Thailand: the world’s electronics industry investment destination

The electronics industry is one of Thailand’s largest in the manufacturing sector. This industry alone was worth nearly US$ 30 billion and accounted for more than 30% of Thailand's export revenues in 2007.

Thailand’s main electronics exports are hard disk drives (HDD) and integrated circuits (IC), which account for about 54% and 29% of total electronic exports, respectively. Having overtaken Singapore in 2006, Thailand is now ranked as the top HDD and components manufacturing base worldwide. Thailand holds a similarly prominent place in the IC and semiconductor industries, and boasts one of the largest assembly bases for these products in Southeast Asia.

As global demand for high-technology consumer electronics such as wireless devices, flat panel displays, MP3 players, gaming consoles and computers continues to grow, Thailand is an ideal location for electronics industry investment. Such growing demand, coupled with strong government support for the sector, promises a bright future for electronics – and electronics investors – indeed.

Survey of the Industry

World-class manufacturers dominate this fast-growing sector. Multinational companies, such as Fujitsu from Japan, Seagate from the USA, Philips Electronics from the Netherlands, and LG Electronics from Korea, have established production, testing, assembly or research and development facilities in Thailand. These facilities are staffed by more than 370,000 highly skilled people.

As worldwide demand for computers and mobile phones continues to grow, so does the value of Thailand’s electronics exports. From 2006-2007 the total value of Thailand’s exported electronic components grew 12%. The primary markets for these exports were: China (17%); the European Union (17%); the United States (16%), ASEAN member nations (15%); and Japan (12%).

This sustained rise in electronics production and exports has been accompanied by a sustained rise in electronics imports, primarily semiconductors, discrete components and electronics subcomponents. The total value of electronics components imported into Thailand in 2007 was approximately US$21.87 billion, an increase of 8% over the previous year. These imports helped Thailand to increase electronic product production by 27% in 2007 alone. This increase was largely derived from an expansion of Thailand’s HDD and IC production capacity, which grew 32% and 22% respectively. The majority of this capacity expansion was the result of additional investments made by existing investors, who have found Thailand to be a highly attractive and competitive location for their operations.

Thailand’s electronics industry has yet to experience a decline in production value or export growth. This expansion is expected to continue in the years to come. The Thailand-based Electrical and Electronics Institute (EEI) predicts that in 2008:
• Electronic production will grow 15-20% following recent increases in HDD and IC production capacity; and
• The value of electronics exports will grow 12-15% largely in accordance with growing demand.

Opportunities
Thailand has established itself as a competitive location for the assembly and testing of HDDs, ICs and electronic subcomponents such as printed circuit boards (PCBs). However, many key components of the upstream electronics value chain such as semiconductor material; discrete components, such as diodes and transistors; as well as ICs, are still imported from abroad, primarily from Korea, Japan, Taiwan and Singapore. Manufacturers looking to expand their market in Thailand can find excellent opportunities in manufacturing these components locally.

Thailand’s pre-eminent position as the world’s largest production base for HDDs and components offers suppliers within the HDD value chain the opportunity to develop world-scale manufacturing capacity within a dynamic and highly concentrated cluster. Almost all of the world’s key HDD manufacturing players are located within a 250 km radius of Bangkok or within the ASEAN Free Trade Area (AFTA) offering unparalleled opportunities for manufacturers within the HDD industry.

BOI Investment Incentives
The Board of Investment of Thailand grants special incentives to investors in the electronics sector. These incentives include:

• Maximum tax incentives for high-technology investment projects totaling more than 30 million baht and producing products not yet made in Thailand;
• Exemption from corporate income tax for a period of 8 years for projects in Zone 3, 7 years for projects located in an industrial estate or a promoted industrial zone, 6 years for projects in Zone 2 and 5 years for projects in Zone 1;
• Exemption from import duties for machinery throughout the period of promotion; and
• Exemption from import duties on raw materials and components used for producing electronic goods.

Additional incentives are also available to investors who locate in Zone 3 regions of the country, in accordance with Thailand’s decentralization policy.

Apart from attractive tax incentives, the BOI provides investors with comprehensive business services. It assists locators by identifying potential suppliers, allowing them to own land, permitting them to bring in foreign experts and technicians into the country, and facilitating the work permit and visa application process for foreign employees working in Thailand.

Moreover, several incentives are available to companies that invest in R&D. The BOI grants these companies a three year extension of the corporate income tax holiday, while the Revenue Code of Thailand allows for the double-deduction of R&D expenses from corporate income taxes.