THAILAND'S ECONOMIC OUTLOOK & KEY ECONOMIC POLICIES

ECONOMIC FIGURES

2017 GDP Growth Forecast

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<thead>
<tr>
<th>Source</th>
<th>2017 GDP Growth Forecast</th>
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<td>NESDB</td>
<td>3.3-3.8</td>
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<td>Bank of Thailand</td>
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<td>Siam Commercial Bank</td>
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GDP Q1/2017: 3.3%

Nominal GDP 2016: 407.1 billion USD

GDP per capita 2016: 6,035.1 USD
ECONOMIC INDICATORS

- GDP Growth: 3.75% (Mar 2020)
- Public Debt Per GDP: 42.13% (as of April 2020)
- Foreign Reserves: USD 454.13 bn (as of May 2020)
- Inflation (CPI): 1.3% (Mar 2020)
- Policy Interest Rate: 1.5% (as of May 2020)
- Unemployment Rate: 1.0% (as of April 2020)
- Current Account: USD -0.2 bn (as of May 2020)

Area: 513,120 sq.km.
Population: 67 Millions

TRADE & TOURISM

- Trade Statistics (Jan-May 2017: bil. USD)
  - Export Value: 93.26
  - Import Value: 88.21
  - Trade Balance: +5.05

- Number of Tourists (Jan-May 2017)
  - Number of Tourists: 14.6 millions

Source: NESDB
Source: PDMO
Source: BOT
KEY SECTORS (10 ENGINE OF GROWTH)

First S-Curve
1. Next – Generation Automotive
2. Smart Electronics
3. Affluent, Medical and Wellness Tourism
4. Agriculture and Biotechnology
5. Food for the Future

New S-Curve
6. Robotics
7. Aviation and Logistics
8. Biofuels and Biochemicals
9. Medical Hub
10. Digital

NEW INVESTMENT INCENTIVES

Revised Investment Promotion Act (effective as of 25 Jan 2017)
- Exemption of corporate income tax up to 15 years for R&D, advance technology and innovation (up from 8 years under old IPA).
- 50% reduction of corporate income tax up to 10 years (up from 5 years under old IPA).
- Investment Tax Allowance (not applicable under old IPA).
- Special packages for targeted core technology, including biotech, nanotech, advanced materials, and digital.
- 100–300 % tax deduction for R&D expenses and technology and workforce development

Competitiveness Enhancement Act (effective as of 14 Feb 2017)
- Exemption of corporate income tax up to 15 years (up from 8 years under old IPA).
- 10,000 million Baht matching fund for targeted industries.
- Import duty exemption.
- All other privileges under old and revised IPA.
- Targeted industries include: next-generation automotive, smart electronics, advanced agriculture and biotech, food processing, tourism, advanced robotics, integrated aviation, medical hub, biofuels and biochemical, and digital.

EDC Act (to become effective in 2017)
- Expected total investment of 1.5 Trillion Baht ($43.1bn USD) in first 5 years.
- Cover investment in Chachoengsao, Chonburi, and Rayong.
- Exemption of corporate income tax up to 15 years.
- 15% personal income tax rate for executives in regional headquarters, international trading companies, and R&D Center (lowest in ASEAN).
EASTERN ECONOMIC CORRIDOR

Thailand:
- Resilient macro-economic stability and growth
- Leading production and exporting hub
- Diversity of strength: from modern-agriculture to manufacturing & advanced petrochemicals
- Infrastructure readiness

Eastern Economic Corridor:

- Home of world’s famous manufacturers and tourist destinations
- Base of Thailand’s energy and fundamental industries (5 oil refineries, 3 petrochemical complexes, 20 power plants, 29 industrial estates)
- Excellent infrastructure connections (200 kms from Bangkok through highway linkages, Laem Chabang commercial port, Map Ta Phut industrial port, U-Tapao international airport)

Privileges:
- Maximum incentives for qualified investment projects
- Matching Grants
- Permission to own land for BOI promoted projects
- One-stop service center to facilitate foreign investors
- Five-year work visa issuance

Exemption of corporate income tax for up to 15 years
- on machinery/raw or essential materials imported for use in production for export/goods for BOI
- Exemption of import duties for investment/ R&D/innovation/human resources development for targeted industries.

Rights to state’s land lease for 50 years
- renewable upon approval for a further 40 years for foreign executives working for regional headquarters or international trading companies, treasury centres, along with regional R&B centres.

- 15% personal income tax rate, the lowest rate in ASEAN
- provide useful information, and issue permits for trading, export and import all in one location.

In attract investors, experts and scientists from around the world.
Department of International Economic Affairs

Ministry of Foreign Affairs
Thailand’s Economic Factsheet

**Economic Figures**

- **GDP per capita**: $6,035.1 USD
- **Nominal GDP**: $407.1 bil. USD
- **2017 GDP Growth Forecast**:
  - NESDB: 3.3-3.8
  - Bank of Thailand: 3.4
  - Fiscal Policy Office: 3.6
  - ADB: 3.5
  - World Bank: 3.2
  - JME: 3.0
  - Siam Commercial Bank: 3.3
  - Kasikorn Bank: 3.3
- **Trade & Tourism**:
  - **Foreign Reserves**: $184.1 bil. USD
  - **1.5%** Policy Interest Rate as of May 2017
  - **1.09%** Unemployment Rate as of April 2017
  - **42.6%** Public Debt Per GDP as of April 2017
  - **1.3%** Inflation as of Q1/2017

**Trade Statistics** (Jan-May 2017: bil. USD)

- **Export Value**: $93.26
- **Import Value**: $88.21
- **Trade Balance**: +$5.05

**Top 10 Export Destinations**
- China
- Malaysia
- South Korea
- Japan
- Hong Kong (China)
- Thailand
- United States
- Singapore
- Canada
- Australia

**Top 10 Imports** (Jan-May 2017)

- **1. Crude Oil**
- **2. Machinery & Parts**
- **3. Electrical Machinery & Parts**
- **4. Chemical Products**
- **5. Jewelry**
- **6. Iron, Steel, & Products**
- **7. Electrical Integrated Circuits**
- **8. Auto Parts & Accessories**
- **9. Other Metal Ores**
- **10. Electrical appliances**

**Tourism**

- **14.6 million foreign tourists**
- **Top Tourists (Ranking by Number):**
  1. China
  2. Malaysia
  3. South Korea
  4. Russia

Department of International Economic Affairs
Economic Policies

**Value Based Economy**

**Thailand 4.0**

Middle Income Trap

1.0

2.0

Light Industry

3.0

Heavy Industry

4.0

Value-based Economy

- **Sufficiency Economy Philosophy**
  - Moderation
  - Reasonableness
  - Prudence
  - Knowledge ethics and virtues

**Service Sector**

- **Sufficiency Economy Philosophy**
  - Moderation
  - Reasonableness
  - Prudence
  - Knowledge ethics and virtues

- **Innovation**
- **Technology**

**Digital Economy Plan**

- **Digital Society**
  - Digital Workforce
  - Digital Economy Plan

**Hard Infrastructure**

- **Soft Infrastructure**

**Digital Economy Acceleration**

- **Digital First S-Curve**

**New S-Curve**

- **New Engine of Growth**
  - Next-Generation Automotive
  - Smart Electronics
  - Affluent, Medical and Wellness Tourism
  - Agriculture and Biotechnology
  - Food for the Future

**First S-Curve**

- Robotics
- Aviation and Logistics
- Biofuels and Biochemicals
- Medical Hub
- Digital

**Eastern Economic Corridor Development Project**

**Inter-city rail network**

- **Highway network link with neighbouring countries**

**Public transportation network**

- **Air transport capacity enhancement**

**Maritime Transport development**

- **U-Tapao international airport**
  - 200,000 million baht ($5.7 billion USD)

- **Map Ta Phut port**
  - 10,150 million baht ($0.3 billion USD)

- **Laem Chabang port**
  - 35,300 million baht ($1 billion USD)

- **High-speed train**
  - 58,000 million baht ($1.6 billion USD)

**Digital Thailand**

**Combined Public and Private Investments at least 1.5 Trillion baht ($41 billion USD) in the first 5 years**

- **New Cities / Hospitals**
  - 400,000 million baht ($11.5 billion USD)

- **Tourism**
  - 200,000 million baht ($5.7 billion USD)

- **Industry**
  - 500,000 million baht ($14 billion USD)

- **Motorway**
  - 25,300 million baht ($0.7 billion USD)

- **Dual-track railway**
  - 64,300 million baht ($1.8 billion USD)

- **U-Tapao international airport**
  - 200,000 million baht ($5.7 billion USD)

- **Map Ta Phut port**
  - 10,150 million baht ($0.3 billion USD)

- **Laem Chabang port**
  - 35,300 million baht ($1 billion USD)

- **High-speed train**
  - 58,000 million baht ($1.6 billion USD)

- **New Cities / Hospitals**
  - 400,000 million baht ($11.5 billion USD)

- **Tourism**
  - 200,000 million baht ($5.7 billion USD)

- **Industry**
  - 500,000 million baht ($14 billion USD)

- **Motorway**
  - 25,300 million baht ($0.7 billion USD)

- **Dual-track railway**
  - 64,300 million baht ($1.8 billion USD)
**Investment**

** WHY Thailand? **

1. **Strategic Location & Connectivity**
2. **Strong Economic Fundamentals**
3. **Excellent Infrastructure**
4. **Business-friendly Environment**
5. **Attractive Incentives**

**Investment Promotion Strategy**

- **Sustainable Development**
- **More Competitive Economy**
  - National Competitiveness
  - Thai Overseas Investment
  - Clusters
  - Environmental-Friendly
  - SEZs
  - Border Provinces in Southern Thailand

**Incentives**

- **Activity-based**
- **Merit-based**
  - Grant additional incentives to encourage investment that benefit the country or overall industry

**BOI's eligible activities**

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

**Special Economic Zones (SEZ)**

**BOI** 293 approved projects in 2017 (as of March)

**TOTAL 1.8 bil. USD**

1. Agriculture & Agricultural Products
2. Mineral, Ceramics & Basic Metals
3. Light Industry
4. Metal Products, Machinery & Transport Equipment
5. Electronics & Electrical Appliances Industry
6. Chemicals, Paper & Plastics
7. Service & Public Utilities

**Targeted Industries**

- 1. Agricultural, fishery and targeted industries
- 2. Ceramic products
- 3. Textile, garment, and leather industries
- 4. Manufacture of furniture
- 5. Gems and jewelry
- 6. Medical equipment
- 7. Automotive, machinery, and parts
- 8. Electrical appliances and electronics
- 9. Plastics
- 10. Medicine
- 11. Logistics
- 12. Industrial estates/zones
- 13. Tourism related industry

Each zone with different targeted activities depending on competencies

**Super Clusters**

- Food Innopolis
- Digital
- Automotive and Parts
- Eco-friendly Petrochemicals and Chemicals
- Electrical Appliances, Electronics and Telecommunication Equipment

- **INCENTIVES** - 8 years of CIT Exemption + 50% reduction for further 5 years

**Other Clusters**

- Agro-processing Products
- Textiles and Garment

- **INCENTIVES** - 3-8 years of CIT Exemption + 50% reduction for further 5 years

**Border SEZs**

- Chiang Rai
- Nong Khai
- Nakon Panhom
- Mukdahan
- Kanchanaburi
- Sa Keo
- Trat
- Song Khla
- Narathiwat

**Department of International Economic Affairs**
**THAILAND'S EASTERN ECONOMIC CORRIDOR**

**THAILAND'S flagship special economic zone**, located in Rayong, Chachengsao and Chonburi.

Facilitate and attract investment in 10 targeted industries.

Excellent infrastructure linkage (200 kms from Bangkok through highway linkages, Laem Chabang commercial port, Map Ta Phut industrial port, U-Tapao international airport).

Connect Indian Ocean with Pacific Ocean, CLMV, South China: via multi-modal linkages and Free Trade Areas (FTAs).

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**CORE AREAS-INVESTMENT PROJECT**

- **Infrastructures**
  - U-Tapao air port and aircraft maintenance Sattahip commercial seaport
  - Laem Chabang port phase #3
  - Map Ta Phut port phase #3
  - High-speed rail - east route
  - Double-track railway
  - Highways and motorway

- **Business, Industrial clusters and Innovation hub**
  - Next-generation automotive (EV/AV)
  - Aviation industry
  - Robotics, Smart electronics
  - Advanced petrochemical and Bioeconomy
  - Medical hub

- **New cities and communities**
  - Global Business Hub / Free Economic Zone
  - New Cities, Inclusive growth
  - Public Utilities

**First S-Curve**

- Next - Generation Automotive
- Smart Electronics
- Affluent, Medical and Wellness Tourism
- Agriculture and Biotechnology
- Food for the Future

**New S-Curve**

- Robotics
- Aviation and Logistics
- Biofuels and Biochemicals
- Medical Hub
- Digital

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Department of International Economic Affairs
INVESTMENT INCENTIVES

- Exemption of corporate income tax for up to 15 years
- Exemption of import duties on machinery/raw or essential materials imported for use in production for export/goods for R&D
- Matching Grants for investment/R&D/innovation/human resources development for targeted industries.
- Permission to own land for BOI promoted projects
- Rights to state’s land lease for 50 years renewable upon approval for a further 49 years

15% personal income tax rate, the lowest rate in ASEAN for foreign executives working for regional headquarters or international trading companies, treasury centres, along with regional R&D centres.

One-stop service center to facilitate foreign investors provide useful information, and issue permits for trading, export and import all in one location.

Strategic Target Center (STC) to attract investors, experts and scientists from around the world.

FOREIGN INVESTORS IN EEC*

- AIRBUS OPERATIONS LTD.
- THE BOEING COMPANY
- TESLA MOTORS INC.
- LAZADA SOUTH EAST ASIA PTE. LTD.
- AIBABA GROUP HOLDING CO., LTD.
- INTERNATIONAL BUSINESS MACHINES CORP.
- SEAGATE TECHNOLOGY PLC.
- FUJIFILM
- SAAAB ASIA PACIFIC CO., LTD
- BAYERISCHER MOTOREN WERKE AG
- SUZUKI MOTOR CORP.
- HUAWEI TECHNOLOGIES CO. LTD.
- GOOGLE ASIA PACIFIC PTE. LTD.
- DAIMLER AG
- TOYOTA MOTORS CO., LTD.
- HON HAI PRECISION INDUSTRY CO., LTD.
- PTT GLOBAL CHEMICAL PUBLIC COMPANY LTD.
- SHANGHAI GENERAL MOTORS CO., LTD.
- KUKA ROBOTICS CORP.
- RELIANCE INDUSTRIES LTD.
- OTSUKA PHARMACEUTICAL CO., LTD.
- MAZDA POWERTRAIN MANUFACTURING (THAILAND) CO., LTD.
- HITACHI TOCHIGI ELECTRONICS (THAILAND) CO., LTD.
- FORD MOTOR COMPANY (THAILAND) LTD.
- BRIDGESTONE METALPHA (THAILAND) CO., LTD.
- GENERAL MOTORS POWERTRAIN (THAILAND) LTD.

For more information, please contact:
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* Partial listing comprising of global companies that have expressed interests or already undertaken investment in EEC

Department of International Economic Affairs
Thailand 4.0

Overseeing Committee on Thailand 4.0 Policy and Strategy
Working Group on “Development Agenda” under Thailand 4.0 Policy and Strategy
Project Management Team

Agenda 1: Preparing Thais 4.0 for a First World nation

Agenda 2: Development of Technology Clusters and Future

Agenda 3: Incubating Entrepreneurs and Developing Networks of Enterprises driven by innovation

Agenda 4: Strengthening Internal Economy through Mechanisms of 18 provincial clusters and the 76

Agenda 5: Integrating with ASEAN and Connecting Thailand to the Global Community

Adjusting Public Sector Administration to Support Thailand

Agenda 1.1: Reforming the Education System to prepare Thais for a First World nation
Agenda 1.2: Set up Skills Development Program
Agenda 1.3: Measures to support Refill and Reform Strategy to improve the Status of Thais 1.0 - 2.0

Agenda 2.1: Agriculture, Food and Biotechnology
Agenda 2.2: Health, Wellness and Medical Technology
Agenda 2.3: Smart Devices & Robot - Mechatronics
Agenda 2.4: Digital, Internet of Things, Artificial Intelligence and Embedded System Technology
Agenda 2.5: Creative Economy, Culture and High Value Services
Agenda 2.6: Thailand’s Manpower Strategic Framework
Agenda 2.7: Research and Development Reform towards Thailand 4.0

Agenda 3.1: Smart Farmer Development
Agenda 3.2: Enhancing the Competitiveness of SMEs
Agenda 3.3: Development of High Value Services
Agenda 3.4: Creating Ecosystems that Nurture Startups

Agenda 4.1: Basic Infrastructure, Market Systems and Trade Rules
Agenda 4.2: Strategies and Guidelines for 18 Provincial Clusters
Agenda 4.3: Establishment of an Innovation Hub at a Regional Level
Agenda 4.4: Undertaking “Province 4.0” Strategic Plan

Agenda 5.1: Positioning Thailand as a Trading Nation and one of Asia’s Business Centers
Agenda 5.2: Economic Development in the Context of CLMVT
Agenda 5.3: International Business Models in the 21st Century
The 12th Social and Economic Development Plan (2017-2021)

10 development strategies

1. Human capital development
2. Reducing inequality
3. Strengthening the economy
4. Green growth development
5. Enhancing national security
6. Good governance
7. Infrastructure development
8. Promoting research and innovation
9. Development of local economy
10. International development cooperation
Suggested Talking Points

Thailand’s Economic Outlook

- The Thai economy continues to expand at an accelerating pace. In the first quarter of 2017, the economy expanded by 3.3 percent, accelerating from 3.0 percent in the previous quarter. The average GDP growth rate for the year 2016 is 3.2%. This figure reflects a significant improvement from the growth rates of 2.9% in 2015 and 0.9% in 2014.

- In 2017, the Office of the National Economic and Social Development Board has projected that the Thai economy will grow between 3.3-3.8%. This number is in line with forecasts made by the IMF, ADB, and the Bank of Thailand, which range from 3.0% to 3.5%, strongly suggesting that Thailand’s economic growth has gained momentum, and is moving in a positive direction.

- In the first half of 2017, investment and tourism remain key drivers of Thailand’s economy. At the same time, sustained growth in export and import figures suggest continued expansion in Thailand external balance.
  - Investment: Application for foreign direct investments in Thailand nearly reach 600 billion Baht ($17 billion USD) in 2016. This figure surpasses the initial target of 550 billion Baht ($15 billion USD), suggesting confidence in the Thai economy. In the first quarter of 2017, the Board of Investment has approved investment projects worth over 7 billion USD, recording a 120% growth.
  - Tourism: Thailand’s tourism sector enjoys the greatest expansion in ASEAN with growth rate of 10.7%. The number of international tourist arrivals in 2017 is expected to reach 35 million. In the first 5 months of 2017, tourist arrival has already reached 14.6 million, registering 3.2% expansion and generating gross income of over 1 trillion Baht (30 billion USD).
  - International Trade: Thailand’s export amounted to 93.26 billion USD, while its import totaled at 88.21 billion USD in the first 5 months of 2017, generating a positive trade balance worth slightly above 5 billion USD. These figures indicated a 7.2% expansion in export and 15.2% expansion in import, which is in line with the recent revival of global trade. In May alone, Thailand’s export figure jumped 13.2%, the largest ever recorded in 52 months.

- Thailand consistently moves upward in international rankings during 2016-2017. The World Bank has raised Thailand’s ranking in the Ease of Doing Business up 3 spots to 46th in 2016. The International Institute for Management Development (IMD) has raised Thailand competitiveness up 1 spots to the 27th in 2017, placing Thailand 2 spot ahead of South Korea, and only 1 spots behind Japan. In addition, Thailand is ranked the happiest economy in the world for the 3rd consecutive year, according to the Bloomberg’s Misery Index. U.S. News ranks Thailand as the best country to start a new business for the 2nd consecutive year, while Mastercard ranks Bangkok the 1st in its Global Destination Cities Index. The 2017 global innovation index raised Thailand standing to 51th, up from 52nd in 2016.
Key Economic Policies: 20-year National Strategy and 12th Development Plan

- Thailand is undertaking economic and social reform to ensure sustainable development in the next 20 years. This effort culminates into the 20-year National Strategy (2017-2036), which will be decreed into law by the new constitution. The goal of the Strategy is to set guidelines and benchmarks for development in order to ensure stability in policy formulation and smooth implementation of the next 4 Social and Economic Development Plans (12th–15th NESDB Plan) through Pracharat mechanism (public-private-people partnership).

- The drafting of the National Strategy has been approved by the National Legislative Assembly on 22 June 2017. This endorsement will pave the way for a drafting committee to work on text of the draft. As it presently stands, the main goal of the draft National Strategy is to advance Thailand toward prosperity, security and sustainability in accordance with the principle of sufficiency economy within the next 20 years. The focus of the text will be on 6 strategies, namely: 1) national security, 2) competitiveness enhancement, 3) human development, 4) opportunity building and social equality, 5) green growth, 6) public administration development.

- On top of the National Strategy, the Thai government is also actively taking actions to implement the 12th Social and Economic Development Plan (2017-2021). This plan is the latest among series of national development plans initiated in 1961. The main focus of the 12th development plan is to pursue development measures based upon the principle of sufficiency economy, sustainable development, and people-centered development. The 12th plan comprises 10 development strategies, 6 of which will correspond to the 20 year National Strategy, while another 4 will play supporting roles. In short, the 10 strategies in the 12th plan are:

1) Human capital development 6) Good governance
2) Reducing inequality 7) Infrastructure development
3) Strengthening the economy 8) Promoting research and innovation
4) Green growth development 9) Development of local economy
5) Enhancing national security 10) International development cooperation

- The major shift in the 12th plan is the close integration of national development agendas with various development plans and strategies such as the 20-year National Strategy, Thailand 4.0 development model, and the sustainable development goals (SDGs). The focus of the 12th plan is on the promotion of science, technology and innovation, together with human resource development and economic reform in order to develop technology-intensive cluster of production, bio-based development, digital economy, and strengthen local economic development. The philosophy of sufficiency economy will continue to serve as the guiding principle for the implementation of the plan.

- In order to facilitate the reform process and implementation of development plans and strategies outlined above, the government has setup
Committee for Reforms, National Strategy and National Reconciliation (NSRU) to formulate reform policy. In addition, the Prime Minister's Delivery Unit (PMDU) has been setup to oversee implementation of the reform. Key economic agenda in the reform include transportation and digital infrastructure, ease of doing business, taxation and budget, finance system, economic inequality.

Thailand 4.0

- **Thailand 4.0** is an economic development model that aims to transform Thailand’s economy toward a value-based economy driven by **innovation**. The model will follow the directions of the 20-year National Strategy by building strength from within and connecting the country to the global community under the principle of “Sufficiency Philosophy”, which is consistent with the United Nations’ Sustainable Development Goals (SDGs).

- The goal of Thailand 4.0 is to unlock the country from development **challenges** arising from past development models which place emphasis on agriculture (Thailand 1.0), light industry (Thailand 2.0), and advanced industry (Thailand 3.0). The model will focus on:
  - building innovation, knowledge, technology and creativity to unlock **middle income trap**
  - building social security to move the country forward without leaving anyone behind to unlock **inequality trap**
  - creating sustainability through environmentally friendly development to unlock **imbalance trap**

- Thailand 4.0 model will stress upon inclusiveness in order to make sure that **all groups remain engaged as Thailand moves closer toward ‘Society 4.0’**, where every segment of the population, from 1.0, 2.0, 3.0 to 4.0, reaps economic benefits from development.

- Thailand 4.0 is not merely an aspiration for innovative industrial development. The lesson Thailand had learnt from Thailand 3.0 model is that **trade and investment must progress hand in hand with innovation and technology**. Development based on heavy industry eventually leads to over-dependence on export markets, which is a significant source of economic risk, at the time when the global trade is slowing down.

- Measures to be undertaken under Thailand 4.0 will comprise of:
  - Human resource development and skill training
  - Development of technology clusters and targeted industries
  - Development of entrepreneurs and network of innovative enterprises
  - Strengthening of internal economy through provincial mechanism
  - Integration with ASEAN and connecting Thailand to the global community

Thailand’s Investment Policy
• The Thai government is committed to fostering and ensuring a favorable business and investment environment, and offering excellent conditions for investors. The government has adopted the “Seven Year Investment Promotion Strategy (2015-2021)” which gives priority to investment in target industries, investment in research and development, advanced technology and innovation, as well as investment in a Special Economic Zone.

• In 2017, 3 new legislations will transform investment atmosphere in Thailand. These are
  - The revised Investment Promotion Act
  - The Competitiveness Enhancement Act
  - The draft Eastern Economic Corridor Act

• The revised Investment Promotion Act has become effective since 25 January 2017. Under the new Act, businesses will enjoy extra benefits, particularly those with investment in R&D, advanced technology and innovation, which could receive tax incentives for a period of up to 13 years, compared to 8 years under the previous Act. In addition, businesses having expenses related to R&D may claim up to a 300% tax deduction, which is arguably the world’s largest incentive of this kind. The new Act will also allow eligible businesses to receive investment tax allowance, which is a new measure never before granted by the BOI.

• The Competitiveness Enhancement Act has become effective since 14 Feb 2017. This Act allows eligible businesses to receive corporate income tax exemption up to 15 years. More importantly, it establishes a matching fund of $300 million USD to jointly invest in R&D, technology and innovation development, and human resource development in 10 targeted industries. Businesses that receive benefits under this Act are still eligible to receive benefits under Investment Promotion Act.

• In addition to these two Acts, the BOI also provides incentive packages to businesses engaged in 4 targeted core technology (biotech, nanotech, advanced materials, and digital), as well as supporting services to these core technology such as R&D, vocational trainings, laboratory services. Manufacturing of pharmaceutical and medical devices are now eligible for corporate income tax exemption, as part of Thailand Medical Hub policy.

• The government also provides significant tax incentives to businesses that set up their international headquarter (IHQ) or international trading center (ITC) in Thailand. In some cases, this amounts to complete exemption from corporate income tax for up to 15 years. Executives in regional headquarters, international trading companies, and R&D Center will be charged a lowered personal income tax rate (15%), which is the lowest tax rate in ASEAN.

• Thailand encourages investment in Special Economic Zones (SEZs) along the border to foster economic connectivity with neighboring countries and support ASEAN supply-chain and value-chain integration. This will provide tremendous opportunities for foreign investors to benefit from Thailand’s location at the center of mainland Southeast Asia with easy access to the Mekong sub-
region and broader markets. In addition to location-specific SEZs, there are also Cluster SEZs for high technology and future industries as well.

- In addition to the above investment legislations, the government has undertaken steps to transform the country into a Trading Nation by revising the Custom Act. Currently, the revised Act has been approved by the National Legislative Assembly and published in the National Gazette on 17 May 2017. It will enter into effect on 13 November 2017. The amendments introduced in the Act aims to further facilitate international trade and enhance ease of doing business with Thailand. Reform measures introduced in the Act aims to improve transparency in government’s custom administration, including caps per case of bribe and rewards regime, reduction of statutory penalties and fines for duty evasion offences, limiting the period for Customs to carry out post-clearance audits to 5 years from the import or export date.

**Eastern Economic Corridor**

- **Eastern Economic Corridor (EEC)** is a special economic zone located in 3 provinces; Chachoengsao, Chonburi, and Rayong. This area has a strong industrial support, as it is the location of the Eastern Seaboard, which serves as a manufacturing hub of Thailand for the past 30 years. The government’s plan to redevelop this zone will include the expansion of existing transportation facility, and new investment in logistic system to transform the area into the regional center for trade, investment and tourism.

- The goal of EEC development is to facilitate and attract investment in 10 innovative target industries in order to drive the country with ‘New Engine of Growth’ under the Thailand 4.0 model. The 10 targeted industries cover the first S-curve, namely 1) next-generation automotive, 2) smart electronics, 3) medical and wellness tourism, 4) agriculture and biotechnology, and 5) food for the future, as well as the new S-curve, namely 1) robotics, 2) aviation and logistics, 3) biofuels and biochemical, 4) digital, and 5) medical hub. Many global companies have already expressed interests in making investment in EEC. These include Airbus, Bridgestone, Lazada, Hitachi, Fujifilm, BMW, and Toyota.

- Investors undertaking investment projects in EEC will receive several privileges such as exemption of corporate income tax for a period of up to 15 years, and matching grant under Thailand Competitiveness Fund. At present, the EEC Office has been setup under the Ministry of Industry to coordinate investment projects within EEC. It is expected that the draft EEC Act will become effective within this year.

- Total investment in EEC during the first 5 years is projected to reach $43 billion USD. Notable projects include:
  - Development of U-Tapao international airport as the 3rd full-scaled commercial airport of Thailand ($5.7 billion USD)
  - High speed railway from Bangkok – Rayong ($4.5 billion USD)
- Bangkok-Chonburi-Pattaya Laem Cha Bang Motorway, and Laem Cha Bang - Nakorn Ratchasima Motorway ($2.8 billion USD)
- 3rd phase of Laem Cha Bang Port ($2.5 billion USD)
- Dual-track railway from Chacheongsa - Klong Sib Kao - Kang Koi ($1.8 billion USD)
- 3rd phase expansion of Map Ta Phut Port ($0.3 billion USD)

In addition, the Thai government plans to setup the Eastern Economic Corridor of Innovation (EECi) as an innovation city within EEC with supporting ecosystem for integrated R&D and innovation such as fabrication laboratory, test-bed sandbox, and certification center. This project will be undertaken jointly with Digital Park Thailand, which will serve as digital hub of EEC, equipped with data center, submarine cable station, and satellite earth station. Together with Food Innopolis, Technopolis, and Thailand’s Science Park, which have already been established in Pathum Thani Province, these facilities will help transform Thailand into a regional hub for innovative investment in Asia-Pacific.

Upcoming Trade and Investment Events

- The Ministry of Commerce will organize “TILOG-LOGISTIX 2017” under the theme of “ASEAN+6 Connectivity for Sustainable Growth” on 16 – 18 August 2017 at BITEC, Bangkok. The event will help industrialists to digitalize and upgrade their logistics operation, while establishing long-term relations to further sustainable growth of businesses.
- The Ministry of Commerce will organize the 60th edition of “Bangkok Gems & Jewelry Fair” on 6-10 September 2017 at IMPACT Muang Thong Thani. This is Asia’s leading trade show for gem and jewelry businesses, offering latest displays by international jewelry designers and manufacturers.
- Another important event is the “Digital Thailand Big Bang” organized by the Ministry of Digital Economy and Society. This event will showcase Thailand’s potentials in digital industry, and build networking among digital startups. The event is scheduled on 21 – 24 September 2017 at IMPACT Muang Thong Thani.

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