

LET'S TAKE THAIS SERIOUSLY

- **John Anderson, President, Australian-Thai Chamber of Commerce**
- **Mark Carroll, Executive Director, Australian-Thai Chamber of Commerce**

November 2011

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When floods recede, let's take Thais seriously

[MARK CARROLL](#) [The Australian](#) October 27, 2011 12:00AM

AS Thailand's floodwaters recede, they will reveal just how important the Thai economy is in regional and global terms.

Thailand is a manufacturing powerhouse. Countless small and large factories churn out a broad range of finished consumer goods for export, as well as component products vital to global supply chains. With many of these production facilities under water, the impact of the worst floods in decades will spill well beyond the rivers and tributaries of Thailand.

The floods are expected to chop Thailand's economic growth by at least one percentage point, or one quarter, this year.

Many of the purpose-built industrial parks dotted across the country are inundated.

About 14,000 businesses within Thailand are said to be affected, including 1000 factories submerged in a quagmire the size of Tasmania. The closures, supply chain shortages, labour absences, transport roadblocks and other flood-related factors will affect numerous large multinationals, including Toyota, Honda, Mazda, Isuzu, Ford, Sony, Sharp, Toshiba, Western Digital, Seagate, Nikon, Canon, Hewlett Packard, Dell and Apple.

 **MUMBLE**
'In 2010 we were spoilt with four elections: all ended up closer than most had earlier expected'

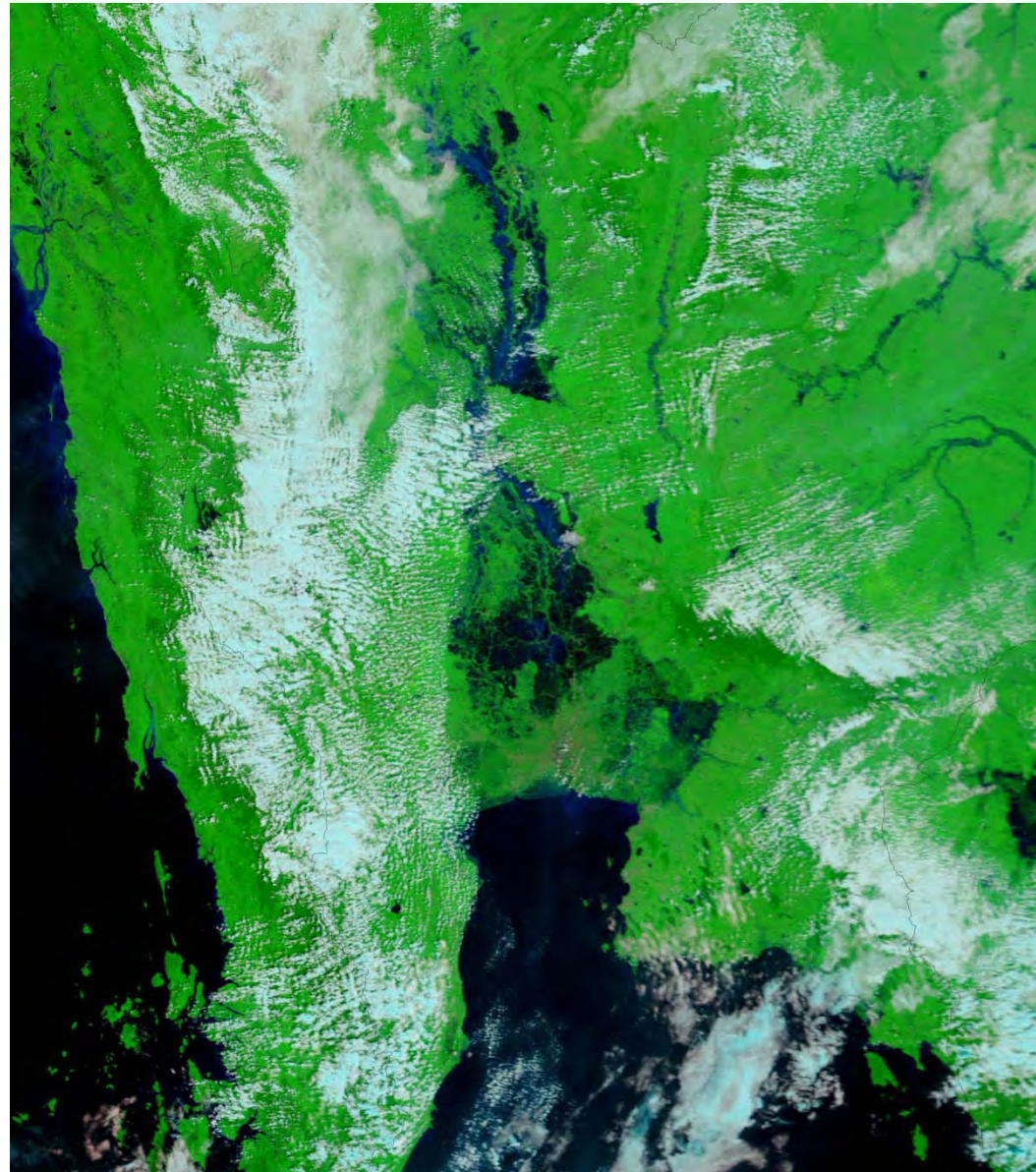
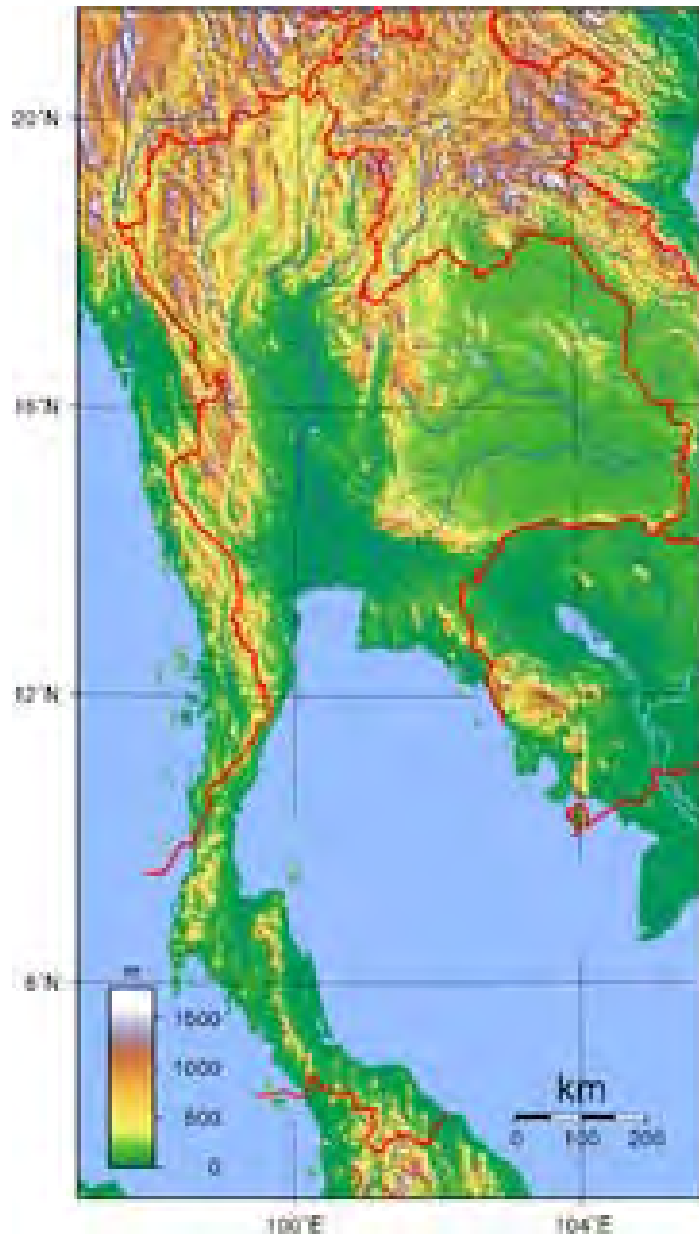
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 The global output of hard drives is projected to fall by 30 per cent
Connected to tags.bluekai.com... e of the pivotal role Thailand plays in assembling them and

Points to be covered...

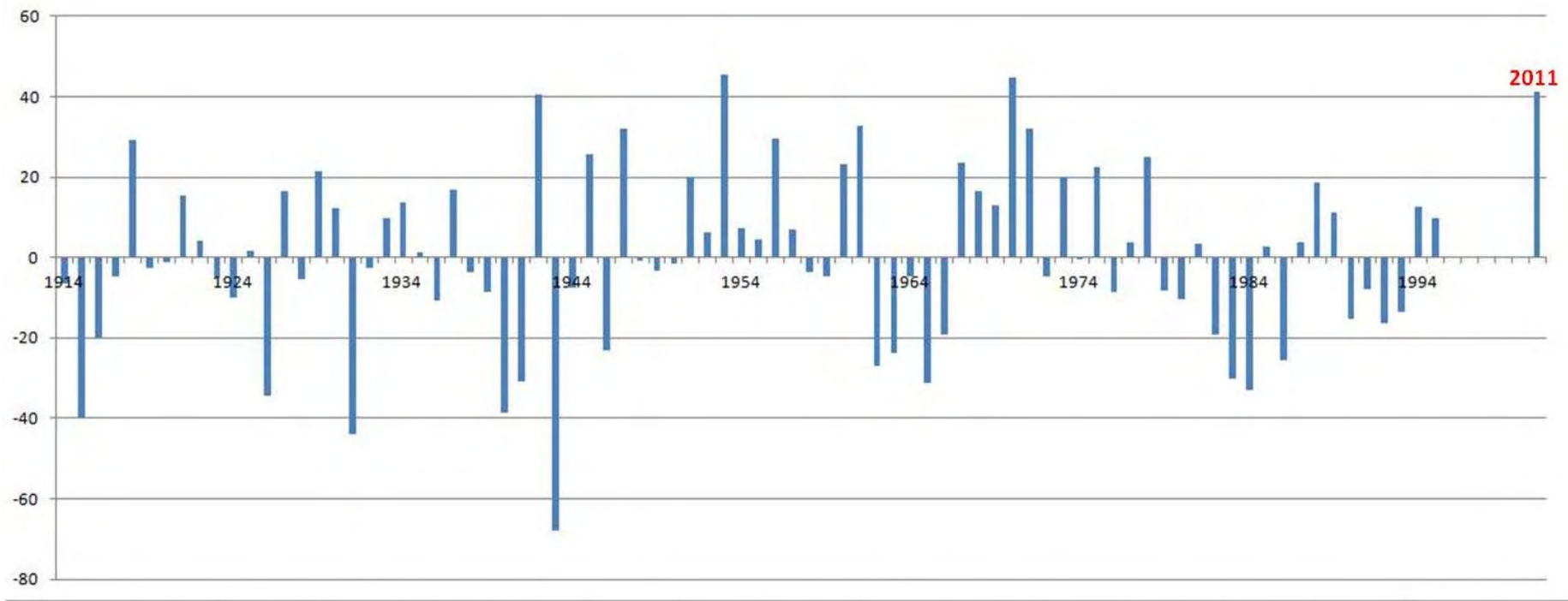
- **Flooding in Thailand – causes and effect.**
- **Message in the floods for Australian business.**
- **Overview of Australian-Thai business relationship.**
- **Thailand's strengths as a business and investment destination, and post-flood outlook.**
- **Investment incentives, including regional operating headquarters.**
- **AustCham Thailand.**

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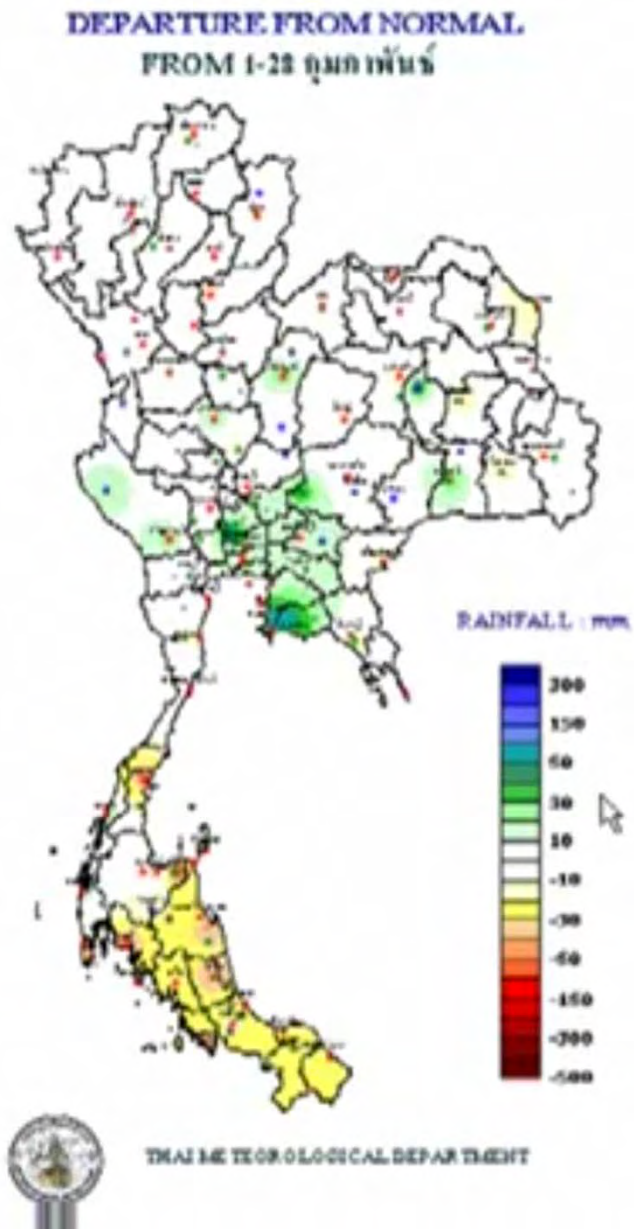


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- Average Chiang Mai rainfall January-September: 971mm greater than average.



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10,000

ล้าน ลบ.ม.



where we have 100 billion cubic meters of water on land.

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A big impact..

- **2011 economic growth slashed from 4.1% to 2.6%.**
- **Economy projected to shrink 1.9% in fourth quarter.**
- **Seven major industrial estates closed/inundated; 20,000 business and 780,00 jobs affected.**
- **Tourist arrivals in fourth quarter expected to drop by 20%, a loss of 20 – 30 billion Baht (around AU\$650m – AU\$1 billion).**

Including on some recognisable names...

- **Toyota**
- **Honda**
- **Mazda**
- **Isuzu**
- **Ford**
- **Sony**
- **Sharp**
- **Toshiba**
- **Western Digital**
- **Seagate**
- **Nikon**
- **Canon**

And big name buyers from Thai factories...

- **Hewlett Packard**
- **Dell**
- **Apple**

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The bigger picture...

- **Thailand is a manufacturing power house!**
- **It's economy is not just important in regional terms, but globally.**
- **It manufactured 1.6 million vehicles in 2010. It produces one half of all the one-ton pickup trucks in the world.**
 - **Floods have impacted production in several countries .**
- **Thailand is the number one producer of hard disk drives.**
 - **Global output is projected to fall by 30%, causing a global shortage and price increase.**
- **It is the sixth largest exporter of rice and sugar.**

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The Australian-Thai picture...

- **Total merchandise trade in 2010: \$17 Billion.**
 - **6th largest merchandise trading partner, highest ranking in ASEAN.**
- **But services?**
 - **12th largest market behind Singapore, Malaysia and Indonesia.**
- **And FDI?**
 - **Australian investment in Thailand (A\$m) of 1,905 (2 billion) in 2010, compared to**
 - **Thai investment in Australia (A\$m) of 4,996 (5 billion).**

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- Australian business: a perception problem?



A perception problem?

- **Over 700,000 Australian visits to Thailand each year.**
- **But some estimates put the business community at less than 3,000.**

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To be fair....

- Foreign Business Act reflects some protectionist tendencies.
- Colourful politics.

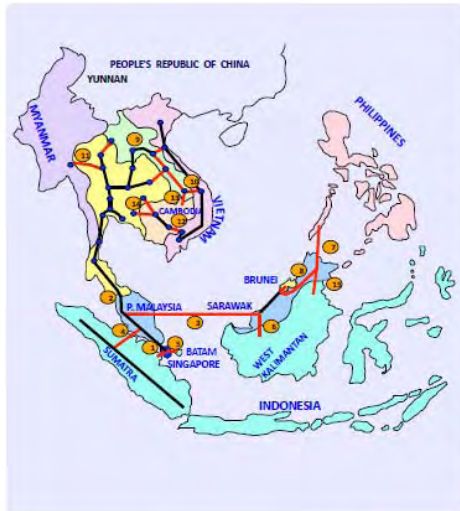


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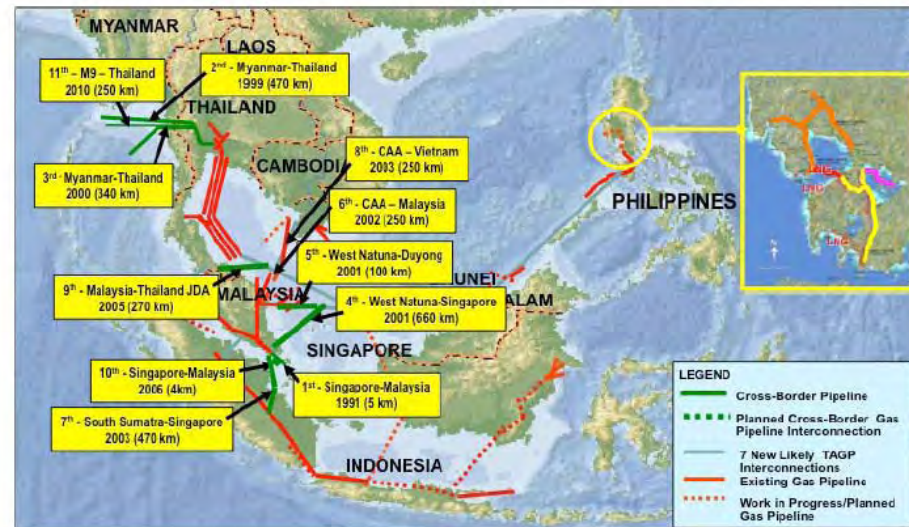
But many others have choses to focus on the positives...

- **Strategic location.**
- **World-class infrastructure.**
- **Cheap business inputs.**
- **Cost competitive labour force with good skills potential.**
- **Rich culture and tolerant society.**
- **Now ranked 17th by the World Bank in ease of doing business – in East Asia only Singapore and Hong Kong ranked higher.**

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	Earliest COD
1) P.Malaysia - Singapore	Existing
2) Thailand - P.Malaysia	Existing
• Sadao - Bukit Keteri	Existing
• Khlong Ngae - Gurun	Existing
• Kolok - Rantau Panjang	Newly Proposed
3) Sarawak - P. Malaysia	2015/16
4) P.Malaysia - Sumatra	2015
5) Batam - Singapore	2015
6) Sarawak - West Kalimantan	2013
7) Philippines - Sabah	2020
8) Sarawak - Sabah - Brunei	2020
Sarawak - Sabah	2020
Sabah - Brunei	MOU Signed
Sarawak - Brunei	2012
9) Thailand - Lao PDR	
• Roi Et - Nam Theun 2	2009
• Udon - Nabong	2011
• Mae Moh - Nan - Hong Sa	2015
10) Lao PDR - Vietnam	2010
11) Thailand - Myanmar	2016
12) Vietnam - Cambodia	Existing
13) Lao PDR - Cambodia	2011
14) Thailand - Cambodia	Existing
15) East Sabah - East Kalimantan	Newly Proposed



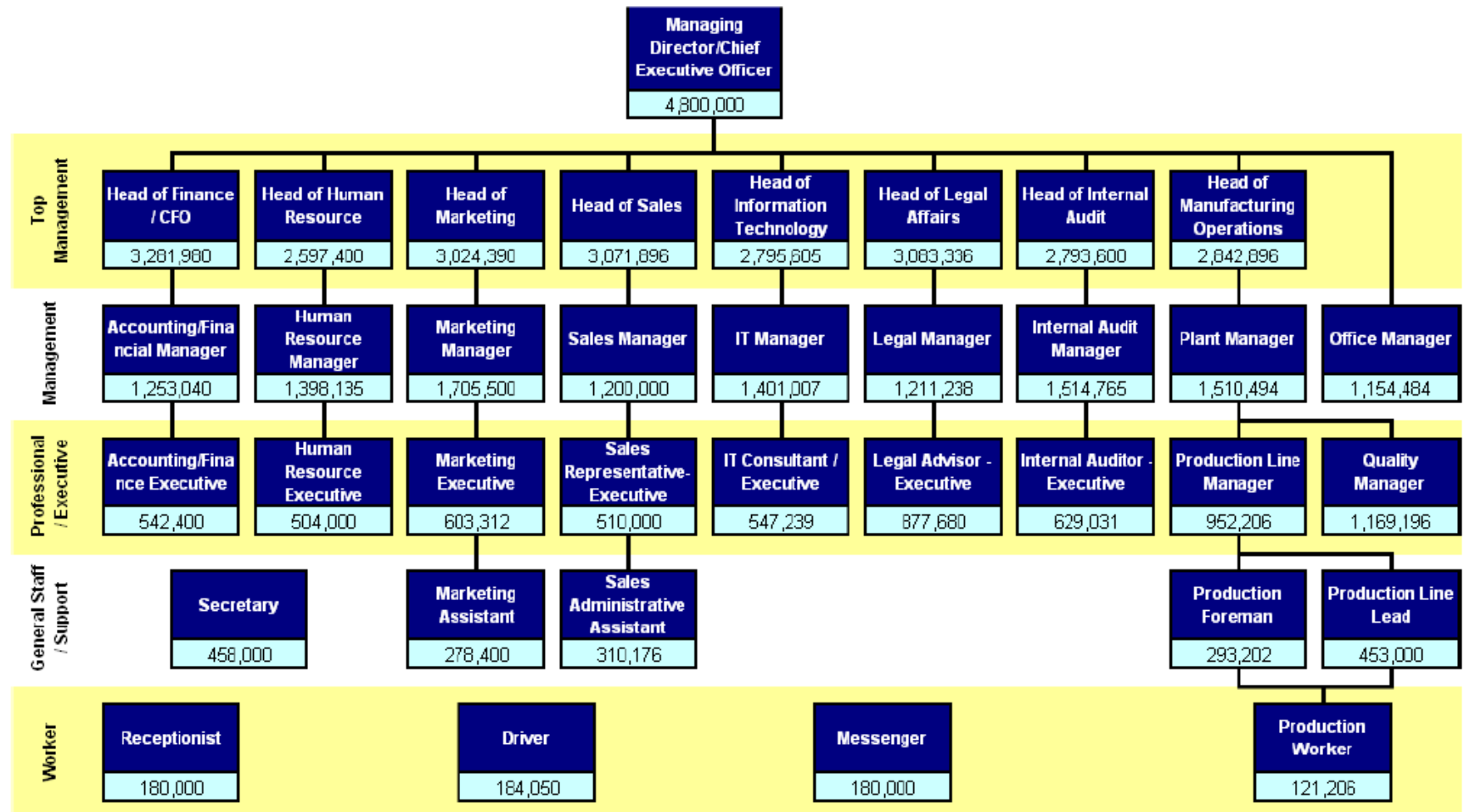
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* All values in Thai Baht

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A positive post-flood outlook...

- **Recovery is underway.**



- **Businesses will weigh the cost/benefit, particularly the incentives being offered.**
- **Eastern Seaboard unaffected and supply chains being restored.**
- **Thailand and its people are robust, pragmatic and resilient!**

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Thailand Focus

- ASEAN+3 to be Major Channel for East Asia Integration**
ASEAN Plus China, Japan and Republic of Korea (ROK) (ASEAN+3) should be the major channel for East Asia integration amid the fragile world economic situation,...
- Toyota Remains Loyal to Flood-Hit Thailand**
While Thailand's floods offer a golden opportunity for automakers to diversify their investment across the region – hunting down cheaper suppliers in nearby Vietnam or Indonesia – the kingpin of the Thai market, Toyota, has no plans to go anywhere.
- Michelin Planning Thailand Elastomer Composite Plant**
- BOI's Board Approves Additional Emergency Measures to Help**

"Since ours is a niche business, it was important for us to be able to concentrate without the difficulties of partnering. That's why the ability to invest in Thailand as a wholly foreign-owned company was attractive to us. Also, the land here is free-hold, rather than lease- hold as in some of the other countries."

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BOI promoted benefits....

- **Can include tax incentives such as**
 - **Exemption of import duties on machinery.**
 - **Eight-year corporate income tax exemption.**
 - **Reduction of import duties for raw or essential materials.**
 - **Exemption or reduction of income tax and dividends.**
 - **Double deductions of the costs of transportation, electricity and water supply.**
 - **Additional deductions for the cost of installation or construction of facilities.**
- **There are also various non-tax incentives possible such as streamlined work permits and entry procedures.**

BOI areas of interest...

- **Aircraft Part Production & Aircraft Maintenance**
- **Alternative Energy**
- **Automotive Industry**
- **Biotechnology**
- **Electrical & Electronics**
- **Food Processing**
- **Machinery & Metalworking**
- **Medical Sector**
- **Petrochemicals**
- **Regional Operating Headquarters and Global Sourcing**
- **Software Industry**
- **Section 1: Agriculture and Agricultural Products**
- **Section 2: Mining, Ceramics and Basic Metals**
- **Section 3: Light Industry**
- **Section 4: Metal Products, Machinery and Transport Equipment**
- **Section 5: Electronic Industry and Electric Appliances**
- **Section 6: Chemicals, Paper and Plastics**
- **Section 7: Services and Public Utilities**

Important to remember that BOI focus is generally exports potential not domestic sales.

Regional operating headquarters (ROH)...

- **New program permits companies to serve one foreign affiliate within its first fiscal year, two foreign affiliates within its third year, and three foreign affiliates within its fifth year.**
- **New incentives, including:**
 - **corporate income tax exemption for 10 years on income derived from qualifying services provided to overseas affiliated entities;**
 - **a reduction of corporate income tax rate from 30% to 10% for 10 years on income derived from qualifying services provided to local affiliated entities;**
 - **Additional tax reductions if companies generate more than 50% of their income from qualifying service fees and royalties charged to foreign entities.**

About Austcham Thailand....

- **Established 1977**
- **430 member companies covering many thousands of individual employees.**
- **Probably the most active chamber in Thailand.**
- **We are sharpening our focus on the commercial environment and being influential within it.**
- **Next year is a big year for us – 60 years of Australia-Thai Diplomatic relations. So come and visit.**