

Business Promotion incentives -

- successful case in Thailand

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REGIONAL EXECUTIVE FOR INDIA



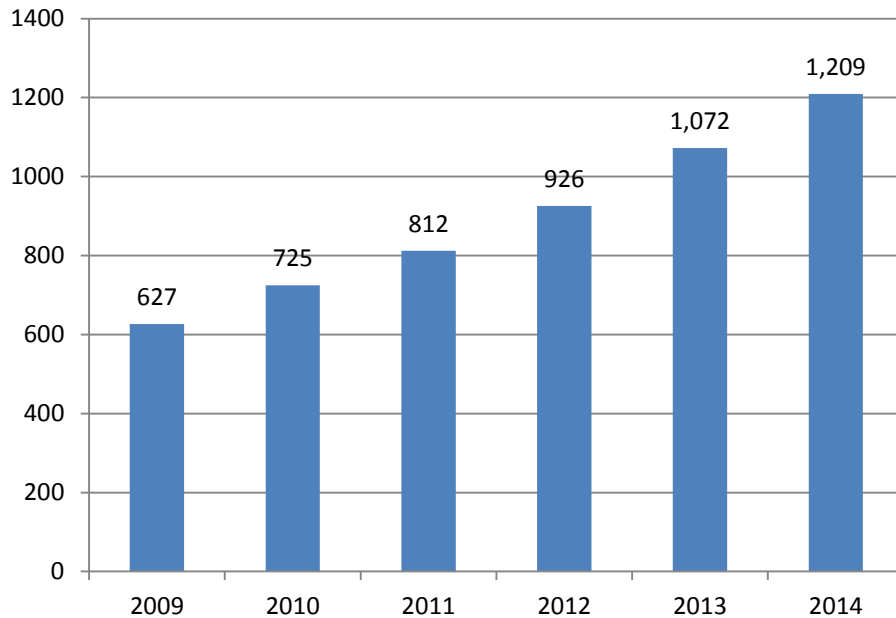
I . Business in India

Gap between expectations and investment from Japanese corporates

- The number of Japanese corporates in India has been steadily growing and now it is more than 1,200.
- Still, comparing to their expectations to India, the number is still small.

WHY??

Graph 1: Number of Japanese Corporate in India



(Source) Japan Embassy in India

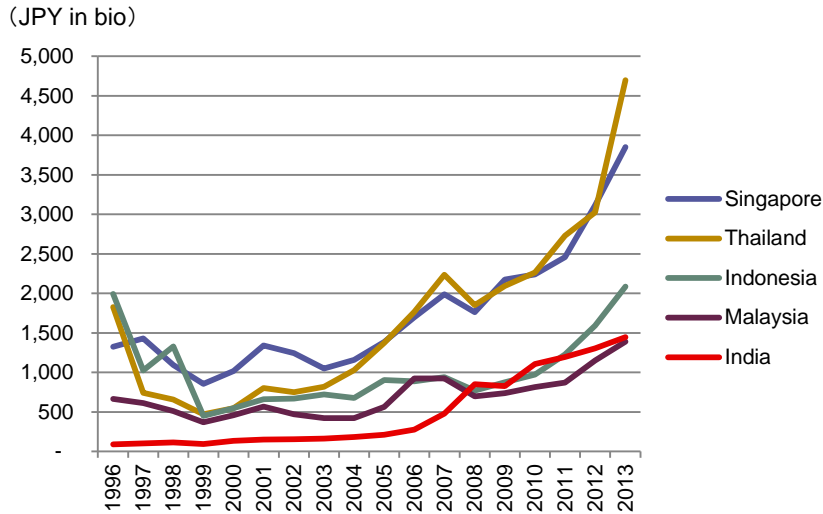
Promising Countries for Medium-term: 3years Business			
	2012	2013	2014
1	China	Indonesia	India
2	India	India	Indonesia
3	Indonesia	Thailand	China
4	Thailand/Vietnam	China	Thailand
5		Vietnam	Vietnam

Promising Countries for Long-term: 10years Business			
	2012	2013	2014
1	India	India	India
2	China	China	Indonesia
3	Indonesia	Indonesia	China
4	Brazil	Brazil	Vietnam
5	Vietnam	Thailand	Thailand

(Source) 2014 Survey report of JBIC on overseas business operations by Japanese manufacturing companies.

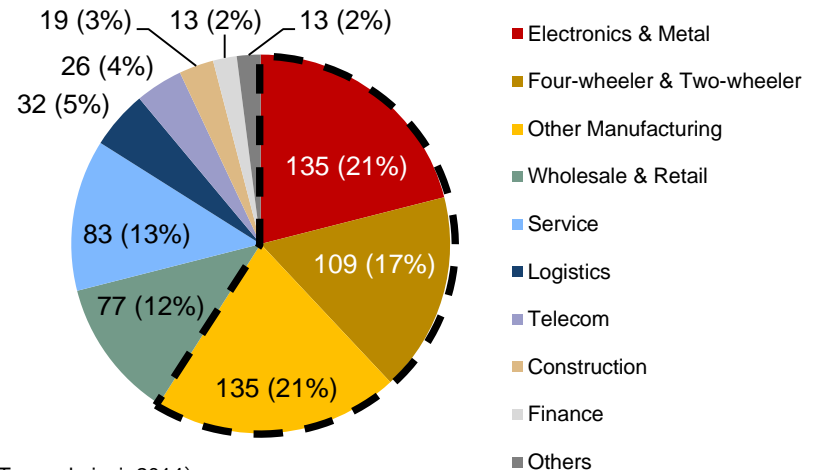
Investment by Japanese companies

Graph 2: Trend of accumulated FDI from Japan



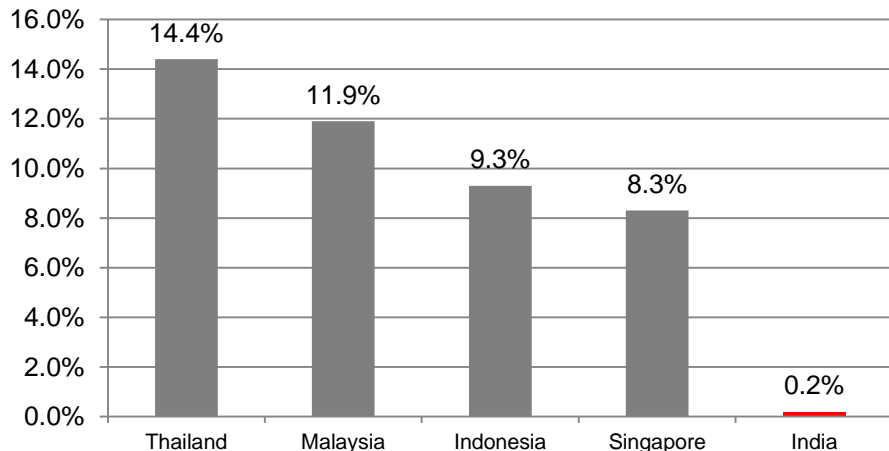
(Resources: Bank of Japan, Ministry of Finance)

Graph 3: Sector-wise number of Japanese companies in India (as of 2013)



(Resources: Touyoukeizai, 2014)

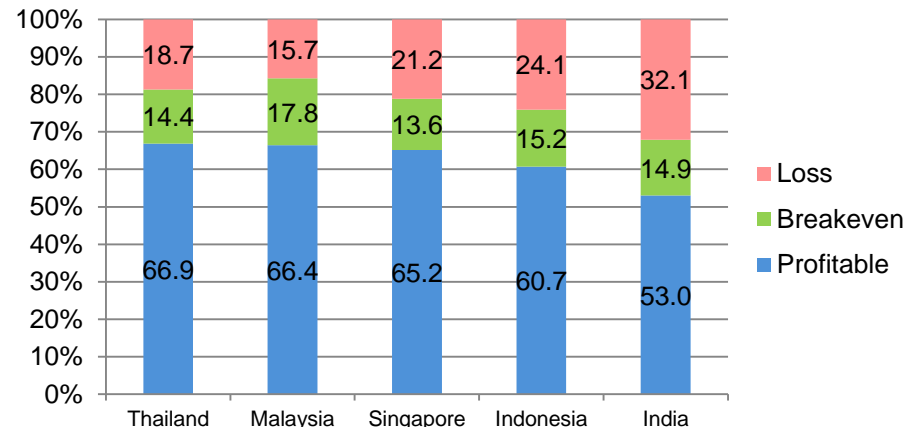
Graph 4: Return on Investment of Japanese companies (as of 2013)



4 $ROI = \text{Investment Profit} \div \text{Accumulated Investment Amount}$

(Resources: Bank of Japan, Ministry of Finance)

Graph 5: Prospect of Operating Profit (as of 2014)



(Resources: JETRO)

II . Asian countries

Snapshot

	India	Thailand	Singapore	Indonesia	Malaysia
Population (2013/Million)	1,252	67	5	250	30
Nominal GDP (2013/USD in bio)	1,875	387	298	868	313
GDP per capita (USD)	1,498	5,779	55,183	3,475	10,538
Real GDP Growth Rate (2013)	6.9%	1.8%	3.9%	5.8%	4.7%
Ease of Doing Business Ranking (World Bank 2015)	142	26	1	114	18

(Resources: World Bank)

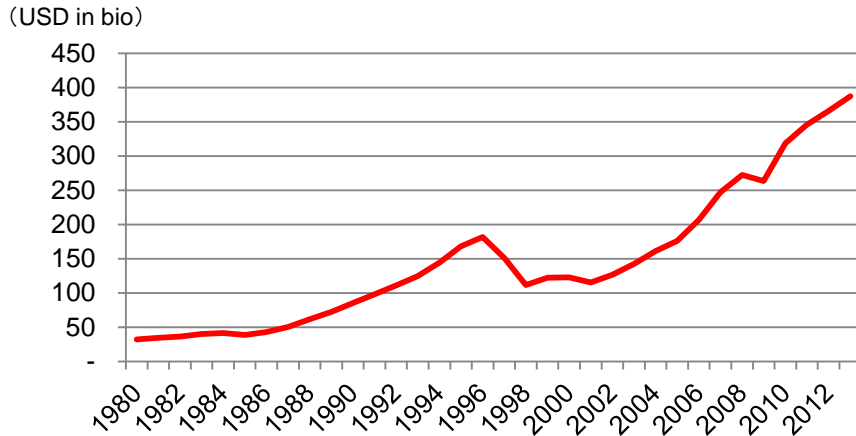
Business Promotion Policy

	Promoting manufacturing sector		Manufacturing sector ⇒ RHQ in manufacturing	Promoting RHQ/hub businesses	
	India	Indonesia	Thailand	Singapore	Malaysia
Promotion Policy	<ul style="list-style-type: none"> ▪ “Make in India” ▪ Infrastructure (DMIC) ▪ FDI promotion (except for retail etc) ▪ INR stabilization 	<ul style="list-style-type: none"> ▪ Localization (expats are limitedly allowed to work) ▪ Infrastructure (ODA) 	<ul style="list-style-type: none"> ▪ Investment promotion Act ▪ Tax incentives for IHQ/ITC 	<ul style="list-style-type: none"> ▪ Tax incentives for IHQ/RHQ ▪ Logistics Hub 	<ul style="list-style-type: none"> ▪ Real Estate Development (Iskandar PJ) ▪ Gateway for Islamic business ▪ “Principal Hub” for regional operation center
Corporate Tax Rate	34%	25%	20%	17%	25%
sectors of Japanese companies	<ul style="list-style-type: none"> ▪ 4-wheeler ▪ 2-wheeler ▪ Electronics &Electrical 	<ul style="list-style-type: none"> ▪ 4-wheeler ▪ 2-wheeler ▪ Electronics ▪ Food 	<ul style="list-style-type: none"> ▪ 4-wheeler (incl. RHQ) ▪ 2-wheeler ▪ Electronics& Electrical 	<ul style="list-style-type: none"> ▪ Regional HQ ▪ Wholesale ▪ Retail ▪ Finance 	<ul style="list-style-type: none"> ▪ Electronics& Electrical ▪ Retail ▪ Food

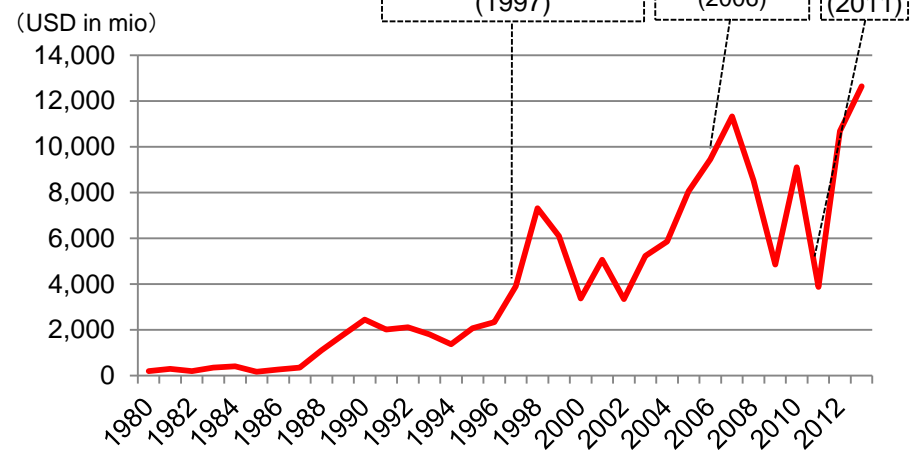
III. Business in Thailand

Trend of Business

Graph 6: Trend of GDP

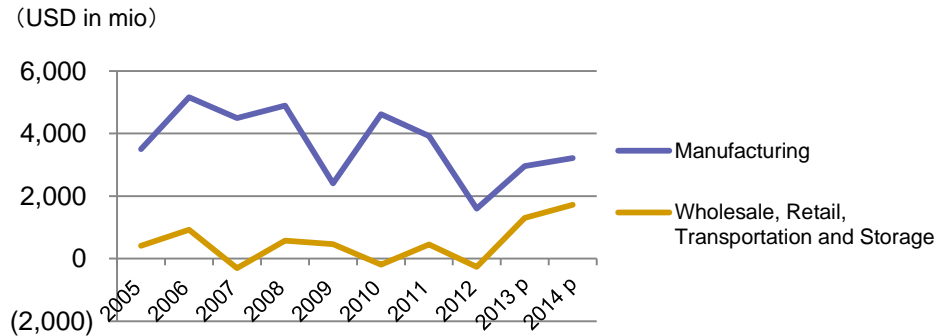


Graph 7: FDI (Net inflow)



(Source: World Bank)

Graph 8: Trend of sector-wise FDI into Thailand



(Source: Bank of Thailand)

Business circumstance in Thailand

Well-organized Infrastructure and Tax incentive

Infrastructure

- Sufficient industrial parks across the country
- Stable Electric & Water supply
- Developed highway network

Tax Incentive

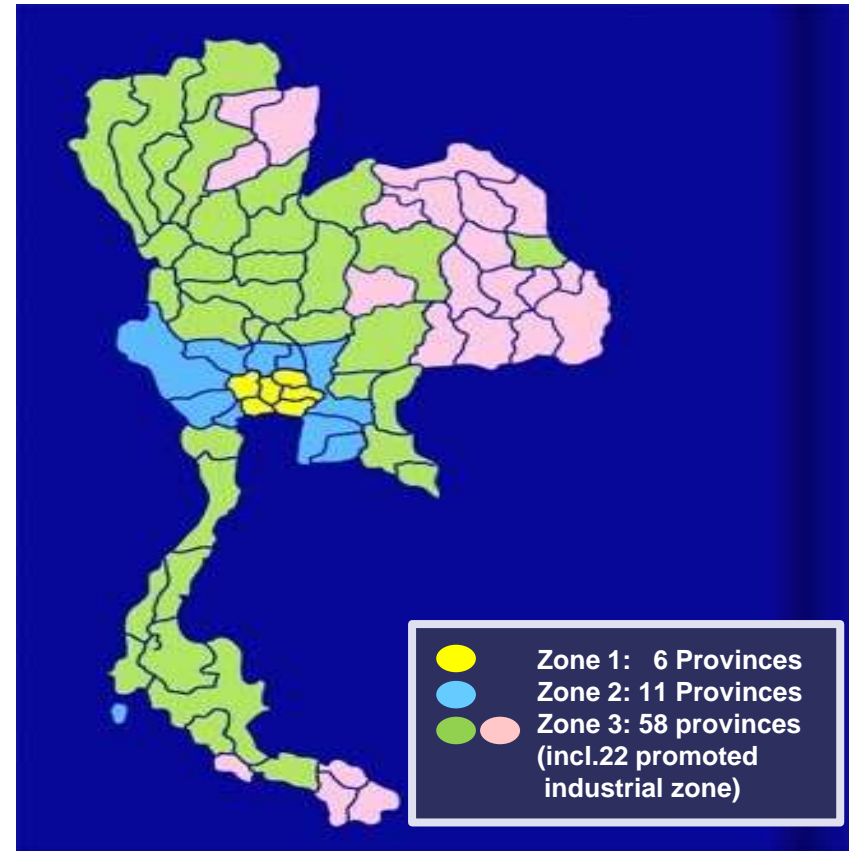
- Corporate Tax can be exempted for 8 years maximum by BOI approval ,depending on the locations

(Zone 1: Nil / Zone 2 : 3years / Zone3 : 8years)

↓
BOI is amending investment promotion policy

- Zone-wise ⇒ Sector-wise
- Reduce targeted industries
- Enhance R&D, innovation, value creation in the agricultural, industrial and services sectors, etc.

BOI Zone Map (until 2014)



Industrial Estates in Thailand

Industrial Estate Distribution Map



No. of expatriates in the cities in Thailand

	2001	2014
Thailand	22,731	64,285
Chonburi	1,163	5,814
Rayong	139	497

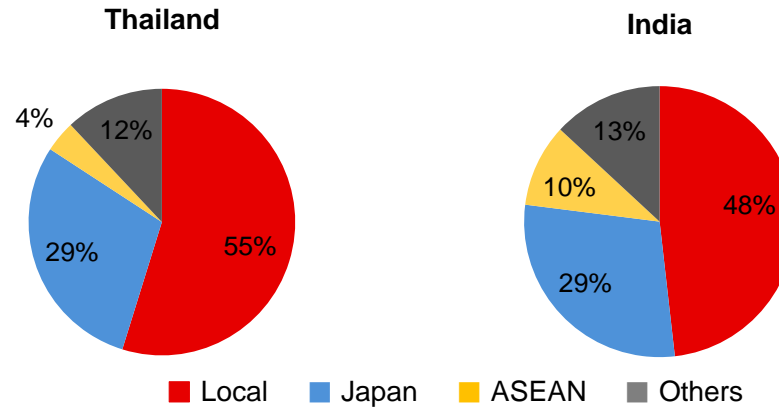
No. of expatriates in major competitors

	2014	VS 2013
India	8,313	5.50%
Singapore	35,982	15.90%
Malaysia	22,056	3.10%
Indonesia	17,893	9.80%
Vietnam	13,687	10.60%

(Source: Industrial Estate Authority of Thailand)

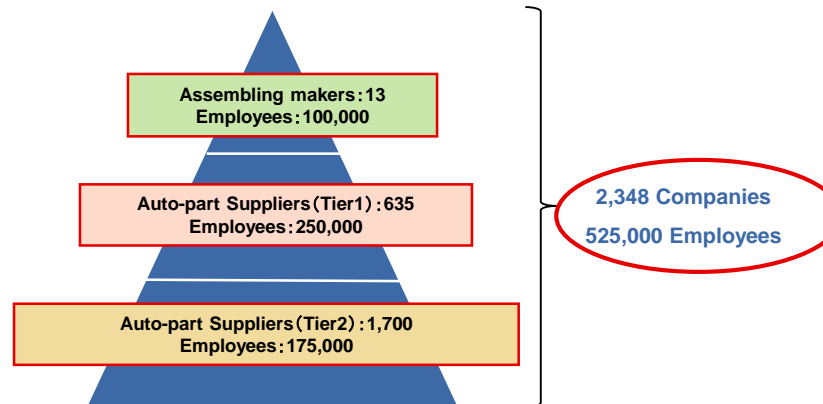
Supply Chain

Graph 9: Local Procurement Ratio of Japanese companies



(Resources) JETRO

Graph 10: Automotive industry structure in Thailand



(Resources) JBIC

History of Business Promotion Policy

Year	Promotion Policy	Remarks
In the 1960s	<ul style="list-style-type: none"> Import-Substitution Strategy 	<ul style="list-style-type: none"> High Tariffs on imports The role of state enterprises was reduced, replaced by private enterprises.
In the 1970s	<ul style="list-style-type: none"> Export Promotion Strategy 	<ul style="list-style-type: none"> To solve balance of payment problem because most components had to be imported.
Late 1970s and Early 1980s	<ul style="list-style-type: none"> In 1977, a new "Investment Promotion Act" provided BOI with more power for incentives. 	<ul style="list-style-type: none"> BOI shifted its emphasis from export activities to regional areas.
In the 1980s	<ul style="list-style-type: none"> Promote openness and competitiveness. 	<ul style="list-style-type: none"> Strategy of opening up was not well because the selection of sectors was carried out in ad hoc manner.
1997	<ul style="list-style-type: none"> Over 51% foreign investment in BOI status enterprises is permitted with consent from Thai JV partner. 	<ul style="list-style-type: none"> Asian currency crisis took place.
2000	<ul style="list-style-type: none"> 100% foreign investment is permitted for any sectors. TISO and IPO incentives were introduced. 	<ul style="list-style-type: none"> Thai government promoted manufacturing sectors (and non-manufacturing sector supporting manufacturing companies) to invest more.
2002	<ul style="list-style-type: none"> ROH incentive was introduced. 	
2015	<ul style="list-style-type: none"> New Policy 	<ul style="list-style-type: none"> Consolidated some incentives and focus on RHQ function.

Business Promotion Framework in Japan – Liaison Office

	Establishment Year	Year to set up office in Japan/number of Staffs (as of 31 July)			
		Tokyo		Osaka	
		Establishment Year	Staffs	Establishment Year	Staffs
BOI / Thailand (Board of Investment)	1977	1979	5 (Thai 3)	1995-1998 2005-	3 (Thai 2)
EDB / Singapore (Economic Development Board)	1961	1970s	4 (Singaporean 4)	Nil	Nil
MIDA / Malaysia (Malaysian Investment Development Authority)	1967	1974	5 (Malaysian 2)	1980s 1991-	5 (Malaysian 2)

Business Promotion Framework in Japan – MoU with Banks

【Joint seminars held by BTMU & BOI】

Year	Number of Seminars	Number of Participants
2007	7	N.A.
2008	—	N.A.
2009	9	N.A.
2010	4	N.A.
2011	—	N.A.
2012	3	N.A.
2013	3	374
2014	3	287
2015	7	900

Wholly owned Non-Manufacturing company ~International Procurement Office~

International Procurement Office (IPO)	
What is IPO?	<ul style="list-style-type: none">▪ According to BOI, International Procurement Office is “The entity which has function to procure materials and partly-finished product from overseas and Thailand”
Condition	<ul style="list-style-type: none">▪ Paid-up capital of over THB10mio(US\$ 0.3 mio)▪ Own warehouse or rent warehouse for over 3 years▪ Multiple suppliers with minimum of 10% from domestic supplier▪ Own product management system, etc
Incentives	<ul style="list-style-type: none">▪ 100% wholly-owned subsidiary▪ Exempted import custom duty of machinery▪ Exempted import custom duty of materials for export product▪ Own land▪ Ease procedure of getting visa for foreign expats

⇒IPO incentive was expired, and consolidated to a different incentive now.

Wholly owned Non-Manufacturing company ~Trade & Investment Service Office~

Trade & Investment Service Office (TISO)	
What is TISO?	<ul style="list-style-type: none">▪ TISO is suitable incentive for manufacturing companies, trading companies and IT companies which have multiple service businesses in Thailand.
Condition	<ul style="list-style-type: none">▪ Yearly operating cost of over THB10mio(US\$0.3mio)▪ Own below businesses set by BOI:<ul style="list-style-type: none">➢ Provide service to subsidiaries➢ Provide advices of business➢ Provide information on product procurement➢ Provide engineering and technical service➢ Export product
Incentives	<ul style="list-style-type: none">▪ 100% wholly-owned subsidiary▪ Own land▪ Ease procedure of getting visa for foreign expats.

Clear Incentive Framework

In Thailand, incentive framework is simple and well-organized, hence many Japanese companies enjoy the incentives.

⇒Clear incentive framework is necessary for promoting FDI

Direct / Onsite Investment Promotion (i.e. Liaison Office)

Thailand BOI set up their liaison offices in Japan to support potential investors.

⇒Direct Promotion in Japan generates more opportunities

Promotion of Non-manufacturing sector Investment

In Thailand, not only manufacturing companies but also non-manufacturing companies are accumulating, and supply-chain widely spreads. Hence, many Japanese companies can enjoy profitable businesses.

⇒Promoting non-manufacturing sector investment further leads manufacturing sector investment

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