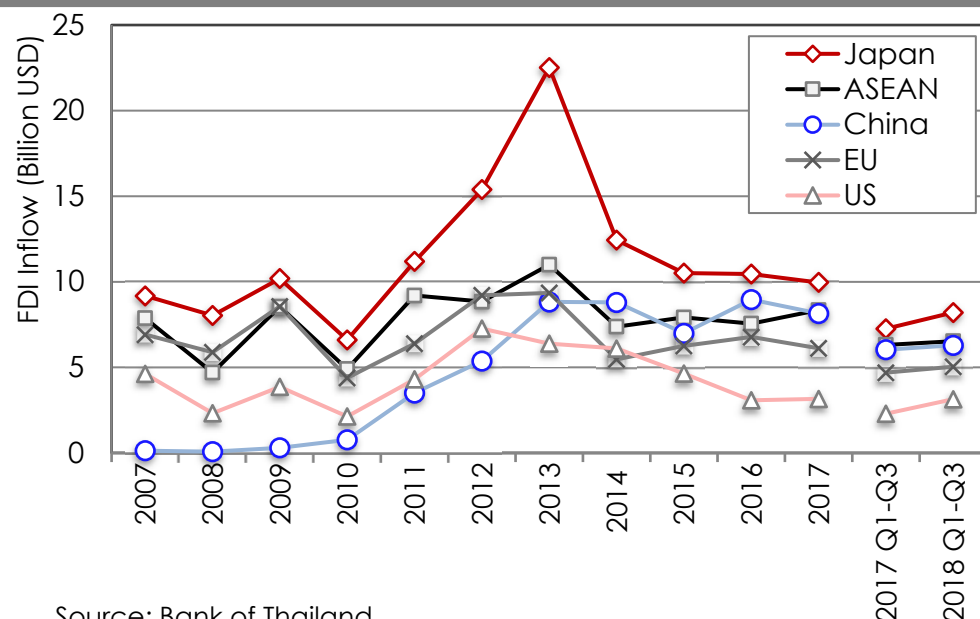
Thailand 4.0 and Recent Investment Trends

Japan still dominates foreign direct investment in Thailand with the growing influence of China.

- As Thailand's largest source of foreign capital, the sharp decline in Japanese investment in 2014 contributed to the overall FDI in Thailand.
- The seemingly huge drop of FDI inflow from Japan in 2014 was in relation to the inflated capital injection in the banking sector in 2013 and partly due to the decelerating inflow into the manufacturing sector in order to wait for clear direction with regards to investment policies.
- Japan remains the largest foreign investor in Thailand with a share of **FDI stock at 36%** of overall foreign capital in Thailand (as of the end of 2018Q3).
- In the first nine months of 2018, there was a positive trend of **Japanese FDI inflow with a growth rate of 13% y-o-y**, according to the Bank of Thailand. The capital was mainly destined for the manufacturing sector (especially automotive, pharmaceutical, and chemical manufacturing), financial businesses, and the wholesales & retail trade sector.
- Japanese investors are not likely to move away as Thailand is considered as part of their global and regional supply chains, especially for automotive, electronics and electrical products, as well as machinery. Only labor-intensive processing units have been shifted to CLM under the "Thailand-Plus-One" strategy. In addition, Thailand has been chosen by many Japanese companies in China as a destination for transferring their production facilities to avoid high tariffs originating from the China-US trade war⁽²⁾.

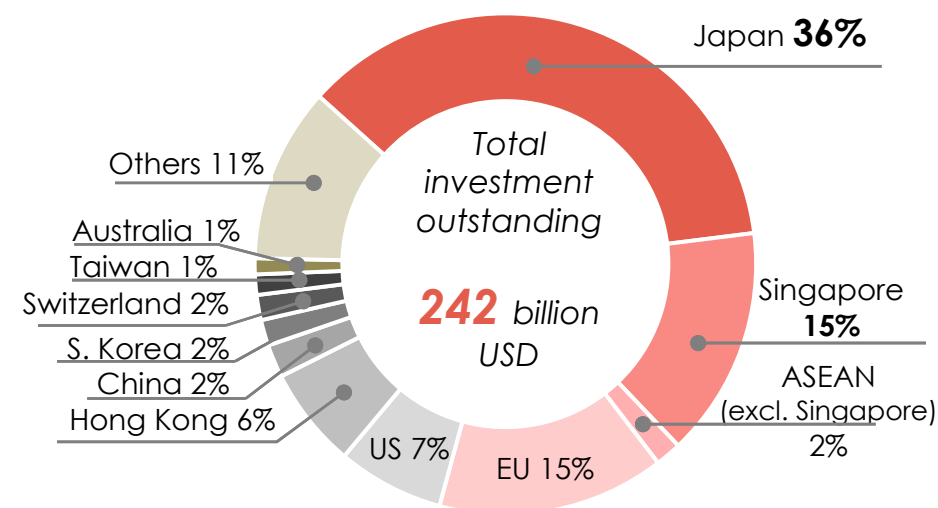
Note: (2) The survey conducted by Mizuho Research Institute in February 2018

Trend of FDI Inflow to Thailand from Major Sources of Capital



Source: Bank of Thailand

Stock of Foreign Capital in Thailand (as of the end of 2018Q3)



Source: Bank of Thailand

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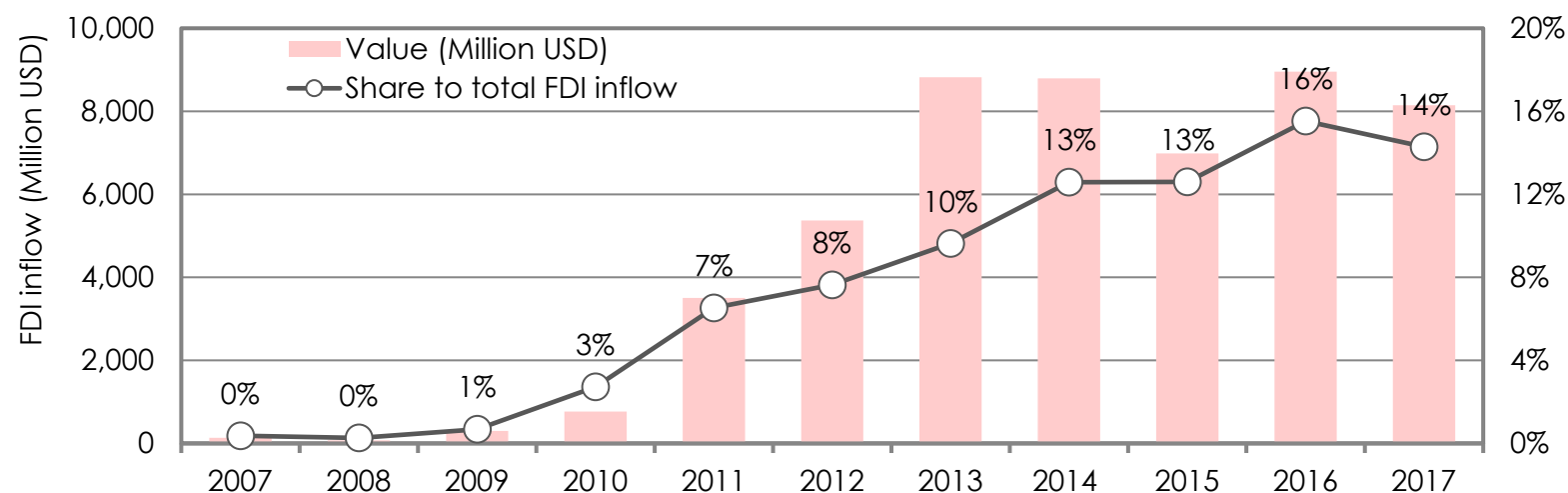
Thailand 4.0 and Recent Investment Trends

Japan still dominates foreign direct investment in Thailand with the growing influence of China.

- **For Chinese investors**, Thailand is one of the major investment destinations in ASEAN. The country has seen a significant jump in FDI inflows from China since 2011. The upsurge can be attributed to the implementation of the ASEAN-China FTA and the recent Belt and Road Initiatives (BRI).
- Over the last 10 years, the stock of FDI from China into Thailand grew significantly at 28% CAGR (2007-2017). In terms of FDI inflow, China is the 2nd largest foreign investor in Thailand with a share of 14%⁽³⁾ of accumulated FDI inflow between 2015-2017.
- Chinese enterprises have invested in Thailand to use as their production base for export (i.e., manufacture of rubber products and solar cells) as well as to serve their external demand (i.e., the investment in hotels & restaurants, retail, wholesale, and property businesses to accommodate growing Chinese tourist arrivals).
- Recently, Chinese investment in Thailand has become and is expected to be even more diverse in the future in order to support their cross-border industrial chains under BRI.
- The Japan-China business cooperation in third countries will obviously benefit Thailand. More investments from both countries are expected to flow into the country, especially the EEC, which is one of the main target locations for their collaboration, thanks to the strong commitment in the EEC development plan.

Note: (3) The numbers may underestimate the overall Chinese FDI in Thailand as a sizable amount of Chinese capital most likely comes through Hong Kong.

Trend of FDI Inflow into Thailand from China



Source: Bank of Thailand

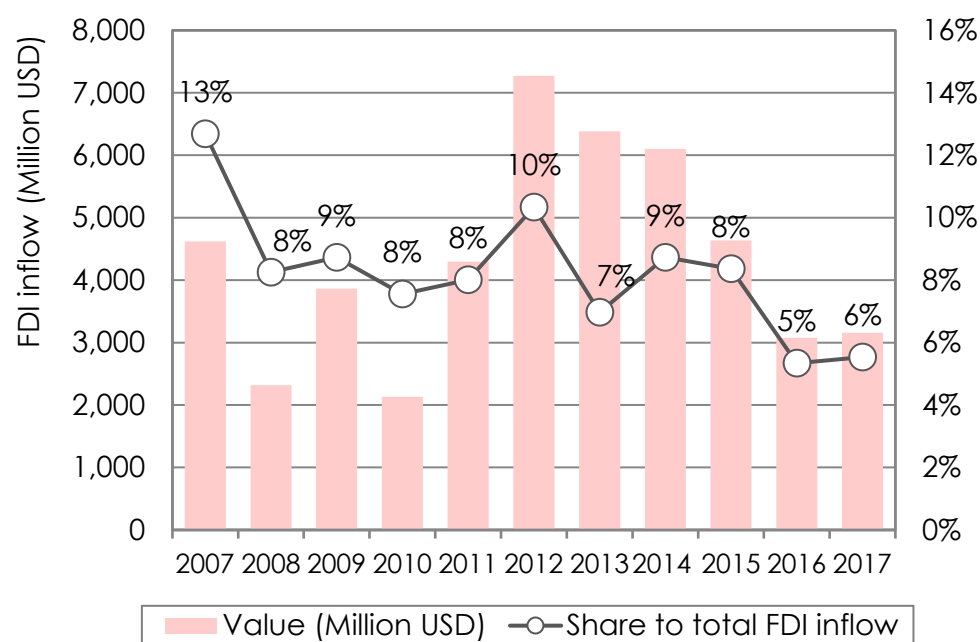
Thailand 4.0 and Recent Investment Trends

Japan still dominates foreign direct investment in Thailand with the growing influence of China.

- **The FDI inflow from the US** has shown a decelerating trend since 2013. This resulted in the drop of share to only 6% of total FDI inflow in 2017.
- However, the US investment value of applications to BOI increased noticeably in 2018 due to the investment in a few large biofuel and biochemical projects⁽⁴⁾, which accounted for more than 90%. The actual investment is expected to occur in the next few years.
- As it used to be the top foreign investor a long time ago, many corporates, especially those in petrochemical, automotive, and electronics, have built enormous production bases and strong networks in Thailand. Therefore, the recent generous investment privileges will easily attract existing investors.

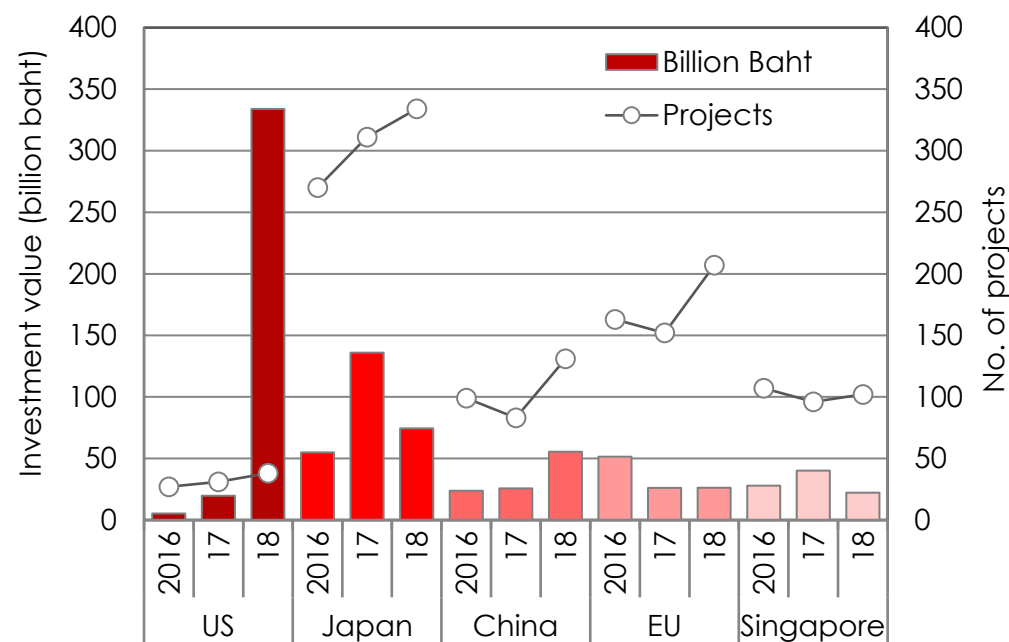
Note: (4) The large project is believed to be the ethylene cracker plant of Exxon Mobil which will be located near its existing refinery in Sri Racha, Chonburi. The investment value is estimated at around 6-8 billion USD or up to 200 billion baht. The project will make Thailand the export hub of the company in Asia.

Trend of FDI Inflow into Thailand from the United States



Source: Bank of Thailand

FDI-BOI Application Submitted Projects (2016-2018)



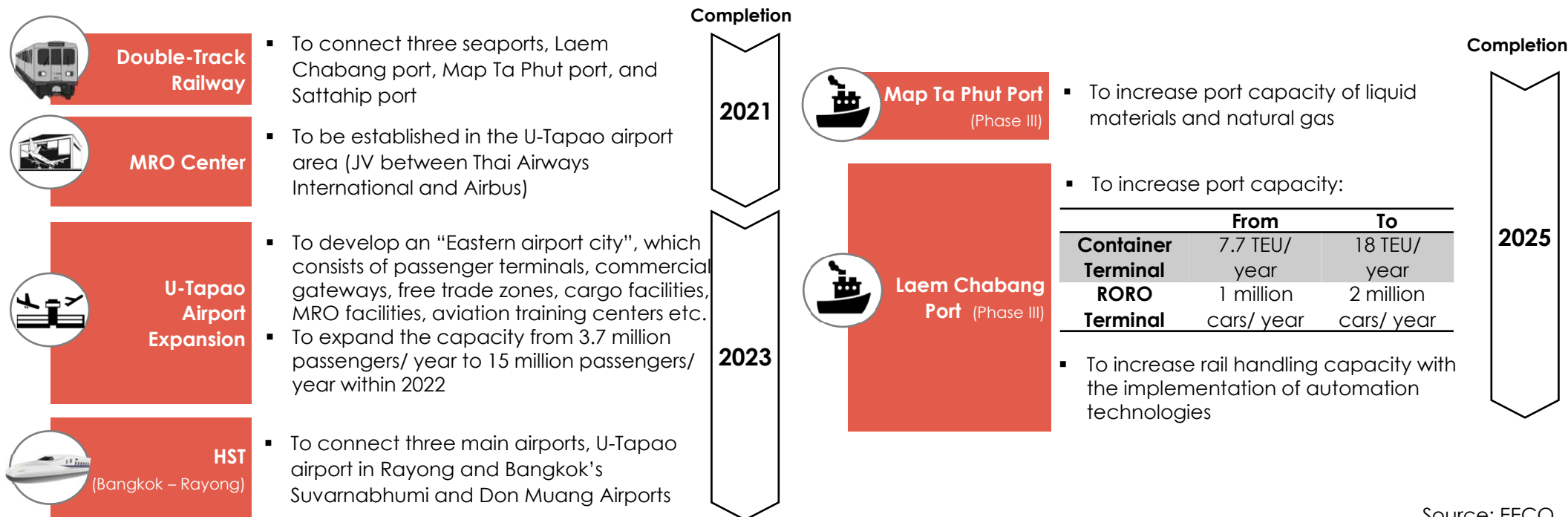
Source: BOI

Thailand 4.0 and Recent Investment Trends

The Eastern Seaboard of Thailand remains the key investment base in the Thailand 4.0 era.

- The initiative of the eastern seaboard development program, which covers the areas of Rayong, Chonburi, and Chachoengsao provinces, for the last 30 years has made the area the country's most popular location for investment.
- Due to the recent advantages of the eastern seaboard area, *i.e., proximity to Bangkok, well-equipped infrastructure, extensive supply chain availability, and being the production base of several industries*, it was designated as the main location for the country's target industries under the Thailand 4.0 policy.
- The ambitious development plan of the EEC has been implemented to encourage foreign investment in the area. Furthermore, to ensure systematical development of the area and to build up investor confidence, the Eastern Special Development Zone Act B.E. 2561 was enacted in May 2018.

Major Infrastructure Development Projects in the EEC

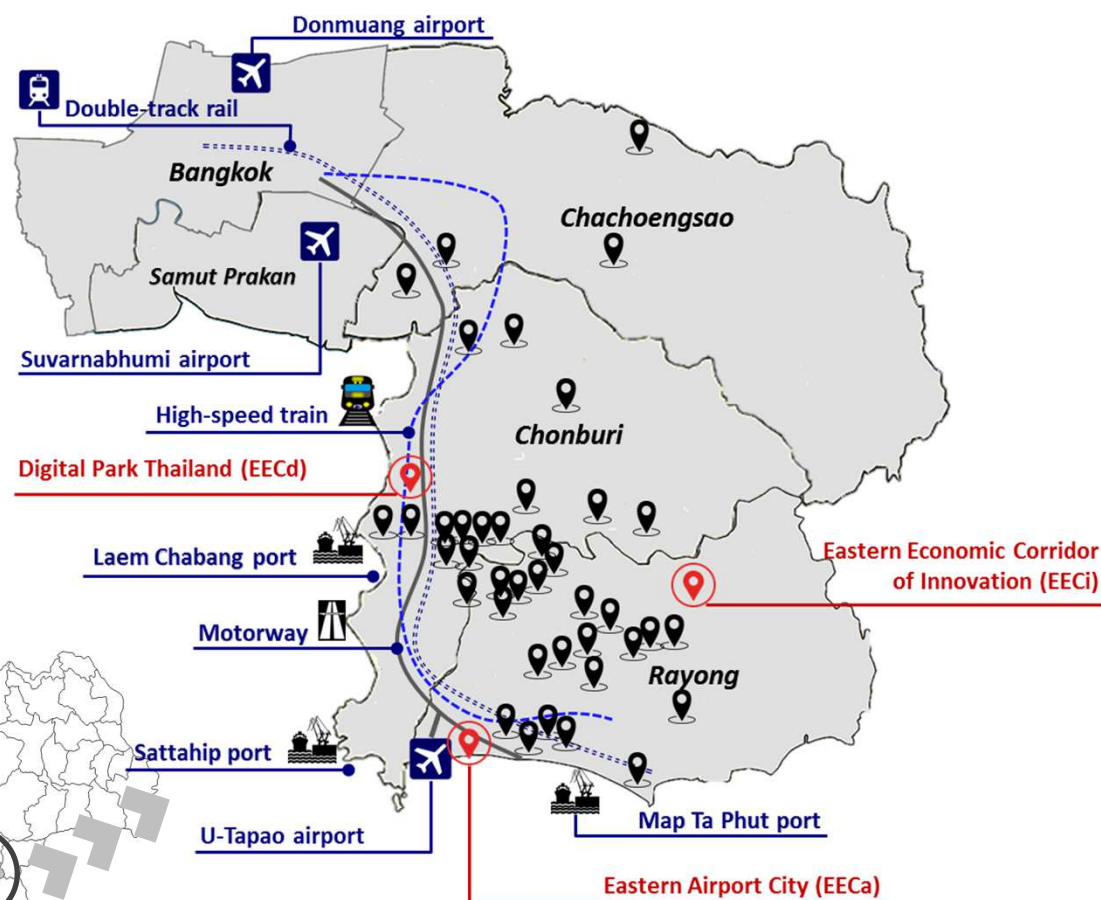


Source: EECO

Thailand 4.0 and Recent Investment Trends

The Eastern Seaboard of Thailand remains the key investment base in the Thailand 4.0 era.

Key Infrastructures and Industrial Estates in the EEC



Remark: There is a plan to expand the EEC project to cover surrounding provinces, i.e., Samut Prakan, Sa Kaeo, Prachin Buri, Chanthaburi and Trat in order to serve future investment demands. The expansion plan is currently undergoing a feasibility study.

Promoted Industrial Estates/ Zones

- Rubber City Industrial Estate
- Map Ta Phut Industrial Estate
- Pha Daeng Industrial Estate
- Rayong Industrial Estate (Bankai)
- R.I.L. Industrial Estate

Chachoengsao

- TFD Industrial Estate 2
- 304 Industrial Park (2nd phase)
- Gateway Industrial Estate
- Wellgrow Industrial Estate

Chonburi

- Hemaraj Chonburi Industrial Estate
- Hemaraj Chonburi Industrial Estate 2
- Hemaraj Eastern Seaboard Industrial Estate 2
- Hemaraj Eastern Seaboard Industrial Estate 3
- Amata City Industrial Estate
- Amata Nakorn Industrial Estate
- Amata Nakorn Industrial Estate (2nd phase)
- Pin Thong Industrial Estate
- Pin Thong Industrial Estate (Laem Chabang)
- Pin Thong Industrial Estate (3rd phase)
- Pin Thong Industrial Estate (4th phase)
- Pin Thong Industrial Estate (5th phase)
- Yamato Industries Industrial Estate
- Ban Bung Industrial Estate
- Laem Chabang Industrial Estate
- Sahaphat Industrial Estate (Sriracha)

Rayong

- Hemaraj Eastern Seaboard Industrial Estate
- Hemaraj Eastern Seaboard Industrial Estate 4
- Eastern Seaboard Industrial Estate
- Hemaraj Eastern Industrial Estate (Map Ta Phut)
- Hemaraj Rayong Industrial Estate 36
- CP Industrial Estate
- Samart Park Industrial Estate
- Asia Industrial Estate
- G.K. Industrial Park
- IRPC Eco Industrial Zone (4th phase)
- Rojana Industrial Park (Bankai)
- Rojana Industrial Park (Pluakdaeng)
- Siam Eastern Industrial Park
- SSP Industrial Park
- WHA Rayong Industrial Land

Thailand 4.0 and Recent Investment Trends

The Eastern Seaboard of Thailand remains the key investment base in the Thailand 4.0 era.

- Multinational enterprises have played a major role in enhancing the technological capabilities of the country. Therefore, the government has offered high tax and non-tax incentives to attract foreign investment to the EEC.
- The investment in the EEC accounted for more than half of the total investment amount between 2016-2018, according to the BOI.

High Investment Incentives for Investments in the EEC

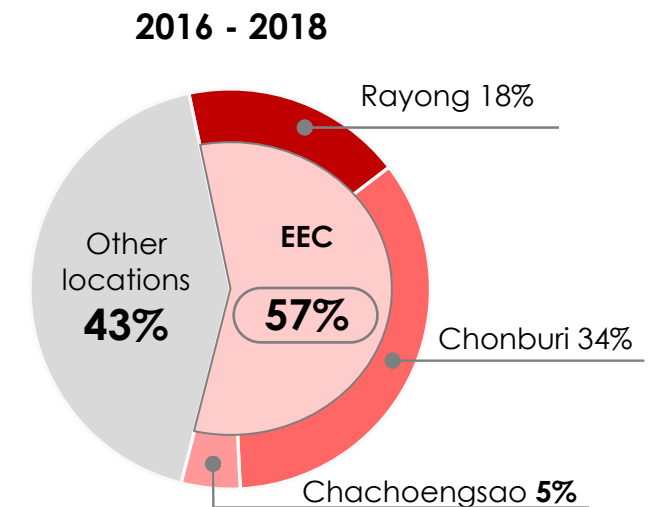
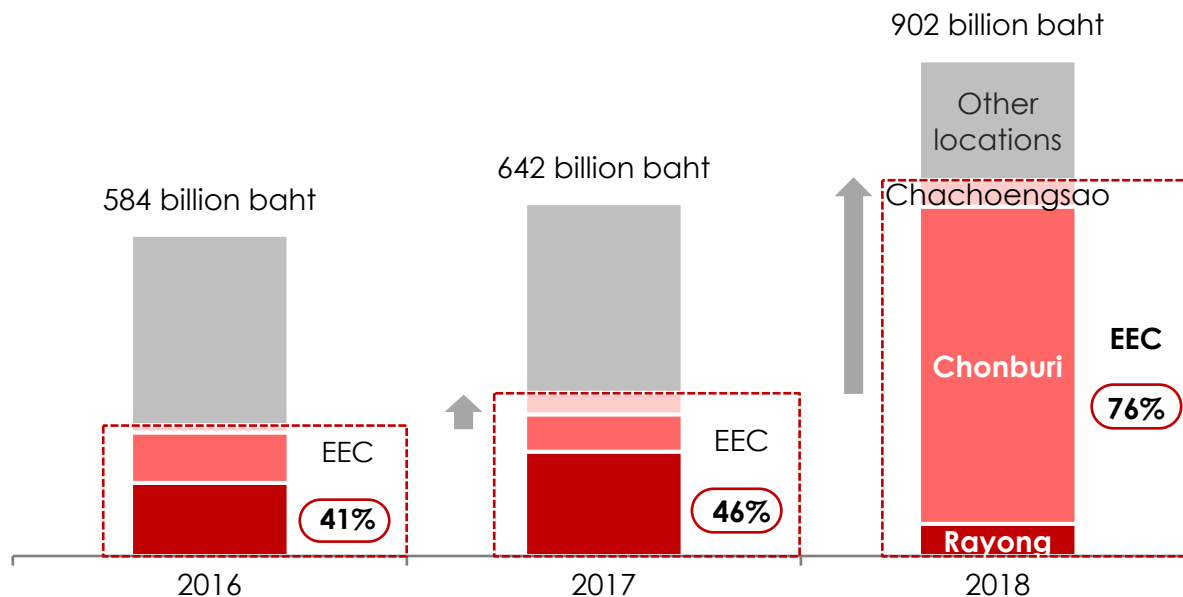
Tax Privileges

- ▶ CIT exemption up to **15 years**
- ▶ Lowest PIT in ASEAN at **17%**

Non-Tax Privileges

- ▶ Long-term lease of state land up to **99 years**
- ▶ One-stop service center to facilitate investors
- ▶ **5-year** work visas for investors, specialists, and scientists
- ▶ Freedom of trade using foreign currencies

BOI-Investment Application Submissions by Location

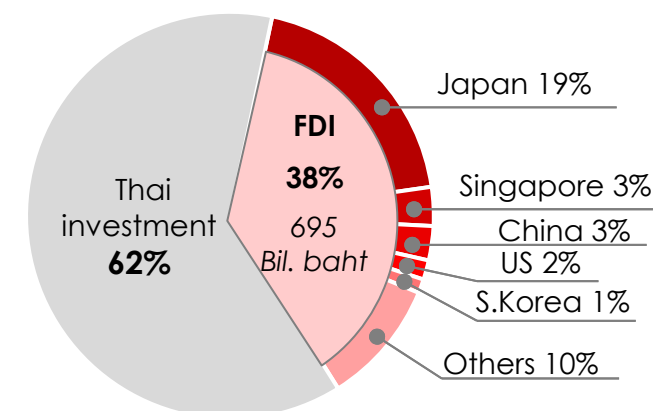


Source: BOI

The Eastern Seaboard of Thailand remains the key investment base in the Thailand 4.0 era.

- There has been an increase in the number of new company registrations in the EEC. Real estate activities and construction are the top businesses in terms of registered capital. These companies have been established to reap the benefits from upcoming demand hikes in the area.
- Regarding foreign investment, Japan remains the largest foreign investor in the EEC, which accounts for 19% of the total registered capital of registered companies overall and more than half of foreign investment in the EEC.

Contribution of Foreign Capital Registration in Enterprises in EEC



Source: Ministry of Commerce

Major Projects Approved within the EEC

Company	Country of origin	Business/ Product
Toyota Motor (Thailand) Co., Ltd.	Japan	Hybrid cars, batteries
Nissan Motor (Thailand) Co., Ltd.	Japan	Hybrid cars, batteries
Honda Automobile (Thailand) Co., Ltd.	Japan	Hybrid cars, batteries
SAIC Motor – CP Co., Ltd.	Thailand, China	Plug-in hybrid cars, batteries
Microchip Technology (Thailand) Co., Ltd.	US	Integrated circuits
Bridgestone Specialty Tire Manufacturing (Thailand) Co., Ltd.	Japan	Aircraft tires
Thai Samsung Electronics Co., Ltd.	S. Korea	Air conditioners
Shin-Etsu Silicones (Thailand) Co., Ltd.	Japan	Silicone oil
Tetra Pak (Thailand) Co., Ltd.	Sweden	Packaging
Sony Technology (Thailand) Co., Ltd.	Japan	Automotive cameras
PTT Global Chemical Co., Ltd.	Thailand	Polyol plant
PTT MCC Biochem Co., Ltd.	Thailand, Japan	Polybutylene Succinate (PBS)/ Tetrahydrofuran (THF)

Source: EECO, BOI

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Conclusion

The super-generous incentives and investment facilitation under Thailand 4.0, together with geographical advantages and well-equipped infrastructure, are offering huge benefits for investors. In the meantime, external factors, i.e., the US-China trade conflict, China's BRI, Japan-China collaboration, and the emerging ASEAN market, are providing huge business opportunities for manufacturers and suppliers of various sectors in Thailand.

Owing to the above-mentioned factors, investment in Thailand has grown progressively, especially in new industries (new S-Curve). Accordingly, more business opportunities will be created through the supply chain of those targeted industries in the near future. Besides, there are opportunities arising from the development of the EEC, such as construction, logistics, and related services.

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