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CASE STUDY

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Grow your business by exploring opportunities in Thailand

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How can your company capitalise on long-term growth opportunities in Thailand?

International Enterprise (IE) Singapore's Centre Director for Bangkok offers tips and insights

The Thai economy, like many in Southeast Asia, has not been spared from the recent economic turmoil that has swept the world. In December 2008 its export of manufactured products contracted by 10 percent year on year, with high-tech exports such as electronics and automobiles falling by 20 percent and export of agricultural products falling by 37 percent.

To stimulate economic activity and boost domestic consumption, the new Thai administration announced in January 2009 an aggressive fiscal policy of THB300 billion (US\$6.8 billion). In addition to the stimulus package, the government announced favorable tax changes to reduce the burden on businesses. This includes tax changes in the tourism and property sectors, and also raising the tax exemption threshold for SMEs.¹

According to Philip Pang, IE Singapore's Centre Director for Bangkok, Singapore was the third largest foreign investor in Thailand in 2008, with investments totaling THB25.34 billion (approximately US\$723.8 million).

Although politically Thailand has seen some uncertain times, businesses in sectors such as the service industries, medical supplies and IT services still see growth opportunities in the long term.

inews asked Pang to share insights on how local companies can take advantage of expansion opportunities in Thailand.

Q: How favourable is Thailand for foreign investors?

It is natural to expect some apprehension from foreign investors, given the political situation in the past year. The onset of the economic crisis that resulted in crumbling of global demand and falling commodity prices has further aggravated the picture.

However the Thai economy is structurally more robust than it was during the previous financial crisis. Sectors targeting at domestic demand are still showing signs of resilience towards the downturn. A Netherlands-based retail developer, ECC Group, plans to spend US\$500 million over the next five years to build up to seven large-scale shopping malls in Indochina, including a US\$90 million investment in Thailand.



Setting up office in Thailand

The three broad forms of business organisations in Thailand are sole proprietorships, partnerships, and limited companies. The most popular among foreign investors is the private limited company.

A private limited company may be wholly owned by foreigners, except in cases where the activities are reserved for Thai nationals such as rice farming and newspaper publishing. In those cases the ownership is restricted to 49 percent. The laws and regulations of Thailand relating to foreign ownership are set out in the Foreign Business Act and industry-specific legislation.

Increasingly, franchising has also been used to enter the Thai market by Singapore companies. This business model is prevalent in the retail and food services sectors, where companies find that it is a relatively lower cost alternative for penetrating a market.

FEATURED IADVISOR


Name: Sunny Chia
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Q: What are the growing industries in Thailand?

A: The key areas of Singapore investment include the manufacturing and manufacturing-related areas of logistics, supporting industries for the electronics sector, information technology, and telecommunications.

More recently, we are seeing an increase in interest from the information and communications technology (ICT) solutions industry. Players in service industries such as food services, retail of consumer products, medical products and supplies, education, as well as franchise players have been keen to explore and expand their businesses in Thailand.

Some Singapore food services companies also have plans to increase their food chain operations in the next two years. Thailand ranks a strong third place behind China and Japan in Business Monitor International's (BMI) Regional Food and Drink Business Environment Ratings in the first quarter of 2009. They were ranked strongly because of reasonable existing consumption levels and strong growth potential, benefitting from high tourism levels. According to BMI, the domestic food processing industry is expanding rapidly, with Thailand being the largest food exporter in Southeast Asia.

We have also gladly observed that at the recently concluded 13th Business Opportunity and Franchise Expo 2009 in Bangkok participants from Singapore said that the number and quality of leads generated from the event exceeded expectations.

Q: What are the industries that the government plans to invest in and develop?

A: The government has set a guideline for competitiveness development focused on tourism, creative products, food, logistics, green industry and alternative energy. For tourism, developing competitiveness would emphasise on marketing the uniqueness of Thai culture, enhancing medical tourism and driving infrastructure development.

Q: In what ways can the IE Singapore office in Thailand assist the Singapore companies?

A: IE Singapore's Bangkok office provides Singapore companies with the necessary market information needed for a successful venture into Thailand. Familiar with the market, we are able to provide the right contacts to make a company's entry smoother. These include linking companies up with local investment agencies, legal consultants and local financiers. The Bangkok office also works tirelessly to facilitate business matching support when we see an opportunity that is relevant for you.

For more information, please visit [IE Singapore website](#).

ASK THIS IADVISOR A QUESTION

1. The government increased the maximum amount of mortgage interest payments that can be deducted from income for tax purposes yearly from THB100,000 to THB300,000. For SMEs, the tax threshold will increase from THB60,000 to THB1million. Source: EIU Report, February 2009.