

State unveils new FDI strategy

Prime Minister Prayut Chan-o-cha has laid out his new strategy to promote foreign direct investment for seven years through 2021, to take effect this coming Jan 1.

The new strategy is essential, as the country needs to strengthen its competitiveness and overcome its reliance on low-cost labour, Gen Prayut said yesterday.

It will focus on high technology to support the government's digital economy drive.

Currently, promotional privileges under the Board of Investment (BoI) fall under zone-based incentives.

The new strategy will base privileges on types of projects, emphasising those that support the digital economy such as high technology, research and development, design and specific industries in the same designated cluster.



Prayut: Boosting competitiveness

Acting secretary-general Hirunya Suchinai earlier said activities eligible for BoI privileges under the new strategy had been categorised as group A.

These will receive corporate tax exemption for activities deemed to be of high importance or knowledge-based investments as well as high-tech activities, complicated production processes and capital-intensive investments.

Group-B investments are not exempt from corporate income tax but can qualify for duty exemptions on imported machinery and raw materials for the manufacture of exported items as well as non-tax incentives such as permission to own land.

Gen Prayut said the new strategy was aimed at improving the economy in the medium and long term, as it would shift the industrial sector away from low-cost labour to high-technology industries.

High-tech industry operators as well as software firms are mostly small and medium sized enterprises (SMEs), so the new strategy will improve their products and service quality, productivity and overall competitiveness.

"The government will provide SMEs with financial aid to expand. The huge number of SMEs will be able to push economic growth in the medium term," Gen Prayut said.

The BoI will support the government's special economic zone policy, providing incentives in strategic industries that will be located in SEZs.

The SEZs are aimed at promoting border trade in five key provinces — Sa Kaeo, Trat, Tak, Mukdahan and Songkhla.

Deputy Prime Minister MR Pridiyathorn Devakula said the government planned to push Thailand to become a high-technology hub and serve as an international trade centre.

"Thailand is well placed as a regional centre," MR Pridiyathorn said.

He said the country had the ability to compete with its Southeast Asian peers.

"To achieve this goal, Thailand should offer an attractive investment package for investors. The BoI's new promotional policy will boost the number of investors and also move us in the direction we need in the future," MR Pridiyathorn said.

While the government is focused on restoring the confidence of foreign investors after the gloomy investment climate due to the political impasse and the plan to amend the Foreign Business Act, foreign investors have their doubts about government policies, saying the government has been hasty in announcing the new policy.

Stanley Kang, chairman of the Joint Foreign Chambers of Commerce in Thailand, said investors would have no time to study the new plan thoroughly before making decisions.

"The new investment policy will take effect in January. Investors won't have time to weigh the benefits of the old policy and the new one. We should have at least three months to go through it," he said.

However, he said it was understandable that the government rushed the policy, as the political stalemate caused many problems and also delayed investment for almost a year.

"Normally the government would take around one year before announcing the new investment policy instead of only three or four months like they did this time," Mr Kang said.

He expects investors will wait and see whether the new investment promotion policy will be changed in next year's first quarter before making a decision.

"I think applications in the first quarter may be slightly lower than average until the second quarter, when they might be more confident," said Mr Kang.

He said Thailand had so far improved the work permit process for foreigners.

The privileges accorded to investors are not really attractive compared with regional rivals, Mr Kang said.

He said investors wanted Thailand's economic policy to be more substantial.

"We understand the government has promised to get everything done within one year. So far, we're quite happy with their achievements," Mr Kang said.

"Next we would like to hear their long-term economic development policy as well as details of the infrastructure investment plan."

