

## **Japanese SMEs keen on Thailand's service sector**

Japanese investment in Thailand continues to grow but is shifting to the service sector as manufacturing slows, says the Japan External Trade Organization (Jetro).

New Japanese investment in Thailand is increasingly coming from small and medium-sized enterprises (SMEs) rather than large companies such as giant car makers as in the past, according to a Jetro survey.

More than 8,000 Japanese companies in Thailand were surveyed from January-March.

The study found investment in the service sector was growing rapidly, with 530 such Japanese companies in Thailand, up from 374 in recent years.

Most of the service companies were involved in legal consultancy, business consultancy, car leasing, banking and wholesale/retail business, said Masayasu Hosumi, Jetro's president and chief representative for Asean.

"Japanese investment in Thailand is expected to rise substantially, especially after implementation of the Asean Economic Community, which should integrate the region's markets. Thailand will be the centre of Japanese investment in the Mekong region," he said.

Many of the Japanese SMEs investing in the service sector use high technology and require fewer workers.

Jetro classifies Japanese SMEs as companies whose registered capital does not exceed ¥300 million (82.1 million baht) and total employees do not exceed 300.

The survey found SME investment increased radically in the service sector for 177 companies from 2010-14, rising 78% from 2005-09, Mr Hosumi said.

"Many Japanese SMEs come to Jetro to consult about their investment plans in service businesses in Thailand as they look to capitalise on bigger gains," he said.

Mr Hosumi said many Japanese SMEs were interested in logistics, wholesale and retail to serve rising demand in a busier Asean trade zone, as per capita income in member countries was increasing.

But even as the number of Japanese companies investing in Thailand gains, the investment amount will grow minimally since most SMEs have small budgets.

In addition, some critics have argued Thailand's Foreign Business Act, which limits foreign shareholding to less than 50%, may have slowed the amount of Japanese investment pouring into Thailand.

"The law is not the obstacle. It just limits the value of investment but will not deter us," Mr Hosumi said.

"Japanese investors plan to intervene in the Thai legal system concerning this law."

