



# Attracting investment

## **AMBASSADOR INSIGHT**

*HE Kittiphong na Ranong*



AS we are celebrating four decades of our diplomatic relations, Thailand and Ireland have much to look forward to. The two countries have always enjoyed cordial ties. The official visit of former President Mary McAleese to Thailand back in September 2002 was a landmark event.

Meanwhile, the royal visit of Her Royal Highness Princess Maha Chakri Sirindhorn of Thailand to Ireland in September 2014 was the highlight of a most fruitful year for our relations.

The opening of Ireland's embassy in Bangkok last year has further consolidated the strong political, trade and economic relationship and will support the people-to-people linkages and tourism flows between the two countries. Such a move also reflected Ireland's renewed interest in Southeast Asia and its recognition of Thailand's role in leveraging opportunities within the region and beyond.

Last year, our bilateral trade was US\$809.79m, an increase of 14.81pc. This is due largely to the increasingly active role of the Thai and Irish public and private sectors which have made a significant contribution to this growth.

In 2015, Thailand and the nine fellow member countries of ASEAN will realise the ASEAN Economic Community (AEC).

ASEAN is a large market of more than 600 million people and US\$2.4tn GDP, making it the sixth largest economy in the world. The ASEAN countries together are the EU's third largest trading partner outside Europe with annual bilateral trade in goods and services of some US\$270bn.

Supported by strong economic fundamentals and a more competitive and connected AEC, and in particular its strategic location in mainland Southeast Asia, Thailand is well placed for businesses to take advantage of the ASEAN-China free trade agreement to access markets in Southern China and nearby areas.

Looking ahead, Thailand has earmarked about US\$75bn for investment in infrastructure projects between 2015 and 2022, which include significant investment in mass transit systems, high speed rail links, double-track rail and transport networks to link with our neighbouring countries.

In the meantime, the royal Thai government has implemented a number of key economic strategies such as special economic zones in border areas, the development of a digital economy, as well as tax and energy reforms. This will help consolidate Thailand's status as an investment and transport hub in the region and create secure regional supply chains and connectivity.

Given Ireland's renowned expertise and technological strength, I encourage more participation of businesses and research entities from Ireland in the expansion of our bilateral trade and investment.

## ECONOMIC OVERVIEW

Thailand is Southeast Asia's second largest economy with a GDP of around US\$373.6bn. A free market, the country has a strong domestic market and a growing middle class, with the private sector being the main driver of growth.

The Thai economy is well integrated into the global marketplace, with exports accounting for over 70pc of its GDP. During the past four years, GDP grew on average by 4.3pc, with domestic demand and investment as key drivers.

As a key player in ASEAN, Thailand offers convenient access to China and India, as well as to other East Asian countries such as Japan and the Republic of Korea. In addition, Thailand's expanding network of free trade agreements with other countries has further opened up access to markets both within and outside the region. These, coupled with its strategic position, have made the country a regional centre for international travel and trade, as well as a hub for various industries.

The Thai economy is resilient to external and internal shocks thanks to its robust economic fundamentals. There is strong purchasing power given low and stable inflation (currently around 1.9pc) and the low unemployment rate of 0.8 pc. Foreign reserves remained high at around US\$156.6bn, around 2.7 times short-term external debts, making the Thai economy resilient to the risk from volatilities in the global economy.

In terms of competitiveness, Thailand is ranked 31st among 144 economies, both advanced and developing, by the World Economic Forum (WEF) in the 2014-2015 edition of the Global Competitiveness Report. Its strength lies in the macroeconomic environment (ranked 19th), with considerable improvement in many areas, for example, health and primary education (66th), and technological readiness (65th). Moreover, market size (22nd) and goods market efficiency (30th) enable Thailand to stand firm in the global arena.

With warm hospitality and the easy-going nature of the Thai people, Thailand offers a very welcoming environment to tourists and businesspeople alike. According to the 2013 HSBC Expat Explorer Survey, Thailand is ranked 1st on the 'Economic' and 'Experience' measures. Expats have found Thailand to offer attractive income, spacious sized properties with friendly service, and world-class healthcare, all at affordable prices.

## BUSINESS SECTOR OPPORTUNITIES

Thailand is consistently ranked among the most attractive investment locations in international surveys, and the World Bank's 2014 Ease of Doing Business report places Thailand as the 18th easiest country in the world (and sixth in Asia) in which to do business. Opportunities for cross-border trade are ample, and businesses can benefit from various privileges offered by the Board of Investment (BOI). In addition, Thailand has recently reduced its corporate income tax to the competitive level of 20pc of net profit.

In 2014, the royal Thai government announced the establishment of



special economic zones (SEZs) along the borders with Cambodia, Laos, Myanmar and Malaysia to attract foreign investments and foster the development of border areas as well as support ASEAN integration within the AEC.

Investment privileges for SEZs offer the same or better conditions than those offered by the BOI such as exemption of corporate income tax up to eight years; deduction by half of utility bills and transport costs for 10 years; exemption on import duty for raw materials and essentials used in the production of products for export for five years; and permission to employ unskilled foreign workers.

Investors in 13 target sectors will be exempt from corporate income tax for eight years. Such sectors include agri industry, fishery and related industries, ceramics, textiles, medical equipment, motor vehicles, machinery and equipment, electrical machinery and electronics, plastic products, pharmaceutical industries, logistics, industrial estates and tourism.

## Key facts...

- **National population:** 67.0 million
- **Top five cities and population of each:**
  - Rayong (East)
  - Chacherngsao (East)
  - Bangkok (Central)
  - Chonburi (East)
  - Pranakorn Sri Ayudhaya (Central)
- **Area:** 513,120 sq km
- **Currency:** Baht (current \$1 = 32.5 Thai baht)
- **Religion/s:** Buddhism, Islam, Christianity
- **Language/s:** Thai (English is also widely spoken and understood.)
- **GDP:** US\$373.6bn (2014)
- **Real GDP growth:** 7.8pc (2010), 0.1 pc (2011), 6.5pc (2012), 2.9pc (2013), 0.7pc (2014)
- **GDP per capita (purchasing power parity):** US\$9,900
- **GDP share of world total:** 0.5pc
- **GDP sector breakdown:** agricultural 12.1pc, industry 43.6pc, services 44.2pc



### NATIONAL FLAG

The flag of Thailand is called **Thong Trairong**, meaning 'tricolour flag'. The colours are said to stand for nation-religion-king, an unofficial motto of Thailand. Red is for the land and people; white is for Buddhism; and blue is for the monarchy.

- **NATIONAL DAY:** 5 December (HM King Bhumibol Adulyadej's Birthday)
- **DATE WHEN DIPLOMATIC RELATIONS ESTABLISHED:** 27 January 1985

# MISSION **POSSIBLE**



Reputation and relationships are crucial in Thailand and the aim is to build Ireland's reputation and profile there, according to Ambassador of Ireland to Thailand Brendan Rogers

THAILAND is one of the great development success stories. It is the second largest economy in Southeast Asia. Due to smart economic policies, it has become an upper middle income economy.

It also has a fast growing and youthful population of 67 million. The domestic economy is large but Thailand is an export oriented economy and has attracted significant amounts of foreign direct investment.

The success of the Thai economy has created a growing and wealthy middle class. The full implementation of the ASEAN Economic Community in 2015 will create further opportunities for Thailand.

It became clear to me soon after arriving in Thailand in November 2014 that there is little real knowledge of Ireland among the general population, and limited knowledge of Ireland among government and key decision-makers and influencers.

In Thailand, reputation and relationships are crucial, and we are embarking upon a journey to build Ireland's reputation and profile here. A presence on the ground can make all the difference.

In Thailand the state remains closely connected to the market both through state-owned or controlled enterprises and through bureaucratic and political ties with dominant market players.

Political access and good relationships with decision and policy makers and opinion shapers are critical to trade and investment promotion. Embassy Bangkok is well placed to develop these relationships.

My first impressions are of the myriad of possibilities and opportunities in a country that is developing rapidly and which in recent years has managed to lift a large proportion of the population out of poverty.

The Thai authorities have been very welcoming and have demonstrated an eagerness to support our efforts here and to learn more about Ireland. We have also been warmly welcomed

by the Irish community and our EU partners. It's an exciting time to be in Bangkok as it strives to establish itself as one of the world's major cities.

There are great opportunities in education, tourism, and food and beverage for Irish companies. I recently signed a memorandum of understanding on cooperation in education with the Thai Ministry for Education, which will provide the framework within which detailed proposals for educational collaboration can be formulated.

In the short time that we have been here we have managed to forge close relationships with the key players in the education sector and we are working closely with Enterprise Ireland and the Irish universities to boost the profile of Irish education in Thailand.

We are keen to market Ireland as an attractive destination to the growing and increasingly mobile middle class in Thailand. The inclusion of Thailand in the British-Irish visa scheme later this year will assist our efforts to promote inward tourism.

The expansion of the middle class in Thailand also provides opportunities for exports of our high quality food and beverages.

I would advise any Irish companies considering entering the market to thoroughly research it and consult with people who have been successful in Thailand and know the culture and ways of doing business.

Business people such as Paul Scales, president of the Irish Thai Chamber of Commerce, are a great source of knowledge, expertise and experience and are always willing to offer pragmatic advice to those wishing to learn more about doing business in Thailand.

It's also important to come here with an open mind, take the time to build relationships, and seek solid partnerships with those who have a track record here.

We at the embassy in Bangkok are at the service of our businesses seeking to enter the Thai market and we will do everything possible to be supportive.