



Thailand: Pragmatic Development, Ideal for Investment

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Thailand is setting the stage to strengthen its infrastructure, rebuild consumer confidence and set the economy back on track. The National Council for Peace and Order (NCPO) has appointed Air Chief Marshal Prajin Juntong as economic chief, and M.R. Pridiyathorn Devakula as head advisor for the economy and finance.

Former governor of the Bank of Thailand and deputy prime minister and finance minister in 2006-2007, M.R. Pridiyathorn brings the experience and knowledge of Thailand's economy that is essential to putting it back on track. Supporting him in this role are two advisors with long government experience in economic roles: Dr. Somkid Jatusripitak, who previously served in the government as deputy prime minister, 2001-2004, and finance minister, 2001 to 2003, as well as commerce minister from 2004 – 2005 and Mr. Narongchai Akrasanee, who served as a former commerce minister, and as executive chairman of the Export-Import Bank of Thailand and in other roles.

The economic team is formulating policies that will stimulate the economy. The NCPO has initiated a payment plan for rice farmers of THB92 billion, which is expected to increase GDP by about 0.2 percent. There is also a commitment to quickly draft the 2015 budget, adding to the economic certainty.

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NEWS BITES

Production hub for electric appliances

Thailand is ready to become the production hub for electric appliances following the upcoming launch of the ASEAN Economic Community and improved signs of exports to US and Japanese markets. Director-general of the International Trade Promotion Department, said the export trend for electric appliances this year should adjust positively compared to last year, as the world's economy this year expanded higher than last year. Thailand has set a goal of electric appliances exports this year at US.1 billion or a 5 per cent expansion.

Thailand's logistics

Mr. Arthit Wuthikaro, deputy permanent secretary to Ministry of Industry, has introduced the report on Thailand's logistics costs per gross sales surveyed by the Office of Industrial Economics, indicating that Thai entrepreneurs can reduce the logistics cost from 9.4% in 2011 into 8.93% in 2012. The Ministry has targeted to drop the logistics cost into 7% within 3-5 years or down 2% in an average a year. They are collecting last year's information and expect that the 2013 logistics costs are likely at 8%.

The overall logistics cost in 2012 per GDP was 14.3% consisting of 7.1% for transportation cost, 5.9% for warehouse cost and 1.3% for management cost.

Thailand takes lead in bio-plastics

According to the Office of Industrial Economics, Thailand is now a leading country in the ASEAN region for bio-plastics production, which is used mainly as a food packaging material, and the industry has great potential for further growth. For example, bio-plastics can lessen product-life-cycle carbon dioxide emissions, lead to a reduction in the use of limited petroleum resources and even help reduce the weight of a car which leads to better fuel efficiency.

SME assistance

The National Council for Peace and Order (NCPO) has formed a committee, under the chairmanship of Army Chief Gen. Prayuth Chan-Ocha, to support small and medium enterprises. Representatives of the Board of Investment will serve as members of the committee, along with other relevant government bodies.

BOI NET APPLICATIONS

	2012 (US\$ = 31.57 THB)		2013 (Jan - Apr) (US\$ = 29.06 THB)		2014 (Jan - Apr) (US\$ = 32.31 THB)	
	Number of projects	Value	Number of projects	Value	Number of projects	Value
Total Investment	2,237	34,335	692	16,823	399	8,356
Total Foreign Investment	1,132	16,622	418	7,719	264	6,807
By Sector						
Agricultural Products	6	101	40	705	8	30
Minerals / Ceramics	1	19	13	358	10	414
Light Industries / Textiles	6	20	23	204	9	17
Automotive / Metal Processing	17	159	138	4,147	82	4,957
Electrical / Electronics	19	167	71	516	46	136
Chemicals / Paper	16	169	53	368	25	737
Services	15	157	80	1,419	84	516
By Economy						
Japan	562	8,959	216	5,152	126	2,084
Europe	132	679	47	431	37	1,973
Taiwan	53	221	21	141	10	26
USA	55	368	28	159	11	1,272
Hong Kong	39	639	15	527	13	139
Singapore	93	722	22	196	17	89
By Zone						
Zone 1	23	139	126	853	76	328
Zone 2	39	451	212	4,035	140	5,882
Zone 3	18	203	80	2,797	48	6,045

Unit: US\$ Million

Note: Investment projects with foreign equity participation from more than one country are reported in the figures for both countries.

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START BUSINESS

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The economic roadmap should be completed by early July, and this will send a clear signal to investors that Thailand is on track and remains a premier investment location in Asia. A Credit Suisse economist was recently quoted in the Wall Street Journal (2 June 2014) saying that “The push to accelerate disbursement of capital spending will likely be positive for domestic demand growth momentum, which was very weak in the first quarter.” And that this should be viewed positively by investors.

It has already been made clear that the authorities will continue to implement some water management projects, especially those aimed to build for flood prevention; however, those projects will first be reviewed by the government, particularly those requiring substantial investment, lack a clear purpose, or risk severely affecting the environment and people.

Likewise, a THB 663 billion investment plan will move forward and include enhancing the national railway with construction of dual-track rail that could begin as early as this year, and three electric train lines in Bangkok that will extend mass transit to neighboring Min Buri and to Samut Prakan. Other measures include strengthening Thailand’s alternative energy capacity, as well as moving forward with stage 2 of Suvarnabhumi airport development, among other projects, all of which are to be funded from the fiscal budget and public-private partnerships.

Thailand’s banking performance also remained sound in the first quarter of 2014, although credit growth continued to slowdown, reported Mr. Anupap Kuvnichkul, Senior Director of the Financial Institution Policy Group, Bank of Thailand. Despite deterioration in loan quality, commercial banks still have high level of provision as buffer for economic uncertainties, as well as a solid capital position.

Thailand’s Government Public Relations Department reports that Moody’s Investors Service has affirmed Thailand’s long-term issuer ratings at “Baa1” with a stable outlook on the view that the country’s fundamental credit strengths remain largely intact despite the political confrontations. Key drivers for the decision to affirm the rating at Baa1 are the government’s unimpaired ability to manage its finances; strong institutional anchors which are unaffected by the military coup; and sustained external strength. Moody’s expects the current account to shift into surplus of around 1 percent of GDP in 2014, after small current account deficits in 2012 and 2013.

Investors remain confident in Thailand and with the appointment of the new Board of Investment members even more so, a sentiment that has been reflected by the Joint Foreign Chambers of Commerce and others.

Consumer confidence has improved for the first time in over a year, with the index prepared by the University of the Thai Chamber of Commerce indicating a rise to 70.7 in May.

The Joint Standing Committee on Commerce, Industry and Banking reports that loan growth could return to double digits and reach 10 per cent if the Board of Investment’s (BoI) projects are addressed by the new Board.

Thailand has already regained its title as the leading rice exporting country in the world with an export of about 4 million tons in the first five months of the year. The country is the leading manufacturer and exporter of several electronics products, including hard disk drives, and is a top-ten auto manufacturing country, a position likely to remain strong with 10 companies submitting applications for phase 2 of the BoI’s eco-car production incentive offer.

In addition to offering some of the lowest rates for central business district office space in Asia, Thailand also has one of region’s lowest corporate income tax rates, which has been reaffirmed by the authorities. Combined with improvements to road, rail and air transport systems, the future for Thailand looks even brighter for investors. In fact, in its recent Thailand Investment MarketView report, CBRE notes that “Investor sentiment for prime CBD site and prime income-producing properties has remained resilient and has not been affected by the prolonged political turmoil.”

With a liberal market oriented economy, no foreign equity restrictions in the manufacturing sector, no local content requirements, and no export requirements, it is little wonder why Thailand remains the place to invest. Perhaps that is why despite its periodic disruptions the Thai economy has continued to register an upward trend for many years.

Thailand urges all investors to perform due diligence in their investment strategies, confident that when the full picture is clear and the relevant information available investors will choose Thailand as their location in Asia.

On 6 June 2014, the Service Center for Investors and Entrepreneurs (SCIE) was opened by the Ministry of Industry. The SCIE will follow-up any certificate of official approval needed to open a factory under the Ministry of Industry in order to reduce the approving procedure for manufacturers to 30 days.

The center will coordinate among every unit under the Ministry of Industry and provide information on procedures for entrepreneurs. Presently, the ministry can reduce the approval procedures from 90 days to 45 days in the case of large manufactures with environmental issues and to 30 days for general manufactures. Air Chief Marshal Prajin Chantong, Head of the Economic Affairs of the National Council for Peace and Order (NCPO), provided the policy to reduce the approval procedures.

For inquiry, Thai and foreign investors or entrepreneurs can contact the SCIE directly or telephone +662 202 3866, fax +662 202 3877.



INDUSTRY FOCUS



Gaming Industry

Today, Thailand is moving forward and improving its place in the global marketplace by shifting its focus to knowledge and creativity-based production in order to add more value to Thai goods and services. Indeed, Thailand considers the promotion of creative industries as a critical factor for modernizing the national economy, together with infrastructure expansion and services management, by developing the requisite knowledge and technology platforms as well as promoting R & D and innovation for commercialization.

The Thai government recognizes that information and communication technology (ICT) has an important role to play in the transformation of Thailand into a more globally integrated and competitive economy. With this ambition in mind, the Thai government has expressed its intention to attain a leading position in the computer games, mobile games and animation sectors. In fact, the Thai gaming industry is running well with the government's support under the national IT plan (IT2010) through various forms of contributions and facilitations. For instance, the government's Software Industry Promotion Agency (SIPA) was established to promote the country to assist in, among others, becoming a leader in the Asian animation and gaming industries. Moreover, Thailand is setting itself up to become a low-cost production hub for high quality animation in Asia and is promoting itself as an alternative outsourcing destination for Hollywood and European animation projects.

A large measure of success has already been reached as Thailand's Department of International Trade Promotion reports the country's digital content expected to reach a value of 17 billion baht this year, or 0.27 percent of the world market value. The animation sector alone is expected to export 750 million baht, or roughly 80 percent of the country's total animation industry. Between 2013 and 2016, this segment of the market is expected to grow between 10 to 15 percent. Likewise, the current market value for gaming in Thailand is over 7 billion baht, and is expected to grow by 15 percent this year.

Web-based applications and mobile platforms have transformed the Thai people into a tech-savvy population with more than 23 million internet users, 92 million mobile subscribers (pre-paid and post-paid), 4.9 million broadband subscribers and 24 million

Facebook users. With demand and usage on the rise, there is recognition amongst both Thai political and economic leaders for the need to train future ICT employees. At the university level, a number of intensive technology programs have been put in place to build this necessary workforce pipeline of highly skilled tech workers. These university programs aim to produce 50,000 business technology students per year to support Thailand's growing ICT sector.

There are several key organizations dealing with the Thai ICT industry. The Ministry of Information and Communication Technology (MICT), established in 2002, coordinates all ICT development according to the ICT Master Plan and the ICT 2020 Policy Framework. Other focal government offices actively involved in supporting ICT in Thailand are SIPA, the National Telecommunications Commission (NTC), and the National Electronics and Computer Technology Center (NECTEC), an exclusively ICT research institution.

Functioning as an arm of MICT, SIPA is a public outfit that promotes the Thai software industry by rapid skills enhancement for software developers, expanding employment opportunities in the industry, and stimulating growth of the domestic and international markets. Actually, SIPA's development guidelines aim to sharpen Thailand's competitive edge in software outsourcing, particularly for enterprise software, animation and multimedia, mobile applications, and embedded software. Yet, the organization's principal focus is building a pool of experts and qualified companies to drive forward the development of the industry. SIPA also supports key activities to promote the industry, namely through the annual ICT market survey, ICT awards, and open source software development and usage.

Equally significant, SIPA plays an important part in fostering the Thai Game Cluster (TGC), which is the first association of Thai game companies. Moreover, SIPA opened the Bangkok Digital Content Centre (BDCC) to facilitate the promotion of digital content to entrepreneurs and to the public. Similarly, with the growth of hand held devices, SIPA also formed the Mobile Application & Computer Games Project. This venture aims not only to train personnel on mobile application and computer game design (with an emphasis on artistic graphics, animations and

computer programming), but also to nurture Chiang Mai, Phuket, and Khon Kaen as regional centers of innovation and R&D in mobile applications and computer games.

Thailand's emerging animation and gaming sector is supported by an increasingly diverse educational infrastructure, government support through relevant agencies, and projects designed to spur innovation and creativity. Universities and colleges in Thailand offer undergraduate or postgraduate degrees in animation or gaming. Additionally, vocational colleges offer digital content-related programs in computer graphics. The number of graduates in these fields has been rising quickly.

Realizing the potential for major growth and expansion of the digital content and gaming industry in Thailand, many universities have begun to take part and to play important roles in supporting the country's effort to become a player on the world stage. Chulalongkorn University, King Mongkut University (Thonburi), and Assumption University were the first to have developed a number of related courses; however, in 2004, Rangsit University became the first university in Thailand to offer a Bachelor of Science degree in computer games and multimedia. This program is run by the Faculty of Information Technology, with support from other disciplines such as arts, media and communications. The program comprises of three core course streams:

- a) Creative thinking and content design,
- b) Advanced programming and related disciplines, and
- c) Artistry, graphic, and, animation design and development.

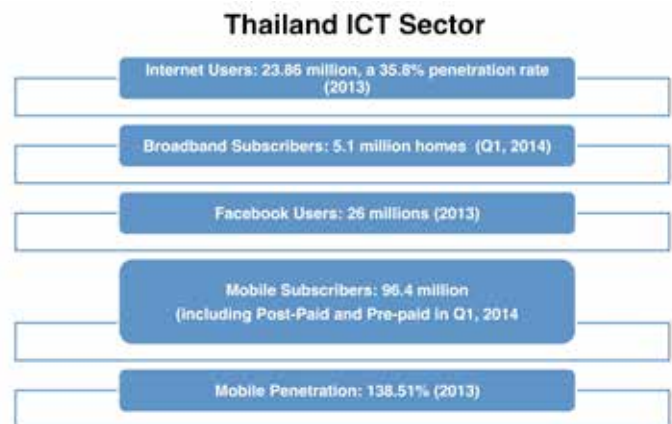
The program is well-known locally and abroad. In fact, it has become a typical model for other universities that aspire to construct a similar curriculum. Collectively, these academic degree programs are producing graduates to meet the demands of the industry. Simply put, the gaming industry in Thailand has evolved well from government involvement to the wider community including individual developers, SMEs, and academic institutions.

In recognizing the importance of the ICT industry to Thailand, the Office of the Board of Investment (BOI) has classified software development as **a priority activity of special importance and benefit to the country**. Accordingly, software development ventures are eligible for the maximum incentives offered by the BOI. For instance, the exemption of import duties on machinery for all zones, an eight-year corporate income tax exemption for all zones (NOT subject to the corporate income tax exemption cap), and other relevant location-based incentives. Within the context of the digital content sector, the Thai government is very interested to attract foreign investment. It provides certain non-tax benefits such as easy access to visas, work permits, and permission for 100% foreign ownership.

More information about digital content activities eligible for promotion and their related conditions can be found in Chapter 2, Section 5 of the BOI's 2013 guide.

To enhance Thailand's capacity in creative industries, it is undeniable that the government's role is critical. Government policies are considered a push factor for the private sector to increase their competitiveness in the market both domestically and internationally. In addition to those already mentioned, there are other agencies established by the Thai government to support the country's embryonic creative industries. For example, the Office of Knowledge Management and Development (OKMD) was established with the goal of providing opportunities for Thai people to be more creative and build a knowledge-based

economy. Additionally, the MICT established a "Thai Game Cluster", a scheme revolving around the Software Park Thailand, IT Park (Bangkok), Innovation Cluster 1 - Thailand Science Park, IT Square (Bangkok), Samui IT Complex, E-saan SW Park), and Kaen Nakorn Office Park.



Source: BOI Brochure, The Software Industry Promotion Agency (SIPA)

For more than a decade, the Government of Thailand has been committed to positioning the country as a world leader in the technology industry, through infrastructure improvements, cultivating its high-tech talent pool and providing a superior business climate for multinational tech companies. With respect to the business sector, the contributions have been in the form of direct investment, privileges related to business performance and the drafting of relevant laws and regulations. SMEs are supported and encouraged to enter into the industry. They also are assisted to make their presence known on the world market of gaming and animation. Today, Thailand is considered a leader in providing ICT products and services.

Thai animation and gaming are among the most thriving sectors in the Thai digital content arena. Animation and other computer graphic services, including post-production, are vital parts of the nation's strong film and advertising industries. Indeed, the trend is positive and the trajectory is moving consistently upwards. For the gaming industry, Thai game developers are receiving more contract deals from foreign game producers. The demand for gaming has skyrocketed since online games debuted in the market in 2002. Despite the domination of the animation and gaming industries by Japan, South Korea, and the US today, Thailand is creating for itself a position in the world market, aided by continuing government support, increasing university cooperation, and a growing network of business units in the Thai animation and gaming value chain.

BOI Has A New 18 Member Board

Applications to be cleared within two months



Thailand has 18 new members of the Board of Investment, who represent the cross-section of Thailand's economic interests. The Board now includes representatives from relevant government ministries, but also from The Bank of Thailand, National Economic and Social Development Board (NESDB) and the Thai Stock Exchange (SET), as well as various representative organizations. In total, the new BOI brings with it insight and experience from all sectors of the economy, ready to move the country forward and enhance the investment environment of Thailand.

The Office of the Board of Investment recently announced that with the new Board seated all of the pending applications are expected to be reviewed within the next two months. The formation of the new Board has already helped to restore investor confidence and to put Thailand's domestic and foreign investments back on track.

The first meeting of the Board was held on 18 June 2014 and approved 18 projects for a value of THB120 billion. The largest project was for Toyota Motor Thailand to produce pick-up trucks and auto parts. The backlog of 200 project applications should be addressed within the next two months.

From January through May 2014, the Board of Investment received 334 applications to promote foreign investment projects, for a total value of about 230 billion baht THB; 154,072 million baht in expansion applications and 75,908 million baht in new applications.

Of that amount, 214 project applications were for expansion projects of existing businesses and 120 new projects.

In million baht, there was a value of 72,780 in applications received from Japan; 64,179 from the European Union; 41,153 from the US; South Korea, 12,287; China, 9,434, and ASEAN 5,908, among others. Investment applications from the EU increased dramatically over this period, from 12,540 in January through May 2013, and more striking from the US, which rose from a mere 6,126 million baht. Likewise, South Korea and China saw increased applications from 4,780 and 2,615, respectively, in the same period.

Investors looking beyond the daily headline will see Thailand as the place to invest in Asia, and with the ASEAN Economic Community on the horizon, Thailand will only get better.

BOI's new Board Members

General Prayuth Chan-ocha	Head of the National Council for Peace and Order of Thailand	Chairman
Air Chief Marshal Prajin Juntong	Head of the NCPO Overseeing Economic Affairs	Vice Chairman
General Chatchai Sarikalya	Deputy Head of the NCPO Overseeing Economic Affairs	Member
Mr.Witoon Simachokedee	Permanent Secretary, Ministry of Industry	Member
Mr.Rungson Sriworasat	Permanent Secretary, Ministry of Finance	Member
Mrs.Srirat Rastapana	Permanent Secretary, Ministry of Commerce	Member
Mr.Arkhom Termpittayapaisith	Secretary General of the National Economic and Social Development Board	Member
Mr.Isara Wongkusolkij	Chairman of Thai Chamber of Commerce	Member
Mr.Supant Mongkolsuthree	Chairman of the Federation of Thai Industries	Member
Mr.Boontuck Wungcharoen	Chairman of the Thai Banker's Association	Member
Mr.Prasarn Trairatvorakul	Governor of the Bank of Thailand	Member
Mr.Sathit Limpongpan	Chairman of The Stock Exchange of Thailand	Member
Mr.Tevin Vongvanich	Chairman of Thailand Management Association	Advisor
Mrs.Penthip Pornchaded	Chairman of Association for Promotion of Thai Small and Medium Entrepreneurs	Advisor
Mr.Somchai Harnhirun	Director General, The Office of Industrial Economics	Advisor
Mr.Prakit Chin-amourphong		Advisor
Mr.Pakapol Ngamlak		Advisor
Mr.Udom Wongviwatchai	Secretary General, Board of Investment	Member and Secretary

Samut Sakhon Expo 2014



Recently the Thailand Investment Review team was extended an invitation to attend the “Samut Sakhon Expo 2014”. This provincial trade fair has been held annually since 2009 and draws all the major industries of Samut Sakhon to one place. It is an excellent opportunity for investors and entrepreneurs – both local and foreign – to see and meet with the province’s political and economic heavyweights as well as to gauge the variety and quality of Samut Sakhon’s bountiful produce. The event showcases not only what the province can manufacture for the domestic market – Thailand - but also what it can generate for export to the rest of the world.

The principal sponsor of the exhibition was the provincial government of Samut Sakhon with a total investment of 4 million baht. However, the office of Governor Pol. Lt. Athit Boonyasopit cooperated closely with the Samut Sakhon Chamber of Commerce and the Samut Sakhon Federation of Industries in putting the show together. This year over 200 companies participated in the trade fair and several embassies from neighboring countries sent representatives to attend.

With a population of around 500,000 residents, the economy of Samut Sakhon revolves around fisheries, agriculture, horticulture, and manufacturing. The province has an available labor pool of some 457,600 persons (15 years and over) with 372,435 of them gainfully employed (either on a part-time or full-time basis). Interestingly enough, the unemployment rate for Samut Sakhon is remarkably low and stands officially at 0.50%. At last count, 263,573 foreign workers hold valid work permits. Indeed, the job generation rate of the province is high and it will continue to rise as Thailand’s economy moves up the development ladder.

Samut Sakhon was called formerly Tha Chin because it had been a trading port that harbored a vast number of Chinese junks. In 1548, a town named Sakhon Buri was established at the mouth of the Tha Chin River. It was a center for recruiting troops for royal duty from various seaside towns in the region. Later, the name of the settlement was changed to “Mahachai” when Khlong Mahachai was completed in 1704 to join the town with Thonburi, which was an important garrison center during the Kingdom of Ayutthaya. Later, the town was renamed Samut Sakhon by King Rama IV but it is still popularly called “Mahachai” by locals.

Samut Sakhon is located 30 kilometers from Bangkok. The

province occupies a total area of 872 square kilometers and is divided administratively into 3 districts: Muang Samut Sakhon, Krathum Baen, and Ban Phaeo. It is a major berthing center for fishing vessels and also the biggest producer of brine salt. Even though it does not draw crowds of local and foreign tourists, Samut Sakhon possesses a provincial GDP that is in the top five in Thailand. The primary economic engine of Samut Sakhon is the fishing industry and it encompasses joint venture fishing, private commercial fishing, and small-scale fishing, which then feeds into the production of dried and processed seafood. Nonetheless, the province contains over 5,000 factories, most of them engaged in the frozen food sector. All of this manufacturing activity generates 3.5 billion baht in revenues. In fact, Samut Sakhon is considered the key distribution center of the Thai seafood industry, something that local authorities are keen to promote even more.

Rich in aquatic life, Thailand has easy access to the vast marine resources of the Pacific and the Indian Oceans, enabling it to become one of the world’s top fishing countries in terms of total catch and exports. Indeed, the Kingdom is striving to become an ASEAN seafood hub by 2015. The Ministry of Agriculture and Cooperatives, through the Department of Fisheries, has worked out strategies to assist Thailand to achieve, sustain and expand on this goal. According to the strategies, the Kingdom will improve fishery production and conduct research on aquaculture feed in order to reduce production costs. It will increase the efficiency of quality control of its fishery products, from farming to processing and exports, in line with international standards and requirements by importers.

In the lead up to the ASEAN Economic Community, the Department of Fisheries and Thai entrepreneurs will negotiate with various countries, such as Indonesia and Myanmar, on joint fishing in both territorial and international waters. It will support joint investment in fisheries between Thailand and other ASEAN partners, as well. In the first quarter of 2015, an international fishery trade fair will be organized in Thailand to provide business opportunities for Thai entrepreneurs and make Thai fishery products better known among foreign importers. At present, Thailand earns about 200 billion baht from fishery exports each year, accounting for 1.5% of GDP.

According to the commercial office of Samut Sakhon, once the construction of new transport routes linking Thailand with neighboring Myanmar, where there is an abundant supply of marine resources, is complete next year, imports of fresh seafood from Myanmar can directly reach Samut Sakhon, making the seaside Thai province become the largest hub of seafood trade in Asia. Currently, aquatic products imported from Myanmar, and shipped to Samut Sakhon through the southern border province of Ranong, makes up for at least 45% of the total market share of the daily seafood supply of Mahachai.

Though commodity shrimp remains the most powerful engine driving Thailand’s export of fishery products, an increased emphasis is being placed on value-added ready-to-eat seafood and fish-based dishes by producers fine-tuning ranges to better compete in a global marketplace. An example of this manufacturing trend is the Union Frozen Products Co., Ltd.,

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which is based in Samut Sakhon and is one of Thailand's leading producers of processed seafood products for export, offering everything from squid and cuttlefish to shrimp, slipper lobster and other shellfish in made-to-order specifications.

Connected by surface roads and a railway to Bangkok and surrounding provinces, the location of Samut Sakhon is ideal for a wide range of economic activities that can be developed by businesses, both large and small. Also, the province is home to two modern industrial estates that enhance the manufacturing value of Samut Sakhon to the broader national economy. Geographically small when compared to other provinces in Thailand, Samut Sakhon has a heavy concentration of industries and skilled laborers.

For instance, there is the Samut Sakhon Industrial Estate. It was developed in the early 1990s and has been made available to investors since 1992. Samut Sakhon Industrial Estate is located on Kilometer 32.5 of the Thonburi-Paktor Highway. This is a location that has a real competitive edge regarding its environs and transportation convenience. The area is replete with sources of natural water, and being situated only four kilometers from the privately-owned port of Samut Sakhon and railway station, transportation for products and raw materials can be moved with ease. Also, it is located close to the Inland Container Depot of Ekachai Container Terminal Co., Ltd., which is connected to Klong Toey Port or Suvarnabhumi Airport. In the near future, when the 8-lane expansion of the Thonburi-Paktor Highway is complete, this logistics convenience will undoubtedly double.

The other industrial estate is the Sinsakhon Printing City. Since its inception in 2004, this enterprise zone is administered by C.A.S. Asset Co., Ltd., and has gained recognition for its strategic location, beautiful setting, quality of its services, and the performance of its international and local printing businesses. C.A.S. Asset is a subsidiary of the Charoen Aksorn Holding Group, a leading Thai conglomerate established in 1971. The Group has adopted a forward-looking business strategy for the advancement of the printing industry in Thailand, providing a fully integrated package of products and services to become a prominent leader in this dynamic and rapidly growing sector of the Thai economy.

It is worth pointing out that Sinsakhon Printing City is the first and the only printing cluster, which has been supported actively by a number of Thai government agencies and organizations, namely, the Thailand Board of Investment (BOI), the Industrial Estate Authority of Thailand (IEAT) and the Thai Printing Association. Sinsakhon's innovative "cluster" concept combines every aspect of printing business, from pre-press to fulfillment, all within a single community.

Growth in "Mahachai" stems from the foresight of local authorities in drafting and adhering to both a five-year development strategy and a 20-year plan to guide the expansion of the province's economy. The "vision" of Samut Sakhon revolves around five phases that cover environmental restoration, international standards of agricultural and industrial production, green economy, sustainable development, and food security. Meanwhile, there are provincial goals that serve as markers of progress and direction. For example, to balance preservation of Samut Sakhon's ecology with the utilization of its natural resources, to improve the efficiencies of fishery production, manufacturing, and agriculture in accordance with international standards for food security, and to promote eco-industry and eco-tourism.

Apart from its strategic location vis-à-vis Bangkok, the province is endowed with an extensive transportation network and a productive manufacturing base that make it an appealing place for investors to conduct business. Plus, a wide array of flood prevention measures are in place in Samut Sakhon and the prevalence of canals ensure that the province can remain as a free-flood zone. Consequently, both industry and agriculture can flourish without the looming threat of natural disasters. Indeed, the diversity of economic activity in Samut Sakhon is remarkable but it is not an accident. It is the result of meticulous planning on the part of the governor's office as well as close cooperation between provincial authorities and the central government in Bangkok. Samut Sakhon has a long track record of working with the Office of the Board of Investment. This relationship was exemplified recently with the BOI's participation at the Samut Sakhon Expo 2014, which not only showcased the economic muscle of "Mahachai" but also Thailand's inclination and preparation to be a genuine ASEAN hub.

COMPANY INTERVIEW

Kantana

King Chulalongkorn's trip to Europe in 1897 often is acknowledged as the beginning of the film industry of Thailand. The royal visit was recorded by Francois-Henri Lavancy-Clarke then exhibited in Bangkok. It sparked great interest amongst local Thai entrepreneurs who soon thereafter acquired the necessary equipment from overseas and built the venues to show foreign films. By the 1920s, a local film industry had emerged and in the 1930s, Thai cinema experienced its first "golden age", with a number of studios producing movies.

Fast forward to the present and the film industry of Thailand has developed into a dynamic artistic and economic force to be reckoned with in the Asia Pacific region. Due to its success, there is plenty of filmmaking collaboration nowadays between

Thai outfits and foreign movie studios. An excellent example is Kantana Group. The company started in the film business over 20 years ago. Presently, it has been hired to undertake outsourced projects for film productions. In fact, the first company to sign up Kantana for work on animated movies was Toei Animation Co., Ltd., from Japan. This partnership has remained strong for the past 20 years.

Kantana began in 1951 as a radio drama troupe founded by Pradit and Somsook Kaljaruek. The company branched out into television in 1958 with a popular drama series. Since that time, Kantana has expanded to include the production of feature films, commercials and documentaries. The business operations of the company and its subsidiaries are divided into

three core areas: television production, film and post-production, and “edutainment”. Equally important, Kantana has announced plans to expand its post-production business amid rising demand from film companies in the region. According to Jareuk Kaljaruek, chairman of Kantana Group, the company’s post-production subsidiary aims to increase its output from handling 40 Southeast Asian films in 2013 to 100 in 2014.

Kantana commenced its post-production work and animation back in 2004. Nonetheless, the main factor to propel Kantana to produce its own animated film some 10 years ago was when Mr. Surapong Suebwonglee, the then ICT minister, declared the Government’s plan to promote Thailand as a hub of animation and multimedia technology in the region. Thereafter, in 2006, Kantana produced *Khan Kluay* with a budget of 160 million baht, which included financial support from many private companies such as Apple Inc, Thai Airways International, Bangkok Bank, Sony, and the Telephone Organization of Thailand. It was the first Thai 3D animated feature film and it took 4 years with over 100 staff to produce the film. *Khan Kluay* was the top movie at the Thailand box office in 2006, earning 91 million baht, and won many international and local awards. After *Khan Kluay*, the company produced *Khan Kluay 2* and *Echo Planet* animated feature films. The next animated feature film project for the studio is *Khan Kluay 3*.

Presently, there are many world-class film companies that have outsourced their animation production duties to Kantana. Furthermore, the studio takes around 70-80% of the market share in post-production in Thailand. With an overall employee base of 1,500 the Kantana Group has around 300 employees in post-production service and around 100 employees in the animation business. The staff at Kantana has acquired a reputation for providing top notch technical service and skilled post-production. Plus, regarding workforce development, the company always introduces new software for application in the animation production process in order to improve operational speed and quality.

The future growth plans of Kantana are to open marketing offices and facilities overseas, especially in the ASEAN region. Presently, the company has obtained a TV concession for Channel 5 in Cambodia. In Vietnam, Kantana has established a post-production facility. It will set up a marketing office in Tokyo, Japan in July 2014. Malaysia, Indonesia, China, and Hong Kong are designated to have offices or post-production facilities by the end of this year. Additionally, the current entertainment sector in Thailand is stable and this offers plenty of opportunities for Kantana. For instance, there are 45 to 50 locally-produced movies a year, whereas there are some 150 to 200 foreign movies a year shown on screen in Thailand. However, local movies can take almost as much as 35% of the market share, while the rest are foreign films.

Implementation of the ASEAN Economic Community in 2015 is a chance for the Thai film industry to broaden its regional market from only 67 million consumers in Thailand to 600 million consumers throughout Southeast Asia. However, the company will be challenged to familiarize its employees to the unique cultures and lifestyles of all ten members of the AEC. Besides,



Thailand is ready and able to function as an outsourcing hub for the global film industry. The country possesses both the human resource base and technology to create film content for any major movie studio. Accordingly, Thai film companies, like Kantana, can launch partnerships with an array of foreign investors. Moreover, the cost of film production in Thailand, particularly for animation, is very competitive in the Asia Pacific region.

The relationship between the Board of Investment and Kantana is a long-standing and solid one. Indeed, over the years, Kantana has utilized a number of promotional incentives from the BOI for quite a few projects. Such cooperation strengthens the company. Similarly, the studio has received the support of the Department of Export Promotion under the Ministry of Commerce, the Ministry of Culture, and the Ministry of Tourism and Sports. However, Kantana hopes to see the integration of all film-related units under a single cohesive network like the Motion Picture Promotion Corporation in South Korea, the National Film Development Corporation of Malaysia, and the Japan Association for International Promotion of the Moving Image. Branching out, the company recently has inked a partnership with Major Cineplex Group to launch a satellite TV channel, called “M Channel”. Its purpose is to function as an alternative outlet to broadcast the studio’s produced films.

Kantana Group is working to bring cinemas to rural areas, and its proposed Kantana Movie Mall will provide a template for same-sized theatres, with a 50-seat capacity and reasonably priced. The concept of “Community Cinema - One Frame, One Culture” allows the company to expand outside of urban areas. To date there are more than 500 cinemas under development.

Moreover, the project is also receiving a good response and cooperation from ASEAN members Indonesia, Malaysia, Vietnam, Myanmar, Cambodia and Laos. The intention of making Thailand a leader in the ASEAN film industry is becoming a reality for the near future.



In 2013, the film industry in Thailand continued to gain strength, with a record 67 feature films shot and a number of various video productions and documentaries. The majority of the production teams came to Thailand from India, Japan and Europe, in addition to the country's strong domestic film and video industry. These companies recognize the value of Thailand's capable entertainment industry, which includes a sophisticated pre and post production capability, as well as low cost location shoots.

Under promotional activity 7.6, Thai motion picture production, motion picture, supporting services, or multimedia services, the Thailand Board of Investment offers exemption of import duties on machinery, regardless of location, and a five-year corporate income tax exemption, regardless of location. If the project is located in the Movie Town industrial zone, it can be given an eight-year corporate income tax exemption, assuming certain conditions set by BOI are met.

Thailand's Foreign Film Production, 2005 – Q1, 2014							
Year	Documentary	Advertising	TV Series	Music Video	Feature Film	Total	Revenue (Million Baht)
2005	245	183	16	27	21	492	1,138.36
2006	188	201	37	39	26	491	1,926.83
2007	229	198	32	42	22	523	1,072.62
2008	197	184	48	69	28	526	2,023.24
2009	181	166	52	60	37	496	897.83
2010	178	255	46	50	49	578	1,869.15
2011	155	296	86	34	35	606	1,226.45
2012	122	314	106	41	53	636	1,781.93
2013	150	346	107	47	67	717	2,173.35
2014 (Q1)	40	83	26	7	14	170	682.11

Source: Thailand Film Office, as of May 1, 2014

Thailand Electronics Design Industry Human Resource Development Project:

The next great step for Thailand's knowledge based economy

Electronic design is one of the most essential foundations for creating new technology and innovation to be utilised in major industries such as automotive, electronics and electric, and information and communication technology (ICT). Although the electronics design industry in Thailand is worth around 4 billion baht per year, the growth rate of electronic design companies in the country is still very low. To overcome this and to ensure the country's future as the first knowledge-based economy in ASEAN Economic Community (AEC), the Thai government is making a strong effort to enhance workforce skills that will enable the specific industrial needs to be met.

It is with this goal in mind that the National Science and Technology Development Agency (NSTDA), Thailand Board of Investment (BOI), and Thai Embedded Systems Association (TESA), together with leading universities and companies in Thailand, have set up the "Thailand Electronics Design Industry Human Resource Development Project." The aim of the project is to produce skilled labor by educating and training people studying in universities. Supporting integrated circuit design (IC) for the automotive software industry has been selected as a pilot project.

After providing basic knowledge in the second year of university, senior level students will have an opportunity to take part in projects with companies and practice in the laboratories of 6 universities: Chulalongkorn University, Chiang Mai University, Kasetsart University, King Mongkut's Institute of Technology Lad Krabang, King Mongkut's Institute of Technology Thon Buri and Prince of Sonkla University.

The first phase of this project was launched last year with only four companies involved. During the second phase of the project,

three more companies began participating in the project. The seven companies are Silicon Craft Technology, Toyota Tsusho Electronic Thailand, Thai Ger Tech, Design Gateway, Forth Corp, NOR Solution and Saijo Denki International. The companies provide a boot camp for students to learn and develop their skills in the field.

Mr. Apinetr Unakul, president of TESA, pointed out that there are only a few companies in Thailand that bring electronics/IC design to apply in their business, though it can generate income of more than 3-5 million baht per person. In order to reach the success of countries such as South Korea or Taiwan, it is vital that Thailand develop a skilled workforce and provide support from related agencies.

As regards how important this project is, the BOI provides tax incentive for those who join this program under the STI scheme. Benefits could include a corporate income tax exemption not exceeding 8 years and/or a non-capped tax exemption in order to encourage more companies to become involved.

TESA strongly believes that the project will be very useful for creating value-added technology designs to drive the future and strengthen the IC design industry in Thailand, and it will enable the country to reduce the knowledge gap among its employees.

To move Thailand from being an original equipment manufacturer to an original design manufacturer, human resource development will play an essential part and will be a key to enhance the country's competitiveness. As a knowledge-based economy of Asean, in which productivity is generated by technology and creativity, Thailand hopes to see investors contribute to this project and to prosper along with us.

BOI'S MISSIONS



Mrs. Hirunya Suchinai, senior executive investment advisor, led a BOI team to the Republic of Korea where she spoke at a roundtable meeting on “Thailand Business Environment and BOI Investment Promotion Policy” on 21 April 2014.



Ms. Ajarin Pattanapanchai, senior executive investment advisor, spoke with investors at a seminar entitled “Thailand - Opportunities for Quebec Companies” which was held on 22 May 2014 at Le Westin Montreal Hotel, Montreal, Canada.



Mr. Chokedee Kaewsang, deputy secretary general of the BOI (middle), spoke about opportunities in Thailand at an investment seminar in Bergamo, Italy on 14 May 2014. Companies in various sectors, including automotive, metal products, jewelry, plastic components as well as trade and investment support activities, attended and later participated in one-on-one meetings.



On 19 May 2014 Mr. Chokedee Kaewsang, BOI deputy secretary general, welcomed a German delegation including a representative from Deutsche Bank at the One Start One Stop Service Center (OSOS), Chamchuri Square, Bangkok and gave a presentation on BOI investment policy.



Dr. Bonggot Anuroj, executive director of Investment Marketing Bureau, led a BOI team to Denmark and Norway during 17-24 May 2014, along with the BOI Stockholm Office. In addition to meetings with potential investors, the BOI also organized 2 investment seminars.



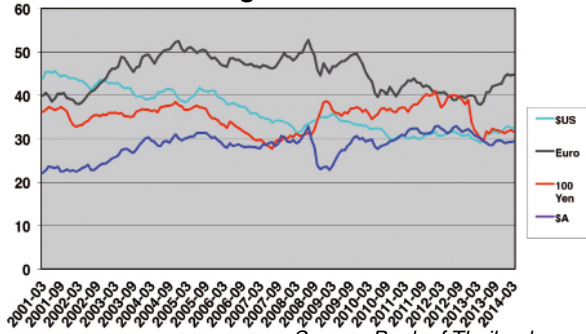
Mrs. Watcharee Tintani, Director of Thailand Board of Investment, Shanghai Office, spoke at the “Thailand - Sichuan Investment Opportunity and Economic Cooperation Seminar”, organized by Thailand Board of Investment and Sichuan Provincial Council for Promotion of International Cooperation and Investment, on 21 April 2014 at the Sheraton Chengdu Lida Hotel, Chengdu, China.

THAILAND ECONOMY-AT-A-GLANCE

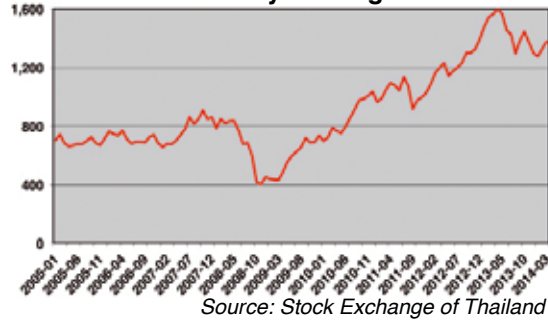
Facts about Thailand

Population (2010)	66 million
ASEAN Population	600 million
Literacy Rate	96%
Minimum Wage	300 Baht/day
GDP (2013)	US\$ 385 billion
GDP per Capita (2013)	US\$5,647
GDP Growth (2013)	2.9%
GDP Growth (2014, projected)	3.0-4.0%
Export Growth (2013)	-0.2%
Export Growth (2014, projected)	5.0-7.0%
Trade Balance (2013)	US\$ 6.4 billion
Current Account Balance (2013)	US\$ -2.8 billion
International Reserves (2013)	US\$ 167.23 billion
Capacity Utilization (2013)	64.36%
Manufacturing Production Index (2013)	175.80
Core Inflation (2014, projected)	0.7-1.7
Headline Inflation (2014, projected)	1.9-2.9
Consumer Price Index (Mar 2014) (2011=100)	106.94
Corporate Income Tax	10-20%
Withholding Tax	0-15%
Value Added Tax	7%
Mar Average Exchange Rates	
US\$1 =	32.39 baht
€1 =	44.77 baht
£1 =	53.83 baht
100 ¥ =	31.68 baht
CNY1 =	5.26 baht

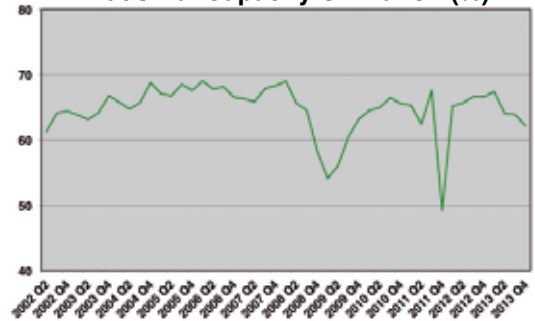
Exchange Rate Trends



SET Monthly Closing Values



Industrial Capacity Utilization (%)

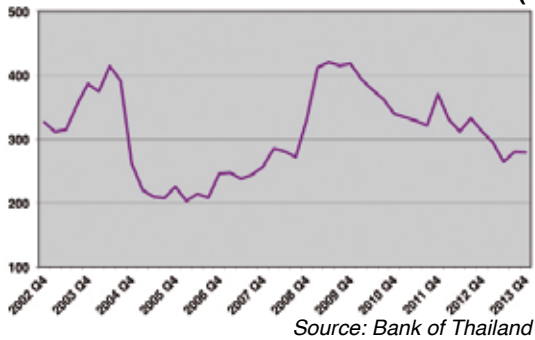


Top 10 Exports 2014 (Jan-Mar)

Product	Share	Value (US\$ bn)
1 Motor cars, parts and accessories	11.06	6.22
2 Automatic data processing machines and parts thereof	7.86	4.42
3 Precious stones and jewellery	5.40	3.03
4 Refine fuels	4.52	2.54
5 Polymers of ethylene, propylene, etc in primary forms	4.27	2.40
6 Chemical products	3.85	2.16
7 Rubber products	3.65	2.05
8 Rubber	3.62	2.03
9 Electronic integrated circuits	3.04	1.71
10 Machinery and parts thereof	2.96	1.66
Total		56.21

Source: Ministry of Commerce

International Reserves / Short-term Debt (%)



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