Investment Policy in Thailand:
Moving up the Value Chain

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Executive Director, International Affairs Division
Thailand Board of Investment
To promote valuable investment, both investment in Thailand and Thai overseas investment to enhance Thailand’s competitiveness, to overcome the “Middle Income Trap” and to achieve sustainable growth in accordance with the sufficiency economy philosophy.
The ultimate goal of the recent investment policy is to achieve the country’s economic development and sustainable development.

What we have done?

- Integrating investment policy into development strategy
- Incorporating sustainable development objectives in investment policy;
  - Incorporating in vision and policy statement
  - Identifying SDG-related sectors/activities eligible for investment promotion
- Transforming from zoning-based (location-based) incentives towards merit-based (sustainability-based) incentives and impose conditions upon their development contribution
- Introducing new and more powerful measures/incentives
6 Major Points of Investment Promotion Policy (1/2)

1. **Promote investment that helps enhance national competitiveness** by encouraging R&D, innovation, value creation in the agricultural, industrial and services sectors, SMEs, fair competition and inclusive growth.

2. **Promote activities that are environment-friendly**, save energy or use alternative energy to drive balanced and sustainable growth.

3. **Promote clusters** to create investment concentration in accordance with regional potential and strengthen value chains.
4. **Promote investment in border provinces in Southern Thailand** to help develop the local economy, which will support efforts to enhance security in the area.

5. **Promote special economic zones**, especially in border areas, both inside and outside industrial estates, to create economic connectivity with neighboring countries and to prepare for entry into the ASEAN Economic Community (AEC).

6. **Promote Thai overseas investment** to enhance the competitiveness of Thai businesses and Thailand’s role in the global economy.
New Approach for Granting Investment Incentives

Activity-based Incentives

- A1
- A2
- A3
- A4
- B1
- B2

Classified incentives based on the importance of activities

Merit-based Incentives

1. Competitiveness Enhancement
2. Decentralization
3. Industrial Area Development

Grant additional incentives to encourage more investment/expenditures that benefit the country or overall industry.
SDG-related sectors that are eligible for investment promotion

- Environmental-Friendly Activities
- Renewable Energy and Energy Conservation
- Hi-tech and Knowledge-based Activities
- Infrastructure
- Human Resource Development
- Medical and Healthcare
- SME-related Activities
- Investment in least Developed Provinces
What is a Value Chain?

A value chain is a high-level model developed by Michael Porter used to describe the process by which businesses receive raw materials, add value to the raw materials through various processes, create a finished product, and then sell that end product to customers.

Source: http://www.investopedia.com/terms/v/valuechain.asp
Investment Policy in Thailand

Moving up the Value Chain

Thailand Overseas Investment Center

BOI Unit for Industrial Linkage Development

Cluster Development Policy

Thailand 4.0

Work-Integrated Learning (WIL) and Talent Mobility (TM)
Establishment of the Thailand Overseas Investment Center

In the middle of 2012, the Board of investment approved the establishment of an overseas investment center to assist Thai nationals to invest abroad, initially in other ASEAN countries, but also in China, India and other regional neighbors. The center opened at the end of 2012.

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Target Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Acquiring Raw Material</td>
<td>Gem, Mining, Tanning, Fishery, Forestry, Energy, Steel, Dairy</td>
</tr>
<tr>
<td>2. Expanding Market for Trade and Services</td>
<td>Food Products, Construction, Tourism, Manufacturing of Housewares, Animal Feed Distribution Centers</td>
</tr>
<tr>
<td>3. Expanding Manufacturing Bases</td>
<td>Textile, Shoes, Accessories, Electronic Appliances</td>
</tr>
</tbody>
</table>
Main Activities for Thailand Overseas Investment Promotion:

- Training programs for Thai investors seeking investment opportunities abroad (TOISC Program)
- Provision of information concerning areas/industries and opportunities in the target countries
- Business regulations and consulting services
- Including members of the private sector in BOI's overseas missions.

Targeted Countries for Thailand Overseas Investment Promotion:

- 1st Priority ➔ Indonesia, Myanmar, Viet Nam, Cambodia
- 2nd Priority ➔ China, India and other ASEAN countries
- 3rd Priority ➔ Middle East, South Asia and Africa
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Cluster Development Policy

Objectives of Cluster Development Policy

to develop potential and manufacturing based areas for target industries to support high technology activities and industries for the future that have linkages and supports between cluster compositions to enhance industrial competitive advantages.
Cluster Qualifications

1. Concentration of industries in the strategic location

2. Linkage in the clusters to strengthen the value chain and increase industrial competitive advantage
   (Upstream-midstream-downstream industries, supporting industries, academic and research institutions, government agencies, private organizations and other related compositions)

3. Contribution to local economy e.g. local employment, use of local raw materials, business linkage with local SMEs
Cluster Development Policy

Targeted Clusters

Super Cluster
- Automotive and parts
- Electrical appliances, Electronics and Telecommunication equipment
- Petrochemical, eco-friendly chemical products
- Digital Industry
- Food Innopolis
- Medical Hub

Other Clusters
- Agro-Processing Products
- Textiles and Garments

activities using advance technologies, eco-friendly technologies

Important supporting services e.g. logistics, biotechnology, R&D, engineering design, labs, training centers
## Incentives for Cluster-Based Investment

<table>
<thead>
<tr>
<th>Incentives</th>
<th>Super Cluster</th>
<th>Other Clusters</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax</strong></td>
<td><strong>BOI</strong></td>
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<tr>
<td></td>
<td>- 8-year corporate income tax exemption and additional 5-year reduction of 50%</td>
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<td></td>
<td>- Import duty exemption on machinery</td>
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<td><strong>Ministry of Finance</strong> (under the consideration)</td>
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<tr>
<td></td>
<td>- For industries with significant importance, the Ministry of Finance will consider granting 10-15 years corporate income tax exemption</td>
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<tr>
<td></td>
<td>- Personal income tax exemption for renowned specialists, both Thai and foreign</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Tax</strong></td>
<td>• Permission to own land</td>
<td>• 3-8 year corporate income tax exemption and an additional 5-year reduction of 50%</td>
</tr>
<tr>
<td></td>
<td>• Permission to bring in foreign experts and technicians</td>
<td>• Import duty exemption on machinery</td>
</tr>
</tbody>
</table>
Initial phase of Special Economic Zones in 5 provinces

A. Thailand-Myanmar border area, Tak province (8 sub-districts in Mae Sod/3 sub-districts in Pod Phra /3 sub-districts in Mae Ramad)

B. Thailand-Laos border area, Mukdahan province (5 sub-districts in Muang/4 sub-districts in Wan Yai/2 sub-districts in Don Tan)

C. Thailand-Cambodia border area, Sa Kaew province (3 sub-districts in Arangyaprathet/1 sub-districts in Wattana Nakon)

D. Thailand-Cambodia border area, Trat province (3 sub-districts in Khong Yai)

E. Thailand-Malaysia border area, Songkhla province (4 sub-districts in Sadao)
Cluster Development Policy

Investment Promotion Policy for Investment in Special Economic Zones for Cluster-Based Investment  
2nd Phase

Initial phase of Special Economic Zones in 5 provinces

F  Thailand-Laos/Myanmar border area, Chiangrai province (21 sub-districts in Maisai/ Chiangsan/ Chiangkhong)

G  Thailand-Laos border area, Nongkhai province (22 sub-districts in Nongkhai/ Srakai/ Phonpisai/ Thabo/ Sri Chiangmai)

H  Thailand-Laos border area, Nakhon Phanom province (13 sub-districts in Nakhon Phanom/ Tha Uten)

I  Thailand-Myanmar border area, Kanchanaburi province (2 sub-districts in Kanchanaburi)

J  Thailand-Malaysia border area, Narathiwat province (5 sub-districts in Narathiwat/ Su-ngai Kolok/ Takbai/ Wang/ Yi-ngo)
## Cluster Development Policy

### Targeted Activities

<table>
<thead>
<tr>
<th>13 Industrial Sectors</th>
<th>Tak</th>
<th>Sa Kaeo</th>
<th>Trat</th>
<th>Mukdahan</th>
<th>Songklah</th>
</tr>
</thead>
<tbody>
<tr>
<td>(62 sub-sectors)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1. Agricultural, fishery and related industries</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>2. Ceramics products</td>
<td>✓</td>
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<tr>
<td>3. Textile, garment, and leather industries</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
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<tr>
<td>4. Manufacture of furniture</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
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<tr>
<td>5. Gems and jewelry</td>
<td>✓</td>
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<tr>
<td>6. Medical equipment</td>
<td>✓</td>
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<tr>
<td>7. Automotive, machinery, and parts</td>
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<td>8. Electrical appliances and electronics</td>
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<td></td>
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<tr>
<td>9. Plastics</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>10. Medicine</td>
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<td>✓</td>
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<tr>
<td>11. Logistics</td>
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<td>✓</td>
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<tr>
<td>12. Industrial estates/zones</td>
<td>✓</td>
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<tr>
<td>13. Tourism related industry</td>
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Eligible for Investment Promotion Policy for Industrial Development in Border Provinces in Southern Thailand
Investment Policy in Thailand

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Thailand 4.0

Work-Integrated Learning (WIL) and Talent Mobility (TM)
**WiL** is a blueprint for the workforce development policy in the fields of science, technology and innovation.

The policy, which is a collaboration between the National Science Technology and Innovation Policy Office (STI), private companies and education institutions, aims at producing vocational and undergraduate level workers who are qualified for their respective industries.

Students will receive a period of training (1-2 years) as prescribed in the curriculum, which integrates occupational training in the workplace with classroom learning.

This will help enhance students’ readiness for work and generate earnings for students.

Participating companies, on the other hand, will have the benefit of being able to select personnel with the skills necessary for differing industries.
Talent Mobility is a project that helps shift personnel temporarily from universities and public research institutes to the industrial sector, in the science, technology and innovation fields.

The objective is to increase businesses’ competencies in areas such as research and development, technical problem-solving, evaluation, testing and standard systems, and technology management.

Talent Mobility programs also help tackle a shortage of personnel faced by businesses, in the science, technology and innovation areas, as the majority of these personnel work in the public sector.
Investment Policy in Thailand

**Moving up the Value Chain**

- Thailand Overseas Investment Center
- BOI Unit for Industrial Linkage Development
- Cluster Development Policy
- Work-Integrated Learning (WIL) and Talent Mobility (TM)
- Thailand 4.0

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**THAILAND**

an Asian Hub, a World of Opportunity
Thailand 4.0 = Smart Industry + Smart City + Smart People

- Thailand 1.0
  - Agriculture
  - Light Industry
  - Labor Intensive Industry

- Thailand 2.0
  - Light Industry

- Thailand 3.0
  - Heavy Industry

- Thailand 4.0
  - Creative Industry
  - Innovative Industry
Thailand 4.0

Moving towards Thailand 4.0

- Thailand 4.0 aims to help Thailand become a high value economy and a regional hub
- Thailand 4.0 helps Thailand to overcome the “middle income trap” which include:
  - Low competitiveness
  - Low investment in R & D
  - Growing labor shortages, both for skilled and unskilled workers
  - Increasing restrictions on heavy industry – with less land available and tougher regulations
  - Potential problems in energy security
- The key ingredients in order to move towards Thailand 4.0 include
  - More research and development,
  - More focus on services and high-value industries,
  - Better care for the environment and
  - Emphasis on cross-border regional clusters.
- Incentives would be phased out for
  - Heavy industries, low-value-added industries
  - Factories that cause environmental problems or consume a lot of energy
  - Concession and monopoly industries such as telecoms and concession roads
Thailand 4.0: New Growth Industries

Thai Tech 4.0 Driven by Industry 4.0

- Food Tech
  - Smart Farm
  - Functional Food
  - Smart Food Factory
- Design Tech
- Smart Tourism
- Life Style Biz
- Movie Industry
- FinTech
- eCommerce
- e-service
- Education Technology
- Digital Tech
- Auto Tech
  - Smart Car
  - Smart Building
  - Smart Energy
  - Smart Logistic
  - Smart Devices
- Health Tech
  - Smart Health
  - Telemedicine
  - Medical/Wellness Devices
  - Digital Dentistry
  - Silver Economy
- Culture Tech
  - Thai Tech
- Source: NSTDA
Factors and Conditions that Facilitate Climbing the GVC Development Ladder

GVC development stages

Upgrading (Focus on functional and chain upgrading)
- Move to (or expand to) higher-value segments in GVCs
- Move to (or expand to) more technologically sophisticated and higher-value GVCs

Upgrading (Focus on product and process upgrading)
- Increase productivity and added value produced within existing GVC segments

Integrating
- Enter (increase relative importance of) more fragmented GVCs
- Increase exports of intermediate goods and services

Factors and conditions

- Effective national innovation system, R&D policies and intellectual property rules
- Presence of TNCs capable of GVC coordination and a domestic and international supplier base
- Pool of highly trained workers

- Presence of domestic supplier base fully integrated in multiple GVCs (reduced reliance on individual GVCs)
- Absorptive capacities at higher technology levels, capacity to engage in R&D activities
- Pool of relatively low-cost skilled workers

- Availability and absorptive capacities of domestic supplier firms and partners
- Reliable basic infrastructure services (utilities and telecommunications)
- Pool of relatively low-cost semi-skilled workers

- Conducive investment and trading environment
- Basic infrastructure provision
- Pool of relatively low-cost workers

Source: UNCTAD analysis.
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Work-Integrated Learning (WIL) and Talent Mobility (TM)

Thailand 4.0
BUILD - Objectives

- Promote and develop supporting industries
- Strengthen parts and component market
- Increase capability of Thai suppliers
- Assist suppliers to tailor parts and components production to the needs of manufacturers
- Stimulate localization – induce manufacturers to source domestically
- Attract foreign investment
BOI Unit for Industrial Linkage Development - BUILD

BUILD - Activities

- Seminar
- VMC Road Show
- Business Matching
- Marketplace
- Sourcing Program
  (sourcing@boi.go.th)
- Vendors meet customers
Lessons learned

1. Value chain generates considerable benefit to the economic development

2. Integrate VC in investment promotion policy and strategy

3. Enable participation in VC

4. Upgrade productive capacity

5. Make use of SEZ and Industrial Clusters
Q&A
Thank you