



## Investment Opportunities in Thailand



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## Strong Economic Fundamentals



## 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 Projections as of May 26, 2008

	2006	2007	2008
<b>GDP (at current prices: trillion. Bht)</b>	7.83	8.48	9.42
<b>GDP Growth (at constant prices, %)</b>	5.1	4.8	4.5-5.5
<b>Investment (at constant prices, %)</b>	3.8	1.4	8.5
-Private	3.7	0.5	9.3
-Public	3.9	4.0	6.0
<b>Consumption (at constant prices, %)</b>	3.0	2.7	4.7
-Private	3.2	1.4	3.8
-Public	2.3	10.8	10.0
<b>Export value of goods (%)</b>	17.0	18.1	13.3
<b>Import value of goods (%)</b>	7.9	9.6	22.0
<b>Trade balance (bil. US\$)</b>	1.0	12.0	1.5
<b>Current account balance (bil. US\$)</b>	2.2	14.9	6.0
<b>Current account to GDP (%)</b>	1.0	6.1	2.0
<b>Inflation (%)</b>	4.7	2.3	5.3-5.8

Source : NESDB

## Thailand's Top 10 Exports (2007)

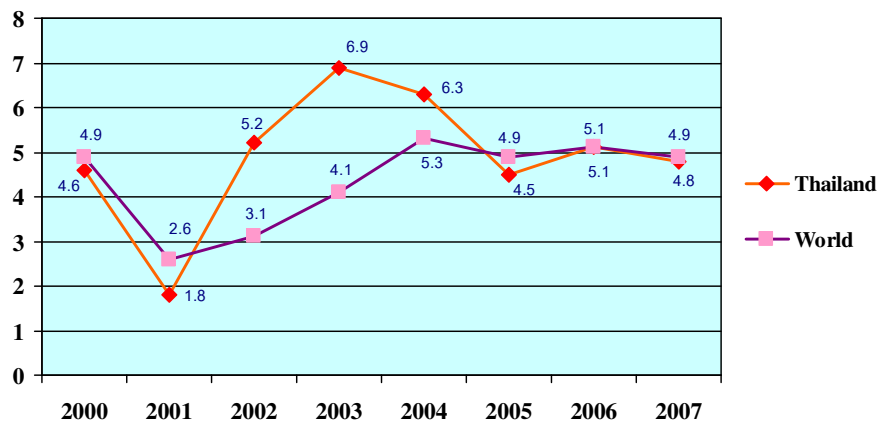
Top 10 Exports in 2007 <i>Source: Thai Customs</i>		Value (USD Mil.)
1	<b>Computers &amp; components</b>	17,299
2	Motor cars, parts and accessories	12,035
3	<b>Integrated circuits</b>	8,053
4	Rubber	5,639
5	Gems and jewelry	5,381
6	Plastic pellets	5,212
7	Iron and Steel	4,570
8	Machinery & Parts	4,339
9	Refine fuels	4,097
10	Chemical	3,920

**2 of Top 10 exports are electronics products**

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## Economic Growth Rates 2000-2007



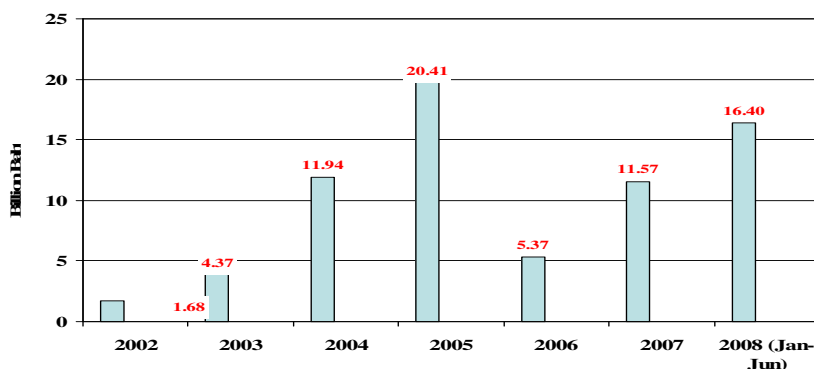
Source: BOT and NESDB, Thailand

## Latest Economic Stimulus Package

1. Reduction of excise tax on oil which will lower consumer oil prices.
2. Postponing an increase of LPG price to reduce household expenses over the next six months.
3. Reducing utility water bills by offering free use of tap water by households using less than 50 cubic metres per month.
4. Reducing electricity expenses for households using less than 150 units per month.
5. Reduce the cost of travel with free travel on 800 ordinary buses operated by the state run Bangkok Mass Transit Authority.
6. Reduce the cost of third class railway carriage - free travel on all routes nationwide

Source: [www.thaigov.go.th](http://www.thaigov.go.th), as of July 16, 2007

## Trend of Malaysian Investment BOI Approved Projects



Source: BOI, as of July 21, 2008



## Malaysia Approved Applications Totals by Sector: 2003-2008 (Jan-Jun)

Sector	Projects	THB Billion
Agriculture	40	5.56
Minerals and Ceramics	10	2.77
Light Industry	10	0.83
Auto and Metal Processing	53	5.63
Electrical and Electronics	33	42.04
Petrochemicals, Chemicals	25	1.87
Services and Infrastructure	22	11.35
<b>TOTAL</b>	<b>193</b>	<b>70.06</b>

Source: BOI, as of July 21, 2008

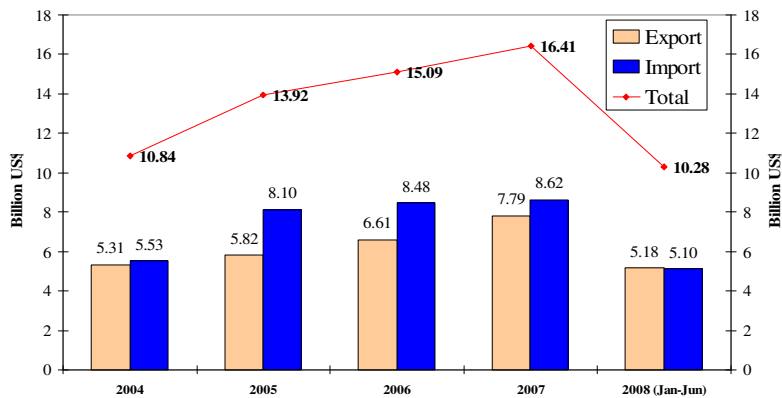


## Sample of Malaysian Approved Projects

Company	Product	Invest (Billion Baht)
Western Digital (Thailand) Co., Ltd	Hard disk drive, head stack assembly, head gimbal assembly, slider, undercoated wafer substrate	37.40
Trans Thai-Malaysia (Thailand) Ltd	Gas Pipeline system	32.88
Toshiba Semiconductor (Thailand) Co.,Ltd	Semiconductor	2.59
Thai Gypsum Products Public Co.,Ltd	Gypsum board	2.37
Thai Air Asia Co.,Ltd	Air transportation	1.62
Siam Fibreboard Co.,Ltd	Medium density fiber board	1.35
Thai Malaysia Glass Co,Ltd	Glass bottle	1.32

Source: BOI, as of July 23, 2008

## Trade Summary between Thailand/Malaysia



Source: MOC, as of July 21, 2008

## Principal Imports from Malaysia

Unit: Billion US\$

Description	2005	2006	2007	2008 (Jan-Jun)	% Growth (Jan- Jun 07/08)
Crude oil	1.99	1.53	1.01	0.92	127.58
Computer, accessories and parts	1.36	1.27	1.32	0.70	20.45
Chemicals	0.55	0.66	0.70	0.47	35.30
Electrical machinery and parts	0.48	0.41	0.57	0.45	86.12
Electrical circuit panels	0.45	0.51	0.54	0.29	36.88
Others	3.24	4.10	4.46	2.26	5.36
<b>Total</b>	<b>8.10</b>	<b>8.48</b>	<b>8.62</b>	<b>5.10</b>	<b>29.46</b>

Source: MOC, as of July 21, 2008



## Principal Exports to Malaysia

Unit: Billion US\$

Description	2005	2006	2007	2008 (Jan-Jun)	% Growth (Jan- Jun 07/08)
Beauty or make up preparations, soap and preparations for the care of skin	0.11	0.12	0.12	0.63	-2.84
Rubber	0.56	0.80	0.91	0.52	6.37
Motor cars, parts and accessories	0.42	0.45	0.65	0.48	31.57
Automatic data processing machines and units thereof	0.77	0.83	0.80	0.41	-14.17
Electronic integrated circuits	0.34	0.33	0.63	0.24	105.38
Others	3.63	4.08	4.69	2.89	16.06
<b>Total</b>	<b>5.82</b>	<b>6.61</b>	<b>7.79</b>	<b>5.18</b>	<b>16.34</b>

Source: MOC, as of July 21, 2008

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



## Why Thailand and Global Rankings



## UNCTAD's Survey on Most Attractive FDI Locations

1	China	11	<b>THAILAND</b>
2	India	12	France
3	United States	13	Malaysia
4	Russian Federation	14	Indonesia
5	Brazil	15	Singapore
6	Vietnam	16	Italy
7	United Kingdom	17	Ukraine
8	Australia	18	Japan
9	Mexico	19	Canada
10	Poland and Germany	20	Republic of Korea

**“FDI inflows to Thailand continued to rise, by 9% in 2006, reaching a record \$10 billion and consolidating the country’s position as the second largest FDI recipient in South-East Asia.”**

Source: UNCTAD World investment Prospects Survey, 2007-2009



## Ease of Doing Business

1	Singapore	12	Japan
2	New Zealand	<b>15</b>	<b>THAILAND</b>
3	United States	24	Malaysia
4	Hong Kong	30	Korea
5	Denmark	50	Taiwan
6	UK	83	China
7	Canada	91	Vietnam
8	Ireland	123	Indonesia
9	Australia	133	Philippines
10	Iceland	164	Laos PDR

Source: World Bank Study: Doing Business 2008





## Liberal Investment Policy

- No restrictions on foreign currency remittances
- No export requirement
- No foreign equity restrictions in manufacturing sectors
- No local content requirement



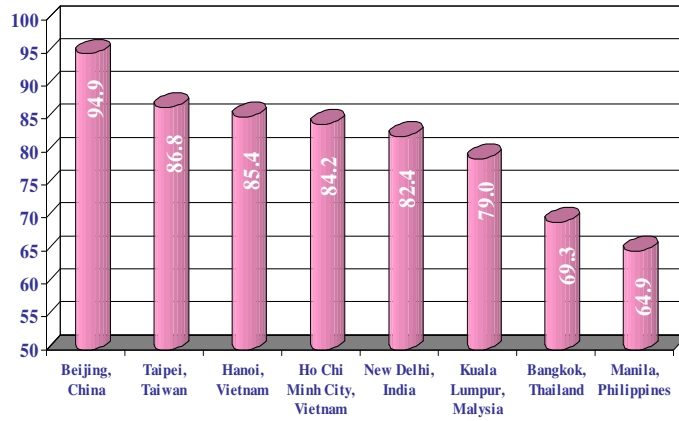
## Bangkok 2007

### One of the world's least expensive cities

1) Moscow	48) Taipei
2) London	52) Mumbai
3) Seoul	55) Jakarta
4) Tokyo	56) Hanoi
5) Hong Kong	60) Ho Chi Minh City
8) Osaka	64) Melbourne
14) Singapore	68) New Delhi
15) New York City	68) Guangzhou
20) Beijing	<b>95) BANGKOK</b>



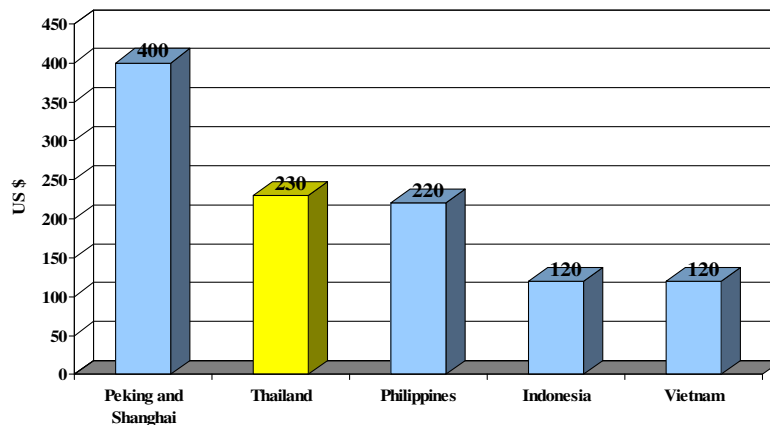
## Cost of Living



Source: World Bank Study: Doing Business 2008



## Wage Costs



Source: Strategic Alliance Network (Sanet GmbH)



## Top 10 Cities Overall

Rank 2008	Rank 2007	Name	Score
<b>1</b>	<b>3</b>	<b>Bangkok</b>	<b>87.61</b>
2	2	Buenos Aires	87.24
3	10	Cape Town	86.59
4	5	Sydney	86.49
5	1	Florence	86.24
6	-	Cuzco, Peru	86.15
7	4	Rome	85.12
8	6	New York	85.03
9	8	Istanbul	84.61
10	9	San Francisco	84.42

Note: "-" means that the property was not among the top-ranked in this category last year  
Source: www.travelandleisure.com



## Infrastructure- Strong and Growing



**Six international airports run by AOT: 2007 operations:** 56 million passengers and 1.26 million tons cargo

**Suvarnabhumi Intl. Airport:** Initial capacity: 45 million passengers and 3 million ton cargo /year

**Mass Transit :**

Skytrain, Subway, Bus Systems all to be expanded

**Highway System:**

Over 70,000 km to all provinces.

**Internet:** Wi-Fi Capability and Inexpensive Broadband Widely Available – speeds to 5 Mbps

**Deep Sea Ports:** 6 deep sea ports and 2 international river ports

Capacity over 10 million TEU - Laem Chabong ranked 21<sup>st</sup> among top 120 container ports

**Rail:** 4,346 km rail, links to Malaysia, Singapore. Bangkok Light Rail expansion plan for 137 km (2006-2012)

**Industrial Estates:**

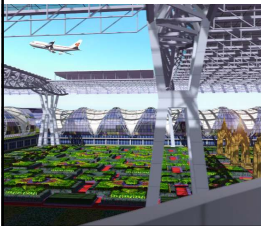
38 under IEAT and an additional 18 industrial zones and parks

**CBD Office Rent (Bangkok):**

Grade A: US\$12/sq. ft./year Grade B: US\$18.90/sq.meter as of first quarter '08

**Communications:**

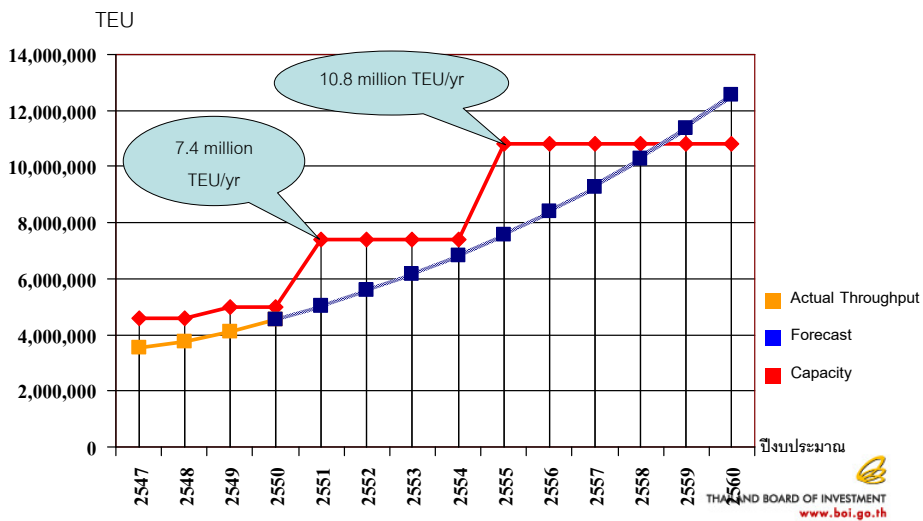
46% cell phone use (some studies as high as 82%)



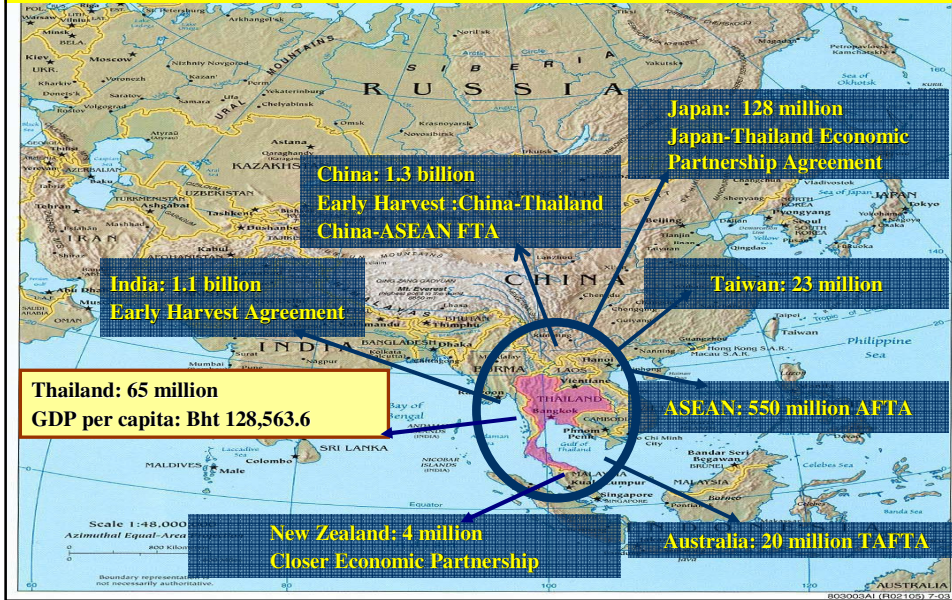




## Capacity and Throughput of Laem Chabang Port



## Hub of Access to Regional Markets (Countries and populations)



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## TAX RATES

# Taxation

- **Corporate income tax**
  - **10%** for regional operating headquarters
  - **20-30%** for net profits (for firms with capital of  $\leq 5$  million baht)
  - **30%** of net profits (for other firms)
- **VAT – 7%**
- **Remittances: 10%** of gross remittances
- **Withholding: 10-15%**
- **Personal income: 0-37%** (sliding scale)



## Several changes recently announced (1)

- Starting from July 2008, a minimum of three shareholders is required for company establishment (in the past seven) in order to accelerate the establishment process.
- Decrease of corporate income tax from 30% to 20-25% with retrospective effect from January 1, 2008.
- Register of Memorandum of Association and register of a company at the same day possible
- Reduction of tax on land and real estate from 3.3% to 0.1% and reduction of transfer charge from 2% to 0.01%
- Increase of tax-free amount on income tax of an individual enterprise to 1,200,000 THB
- 40% deduction on acquisition costs for computer software for more than 3 years
- 100% deduction on acquisition costs if not exceeding 500,000 THB  
(Exception: e.g. real estate)



## Several changes recently announced (2)

### For Juristic Persons (e.g. Ltd., PLC.) only:

- Up to 125% deduction on costs of energy-saving instrumentation, energy-saving technical equipment or energy-saving materials
- 40% deduction on acquisition costs for technical equipment and technical instrumentation
- Increase of deduction on acquisition costs for computer software from 10% to 33.33% for a period of 3 years
- Decrease of corporate income tax from 30% to 20-25% for MAI/SET listed companies



## Basic BOI Privileges and Incentives

### TAX INCENTIVES

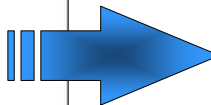
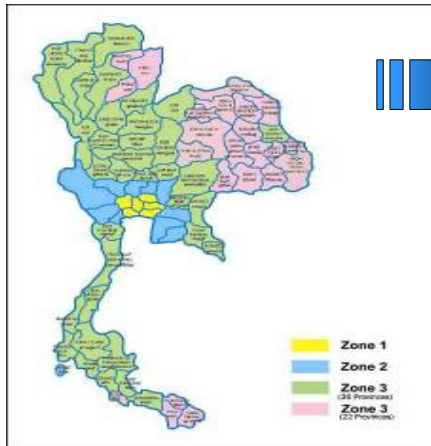
- Corporate income tax holidays up to 8 years
- Import duty reductions or exemptions on machinery and raw materials

### NON-TAX INCENTIVES

- Land ownership rights for foreign investors
- Permission to bring in foreign experts and technicians
- Work permit/visa facilitation
- Fast Track immigration lane



## BOI Zone Based Incentives



**Sector Matrix:**  
•Incentives to strengthen competitiveness

**Strategic or Priority Industries:**  
•Maximum incentives regardless of zone or location

•Example: Science & Technology Businesses  
Software  
Mould & Die

**Zone-Based Incentives:**

**Lower to Higher Zone 1 → Zone 2 → Zone 3**

## Investment Opportunities

- Automotive
- Agro industries/food processing
- E&E
- Logistics

*Auto & Auto Parts Industries*  
*Thailand: Automotive Hub of Asia*

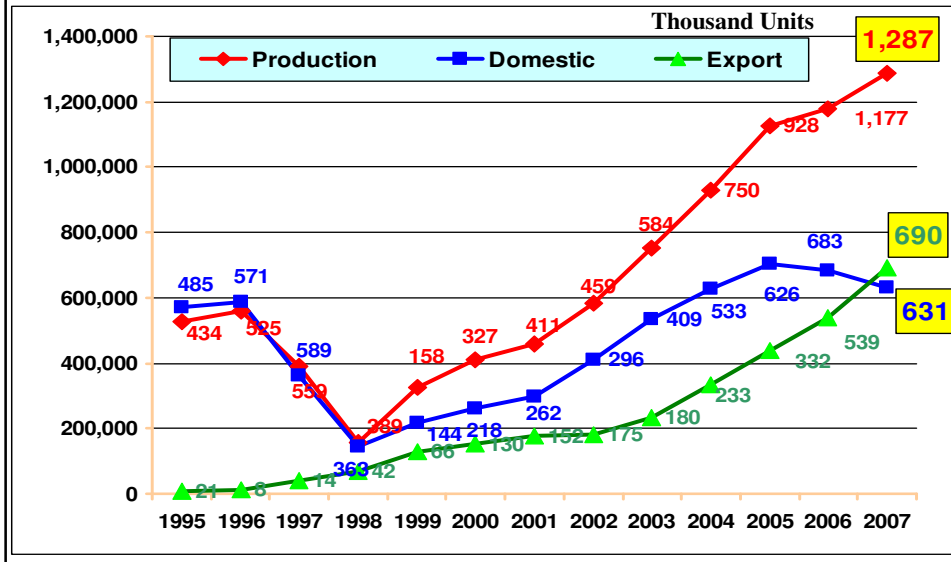


## Automotives

**Target: Top 10 auto producer by 2010, producing 1,800,000 units**

- Auto sector 12% of GDP
- Largest auto producer in Southeast Asia
- World's 2nd largest producer and market of pickup trucks.
- 16 assemblers with production of 1.3 mil. units in 2007: 53% exports
- Strong Supporting Industry
  - ~ 1,800 suppliers of Tier 1, 2, 3
- High Local content : 80-90% for pick up and 30-70% for passenger car
- New policy to promote production base for Eco car

## 2007 Automotive Industry in Thailand



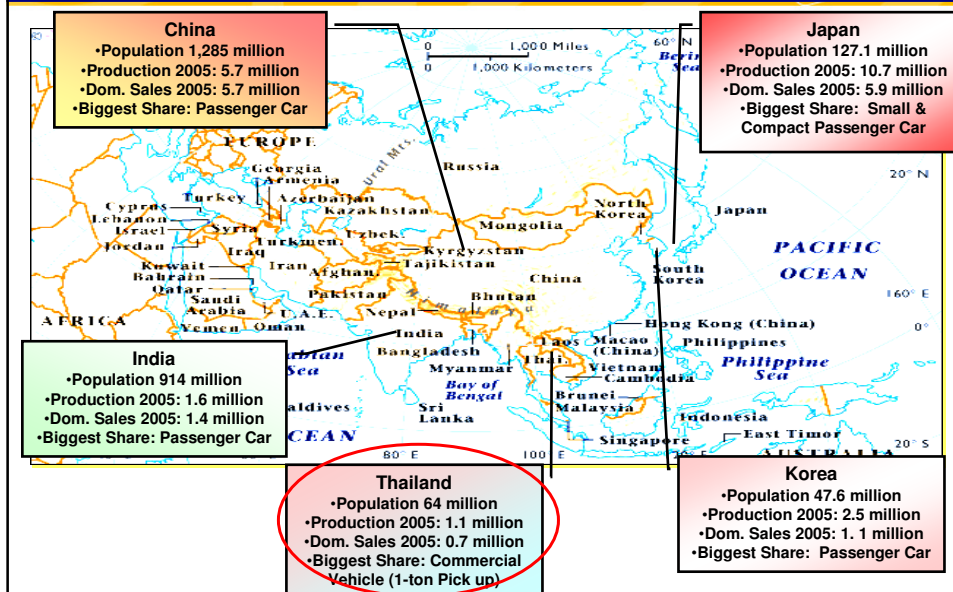
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### Economic Growth and Car Consumption

	Country	GDP Growth (%)	GDP per Capita (US\$)	Population (M. persons)	Persons per Car	Domestic Demand (Units/yr)
1	USA	5	36,200	278	2.1	17,440,000
2	Japan	1.3	24,900	126	2.5	5,940,000
3	Germany	3	23,400	83	1.9	3,620,000
4	United Kingdom	3	22,800	59	2.2	2,810,000
5	France	3.1	24,400	59	2.2	2,550,000
6	Italy	2.7	22,100	57	1.8	2,480,000
7	Canada	4.3	24,800	31	2.2	1,630,000
8	Korea	9	16,100	47	4.0	1,130,000
9	Thailand	4.5	2,800	62	10.0	700,000
10	Belgium	4.1	25,300	10	2.2	550,000

## Thailand : The Automotive Hub of Asia



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### General Auto Assembly Incentives

- No corporate income tax holiday in any zone
- Projects in Zone 1 receive 50% reduction of import duty on machinery
- Projects in Zone 2 receive
  - 50% reduction of import duty on machinery if setting up outside industrial estate
  - Exemption on import duty on machinery if setting up inside industrial estate
- Projects in Zone 3 receive import duty exemption on machinery
- Investment of greater than 10 billion Baht required



## Promotion of Passenger Car Manufacturing

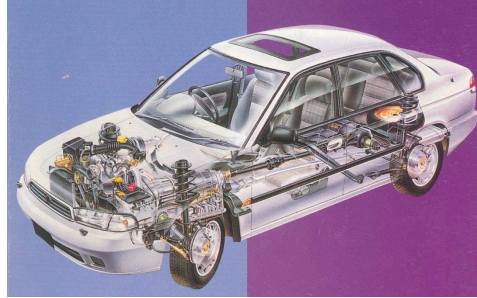
- **Waivers on import duty for machinery**
- **5-year corporate income tax exemption**
- **Projects must have a minimum production of 100,000 units/year within 5 years**
- **The size of investment, exclusive of land cost and working capital, must not be lower than THB 15 billion (around AUD\$ 512 million) within the first five years of corporate tax holidays.**
- **Presenting a plan of parts usage and parts manufacturing to the Board for approval.**

## Investment Incentives for Automotive Component & Part Manufacturing

	Zone 1	Zone 2	Zone 3
General	Machinery Duty: 50% reduction Corporate Income tax exemption: In IE - 3 years	Machinery Duty: 50% reduction Corporate Income tax exemption: In IE - 7 years Outside IE - 3 years	Machinery Duty: Exempt Corporate Income tax exemption: exempt 8 years
High-Tech	Exempt from machinery import duties		
	Exempt from corporate income tax for 8 years		
	Examples: Electronic Fuel Injection Systems, ABS Brake Systems, Substrates for Catalytic Converters, NGV Parts, Molds/Dies		

## Opportunities: Components not Sufficiently Produced in Thailand

- Passenger Car Engines
- Fuel Injection Pumps
- Transmissions
- Differential Gears
- Injection Nozzles
- Electronic Systems
- Electronic Control Units
- Turbo Chargers
- Substrates for Catalytic converters
- Anti-Lock Brake Systems
- NGV Equipment → target: 99,000 NGVs by 2008



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## Agro-based Industries



*Fertile Grounds for Investment*

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As of June 12, 2008

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**Thailand: World's Leader in Agro-Based Products**

- World's No.1 producer of natural rubber
- World's top exporter of rice
- Seafood, canned tuna, canned pineapples, cassava
- World's No.2 exporter of sugar

**Exports in 2006 – 2008**

(Billion Baht)

Products	2006	2007	Q1/2008
Rubber	205.470	194.356	57.743
Rice	98.179	119.304	43.414
Tapioca products	43.370	48.559	15.287
Sugar	28.109	43.888	9.868

Source: Bank of Thailand

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## Thailand's Exported Food products 2005 - 2008f

Export Items	2005		2006		2007		2008f	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
<b>Livestock</b>								
Chicken and poultry	285,022	1,119	313,615	1,357	338,117	1,387	364,353	1,321
<b>Fishery</b>	1,364,041	5,283	1,477,854	6,656	1,494,863	6,297	1,558,399	5,908
Shrimp	282,994	2,287	346,911	3,153	359,500	2,971	361,650	2,737
Canned / processed tuna	454,909	1,453	501,652	1,785	455,396	1,577	506,956	1,546
Chilled / frozen fish	353,360	584	364,709	641	400,573	643	388,249	569
Squid	101,017	520	95,573	586	96,645	579	102,309	544
Other canned/processed fish	171,761	437	169,009	494	182,749	528	199,235	513
<b>Vegetable and fruit</b>	2,176,162	2,073	2,410,829	2,564	2,421,230	2,478	2,728,217	2,497
Canned / processed fruit	832,731	903	959,250	1,100	908,928	1,074	1,076,418	1,099
Vegetable products	483,225	544	541,356	695	537,166	647	574,042	619
Fresh / dried fruit	634,600	385	594,313	448	685,272	462	738,635	469
Vegetable / fruit juice	225,606	240	315,910	323	289,864	295	339,122	309
<b>Other food products</b>								
Rice	7,537,342	2,988	7,438,571	3,548	8,730,086	3,947	8,860,064	3,579
Sugar	3,041,397	905	2,238,809	1,009	4,429,117	1,588	3,544,023	1,205
Palm oil	175,221	121	298,314	183	411,814	328	470,909	306
Cassava products	3,031,308	408	4,224,763	625	5,331,994	753	6,596,806	826
Cassava flour and starch	1,430,777	310	1,697,579	509	1,529,217	482	1,805,932	487
Flour and starch	196,972	100	273,407	131	194,943	127	242,798	131
Rice products	65,031	118	70,958	142	68,955	161	76,793	137
Seasonings	154,898	209	153,082	264	165,422	278	193,230	280
Non-alcoholic beverage	155,662	144	201,550	175	243,078	208	232,724	217
Pet food	199,310	431	217,883	530	230,794	544	257,486	541
Animal feed	484,402	67	516,175	127	856,304	338	1,054,985	320
Other foods not specified	2,961,678	2,329	2,725,172	2,671	2,279,799	2,445	2,885,574	2,642
<b>Total</b>	<b>23,259,220</b>	<b>16,605</b>	<b>24,258,560</b>	<b>20,495</b>	<b>28,725,734</b>	<b>21,362</b>	<b>30,872,291</b>	<b>20,401</b>

Source: Department of Trade Negotiations and Food Institute

(Quantity: Ton, Value: million AUD\$)

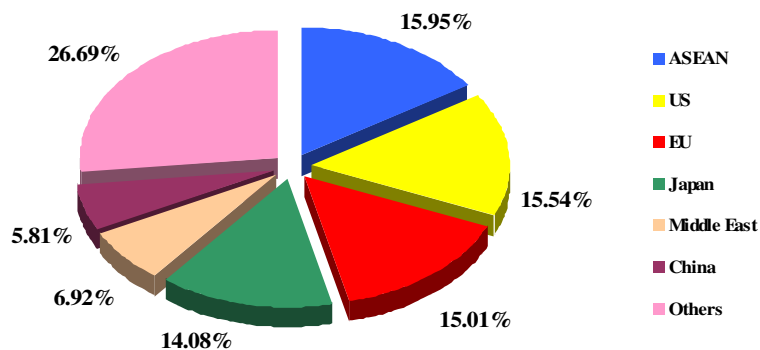


## Thai Food Exports Jan-Mar 2008

Product	Jan-Mar 2008		% Change	
	Volume (Tons)	Value (Bil. Baht)	Volume	Value
Fishery products	411,323.45	44.830	6.44	1.56
Rice and cereals	3,201,915.28	44.504	76.72	93.17
Fruits	470,509.44	13.911	9.50	18.00
Meats and products	175,679.47	12.572	10.38	24.68
Sugar and honey	1,095,153.13	10.168	-9.39	-20.28
Tapioca pellet	1,214,023.96	6.600	-33.45	-8.74
Animal feed	83,534.81	5.517	52.69	50.17
Flour and starch	402,323.93	5.145	-20.06	12.34
Vegetable	167,278.64	4.348	18.42	-7.38
Oil and Fat	99,662.47	3.704	-26.09	20.65
Product from flour	48,918.35	3.233	12.97	27.68
Others	1,031,335.52	19.260	-	-
Grand total	8,401,658.45	173.791	10.65	20.07

Source: Food Intelligence Center, National Food Institute

## Thailand's Major Food Export Markets in 2007



Source: National Food Institute

## Thailand's booming agriculture exports has created opportunities for investment in:

- food packaging materials
- cold storage transport:
  - 8-year corporate income tax exemption, regardless of zone

## Food Processing Equipment

- About 5.523 billion Baht in machinery for bottling, filling, sealing, labeling and washing was imported in 2007 reflecting tremendous new investment opportunities.

## Food Safety Equipment

- Thailand has enforced the Good Manufacturing Process (GMP) standard since 2003, leading to significant growth in the food safety equipment market, which is about 11.342 billion Baht in 2005 and growing by about 20-25% per year.

## Halal Food

- Thailand was the first country to implement a scientific standard for Halal Food, carried out by the Halal Science Center, with companies accredited by the Central Islamic Committee of Thailand
- More than 1,700 companies with over 50,000 products received Halal Certificates in 2006

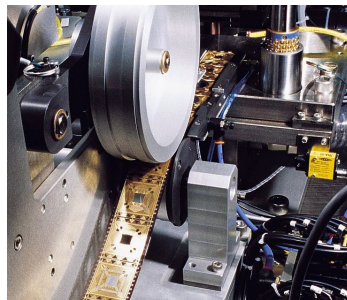
(Source: The Institution for Halal Food Standards of Thailand)

## Opportunities in Agro-based Industries

- **Rubber: 2.97 million tons or 194.36 billion Baht exported in 2007 and 1.18 million ton or 89.87 billion Baht exported between January and May 2008**
  - Opportunities in tires, rubber gloves, etc
- **Tapioca: 7.24 million tons or 48.56 billion Baht exported in 2007 and 2.81 million ton or 23.47 billion Baht exported between January and May 2008**
  - Opportunities in Biofuels, food additives
- **Sugar: 4.41 million tons or 43.89 billion Baht exported in 2007 and 1.91 million ton or 17.28 billion Baht exported between January and May 2008**
  - Opportunities in lactic acid, alcohol

Source: Bank of Thailand, as of 16 July, 2008

## Electronics & Electrical Products Integrating Innovation & Technology

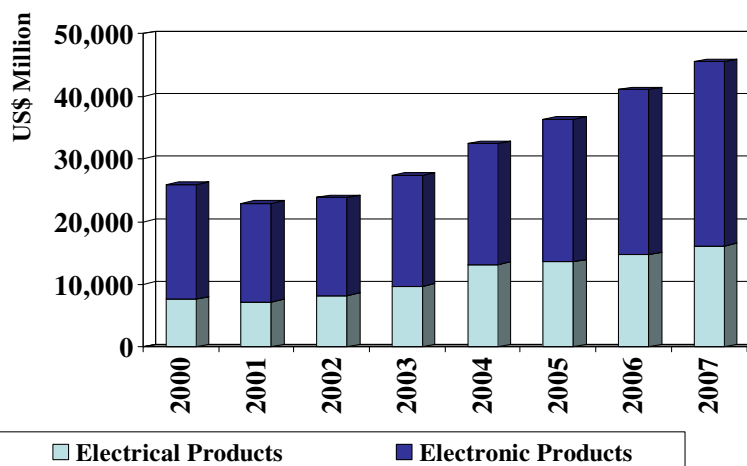


## Electronics and Electrical Industry

- E&E Exports : US\$45.72 Billion in 2007
- Thailand is the world's largest producer of HDDs
- A leading country in the manufacture of Integrated Circuits and White Goods



## E&E Accounts for 30% of Thailand's Exports

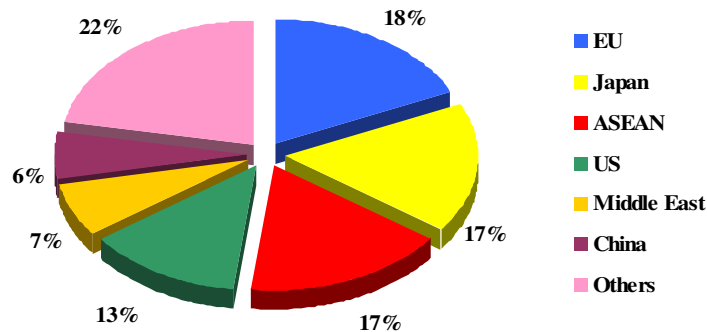


Source: MOC

## E & E Industry Production

Items	Production			Growth Rate (%)			Average Growth (%) Between 2004-2007
	2005	2006	2007	2005	2006	2007	
Integrated Circuit (Million Pieces)	11,378	13,954	14,334	15.5	22.6	2.72	13.61
Hard Disk Drive (1,000 Units)	120,707	153,980	205,277	59.5	27.3	33.31	40.04
Printers (1,000 Units)	19,241	16,577	17,439	-9.5	-13.8	5.2	-6.03

## Thailand's Electrical Appliance Exports by Market in 2007

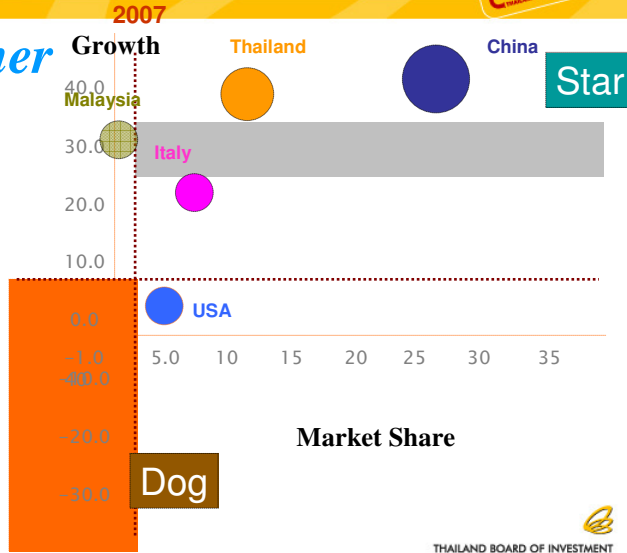


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**Air Conditioner**

	M\$
China	6,308
2. Thailand	3,155
Italy	1,427
4. United States	1,110
Malaysia	993
Japan	813
Germany	776
Belgium	623
9. South Korea	577
10 Spain	411



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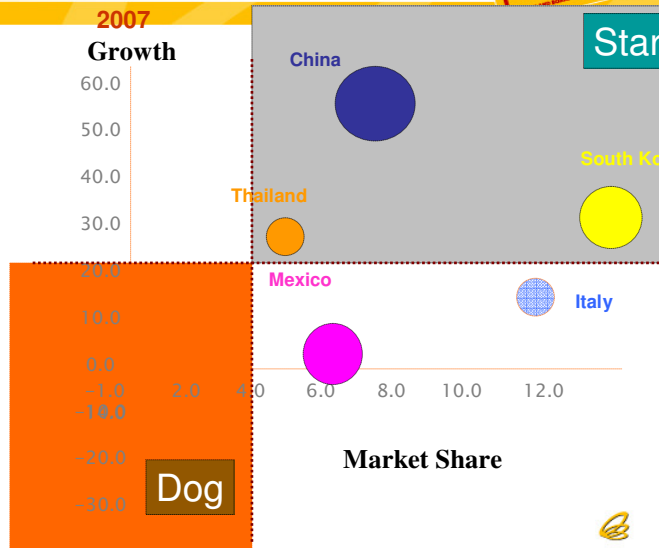
Source: The Office Of Industrial Economics

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**Refrigerator**

	M\$
1. China	2,246
2. South Korea	1,598
3. Mexico	1,444
4. Italy	1,020
5. Thailand	946
6. Germany	929
7. USA	726
Singapore	608
9. Poland	561



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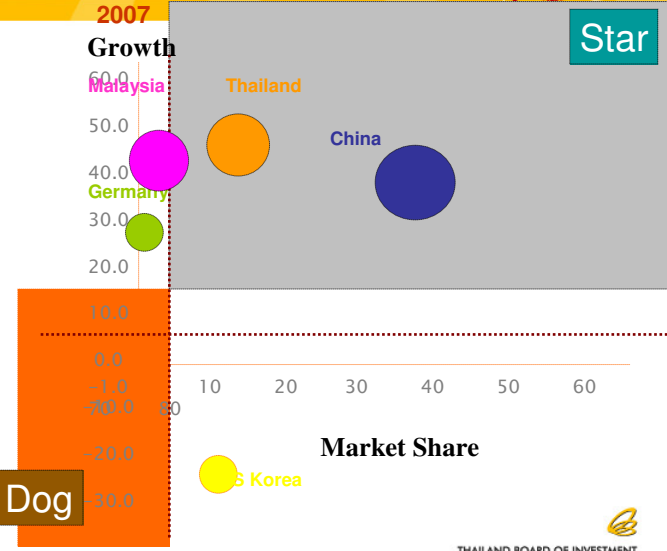
Source: The Office Of Industrial Economics

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**Microwave**

	M\$
1. China	2147
2. Thailand	566
3. Malaysia	301
4. South Korea	223
5. Germany	209
6. USA	157
7. Sweden	106



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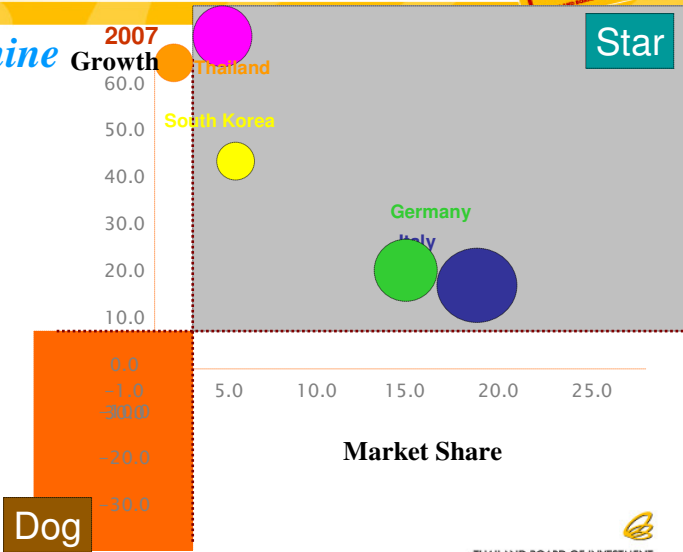
Source: The Office Of Industrial Economics

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**Washing Machine**

	M\$
1. Italy	2,046
Germany	1,986
3. China	1,533
4. S Korea	953
5. USA	599
6. Thailand	570
Poland	532
8. Slovakia	450
9. Spain	344

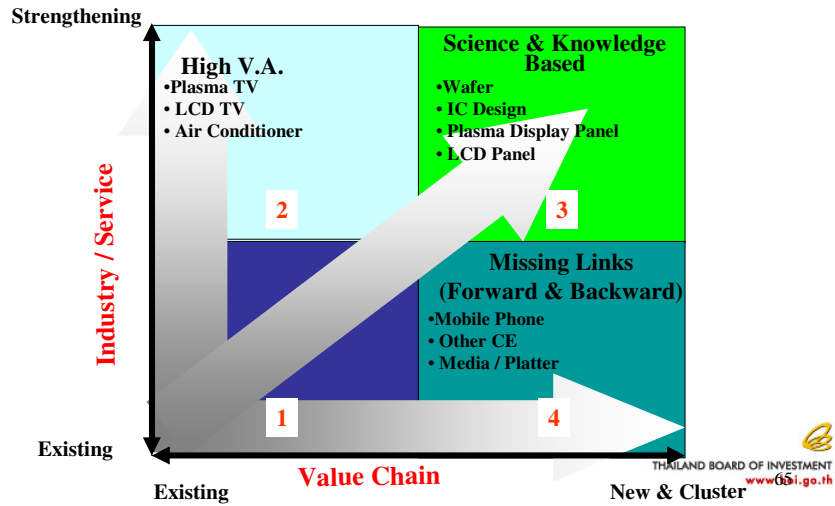


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Source: The Office Of Industrial Economics

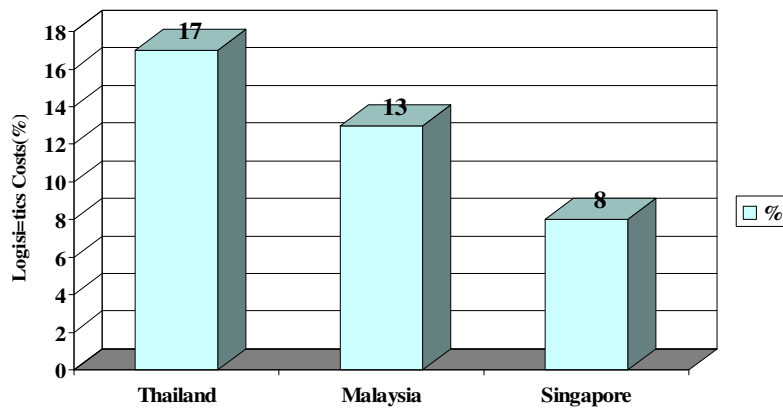


## Strategies for the Electronics Industry



## Logistics

## Total Logistics Costs as Percentage of GDP



Source: Frost & Sullivan

## Investment Opportunities (1 of 2)

- Malaysia has attached great importance to the development of an efficient and integrated transportation network, building infrastructure facilities (seaports, airports and rail links) and adopting a supply-driven policy to streamline transport. The shipping costs from Malaysia are very competitive, and much lower than Thailand.
- Building shipping containers in Thailand presents a good investment opportunity not only because it promises to erase or at least reduce the costs associated with sending empty containers to their filling points, but also because the demand for these containers continues to grow.



## Investment Opportunities (2 of 2)

- Laem Chabang Port (LCP) is searching for private sector to operate its C0 berth to match the export demand of automobile industry.
- The inefficiency of Thailand's trucking industry presents an opportunity for multinational logistics service providers (LSPs). If they acquire and consolidate some of the medium to large local trucking companies, they can transfer some of their trucking freight management technology to these firms and ultimately become a powerful market force.
- The number of hi-tech logistics and warehouse centers for domestic distribution is also insufficient.

