

# **臺商經貿投資白皮書—泰國篇**

**The White Book for Business and Investment in  
Thailand**

Thai - Taiwan Business Association  
Asia Taiwanese Chambers Of Commerce  
World Taiwanese Chambers of Commerce

2017

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“The White Book for Business and Investment in Thailand” is the first white paper produced by the Thai-Taiwan Business Association, in the many years since it was founded, focusing on issues of concern to Taiwanese investors, with suggestions, and on issue areas where the development of cooperation between Thailand and Taiwan can be encouraged. This “White Book” mainly covers Taiwan-Thailand bilateral economic and trade relations; an introduction to the overall business environment in Thailand; the course and general situation of investment by Taiwanese firms; issues of common concern and issues for specific industries for Taiwanese businesses in economics, trade, and investment, with suggestions; and important issue areas where Taiwan and Thailand can currently strengthen bilateral cooperation.

In order to ensure that the contents of this “White Book” can genuinely reflect the practical needs of Taiwanese businesses in Thailand, and to increase the depth of research and the reference value of this “White Book,” the Thai-Taiwan Business Association specially commissioned the “Taiwan WTO and RTA Center” and the “Regional Development Study Center” of the Chung-Hua Institution for Economic Research (CIER) to assist in the writing of this “White Book.” For preparing this study, first we should thank the research team members at the CIER, including project director Dr. Chang-Chen Yeh, researchers Dr. Chun-Pu Lin, Dr. Che-Jen Wang, and analyst Chun-I Kao, as well as research assistant Mr. Po-Cheng Huang, for the deep and specialized analysis they provided for this “White Book.” In addition, research fellow Ying-Hua Ku, director Da-Nien Liu, and deputy director Shu-Fei Yang of the “Regional Development Study Center” provided suggestions for the writing of this “White Book,” and moreover assisted in contacts and participated in interviews, and we thank all of them here.



# Abstract

Bilateral economic, trade, and investment relations between Taiwan and Thailand are very close. The large investments made by Taiwanese firms in Thailand have driven stable growth in total trade between Taiwan and Thailand. Thailand is rich in natural resources and has a superior geographic location, and having passed through, in recent years, the global financial crisis, flooding, and changes in the political situation, Thailand's economy has steadily recovered. In 2016 the rate of economic growth was 3.23%. Moreover, with the help of favorable factors such as the Thai government continually increasing expenditures, negotiating free trade agreements with its trading partners, the stabilization of domestic political and social order, and the formation of the ASEAN Economic Community, the Thai economy has step-by-step recovered from its low point, and once again become one of the important target markets for overseas investment in the eyes of foreign capital.

Looking back, past investment in Thailand by Taiwanese firms has made an outstanding contribution to its economic growth and transformation. Taiwanese firms have set up global production bases in Thailand, driving Thai exports and creating jobs. At the same time, through cooperation and personnel, knowledge exchange has allowed local Thai firms to develop the ability to enter into the supply chains of major international companies, brought in advanced technology, and assisted in industrial transformation, and moreover trained local management talent. Generally speaking, investment by Taiwanese firms has played a very important role in creating important global production bases and industrial clusters for the building of the automobile and ICT (information and communications technology) industries in Thailand, as well as in upgrading international industrial links and technology levels. Moreover, Taiwanese firms make regular contributions to schools and orphanages in remote areas, and when natural disasters occur they contribute money generously and help out with disaster relief, in order to maximally fulfill their social responsibility.

Recently the Thai government has promoted policies to upgrade economic development and industrial transformation, including “Thailand 4.0” and the “Eastern

Economic Corridor Development Project.” Their goal, in addition to encouraging traditional industries to move toward transformation to high-value-added and smart industries, is to strongly promote the development of newly-rising industries such as the Internet of Things (IoT), smart machinery, biotechnology, and green energy. However, although in recent years the overall investment environment in Thailand has consequently manifestly improved, and therefore there is potential for cooperation between Taiwan and Thailand in these newly-rising industries, Taiwanese firms still face many obstacles when investing or operating in Thailand, obstacles that urgently need to be overcome. If these obstacles can be overcome, the room for cooperation between businesses in Taiwan and Thailand could become even broader and deeper, and bring benefits to bilateral industrial, economic, trade, and investment development.

After collecting and organizing the opinions of Taiwanese business people in Taiwan and Thailand and the opinions of scholars and experts, this “White Book” summarizes and analyzes nine major common issues faced by Taiwanese businesses in Thailand (laws and regulations, administrative procedures, labor, human resources, trade, government procurement, investment, taxes, and infrastructure) as well as issues faced by two specific industries (the solar power industry, part of the renewable energy industry, and the operation of the franchising services industry, part of the service sector). This “White Book” also offers corresponding suggestions, in the hopes that relevant Thai government agencies can help resolve these problems. Finally, in terms of the development of Taiwan-Thailand cooperation, this “White Book” also proposes seven priority cooperation directions to provide to the Taiwan and Thai governments and private sector firms for reference. Concrete explanations are as follows:

First, in the issue areas of laws and regulations, administrative procedures, and government procurement, strengthening regulatory transparency and issuing official English-language versions of laws and regulations, especially to increase

understanding by relevant interested parties of changes in the law, would help lower the language barrier for Taiwanese firms and foreign firms to invest in and do business in Thailand, and also ensure their investment confidence. In addition, the language barrier also appears in the issue area of government procurement. The sole website on government procurement still provides no English-language explanations of important information such as government procurement bid standards, and more needs to be done to facilitate participation in electronic bidding by foreign firms for government procurement. Moreover, because there are no compulsory regulations regarding the required quality standards of some products, this readily allows inferior-quality goods to enter the Thai market, which can cause harm to humans or the environment. In terms of legal implementation procedures, application documents are complex and detailed, and so testing and certification procedures correspondingly take longer, which can increase the import or manufacturing costs of relevant products and is adverse for seizing commercial sales opportunities. The process for applying for certification of industrial products should be simplified, to shorten the timetable for certification.

Secondly, in the issue area of labor, the problems faced by personnel assigned to Thailand by Taiwanese and foreign parent companies mainly involve visas and work permits. The Thai definition of “work” is excessively broad and unclear, and moreover the procedures for applying for visas or work permits are complex and detailed. So we recommend extending the time limit on work permits, liberalizing restrictions on work locations, and eliminating the requirement that all foreigners must notify the government every 90 days that they are resident in the country. The Thai government only needs to have activities relevant to employment and hiring brought within the definition of “work,” and that will be a positive step toward reducing restrictions on business activities, and raise the international competitiveness of Thailand’s business environment.

Next, on the issue of human resources, Thailand faces the problems of inadequate technically skilled labor and a shortage of talent in specialized areas. We

suggest that Thailand should strengthen its basic technical education capabilities, and strengthen the training of specialized personnel with specific skills, to raise the technical skill level of labor. With regard to this, we suggest going through major universities and colleges in Taiwan to establish some institution like a “Taiwan-Thailand Technical and Industry-Academia Cooperation Innovation Center.” And Taiwanese companies can, within their firms, set up “industrial academies” to provide on-the-job training.

In terms of trade issues, Taiwan and Thailand, currently within the framework of the WTO, have high mutual tariff rates. Also consider that Thailand has signed free trade agreements (FTAs) with other countries, which brings preferential treatment to those countries in terms of tariffs. This makes the costs higher for firms of importing semi-finished products, parts, or machinery or equipment from Taiwan, which has become an important obstacle to further upgrading Taiwan-Thailand trade relations. We suggest that the two parties could consider signing an FTA or an Economic Cooperation Agreement (ECA), and encourage the facilitation of customs clearance, in order to lower the administrative and transaction costs of imports and exports, in order to further the development of bilateral economic and trade relations.

As for investment issues, the areas in which businesses can operate, and ownership rights or rental time limits for land and structures, are all restricted by the “Foreign Business Act.” Also, the process for applying to set up a company ordinarily takes six months. These factors all have an adverse impact on investment by foreign firms. We propose simplifying the timetable for general investment to apply to set up a company, relaxing restrictions on foreign investment to operate in the service sector, and relaxing limitations on the time period for rental of land or structures, in order to strengthen guarantees of the investment rights and interests of Taiwanese and foreign firms. Also, we recommend that recent active efforts by the Thai government to help with financing and support of small and medium enterprises (SMEs) be extended to foreign-invested SMEs. This will help foreign firms to participate in commercial

opportunities in the Thai market and strengthen the overall competitiveness of Thailand's SMEs. In addition, to cope with changes in the environment and market in Taiwan and Thailand, we suggest modification of the "Agreement Between the Thailand Trade and Economic Office in Taipei and the Taipei Economic and Trade Office in Thailand for the Promotion and Protection of Investments," which has already been in effect for over 20 years, to guarantee the rights and interests of Taiwanese businesses in Thailand and promote investment in Thailand by Taiwanese firms.

Moreover, with respect to tax issues, many Taiwanese and foreign firms in Thailand are of the opinion that Thailand should adjust and appropriately relax or simplify relevant rules to reduce the operational burden on Taiwanese and foreign firms, in areas that include the following: Thailand should lower the withholding tax rate for firms' domestic services activities, provide advance tax rulings before transactions, simplify the requirement that companies must report all kinds of tax information each month, and extend the carry-forward period for net operational losses.

In terms of infrastructure issues, we suggest that Thailand could more often use "Public-Private Partnerships" (PPP) to assist with the upgrading of Thailand's infrastructure and logistics development. These will attract the capabilities of Taiwanese and foreign firms and encourage them to collaborate with the government to jointly promote relevant infrastructure work in Thailand and to raise the quality of mobile communications.

In terms of other issues, the main one is continuing to promote facilitation measures for visas between Taiwan and Thailand. For continuing to promote measures to facilitate visas between Taiwan and Thailand, the Thai government should simplify tourist visa measures. They can promote visa-free or eVisa systems, to effectively increase the number of people from Taiwan going to travel in Thailand, to earn more tourism income for Thailand.

In addition, in terms of issues that affect specific industries, the two main ones include the government's electric power Feed-in Tariff (FIT), affecting the solar power industry, and the completion of the legal framework for the franchising services industry. Basically, Thailand's solar power industry development has reached considerable scale. If in the future the country can establish a long-term, predictable, and high-transparency government electrical power FIT, and moreover take into account both economic efficiency and balancing of government finances, this will be helpful to building a healthy investment environment for the industry, and raise the willingness to invest, and confidence in investment, among Taiwanese and foreign firms. And in terms of the development of the franchising services industry, the market for franchising is rapidly expanding in Thailand, but the legislative process for the Franchise Business Act is not yet complete. We suggest that the Thai government take the next step and finalize the Franchise Business Act and construct a Franchise Disclosure Document (FDD) system, to complete the legal framework for the Thai franchising services industry.

Finally, based on current economic development needs in Taiwan and Thailand, and the mutual complementarity of competitive advantages, this “White Book” proposes seven major priority issue areas for cooperation, including the following: First, cooperation in human resources and training. Building on the foundation of past close interactions involving migrant labor and students studying abroad, the two sides can cooperate in their educational systems for training people in industrial technical skills and business administration. This will help Thailand to develop technically skilled and specialized manpower needed for the new economy. In addition, the establishment of a bilateral talent database will make it easier for businesses from both countries to recruit talented people.

Second, cooperation between small and medium enterprises (SMEs). In both Taiwan and Thailand SMEs have been the main force for economic development. Thailand has the advantage of the Southeast Asian regional economic network,

while Taiwan has technical capabilities such as information and communications technology, metal processing, and so on. We suggest the construction of a platform or mechanism to help SMEs from both countries to unite their strengths and cooperate. We also suggest strengthening cooperation in e-commerce, which would be beneficial to developing that market.

Third, cooperation in high-value agriculture and applications for biotechnology. Taiwan and Thailand could, through bringing together their natural endowments in agricultural resources as well as comparative advantages in cultivation and processing technologies, cooperate in areas such as food processing, high-value agriculture, and applications for biotechnology. This could also be extended to cooperation in production chains and other agriculture-related areas.

Fourth, cooperation in information and communications technology (ICT). Taiwan, with its firm foundation from the ICT industry in the past, has developed diversified innovative applications and services models. In co-ordination with the Thai government's plans to develop its digital industry in a "smart" direction, the two sides could cooperate in areas that include automation and industry 4.0, smart government, smart transport, smart energy, smart healthcare, and smart campuses. Taiwan could assist Thailand in developing new forms of smart innovative industries, and in this way also narrow the digital gap between city and country in Thailand.

Fifth, cooperation in innovative entrepreneurship. In both Taiwan and Thailand the Internet penetration rate is high and social media is highly developed. With a rich variety of mechanisms for nurturing entrepreneurship, innovative teams in both countries can link into the comparative advantages in technology, manufacturing, capital, and markets possessed by Taiwanese firms in Thailand and promote the establishment in Thailand of mechanisms like incubators, accelerators, coworking spaces, or platforms. They can collectively, in the digital economy, share in cooperation in business model innovation.

Sixth, cooperation among industries in the circular economy. Taiwan got a



relatively early start in developing industries in the circular economy, and has relatively more successful cases. The two countries can engage in cooperation and exchanges with respect to experiences in the development of these industries and with respect to all manner of technology. In terms of “energy resource integration,” in the Kaohsiung Linhai Industrial Park, the waste heat produced by China Steel has been brought together with the demand for thermal energy from the petrochemical and chemical products industries, creating a three-way winning situation for China Steel, the petrochemical and chemical products industries, and environmental protection. This can serve as an example for industrial parks in Thailand to follow. In addition, Taiwan and Thailand can encourage cooperation between Taiwanese firms that have already gone to Thailand and are already engaged in the circular economy there and local Thai circular-economy firms, which would be helpful to the development and upgrading of local Thai circular-economy businesses. Also, technology R&D institutions focused on the circular economy in Taiwan and Thailand each have their own strengths, and in particular, there is great potential for development of cooperation between Taiwan and Thailand in green biomass materials and handling of discarded electronic products, and these can be the main focal points of cooperation between research institutes in both countries. As for Taiwan businesses that have already developed circular-economy products that have markets to sell to, they can be encouraged to invest in Thailand, in order to further linkages between circular-economy industries in the two countries, upgrade industrial technology, and develop markets.

Seventh, cooperation to attract investment from Taiwanese firms and to deepen bilateral economic and trade relations. In terms of attracting Taiwanese investment and deepening bilateral economic and trade relations, Taiwan and Thailand need to cooperate further in terms of laws, and to achieve closer harmonization of regulatory systems. Therefore, in order to lower tariff and non-tariff barriers to trade and to strengthen guarantees for investment by Taiwanese or Thai firms, Taiwan and Thailand should consider signing a bilateral Economic Cooperation Agreement (ECA)



and modifying the “Agreement Between the Thailand Trade and Economic Office in Taipei and the Taipei Economic and Trade Office in Thailand for the Promotion and Protection of Investments.” Such moves would upgrade the competitiveness of products from both Taiwan and Thailand, and consequently further cooperative relationships in bilateral trade and investment.

# Part One General Overview

## 1. Origins of this Study

Beginning in the 1980s, following the year-by-year increases in direct foreign investment by Taiwanese firms, Taiwanese business associations were formed one after another across the globe. In 1988, Taiwanese businesses in Thailand, based on the notion of furthering friendship among compatriots and exercising the spirit of mutual aid and protection, formed Taiwan business friendship associations in areas where Taiwanese firms were concentrated. On October 20 of 1992, in order to further unify the strength of Taiwanese businesses so as to protect their rights and interests, and to strengthen the contributions of Taiwanese businesses to economic development in Thailand, an association for all Taiwanese businesses in Thailand was formed. This association was formally registered as a legal person by the Thai government in April of 1993. Later, this group changed its name to the Thai-Taiwan Business Association (TTBA). Its guiding principles for its establishment mainly included: furthering the operations of, and co-operation between, Taiwanese and Thai industry and commerce and the financial sector; supporting and assisting TTBA members to be in compliance with Thai laws when engaging in their operations; strengthening and upholding the legal rights and interests of members; collecting data such as statistics about the industrial and commercial sectors, legal data, market information, the dynamics of social and economic development, and policy data; protecting and furthering trust and interpersonal relations among Taiwanese investors in Thailand; struggling to gain the same level of rights and interests enjoyed by investors from other countries in Thailand; assisting and expanding business activities and investment in Taiwan by Thai business people; and coordinating with economic development policies of the Thai government and inviting and encouraging Taiwan business people from Taiwan or who live overseas to undertake investment in the industrial, commercial, or financial sectors of Thailand. In other words, besides serving Taiwanese business

people investing in Thailand, the TTBA also serves as a bridge for communication for Thai business people who want to do business in, or invest in, Taiwan, and while making it easier to secure the rights and interests of Taiwanese businesses in Thailand, it can also further and encourage Taiwan-Thailand economic and trade interactions, and improve substantive bilateral relations between the two countries.<sup>1</sup>

Especially noteworthy is that, after many years of investment and operations in Thailand, quite a few Taiwanese businessmen have branched out, and have raised an outstanding second generation, for whom Thailand is their homeland. This new generation not only is steeped in their cultural heritage, but also has a deep understanding about market cultures in Taiwan and Thailand. At the same time most of them have excellent educations and are multilingual, making them an extremely precious and important common asset in promoting the furthering of substantive exchanges between Taiwan and Thailand.

Out of all the foreign investment by Taiwanese firms, ASEAN countries have always been the most popular investment market, and statistics say that Thailand is one of the top three investment destinations for Taiwanese businesses going to Southeast Asia.<sup>2</sup> Since the 1990s, Taiwanese businesses have invested in Thailand in a big way, and as of today the total cumulative amount of investment by Taiwanese businesses stands third among all investment in Thailand by foreigners. The announcement in December 2014 by the Board of Investment of Thailand (BOI) of an entirely new investment promotion strategy in its “Seven-Year Investment Promotion Strategy (2015-2021),” plus the formal establishment in 2015 of the ASEAN Economic Community (AEC), have encouraged a new wave of investment enthusiasm. Currently, preliminary estimates show there are at

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<sup>1</sup> Thai-Taiwan Business Association, “Historical Evolution” (歷史沿革), [http://www.ttba.or.th/index\\_content.php?cid=15](http://www.ttba.or.th/index_content.php?cid=15) (last accessed: March 8, 2017); Thai-Taiwan Business Association, “Charter of the Thai-Taiwan Business Association” (泰國台灣商會聯合總會章程), [http://www.ttba.or.th/index\\_content.php?cid=16](http://www.ttba.or.th/index_content.php?cid=16) (last accessed: March 8, 2017).

<sup>2</sup> Statistics as of December 2016. Of the ten countries in ASEAN, the top three for Taiwanese investment are Vietnam, Indonesia, and Thailand. See Ministry of Economic Affairs, Department of Investment Services, “A Report on the Safety of the Investment Environment in New Southbound Countries” (新南向國家投資環境安全報告), April 2017, p. 9.

least 5,000 Taiwanese firms in Thailand.<sup>3</sup> Taiwanese investment is spread across all categories of industries in Thailand, and has made concrete contributions in terms of providing jobs, driving the growth of the economy and trade, and furthering overall economic development.

Thailand is rich in natural resources, it has a superior geographic position, domestic infrastructure has achieved a certain foundation, and the country has the advantage of having industrial clusters, and in addition, the temperament of labor is very moderate, and strikes are correspondingly rare. Secondly, Thailand has completed, one after another, the construction of international economic and trade networks with many countries, while at the same time the ASEAN Economic Community was formally established in 2015. Given that Thailand has built up deep economic and trade relationships with many countries, and its market area has been constantly expanding, these all sharply raise its potential and importance for investment.

In order to further upgrade cooperative economic, trade, and investment relations between Taiwan and Thailand, and increase the benefits to Taiwanese businesses of doing business and investing in Thailand, and to make an even bigger contribution in the future to the prosperous development of the Thai economy, the Thai-Taiwan Business Association has specially published “The White Book for Business and Investment in Thailand.” It is hoped that, based on the actual investment experiences of Taiwanese businesses in Thailand, this “White Book” can provide suggestions to the Thai government for reference in future deepening of reform and opening to the outside world, structural adjustment, and relaxation of laws and regulations. In addition, given the collective goal of making Thailand’s overall business and investment environment more excellent, this study will raise practical suggestions, from the angle of complementarity between the comparative

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<sup>3</sup> Taiwan Ministry of Economic Affairs, Department of Investment Services, *A Brief Introduction to the Investment Environment in Thailand* (泰國投資環境簡介), Taipei City: Ministry of Economic Affairs, Department of Investment Services: 2015, p. 36.

advantages of Taiwan and Thailand, for strengthening cooperation between the two countries. These should make it easier to achieve the concrete goal of reciprocal and mutual benefit between Taiwan and Thailand, in terms of forward-looking cooperation on issues such as human resources and training, bringing together the strengths of small and medium enterprises in the two countries and e-commerce, high value agriculture and applications of biotechnology, information and communications technology, innovative entrepreneurship, industries in the circular economy, and strengthening the attraction for Taiwanese businesses to invest while deepening bilateral economic and trade relations.

## **2. Taiwan-Thailand Bilateral Economic and Trade Relations**

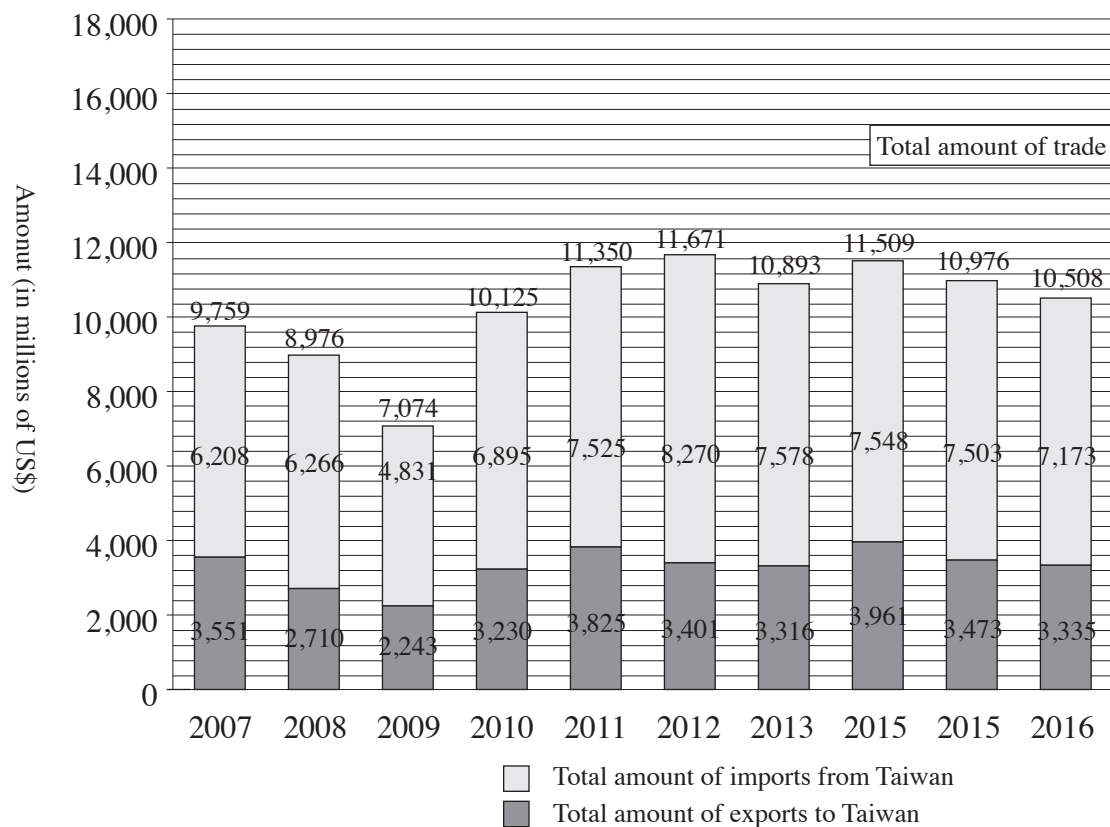
Economic and trade relations between Taiwan and Thailand are very close, especially since the 1980s when a large number of Taiwanese businesses began to go to Thailand to invest. Of these, there are more than a few cases of Taiwanese business people that have gone to Thailand to create businesses which have been around now for more than 40 years.<sup>4</sup> As of December of 2016, the cumulative number of cases of investment in Thailand by Taiwanese business people was 2,320, with the total investment amount being US\$14.213 billion. And that does not include amounts invested indirectly in Thailand via third countries such as mainland China, Singapore, Samoa, and the Virgin Islands, from which we can conclude that the actual amount of investment by Taiwanese business people in Thailand is even higher. It is for this reason that Taiwan has become the third largest foreign investor in Thailand, trailing only Japan and the US.<sup>5</sup>

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<sup>4</sup> Taipei Economic and Cultural Office in Thailand, “Relations Between the Representative Office of Taiwan and the Host Country” (駐館與駐地關係關係), March 9, 2016, <http://www.roc-taiwan.org/th/post/12.html> (last accessed: March 15, 2017).

<sup>5</sup> Thailand Board of Investment (BOI), “Resource Center/Statistics,” [http://www.boi.go.th/index.php?page=Report\\_investment](http://www.boi.go.th/index.php?page=Report_investment) (last accessed: March 16, 2017); Ministry of Economic Affairs, Department of Investment Services, “A Report on the Safety of the Investment Environment in New Southbound Countries” (新南向國家投資環境安全報告), April 2017, p. 9.

The large amount of investment in Thailand by Taiwanese businesses has driven steady growth in the total amount of trade between Taiwan and Thailand (as shown in Figure 1). In 2015, Taiwan was the 10th largest export market for Thailand, and the 7th ranked source of imports into Thailand, with its importance trailing only markets such as mainland China, Japan, the US, and the United Arab Emirates. From this we can know the necessity for the future of continuing to maintain and strengthen bilateral trade and investment between Taiwan and Thailand.



Source: World Trade Atlas database.

**Figure 1 Thailand's Total Amounts of Trade (includes Imports and Exports) with Taiwan, 2007-2016**

Over the last 40 years of intensive efforts, Taiwanese businesses in Thailand have actively participated in Thailand's economic development and construction. From Thailand's past development of agriculture and light industry, as well as import substitution industries and labor-intensive industries, to the current stage of emphasizing heavy industry and export industries and attracting foreign investment, and even to the future in promoting the new economic development

model of “Thailand 4.0,”<sup>6</sup> under which full support will be given to innovation and development of the digital economy, the product structure of trade between Taiwan and Thailand has shown concrete changes.

Basically, among the top ten industries for exports from Thailand to Taiwan, the largest is machinery and electrical equipment. This is followed, in order, by processed foods, chemical products, motor vehicles, and plastics. If we just look at the average growth rate for exports from 2013 to 2015, among these ten major industries, except for chemical products, plant products, rubber, and metal manufactured goods, Thai exports to Taiwan have all shown a tendency to grow, with the extent of growth being highest for fossil fuels and motor vehicles.

In addition, in terms of imports, the ten major industries for imports into Thailand from Taiwan are mainly concentrated in electrical equipment, machinery, steel, chemical products, and plastics. This indicates that between Taiwan and Thailand, with the major import and export products similarly being machinery, electrical equipment, chemical products, and plastics, not only is there quite close intra-industry trade, but also tight cooperation in industrial value chains has taken shape. It can be anticipated that in the future, under the impetus of Taiwan’s “New Southbound Policy,” economic, trade, and investment relations between the two sides can be further upgraded, and an even more favorable development environment can be created.

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<sup>6</sup> “Thailand 4.0” is a new economic development model being actively advocated by the Thai government. According to statements by Prime Minister Prayuth Chan-ocha about this policy, Thailand has already been through the eras of “Thailand 1.0” and “Thailand 2.0,” with the development of agriculture and light industry, and of import substitution and labor-intensive industries. Thailand is currently in the “Thailand 3.0” era, with the main emphasis on developing heavy industry and export industries, as well as attracting foreign investment. The Thai government hopes, through the “Thailand 4.0” policy, to replace traditional manufacturing and processing with the digital economy, and to bring into play innovation and creativity and technology-applications capabilities. Secondly, besides improving Thailand’s industrial structure, and allowing Thailand to shed current economic difficulties and to escape the “middle income trap,” at the same time the “Thailand 4.0” policy aims to resolve current social problems like income inequality among citizens, social inequity, and the conflict between economic development and environmental protection.

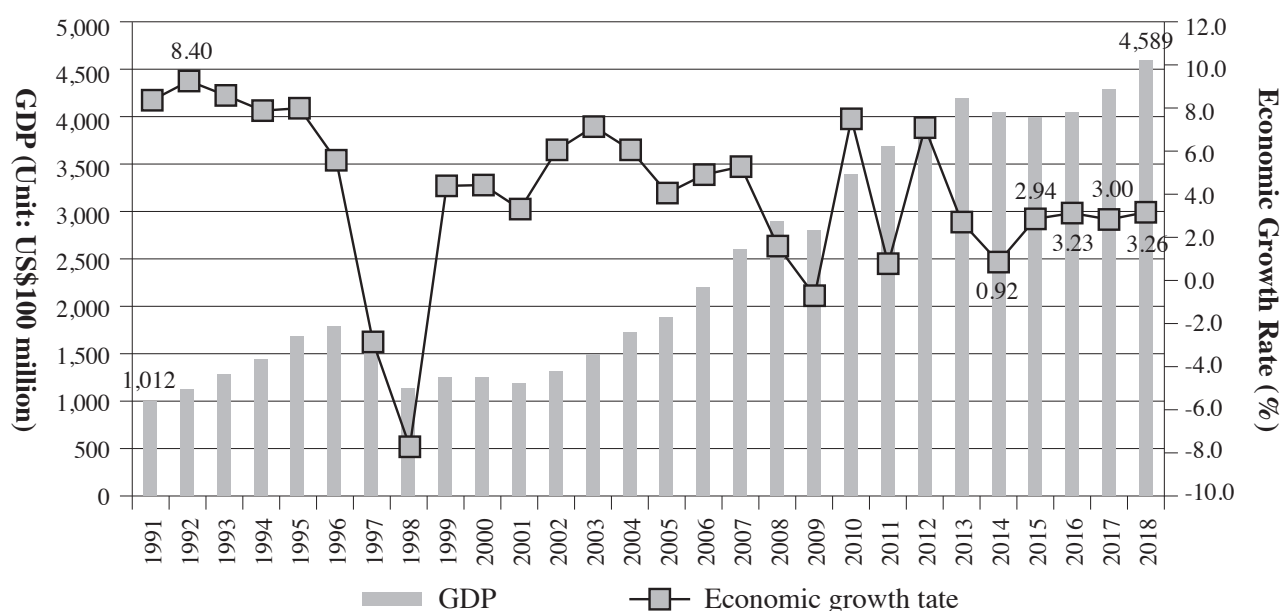
### **3. Thailand's Overall Economic and Business Environment**

#### **3.1 Thai economy continues its stable recovery**

Thailand has rich natural resources and a superior geographic position, and early on adopted an export expansion strategy, with export-oriented industries like ready-to-wear clothing, automobiles, and electronics rapidly developing. Between 1991 and 1995, Thailand's economic growth rate stayed at the high rate of 8-10%, and in 1995 Thailand was listed by the World Bank as a middle income country. During the Asian financial crisis of 1997, Thailand adopted a number of measures to deal with the crisis, including relaxing monetary policy, providing preferential loans, and lowering foreign exchange reserves, in order to stabilize the exchange rate of the Thai baht and rebuild the Thai economy. Thereafter the Thai economy consequently rapidly recovered.

However, after the global financial crisis in 2009, Thailand was first hit by floods in 2011 and then by changes in the Thai political situation in 2013-2014, both of which impacted the economy, and in 2014 Thailand's economic growth fell to 0.92%. However, due to factors such as the new Thai government increasing government expenditures, effective stabilization of domestic political and social order, and the consistently low level of the price of oil globally, in 2015 the Thai economy consequently began to steadily recover. The economic growth rate in that year was 2.94%, and in 2016 it rose further to 3.23%. The International Monetary Fund (IMF) forecasts that Thailand can keep its growth rate above 3% in 2017-2018 (as shown in Figure 2). However, in the medium and short term, Thailand must still face risks and challenges to the trend of economic growth, like the slowing down of domestic and foreign demand, the challenge of the competitiveness of export products, and rising household debt.





Note: GDP and economic growth rate for 2017-2018 are forecasts.

Source: IMF, World Economic Outlook Database, April 2017; figure prepared by the Chung-Hua Institution for Economic Research (2017/05).

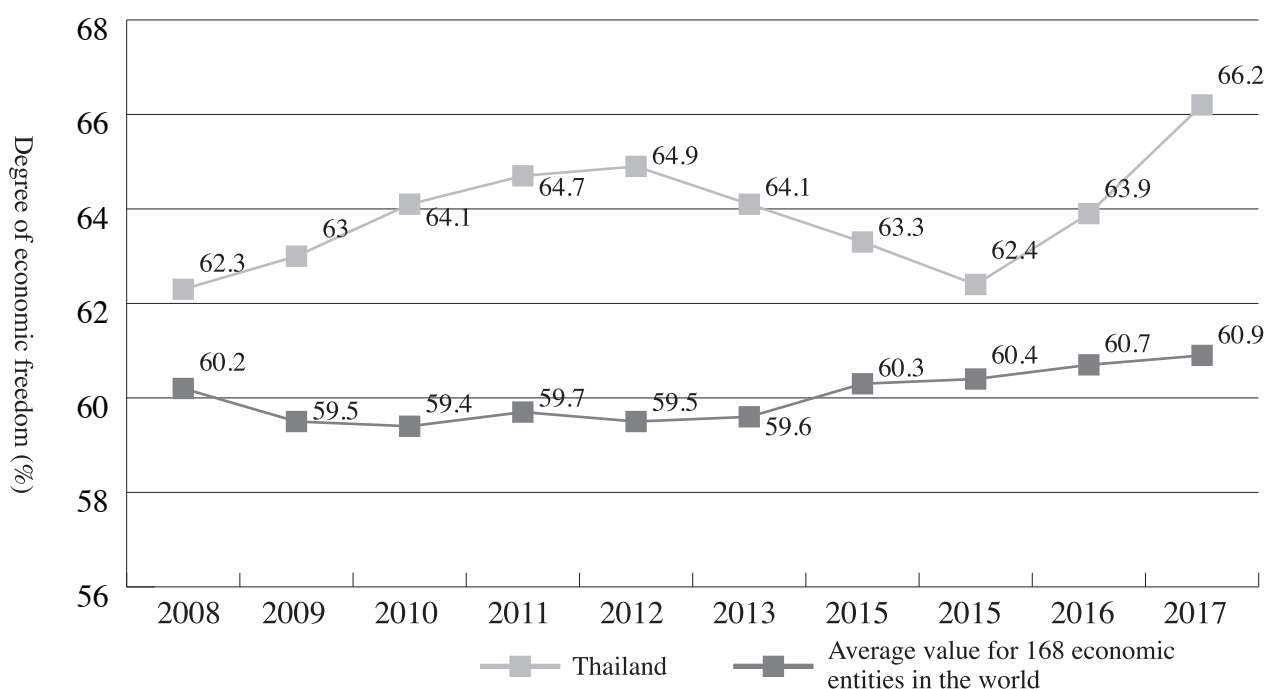
**Figure 2 Thailand's GDP and Economic Growth Rate**

### 3.2 Thailand actively opens to the outside world and is on track with the international community

For a long time now, Thailand's policy toward foreign trade has had as its basic principles to fully support multilateral trade systems, while at the same time signing Free Trade Agreements (FTAs) and Regional Trade Agreements (RTAs). Since the signing and taking effect of a Preferential Trading Agreement (PTA) with Laos in 1991, Thailand has entered into 14 FTAs/RTAs that have been signed and have taken effect. Thailand has already completed FTAs with many countries, including FTAs that have been signed under the name of ASEAN, which include FTAs between ASEAN and mainland China, ASEAN and Japan, ASEAN and Korea, ASEAN and India, and ASEAN and Australia and New Zealand. FTAs signed under the name of Thailand as an individual country, and that have taken effect, include the Thailand-Australia FTA, the Thailand-New Zealand FTA, the Thailand-Japan FTA, the Thailand-Peru FTA, and the Thailand-Chile FTA.

With Thailand having deep economic and trade relations with many countries, and expanding marketing networks, and moreover with the taking shape of the ASEAN Economic Community in 2015, all these factors cause Thailand's advantages from regional economic integration to become further upgraded, and because of this even more foreign investment is attracted into the country.

In particular, in recent years, with the Thai government acutely determined to reform, Thailand's degree of economic freedom has continually risen. According to an evaluation by the Heritage Foundation of the US, Thailand's 2017 Index of Economic Freedom was not only higher than the average value for the degree of economic freedom in 186 economies in the world (60.9%), it climbed as high as 66.2%, a new ten-year high (see Figure 3), and Thailand finished 55<sup>th</sup> in the world in its degree of economic freedom. This demonstrates that Thailand has worked hard and had success in terms of furthering the rule of law, strengthening government finances and the taxation system, upgrading regulatory efficiency, and opening its markets. The Thai-Taiwan Business Association has expressed sincere gratitude for, and affirmation of, all the policy measures and concrete actions taken by the Thai government to promote improvement of the investment environment, and hopes that in the future Thailand can move further in this established direction, and continue to deepen ties to the region and the world, in order to further the long-term development of Thailand's overall economy.



Source: The US Heritage Foundation, “2017 Index of Economic Freedom.”

**Figure 3 Changes in the Degree of Economic Freedom in Thailand, 2008-2017**

### 3.3 Thailand has already become an important investment destination for Taiwanese and foreign firms

Thailand has for many years been one of the major target markets for foreign investment moving into Southeast Asia. Although in the past changes in the Thai political situation affected the willingness of foreign investors to invest there, following the restabilization of political and social order over the last two years, foreign investment has returned once again. At present the major countries in East Asia, North America, Europe, Southeast Asia, South Asia, the Middle East, and parts of the South Pacific region all have investments in Thailand. According to statistics from Thailand’s Board of Investment, in the past five years Thailand has on average approved total foreign investment of over US\$19 billion.<sup>7</sup> This demonstrates that the Thai market has profound appeal for foreign businesses from major countries around the world.

<sup>7</sup> Thailand Board of Investment (BOI), “Resource Center/Statistics,” [http://www.boi.go.th/index.php?page=Report\\_investment](http://www.boi.go.th/index.php?page=Report_investment) (last accessed: March 21, 2017).

In particular, according to a variety of evaluations by international institutions, such as the World Bank's "Doing Business,"<sup>8</sup> the United Nations Conference on Trade and Development's "World Investment Report 2016,"<sup>9</sup> the US Department of State's "Investment Climate Statement 2016"<sup>10</sup> and the "Asia Business Outlook Survey 2016"<sup>11</sup> issued by the Economist, all of which have in-depth analyses of Thailand's investment environment, Thailand's investment advantages can mainly be summarized as follows: (1) It has rich natural resources and superior geographic position. (2) It has a positive outlook for economic growth and great potential for market development. (3) Its infrastructure, including industrial parks, transportation, and electrical power, has a definite foundation. (4) Its population structure is young, and labor problems are relatively rare. (5) It has the advantage of industrial clusters. (6) It has the advantage of expanding potential markets from its participation in regional economic integration.

For Taiwanese business people, there are several favorable factors that are helpful to them in adapting relatively quickly to life in Thailand. These include the facts that Taiwan and Thailand are geographically close, with a distance of only about three or four hours of flying time, and a time difference of only one hour; that Thailand's climate and temperature are similar to Taiwan's; that in terms of religion, Taiwan and Thailand both have faith in Buddhism; and that in recent years Thai food and beverage culture has deeply penetrated the Taiwan market. In addition, because Thailand is located at the center of the Indochina Peninsula, this is favorable for Taiwanese businesses to undertake arrangements for production and distribution. Also, from Thailand they can use its FTA network to conveniently export to East Asia, the ASEAN market, or to the entire world. Therefore, if in the

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<sup>8</sup> World Bank, "Doing Business: Country Table-Thailand," <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Chapters/DB17-Country-Tables.pdf> (last accessed: March 21, 2017).

<sup>9</sup> United Nations Conference on Trade and Development (UNCTAD), "World Investment Report 2016," <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1555> (last accessed: March 21, 2017).

<sup>10</sup> U.S. State Department, "Investment Climate Statements for 2016: Thailand," <http://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dld=254319> (last accessed: March 21, 2017).

<sup>11</sup> The Economist, "Responding to Asia's New Normal: Asia Business Outlook Survey 2016," [http://ft01.economist.com.hk/ECN\\_papers/2016ABOS](http://ft01.economist.com.hk/ECN_papers/2016ABOS) (last accessed: March 21, 2017).

future the Thai government can continue to develop in the direction of shaping a high-quality investment market environment, this should be helpful to increasing its attraction to Taiwanese business people to go and invest there. It also enables Taiwan and Thailand, through close mutual cooperation among industries upstream and downstream, to achieve a win-win situation of mutual benefit and sustainable operations.

### **3.4 Thailand's business and investment environment can move in the direction of excellence**

In order to stimulate economic development, in recent years the Thai government has actively promoted a series of policies, including “Thailand 4.0,” the “Seven-Year Investment Promotion Strategy,” and the “Eastern Economic Corridor Development Project.”<sup>12</sup> Its policy directions have included speeding up appropriations for expenditures on major infrastructure, promoting policies to develop specific target industries, upgrading the competitiveness of firms in order to avoid the national economy facing the “middle income trap,” improving the income of farmers, reducing poverty and encouraging investment, improving business registration, simplifying procedures related to applying for licenses as well as those for customs, and establishing Special Economic Zones (SEZs). These should further the development of knowledge-intensive industries as well as research and development and training of manpower, and promote the development of the country’s “digital economy.”<sup>13</sup>

At present, you can see the concrete results of the Thai government's efforts to raise the competitiveness of firms and improve the investment environment

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<sup>12</sup> The Thai “Eastern Economic Corridor” covers three provinces in southeast Thailand—Chachoengsao, Chonburi, and Rayong—covering a total area of 13,000 square kilometers. The Thai government has bestowed on that region the status of “Gateway to Asia.” The Thai government will in that region actively upgrade urban planning and construction, communications, transport, travel services, and the quality of life of citizens, and will develop core industries like aerospace and logistics. The region will consequently become the new engine of economic growth in Thailand, a core region for attracting foreign investment, and an important economic functional zone for ASEAN. Please see Ministry of Industry, Thailand, “Eastern Economic Corridor Development Project,” February 15, 2017, [http://www.boi.go.th/upload/EEC%20pack%20for%20BOI%20fair\\_Rev4%203%201.pdf](http://www.boi.go.th/upload/EEC%20pack%20for%20BOI%20fair_Rev4%203%201.pdf) (last accessed: July 3, 2017).

<sup>13</sup> Taiwan Ministry of Economic Affairs, Bureau of Foreign Trade, “Country File: Thailand” (泰國國家檔), June 15, 2017.

from various major international economic and trade evaluations. First, according to the Global Competitiveness Report (GCR) 2016-2017 issued by the World Economic Forum (WEF), although Thailand was ranked 34th among 138 evaluated economies in 2016-2017, a decline of two spots from 2015-2016 (in which year it was ranked 32nd), however of the 12 major evaluation items in the WEF's Global Competitiveness Index (GCI) 2016-2017, Thailand was able to maintain its rank or show marked improvement in "macroeconomic environment," (ranked 13th in the world, a rise of 14 places from the previous year), "financial market development" (ranked 39th in the world, the same as the previous year), "market size" (ranked 18th in the world, the same as the previous year), and "innovation" (ranked 54th in the world, a rise of three places from the previous year).<sup>14</sup>

Second, in the IMD World Competitiveness Yearbook 2017 published by the International Institute for Management Development (IMD), Thailand's global competitiveness was ranked 27th among the 63 countries that underwent evaluations. Its evaluation in 2016 was 28th, meaning that it rose one spot in 2017. It's worth drawing attention to the fact that, among the four major evaluation items in IMD competitiveness rankings, Thailand was most outstanding in the "economic performance" aspect, ranking 10th among countries that underwent evaluation (an improvement of three spots over 2016, when it was ranked 13th). Its next best ranking was for "government efficiency," where it ranked 20th (a rise of three places over 2016, when it ranked 23rd). In the area of "business efficiency" it ranked 25th (the same ranking as in 2016), and in the "infrastructure" item it was ranked 49th (also the same ranking as in 2016).

From this we can know that the main reasons behind Thailand's rise in the IMD world competitiveness rankings were improvements in "economic performance" and "government efficiency." These include the items within the economic performance evaluation entitled "international trade," (in 2017 Thailand was ranked 3rd, a rise

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<sup>14</sup> World Economic Forum (WEF), *The Global Competitiveness Report 2015-2016* (Geneva: WEF, 2015); World Economic Forum (WEF), *The Global Competitiveness Report 2016-2017* (Geneva: WEF, 2016).

of three places from the previous year) and “price stability” (ranked 28th in 2017, a rise of 17 places compared to the previous year). They also include, within the government efficiency evaluation, the items entitled “fiscal policy” (in 2017 Thailand was ranked 4th, an improvement of one spot over the previous year), “institutional framework” (in 2017 it was ranked 30th, an improvement of three spots compared to the previous year), and “business legislation” (ranked 38th in 2017, a rise of six places compared to the previous year). The rise in these various sub-indices must be the key reason for Thailand’s rise in the “economic performance” and “government efficiency” evaluations of the IMD world competitiveness rankings.<sup>15</sup> The Thai-Taiwan Business Association has considerable affirmation for the Thai government’s efforts on behalf of the country’s economic development and the improvement of the investment environment, as well as for the concrete accomplishments the government has attained. We trust that in the future, after the Thai government continues promoting various major economic and trade policies, Thailand’s economy will be able to maintain its current energy in terms of extensive growth as well as secure a bright future of prosperous development.

Despite this, at the same time as Thailand has continued to improve in terms of overall competitiveness, there are still some evaluation items for which progress has slowed. These evaluation items not only deserve further understanding by the Thai government, the government should increase the degree of effort devoted to improvement. This will make it easier, under a situation in which the Thai investment environment is moving in the direction of excellence, to attract even more foreigners to invest in Thailand. For example, the Thai-Taiwan Business Association has compared the changes in the WEF GCI sub-indices for the past two years, and after undertaking analysis of those items that have a higher degree of connection to the obstacles faced by Taiwanese business people doing business in Thailand, they discovered that Thailand’s overall ranking in the WEF GCI 2016-2017 fell by two

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<sup>15</sup> International Institute for Management Development (IMD), “IMD World Competitiveness Online,” <https://worldcompetitiveness.imd.org/>.



places, and there was a downward slide in some sub-indices. Moreover, many of these sub-indices are related to obstacles to doing business, about which Taiwanese business people are relatively more concerned.

As the evaluations in Table 1 show, in the WEF GCI 2016-2017 evaluations, Thailand trailed far behind among the 138 countries evaluated in sub-indices such as redundancy costs (128th), number of days to start a business (113th), legal rights index for lenders and borrowers (97th), local availability of specialized training services (93rd), and fixed telephone lines per 100 population (91st). Of these, local availability of specialized training services fell by 23 spots, because of the relative lack of high-quality and specialized training services locally.

In addition, items for which Thailand fell by 10 or more places in global rankings included: local supplier quality (ranked 77th, a fall of 18 places compared to the previous year), capacity for innovation (ranked 70th, a fall of 16 places compared to the previous year), quality of port infrastructure (ranked 65th, a fall of 13 places compared to the previous year), state of cluster development (ranked 62nd, a fall of 23 places compared to the previous year), local supplier quantity (ranked 59th, a fall of 25 places compared to the previous year), availability of scientists and engineers (ranked 57th, a fall of 10 places compared to the previous year), business impact of rules on foreign direct investment (ranked 56th, a fall of 19 places compared to the previous year), extent of staff training (ranked 54th, a fall of 13 places compared to the previous year), number of procedures to start a business (ranked 54th, a fall of 32 places compared to the previous year), regulation of securities exchanges in terms of the degree to which they ensure financial market stability (ranked 45th, a fall of 12 places compared to the previous year), and ease of access to loans (ranked 34th, a fall of 11 places compared to the previous year). If in the future the Thai government can collect suggestions from Taiwanese business people and other foreign business people, and proceed with reform in these areas, we trust that through cooperative efforts involving both the public and private sectors, it should be possible



to greatly raise Thailand's overall international competitiveness. The Thai-Taiwan Business Association, based on its guiding principles of coordinating with the Thai government's economic development policies and promoting the operations of, and cooperation between, the Taiwanese and Thai industrial, commercial, and financial sectors, is willing to contribute ideas and practical efforts to promote the development of the Thai business and investment environment in the direction of excellence. We look forward in the future to the Thai government continuing to deepen the degree of effort dedicated to reform, and to striving together for the sustainable prosperity of the Thai economy.

**Table 1 Areas Still Needing Improvement and Rankings for Thailand in Global Competitiveness Sub-indices as Issued by the World Economic Forum**

Index item	Ranking in 2015-2016	Ranking in 2016-2017	Change in ranking from 2016 to 2017
<b>Overall ranking</b>	<b>32</b>	<b>34</b>	<b>-2</b>
1. Redundancy costs, weeks of salary	129	128	1
2. No. days to start a business	109	113	-4
3. Legal rights index for lenders and borrowers	93	97	-4
4. Local availability of specialized training services	70	93	-23
5. Fixed-telephone lines/per 100 population	88	91	-3
6. Local supplier quality	59	77	-18
7. Prevalence of non-tariff barriers	73	75	-2
8. Capacity for innovation	54	70	-16
9. Quality of port infrastructure	52	65	-13
10. Efficiency of legal framework in challenging regulations	56	62	-6
11. State of cluster development	39	62	-23
12. Quality of electricity supply	56	61	-5
13. Quality of roads	51	60	-9
14. Local supplier quantity	34	59	-25
15. Availability of scientists and engineers	47	57	-10
16. Business impact of rules on FDI	37	56	-19

Index item	Ranking in 2015-2016	Ranking in 2016-2017	Change in ranking from 2016 to 2017
<b>Overall ranking</b>	<b>32</b>	<b>34</b>	<b>-2</b>
17. Quality of scientific research institutions	53	56	-3
18. Extent of staff training	41	54	-13
19. No. procedures to start a business	22	54	-32
20. Strength of auditing and reporting standards	44	51	-7
21. Regulation of securities exchanges	33	45	-12
22. Quality of air transport infrastructure	38	42	-4
23. Affordability of financial services	34	40	-6
24. Value chain breadth	32	40	-8
25. Strength of investor protection	34	36	-2
26. Soundness of banks	31	35	-4
27. Ease of access to loans	23	34	-11
28. Nature of competitive advantage	31	34	-3

Notes: 1. In 2015-2016 the survey included 140 economies; in 2016-2017 the survey included 138 economies.

2. This chart is based on global rankings for Thailand in various sub-indices in the 2016-2017 WEF GCI, with ranking in order from sub-indices in which Thailand is relatively behind other countries to sub-indices in which Thailand is relatively advanced.

3. Items with a grey background are sub-indices for which Thailand fell in global rankings by 10 or more places compared to the previous year.

Source: World Economic Forum (WEF), *The Global Competitiveness Report 2015-2016*; World Economic Forum (WEF), *The Global Competitiveness Report 2016-2017*.



# **Part Two** Issues of Concern to Taiwanese Investors and Suggestions

## **1. The Course and General Situation of Taiwanese Investment in Thailand**

### **1.1 The course of Taiwanese investment in Thailand**

Because of historical and cultural factors, Thailand has been deeply influenced by Chinese culture and Buddhism, and the people are mild. Because of this background, Thailand was one of the first target countries for Taiwanese business people when they first began undertaking foreign deployments. The earliest investment in Thailand by Taiwanese business people can be traced back to the 1960s, with investment reaching a peak in the late 1980s and into the mid 1990s. At that time, the main background was that manufacturing costs were soaring in Taiwan, so Taiwanese business people hoped to find lower costs. They therefore went overseas and built production bases, extending their established operating model of export processing. Second, because the Taiwan government had at that time not yet permitted investment in mainland China, Thailand and other Southeast Asian countries became the main investment locations for Taiwanese business people. However, the 1997 global financial storm inflicted serious damage on the Thai economy, and when you add in China's rise, these factors caused the scale of Taiwanese investment in Thailand to tend to decline. During the global financial crisis of 2008~2011, Thai domestic economic growth slowed down, which also had an impact on Taiwanese investment there. It was only starting in 2011, as a result of the global economic recovery and the enormous business opportunities brought about by progress toward ASEAN regional integration, that Taiwan-to-Thailand investment began to gradually recover.

According to statistics from the Board of Investment of Thailand, the total amount of approved investment from Taiwan from 1959 to 2016 was US\$14.213 billion, making Taiwan the third largest source country for investment, behind only Japan and the US. The industries for investment were mainly in manufacturing, with information and communications technology, automobiles, metal processing, textiles, and food and related products being the main ones, while there has also been investment in services such as food and beverages. In terms of the number of firms, it is estimated that the number of Taiwanese firms currently in Thailand exceeds 5,000, with approximately 150,000 people including dependents, making Thailand the country in Southeast Asia with the largest number of Taiwanese businesses. As for investment locations, the main areas have been Bangkok and the provinces surrounding Bangkok, including Samut Sakhon Province, Samut Prakan Province, Pathum Thani Province, Ayutthaya Province, and Nakhon Pathom Province. There is also Taiwanese investment in Chonburi Province and Rayong Province in the eastern part of the country, Nakhon Ratchasima Province in the northeast, Chiang Mai Province in the north, and in southern Thailand.

In terms of investment trends, Taiwanese investment in Thailand can basically be divided into four phases. For the first phase, investment in petrochemicals, for which there was a background in technical cooperation, is most representative. The second phase was in the 1980s, and was mainly focused on labor-intensive light industries such as suitcases, shoes, ready-to-wear clothing, and Christmas decorations. The third phase started in the 1990s, in coordination with corporate re-deployments and the Taiwan government's "Go South Policy," with the main industries being information and communications technology, automobile parts, and food, and also including peripheral metal processing. Representative firms in this phase included Delta Electronics, Cal-Comp Electronics & Communications, Liteon, JPP, Namchow, Uni-President, and Cheng Shin. As for the fourth phase, which covers Taiwanese investment in Thailand in recent years, there has been a turn toward areas in the service sector, newly rising industries, and innovative applications services, such as

food and beverages, solar power, e-commerce, communications services, mobile APP services, and digital content. Representative firms in this phase include Din Tai Fung, CoCo tea drinks, Gintech, PC Home, momo, Pinkoi, EZ Table, Chunghwa Telecom, and SNSplus. In addition, all types of industries in the service sector, such as the financial industry and even startup teams, are also actively making arrangements for, or evaluating, going to Thailand to develop.

## **1.2 General situation in important industries for investment and concrete contributions to Thailand**

### **1.2.1 Creating a global production base, driving exports, and creating jobs**

Exports for a long time have played an important role in Thailand's economic development. Thailand is today a major global production base for agricultural and industrial products. The leading export industries include machinery (HS84), electrical equipment (HS85), motor vehicles (HS87), processed food products (HS15~24), rubber manufactured products (HS40), and plastic manufactured products (HS39). In addition, according to information from the Board of Investment of Thailand (BOI),<sup>16</sup> in 2014 Thailand was the top supplier of hard drives in the world, and was among the top ten suppliers of numerous industrial products including trucks, motorcycles, tires, and computers and peripheral computer products. Meanwhile, since the late 1980s, in the search for lower manufacturing costs, Taiwanese business people have gone to Southeast Asian countries including Thailand to build overseas production bases for export processing, especially for information and communications products and car and motorcycle parts. Because most of the products have been for export, Taiwanese businesses have made outstanding contributions to Thailand's brilliant export performance, and at the same time have created numerous jobs.

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<sup>16</sup> Board of Investment, "Thailand's Rankings," [http://www.boi.go.th/index.php?page=thailand\\_rankings](http://www.boi.go.th/index.php?page=thailand_rankings) (last accessed: June 15, 2017).

## **1.2.2 Linking major international firms with local supply chains, helping industrial clusters take shape**

Taiwan has a leading position in the world for industrial clusters for semiconductors and sophisticated machinery, and at the same time plays a key role as a global OEM supplier of motherboards, notebook computers, and wafers. According to the “2016-2017 Global Competitiveness Report” issued by the World Economic Forum (WEF), Taiwan is ranked third in the world in the index for development of industrial clusters. And in the “2017 World Competitiveness Yearbook” issued by the International Institute for Management Development (IMD), Taiwan was ranked third in the world for “enterprise responsiveness and flexibility.” The comparative advantages possessed by Taiwanese businesses of manufacturing capability, quality, and cost control, have been extended to Thailand and other Southeast Asian countries through foreign investment by Taiwanese business people, and from there have helped these countries develop comprehensive production networks and strengthen industrial bases.

After years of development, Thailand’s motor vehicle and information and communications technology industries have steadily given rise to industrial clusters composed of major international firms, tier one suppliers, and other suppliers. Taiwanese businesses in Thailand have not only already made their way into the supply chains for major international firms, they have also given rise to cooperative relationships with local businesses through purchasing and joint development of products. Based on the above background, Taiwanese businesses have played an important role in Thai production networks in terms of linking international brand-name firms with local businesses. Through personnel who have cooperated with Taiwanese businesses and knowledge exchange, local firms have been able to upgrade their production management and quality control capabilities, and have even acquired related international certification, which have enabled them to consequently upgrade even more the competitiveness of companies and the capabilities of industrial clusters.

### **1.2.3 Introducing advanced technology, stimulating industrial transformation and upgrading**

Technical cooperation relationships between Taiwan and Thailand can be traced back to the 1960s, and drove the petrochemical industry to invest in Thailand early on. Cooperation between Taiwan's International Cooperation and Development Fund and Thailand's Royal Project Foundation has been going on for decades, making a huge contribution to upgrading fruit and agricultural crop cultivation techniques and horticultural techniques. Second, in the industries in which there is considerable scale of Taiwanese investment, including information and communications technology, motor vehicles, textiles, and food products, Taiwanese firms have already transferred the making of some parts, and undertaken technology transfer, to local suppliers. In recent years, to cope with changes in the population structure and labor market in Thailand, Taiwanese businesses have introduced automation and smart manufacturing, and linked up with big data analysis and data management systems, to upgrade the ability of factories to nimbly accept orders. At the same time as this, Taiwanese businesses have dedicated themselves to internal training work, and at the same time have worked with local schools and research institutions to develop educational cooperation and industry-academia cooperation. These assist personnel to welcome an era of changes in technology and management, and create a new image for smart and high-value manufacturing.

### **1.2.4 Layout of newly rising industries, exploring innovation in business models**

Following changes in the economic and industrial structure in Thailand, in recent years Taiwanese businesses have begun the layout of newly rising industries, such as energy management, smart manufacturing (automation), electric cars, solar power, e-commerce, and information services. And the traditional industry of food products has, based on the unique features of the local consumer market, developed health drinks. But because there is still no business model for most newly rising industries, it is



necessary to observe the market reaction to newly developed products. In this process, Taiwanese businesses, through cooperative partnership interactions with Thai firms, can collect market information, and together they can undertake modifications of their operating model or products, and thereby meet the needs of the Thai market more closely. Second, some Taiwanese firms participate in trial projects like electric cars or energy-saving systems, as well as the setting of standards for related goods or services, assisting Thailand to develop newly rising industries.

### **1.2.5 Promoting localization of operations management, exercising maximum corporate social responsibility**

After many years of operations, the operational management in Taiwanese businesses has gradually become systematized. At the same time these businesses provide opportunities for advancement to outstanding local personnel, and the degree of localized operation of these enterprises is steadily increasing. Some companies even only have the general manager who is Taiwanese, with everyone else being local managers and personnel.

Besides operating their enterprises, Taiwanese business people also actively devote themselves to public interest activities and to maximally fulfilling corporate social responsibility. Concrete measures include the following: (1) Donating materials and showing concern for remote areas: Taiwanese business people have gathered together resources to form the “Friends of Taiwan’s Charitable Foundation.” This group regularly goes to southern and northern Thailand to show concern for remote communities, issues scholarships to underprivileged students, and delivers material goods and donations to schools and orphanages. (2) Committing to social service: For example, the Thai-Taiwan Business Association has formed an airport volunteer police force, with more than 80 Taiwanese business people providing enthusiastic service at the airport, winning affirmation from the Thai Immigration Bureau and from citizens. (3) Promoting training of talented people and social education: To help Thai industries and human resources develop in quality, Taiwanese

businesses actively dedicate themselves to training of talent. A concrete example is the Delta Automation Academy, founded with financial support from Delta Electronics, which cooperates with major universities and colleges in Thailand to cultivate the talent needed to meet the needs of “Thailand 4.0.” On another front, Taiwanese businesses, including those in information and communications technology and food processing, routinely cooperate with schools and communities, holding activities to visit production lines, to help students and residents raise their understanding of the contributions that these businesses make to their industries and to social and economic development. (4) Supplying emergency disaster relief: Each time there is a natural disaster, Taiwanese businesses actively mobilize and enthusiastically provide funds and material goods, or link up with the power of non-profit organizations to work together to assist disaster victims through the most difficult times. For example, during the Thai floods of 2011, Taiwanese firms used their own factories to rush into production of sandbags, and launched blood donation and monetary donation drives, to assist disaster victims to get through the blows delivered by the natural disaster and to collaborate in rebuilding their homes and communities.

### **1.3 Looking forward to future Taiwanese investment in Thailand**

Investment in Thailand by Taiwanese business people can be traced back to the 1960s, and after many years of operations, Taiwanese businesses have to a high degree integrated into local society. They have also played an important partnership role in assisting the transformation of the Thai economy and industries, including in the transformation from Thailand 2.0 (mainly light industry) to 3.0 (mainly heavy industry and capital-intensive industries). With the promotion by the Thai government of “Thailand 4.0” and the “Eastern Economic Corridor Development Project,” as well as reform of investment regulations and the tax system, Taiwan and Thailand in the future will, because of the high complementary of the industries in the two parties, give rise to many investment opportunities. Besides the need for upgrading of

traditional industries like food products, textiles, and automobiles, it is also possible to foresee considerable room for cooperation between Taiwanese and Thai businesses in capacity-building in newly-rising industries such as the Internet of Things, smart machinery, biotechnology, green energy development, and even human resources, small and medium enterprises, and innovative entrepreneurship. Moreover, following the raised degree of integration between Thailand and neighboring countries and ASEAN, as far as Taiwanese business people are concerned, investment in Thailand will have even greater strategic significance in terms of deployments for regional markets.

Based on the close economic and trade relations and social and cultural links between Taiwan and Thailand, in the future the two parties should join hands to strive to put into practice the vision of transformation to smart industries, economic growth, and environmentally sustainable development, and we look forward to businesses from Taiwan and Thailand collectively opening new chapters in cooperation.

According to the research in Part One, Section 3 as above, from an analysis of Thailand's overall business environment we can know that in recent years, although there has been manifest improvement in Thailand's overall investment environment, nonetheless Taiwanese businesses that do business or invest locally in Thailand still face obstacles in the issue areas of laws and regulations, administrative procedures, labor, human resources, trade, government procurement, investment, taxes, and facilitation of visas. In addition, in terms of specific industries, there are still concrete issues of concern for the solar power industry (part of the renewable energy industry) and the franchising services industry (part of the service sector). It is hoped that relevant agencies in the Thai government can help in resolving these. Here we will separately discuss the common and industry-specific issues of concern for Taiwanese business people, as well as suggestions for improvement on these issues, as follows:

## 2. Issues of Common Concern and Suggestions

### 2.1 Regulatory and administrative procedure issues (relevant agencies: various ministries, Board of Investment of Thailand)

#### 2.1.1 Regulatory norms

- Strengthen announcement of official English versions of laws and regulations, strengthen regulatory transparency.

#### *Explanation and impact of the problem*

The degree of transparency and certainty of laws and regulations is very important to ensuring the investment confidence of foreign businesses in Thailand. In particular, foreign business people are most concerned about changes in regulatory norms related to business activities. In a 2017 report issued by the European Association for Business and Commerce (EABC) in Thailand and in suggestions proposed by the American Chamber of Commerce in Thailand, (AMCHAM Thailand) in 2016, both noted the importance of strengthening the transparency of laws and regulations.<sup>17</sup> In particular, for many foreign investors in Thailand, language is one of the biggest obstacles, so if the Thai government, when amending laws and regulations that can possibly impact trade and investment, can raise their uniformity and transparency, and moreover have an official English version to announce the concrete content of amendments to laws and regulations, this would be helpful to upgrading the transparency of laws and regulations and the understanding that interested parties will have about changes made in them, and will thereby strengthen the confidence foreign businesses feel in the Thai investment environment.

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<sup>17</sup> European Association for Business and Commerce (EABC) (2017), “2017 European Business Position Paper—Trade/Investment Issues & Recommendations in Support of a Competitive Economy in Thailand,” p. 43, <http://www.eabc-thailand.eu/business/download/167/45/2017+European+business+Position+Paper.pdf> (last accessed: March 29, 2017); AMCHAM Thailand, “Recommendations for Improving the Legal and Regulatory Environment,” 2016 January, p. 1.

## ***Suggestions***

Starting in 2009, the Board of Investment of Thailand established a single-window investment center (One Start, One Stop, or OSOS) to provide foreign investors with a single official window for services. Its functions have continually been upgraded and expanded right up to the present day, and in 2015 OSOS added a number of new services to strengthen the convenience for foreign investors of going to Thailand to invest. The Thai-Taiwan Business Association expresses affirmation of these developments, and hopes that in the future OSOS will be able to, with respect to the English versions of finalized or amended announced laws or regulations or bylaws related to investment, economics, or trade, use the method of setting up a searchable database online. Its classification and search functions should be strengthened, and it should be mutually linked to websites of the governing authorities, to make it easier to foreign investors to search. In addition, the Thai government could strengthen channels for interested parties to express their suggestions about draft laws and regulations related to economics, trade, and investment, in order to upgrade the friendliness and convenience of the Thai investment regulatory environment.

- **Strengthen product quality norms to prevent poor-quality products from entering the Thai market.**

### ***Explanation and impact of the problem***

Currently, because Thai laws and regulations have not yet set compulsory demands for quality standards for certain products, this has created a problem of low-grade or poor-quality products entering the Thai market. For example, for some parts for water supply systems, because at present Thailand still has no clear product quality norms, this can lead to elevated concerns about raw materials possibly being harmful to humans. Second, if products are of poor quality and are not durable, this will give rise to a large amount of waste matter and environmental problems.

## *Suggestions*

Currently in Thailand industrial product standards are issued by the Thai Industrial Standards Institute (TISI). TISI standards cover 60 types of industrial products in eight major categories, including textiles, construction materials, consumer goods, electrical equipment and parts, PVC tubing, medical equipment, high-pressure gas containers (LPG), surface coating materials, and vehicles. We suggest that within the TISI standards, the government can strengthen controls over the use of materials that can possibly harm humans, and could include food product safety and products that impact the environment under the “Mandatory Certification” category, so that businesses can only import or sell them if they have received TISI certification.

In addition, as for the content of standards, we suggest that Thailand can refer to the quality standards systems in Europe, the US, and Japan, and can raise the requirements for product quality, in order to block low-grade and poor-quality products that don’t meet standards from entering the Thai market. To give a concrete example, Thailand could refer to the product standards issued by the National Sanitation Foundation (NSF) in the US, and close the gap between its existing norms related to product quality and those of the international community, and thereby strengthen control measures over materials and products that can affect food safety, drinking water, or air and environmental quality.

### **2.1.2 Implementation process**

- **Simplify the certification application process for industrial products, reduce the time required for certification.**

#### *Explanation and impact of the problem*

According to stipulations of Thailand’s Industrial Product Standards Act, at present at least 60 types of industrial products in ten industries require application for mandatory certification from the Thai Industrial Standards Institute (a subordinate agency of the Ministry of Industry) in order to import or manufacture them.

These products include textiles, construction materials, consumer goods, electrical equipment and parts, PVC tubing, medical equipment, high-pressure gas containers (LPG), surface coating materials, and vehicles. The scope covered is quite broad. However, the application documents are complex and detailed, and the testing and certification process is correspondingly longer. This can in turn increase the importing or manufacturing costs for relevant products as well as raise the difficulty of seizing commercial opportunities, which unfortunately is adverse for the development of related industries in Thailand.<sup>18</sup>

### *Suggestions*

We suggest that the Thai government, under the precondition of rationally taking into account the rights and interests of consumers as well as environmental protection, reduce the impact that standardized measures can have on investment and trade. They should also do an inventory of the documentation process and testing and certification procedures for applications for mandatory certification for various industrial products from TISI, to effectively simplify testing and certification procedures and to shorten the time required for them. This will reduce the impact of applying for mandatory certification from TISI on the importing and manufacturing costs of relevant industrial products and on seizing of sales opportunities, and through these means promote development of relevant industries.

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<sup>18</sup> Taiwan Ministry of Economic Affairs, Bureau of Foreign Trade, “Survey Tables of the 2015 Report on Trade Obstacles Toward Taiwan: Thailand” (2015 年對臺貿易障礙報告調查表：泰國), March 7, 2017, p. 25, <http://www.trade.gov.tw/Pages/Detail.aspx?nodeID=802&pid=595628> (last accessed: March 29, 2017). AnTek Certification of Taiwan, “Certification by Thailand’s TISI” (泰國 TISI 認證), <http://www.atclab.com.tw/service-info.asp?id=319&page=0> (last accessed: March 29, 2017).

## **2.2 Labor issues (relevant agencies: Ministry of Labor, Ministry of Interior, Board of Investment of Thailand)**

### **2.2.1 The definition of “work”**

- Clarify the definition of “work.”

#### ***Explanation and impact of the problem***

According to the provisions of the Alien Working Act (B.E. 2551), which took effect in 2008, every foreigner in Thailand, no matter what form their work takes and whether or not it is paid or unpaid, must have a valid work permit (or WP-10).<sup>19</sup> And whether or not a work permit is issued depends on the governing authorities’ definition of “work.”<sup>20</sup> Currently the governing authorities’ definition of “work” is overly broad and obscure, with basically two explanatory principles for its use: (1) Does the person need practical effort or knowledge to complete the activity or task? (2) Is the impact on Thailand’s labor market comparatively small or non-existent? Because these principles are overly broad, so that there is often a gray area, and moreover it is difficult to make any clear demarcation, the review time and costs required are comparatively high, which unfortunately is adverse to encouraging foreigners to undertake business activities in Thailand.

#### ***Suggestions***

To further promote ease of doing business in Thailand, and upgrade the global competitiveness of the environment for doing business in Thailand, the Thai government should consider amending the provisions of the 2008 Alien Working Act which is currently in effect, to clarify the definition of “work,” and to only incorporate activities related to employment and hiring into the scope of the definition of “work.” This will make it easier to reduce restrictions over a broad area related to business

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<sup>19</sup> The so-called WP-10 is a work permit that is aimed at foreigners doing “urgent and essential work” and who want to apply for a work permit, but the time limit is 15 days.

<sup>20</sup> See the provisions related to work permits in Part Two of the 2008 Alien Working Act.



activities, in order to effectively further the development of a business-friendly environment in Thailand.

### **2.2.2 Visas and work permits**

Given that we are now in an era with a high degree of globalization, and business activities are closely intertwined, having international talent relocate to assist in compensating for inadequate local labor skills has become an unavoidable major trend to promote the smooth operation of business activities in any given country. With this in mind, promoting the facilitation of the coming and going of international talent or business people will become in the future one of the most effective methods for a country to upgrade labor skills. In particular, if Thailand in the future wants to strengthen its status as a competitive regional business center, it will be necessary to undertake improvements on the following issues of restrictions on, and facilitation of, visas and working permits:

- **Eliminate the rule requiring notification from foreigners every 90 days of residence.**

#### ***Explanation and impact of the problem***

On the basis of provisions of the Immigration Act of Thailand (B.E. 2522, 1979), except for people in transit or citizens from specified countries who do not need to apply for visas to enter Thailand, foreigners who wish to work or engage in business activities in Thailand must conform to the visa regulations, to make it easier to go a step further and get a work permit. In April of 2016 the Thai Immigration Bureau began requiring visa applicants to provide further information, and moreover it is necessary to report relevant information in writing every 90 days. Although foreigners can currently go through a specified website to report, there is still room for improvement in terms of the website's safety, stability, efficiency, and convenience. In addition, currently the Thai Immigration Bureau requires a check of the employer's corporate tax, withholding tax, value-added tax, and social insurance for employees,

but this data should be under the purview of the relevant government agencies. Therefore, the Immigration Bureau's requirement unfortunately constitutes a double policing problem, and raises the management costs of visa work.<sup>21</sup>

### ***Suggestions***

In order to reduce the management costs to the Thai government with regard to visas and work permits for foreigners, and to increase management efficiency, we suggest that the Thai government eliminate the rule that foreigners must report every 90 days of residence. This should be changed to requiring notification only when the foreigner's work address in Thailand changes. In addition, the government can consider providing a downloadable mobile APP that can be used for reporting as well as improve the Internet online reporting services system, in order to upgrade the safety, stability, efficiency, and convenience of visa management work. In terms of harmonizing time limits on the validity of visas and work permits, we suggest that, except in cases of administrative need or for special reasons, the government should consider harmonizing the time limits on the validity of visas and work permits, enabling the two to become uniform, to make it easier to simplify management procedures and lower management costs, and to raise the convenience for foreigners when they conform with the government's visa and work permit management.

- **Extend the time limits on work permits and liberalize restrictions on work location.**

### ***Explanation and impact of the problem***

First, at present the time limit on Thai working permits, in the case of ordinary positions, is normally one year. However, if the work permit is for managerial administrative jobs or specialists, the time limit is a maximum of two years.<sup>22</sup> If the enterprise conforms to the provisions of the Investment Promotion Act, under

<sup>21</sup> Thailand Board of Investment (BOI), *A Business Guide to Thailand 2016* (Bangkok: BOI, 2016), p. 77; European Association for Business and Commerce (EABC) (2017), "2017 European Business Position Paper—Trade/Investment Issues & Recommendations in Support of a Competitive Economy in Thailand," p. 42.

<sup>22</sup> Thailand Board of Investment (BOI), "Work Permits," [http://www.boi.go.th/index.php?page=legal\\_issues\\_for\\_investors\\_02\\_work\\_permits](http://www.boi.go.th/index.php?page=legal_issues_for_investors_02_work_permits) (last accessed: April 7, 2017).

specified circumstances its skilled labor and specialists can, in addition to the two-year work permit they originally receive, apply for an extension for another two years. Also, rules require foreigners to carry their work permits during working hours, or to keep them at their place of employment. Moreover, the individual can only do work specified in the working permit in the location specified in the working permit. Seeing as time limits on work permits are mostly only one year, which is relatively short, this is adverse for the continuity of business activities and for the transfer and exchange of technical skills between foreigners and local labor.

Second, with respect to limitations on place of work, these make it difficult for foreign workers to provide relevant specialized services to industries that have scattered operational locations. For example, for Taiwanese businesses that operate food and beverage services in Thailand through the form of licensed franchises, or those in the maintenance industry, they need to dispatch specialized teams from the headquarters in Taiwan to undertake operational guidance of various outlets. Also, restrictions on work location in work permits are adverse to the development of markets by Taiwanese firms, as well as to the development in Thailand of commercial activities like licensed franchises.

### ***Suggestions***

We suggest that the Thai government can consider extending the time limit on work permits to more than one year, and eliminate restrictions on the province or area where the individual can work. We also recommend that the government eliminate the regulation that foreigners who already have acquired permanent residency must still get work permits. These steps would further the passing along and exchange of technical skills between foreigners and local labor, and strengthen the function of foreigners assisting in upgrading the smoothness of operations of local businesses.

➤ **Simplify the procedures for getting visas and work permits.**

*Explanation and impact of the problem*

First, in recent years when foreign business people have gone into the Thai market to develop, one of the most frequently faced problems has been how to more conveniently get a visa and work permit. The main core of the problem is whether or not the Thai government can go further in simplifying current procedures for getting Thai visas and work permits. Especially for many small and medium enterprises (SMEs), these enterprises come up short compared to large foreign enterprises whether you are talking about amount of capital or capabilities to handle the large amount of documentation needed to apply for visas or work permits. However, at present the Thai government, with respect to applying for or extending work permits/visas, requires that applying companies must meet standards for high registered capital amounts, as well as for the ratio of foreign personnel to Thai personnel. They must also prepare a lot of documentation (such as corporate tax returns, value-added tax returns, social security and insurance returns, workers' compensation returns, and the employer's personal tax return and tax payment receipt). Requiring all this documentation to clarify whether or not the employer is following relevant laws and regulations is disadvantageous to SMEs going to Thailand to develop. This especially applies to foreign SMEs in the service sector, of which many provide important services to local Thai enterprises, and even go to Thailand to provide essential technical support for the local service sector. For Taiwanese and other foreign firms which have only a single founder or only a small number of shareholders, if it is not possible to simplify the application process for visas and work permits, this will increase the burdens and costs of going into the Thai market to support relevant industries.

Second, as the industries invested in by Taiwanese business people and operating models trend toward diversification, and the proportion of investment going to domestic demand-oriented and service industries increases, this will give rise to a need for staff to be frequently dispatched from Taiwan to Thailand to provide specialized

management knowledge, technology, or services, and the visa and work permit system currently in effect will have an impact on the operations of Taiwanese firms.

### ***Suggestions***

First, in order to reduce the burden and costs of applying for visas and work permits for foreign businesses, including Taiwanese businesses, that have gone to the Thai market to develop, and especially to reduce the obstacles faced by foreign SMEs entering Thailand with respect to procedures for applying for visas and work permits, we suggest simplifying the types of, and number of, procedures and documentation that must be attached when foreign firms that go to Thailand to engage in business activities apply for visas and work permits. We also suggest relaxing the regulatory requirements for the ratio of foreign personnel to Thai personnel in the applying company.

Second, we suggest that the government can amend the law to increase the categories of visas,<sup>23</sup> to provide “business visas” covering all normal business activities (including conferences, workshops, trade affairs, and market inspection). We also suggest that the government supply online visa application and visa approval services, and simplify documentation and the approval process, to make it more convenient for foreigners to do business in Thailand, and raise Thailand’s competitiveness in the area of global business environment.

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<sup>23</sup> On the basis of the Immigration Act, passed in 1979 and amended in 1980, currently the categories of visas in Thailand include: tourist, visitor transit, immigrant, non-quota immigrant, and non-immigrant visas.

## **2.3 Human resources (relevant agencies: Ministry of Labor, Ministry of Education)**

### **2.3.1 Skilled labor**

- Strengthen capabilities for basic technical and vocational education, raise the skill level of labor.

#### *Explanation and impact of the problem*

Capabilities in basic technical education are the root of upgrading the training of skilled labor in a country. According to data from the “Thai office for promoting social learning among youth and raising the overall quality of youth,” in 2016 in rankings of 130 countries in the area of development of human resources training, Thailand ranked 48<sup>th</sup>. This indicates that in the issue area of cultivating proficiency in technical abilities among Thai youth, there is still considerable room for improvement. Especially in comparison with other Southeast Asian or Northeast Asian countries (such as Malaysia, mainland China, and Singapore), if Thailand in the future wants to effectuate the high value-added policies of the 4.0 economy, it will have to simultaneously move to expand training for skilled workers, including raising the number of technical school graduates and college graduates from specialized departments that are in demand in industries, as well as the number of workers proficient in some skill.<sup>24</sup> Only in this way will Thailand, while promoting the major economic transformation policies of “Thailand 4.0,” have the copious technically skilled human resources needed to put those policies into practice.

#### *Suggestions*

To assist in upgrading Thailand’s capabilities in basic technical education, we suggest that the Thai government could undertake cooperation with Taiwan with respect to this issue. They can promote bilateral exchange of experts, scholars, and

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<sup>24</sup> “Human Resources Ranked 48<sup>th</sup>, Shortage of Proficiency in Technical Skills” (人力資源排第 48 名，缺熟練技能), *The Universal Daily News* (Thailand), November 30, 2016, <http://www.udnbkk.com/article-204380-1.html> (last accessed: April 13, 2017).

technical instructors, and through this lay out a plan for the appropriate development of technical and vocational education, to make it easier to assist in raising capabilities in training local skilled labor through Thailand's basic technical and vocational education system. Also, another feasible direction is strengthened industry-academia cooperation. The help that Taiwanese businesses can provide in this area includes providing full scholarships for outstanding students from Thai technical and vocational schools or departments in universities and colleges that are related to industries to go to Taiwan to undertake industrial study, while in Thailand providing appropriate business-academia cooperative-education employment opportunities.

### **2.3.2 Training of talent in specialized fields**

- **Strengthen training in specific skills for talent in specialized fields.**

#### ***Explanation and impact of the problem***

According to the Global Competitiveness Index of the World Economic Forum (WEF), in 2016-2017 Thailand ranked 93<sup>rd</sup> out of 138 evaluated economies in provision of special skills training services, which was a fall of 23 places compared to its ranking the previous year of 70<sup>th</sup> in the world. Furthermore, according to interviews of Taiwanese businessmen in Thailand for our research and a 2015 survey by the Joint Foreign Chambers of Commerce in Thailand (JFCCT), with respect to the skills required from employees by member companies, there is still a great deal of room for improvement in the labor trained in the Thai education system. This is true regardless of whether we are talking about widely applicable skills and specific skills (such as electrical and machinery skills, business accounting and taxation), general functional knowledge (including problem-focused knowledge such as appropriate use of information and communications technology to handle routine inquiries, communication, language proficiency, and creative thinking), or soft skills (including teamwork, understanding of different cultures, cause-and-effect inferences and logistical support thinking, communication skills, critical thinking, and problem

solving abilities), as well as the ability to communicate in a foreign language (English and Chinese ability).<sup>25</sup> If in the future Thailand wants to increase the number of specialized people with the above-mentioned skills in order to meet the needs of future economic development, it must make corresponding adjustments, in order to satisfy demand for talent for the future development of industries in Thailand.

### *Suggestions*

In 2016-2017, in the World Economic Forum's Global Competitiveness Index, Taiwan finished 17<sup>th</sup> out of 138 evaluated economies in the world in terms of higher education and training. In particular, in terms of the quality of math and science education, Taiwan finished even higher, at 15<sup>th</sup>. Therefore, Taiwan can share with Thailand its successful experience in training specialized talent for specific industries including information and communications technology, systems integration, sophisticated metal processing, agricultural technology, and aquaculture. It should also be possible, through cooperation with Taiwan's major universities and technical schools, to establish something like a "Taiwan-Thailand Technical and Vocational and Industry-Academia Cooperation Innovation Center," to strengthen exchanges and training cooperation between the two sides in terms of talent with specific skills. Moreover, Taiwanese businesses can continue to establish "industrial academies" in their companies, and hire specialized instructors to undertake on-the-job training, and through this to upgrade the specialized skills level of their local Thai personnel.

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<sup>25</sup> Joint Foreign Chambers of Commerce in Thailand (JFCCT), "Our Economy: Building for the Future," 25 Nov. 2015, pp. 34-37.



## **2.4 Trade issues (relevant agencies: Ministry of Finance, Ministry of Commerce, Ministry of Foreign Affairs)**

### **2.4.1 Tariffs and customs**

- Promote Thai-Taiwan economic and trade cooperation to reduce bilateral tariff barriers.

#### *Explanation and impact of the problem*

Taiwan and Thailand are both members of the WTO, therefore trade between the two sides mutually uses the most favored nation customs duty rate under the WTO framework. At present, tariffs must be paid on exports of products from either party to the other's market. In 2015 Thailand's average most favored nation tariff rate for all imported products was 11%, while Taiwan's average most favored nation tariff rate for all imported products was 6.4%, with no lack of high-tariff products with double-digit tariffs.<sup>26</sup> These tariffs lower the competitiveness of exports from one party to the other, which is adverse to furthering bilateral trade relations.

In particular, Thailand currently has entered into, as a member of ASEAN, free trade agreements (FTAs) with mainland China, Japan, Korea, India, and New Zealand and Australia, and has separately signed bilateral FTAs with Australia, New Zealand, Peru, and Chile. Under these circumstances, when companies in Thailand import semi-finished products, parts, or machinery from Taiwan, costs are relatively higher, so that imports from markets that have FTAs with Thailand have become a major obstacle to further upgrading Taiwan-Thailand trade relations.

#### *Suggestions*

In order to promote the reciprocal mutual benefits and growth of bilateral trade between Taiwan and Thailand, we suggest that both parties should strive in the direction of lowering bilateral tariff barriers. This would be helpful to increasing

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<sup>26</sup> WTO, "Thailand and the WTO: Part A.1 Tariffs and Imports: Summary and Duty Ranges," [http://stat.wto.org/TariffProfiles/TH\\_e.htm](http://stat.wto.org/TariffProfiles/TH_e.htm) (last accessed: April 25, 2017); WTO, "Chinese Taipei and the WTO: Part A.1 Tariffs and Imports: Summary and Duty Ranges," [http://stat.wto.org/TariffProfiles/TW\\_e.htm](http://stat.wto.org/TariffProfiles/TW_e.htm) (last accessed: April 25, 2017).

opportunities for cooperation between Taiwanese businesses and Thai businesses, strengthen industrial supply chains involving the two sides, attract even more Taiwanese business people to go to Thailand to invest, and create more jobs locally in Thailand. For this reason, we suggest that the Thai side can consider negotiating and signing an FTA or Economic Cooperation Agreement (ECA) with Taiwan, and formally initiate bilateral consultations and preparatory work.

- **Encourage facilitation of customs clearance, reduce administrative and transaction costs for imports and exports.**

### ***Explanation and impact of the problem***

Generally speaking, once Taiwanese and other foreign firms enter the Thai market, besides directly engaging in production and purchasing tasks locally, they also need to import some key raw materials, parts, or machinery from overseas. At this time, how to use customs reform to lower the administrative and transaction costs for imports and exports, and raise the willingness of companies to engage in trade and investment activities and increase their production capabilities, become critical issues. Given that Thai customs authorities have in the past already taken many reform actions—for example installing an automated customs clearance system and simplifying customs clearance procedures for trusted trading companies—in the future when dealing with continually growing trade activities, the Thai government can consider making some adjustments in the following areas, in order to attain the goal of making customs clearance faster and more convenient:

First, in the area of legal norms, at present the legal framework for the Thai government's customs authorities lacks sufficient clarity. Detailed customs technical guidelines cannot necessarily be accessed through public means, and from there it readily occurs that the interpretations of the law by individual customs officials are inconsistent, which raises the uncertainty for businesses of handling customs matters.

Second, at present Thai customs, in dealing with respect for laws and regulations by firms that encourage trade, has not yet incorporated the so-called “reasonable care concept,” which clearly divides non-deliberate failure to follow the law from deliberate or fraudulent intent to violate the law, and so serves as one of the bases for punishment when trading companies violate the rules. In the US, for example, the US has a clear plan to encourage businesses to follow laws and regulations on their own, and by citing the “reasonable care concept,” they permit businesses when revealing mistakes or violations of the rules on their own initiative to not incur an equivalent degree of punishment. This avoids having all mistakes (including technical mistakes) or cases of violations of the rules from being treated as fraud and severely punished. However, Thai customs currently has no similar law or implementation framework design that would be helpful to raising the willingness of trading businesses to follow all laws and regulations on their own initiative.

Third, in terms of the impact created by the rewards and penalties system on customs procedures, Thailand’s current customs rewards system encourages customs officials, during customs clearance, to adopt a proactive and strict stance with respect to customs valuations, document examination, controls, and auditing. If there exists a clear case of deliberately not following the rules, the trading business should be punished. However, the punishments for technical mistakes are not proportionate, and the maximum fine can be as high as four times the value of the related goods, which is adverse for undertaking of imports and exports by foreign firms in Thailand. In addition, in the new customs law draft bill, it is possible that the reward paid to customs officials may be reduced from 25% to 15%, but companies that get fined must still pay 100%, with no circumstances for leniency. Moreover the new measures also may encourage customs officials to do even more investigation for mistakes by the trading company, in order to compensate for concerns about the impact that lowering of the reward will have on their incomes.<sup>27</sup>

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<sup>27</sup> Taiwan Ministry of Economic Affairs, Board of Foreign Trade, “Survey Tables of the 2015 Report on Trade Obstacles Toward Taiwan: Thailand” (2015 年對臺貿易障礙報告調查表：泰國), March 7, 2017, p. 25; European Association for Business and Commerce (EABC) (2017), “2017 European Business Position Paper—Trade/Investment Issues & Recommendations in Support of a Competitive Economy in Thailand,” pp. 99-100.

## *Suggestions*

In July of 2015, the Thai cabinet proposed new amendments to the Customs Act, with the hope that in the future, once they are sent to and passed by the National Legislative Assembly (NLA) and put into effect, these can make Thailand's customs procedures more transparent, flexible, and efficient. Nonetheless, in order to speed up reform of Thai customs procedures, we suggest that the Thai government can continue to promote reform on the following major points:

First, we suggest that the Thai government, in implementing and interpreting the norms related to customs law, should ask each government department to establish a clear and uniform system of rules. Besides referencing the reasonable care and best practices used by other countries' customs toward businesses, the Thai government can also, before finalizing or altering relevant laws and regulations, allow all interested parties and relevant groups, under the precondition of fairness and openness, to participate in a consultation process. On one hand, this will reduce the uncertainty that businesses feel about regulatory and implementation factors when handling customs matters, and on the other hand, through an encouragement mechanism, raise the willingness of businesses to conform to customs laws and regulations and implementation rules on their own initiative. This would lower administrative and transaction costs, and would encourage Thai customs to develop in the direction of even more international competitiveness and being in step with the international community.

Second, in terms of avoiding the negative impact that reward and penalty systems can have on customs procedures, we suggest that Thai customs, besides announcing clear customs technical standards, should consider introducing the "reasonable care concept." After an open and fair investigation, they can acknowledge the trading business' internal plan to respect the law, in order to encourage businesses to conform to implementation of customs laws and regulations and bylaws on their own initiative, and can clearly distinguish between non-deliberate cases of failing

to follow the rules (including technical errors) and deliberate or fraudulent cases, to prevent the occurrence of the situation in which businesses incur high fines for non-deliberate violations of the rules or technical mistakes. In addition, according to Article 3.39 of the Revised Kyoto Convention (RKC) of the World Customs Organization (WCO), “The Customs shall not impose substantial penalties for errors where they are satisfied that such errors are inadvertent and that there has been no fraudulent intent or gross negligence. Where they consider it necessary to discourage a repetition of such errors, a penalty may be imposed but shall be no greater than is necessary for this purpose.”<sup>28</sup> In other words, in order to reduce the possible impact that the customs reward and penalty system can have on businesses, we suggest that Thailand should follow international best practices as made known in the RKC, and only heavily punish mistakes where there is clear fraudulent intent, in order to reduce the negative impact that the customs reward and penalty system has on businesses.

## **2.5 Government procurement (relevant agencies: Ministry of Finance)**

### **2.5.1 Information on government procurement and participation in electronic bidding**

- Provide official English explanations of government procurement information, and promote facilitation of participation in electronic bidding by foreign firms.

#### ***Explanation and impact of the problem***

At present, government procurement by the Thai central government and by provincial administrative bodies is mainly handled in accordance with the Regulations of the Office of the Prime Minister on Procurement (Buddhist Era 2535), adopted in 1992 and amended many times since. As for government procurement by local administrative bodies or state-run enterprises, this must be handled in accordance

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<sup>28</sup> Please see “Text of the Revised Kyoto Convention: Chapter 3,” [http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf\\_revised\\_kyoto\\_conv/kyoto\\_new/gach3.aspx](http://www.wcoomd.org/en/topics/facilitation/instrument-and-tools/conventions/pf_revised_kyoto_conv/kyoto_new/gach3.aspx).

with the Ministry of the Interior Regulations Regarding Procurement for Local Administrative Organisations (B.E. 2538, 1995).

Basically, although Thailand is currently not a signatory of the WTO Agreement on Government Procurement (GPA), it became a WTO GPA observer in June of 2015. In the past, in order to raise the openness, transparency, fairness, and efficiency of government procurement, and ensure private sector participation and development of local industries, the Thai government has already instituted many reform measures. These include continuing to publicize laws, regulations, and policy guidelines related to government procurement on a government website, the establishment of a website specially dedicated to government procurement by central government agencies, provision of an e-bidding system for government procurement cases, announcement of bid selection standards (such as price and bidder qualifications), and provision of details about the outcome and the selection decision. In 2016 the Thai government promoted a new government procurement bill, and it is estimated that when that law formally goes into effect, it will cover procurement by all government bodies, and will establish a standard selection method, while at the same time promoting complete computerization of Thai government procurement, and raising the legal status of government procurement, and through these means, it will strengthen the efficiency, quality, and fairness of the Thai government procurement system. These many concrete measures deserve approbation.<sup>29</sup>

However, although currently data related to specifications and awardees of Thai government procurement bidding is already transparently revealed and announced on the government's single platform for government procurement (e-GP, at the web address [www.gprocurement.go.th](http://www.gprocurement.go.th)) in order to provide this information to interested parties and the general public for reference, nonetheless all the information on that website is in the Thai language, and it is relatively difficult for foreign businesses to

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<sup>29</sup> World Trade Organization (WTO), "Trade Policy Review: Thailand," 20 October 2015, WT/TPR/S/326, pp. 60-62; Nitiyaporn Imjai and Thanachoke Rungthipanon, "Thailand: Government Procurement System," [https://www.amchamthailand.com/asp/view\\_doc.asp?DocCID=5255](https://www.amchamthailand.com/asp/view_doc.asp?DocCID=5255) (last accessed: May 10, 2017).

get an e-GP system account number. Generally speaking, if a foreign business person wants to apply for a system account number, they must first acquire a company or organization taxation number issued by the Thai Ministry of Commerce, and then go in person to the Comptroller General's Department of the Ministry of Finance and register by hand, and only then can they successfully get a log-in account number and password for the e-GP platform, and only after that can they participate in the electronic bidding in that system. These types of regulations and restrictions make it difficult for Taiwanese and other foreign businesses to participate in and win business opportunities from Thai government procurement.<sup>30</sup>

### *Suggestions*

In order to further participation by foreign businesses in government procurement, and raise the fairness, transparency, and competitiveness of government procurement, the Thai government should provide an official English-language explanation of relevant important information, such as government procurement bidding specifications, that is currently published on the single platform for government procurement. The Thai government should also promote relaxation of the limitations on, and simplification of the procedures for, foreign businesses to get qualifications to participate in electronic bidding, such as log-in account numbers and passwords for the e-GP platform. These measures would make it easier for Taiwanese and other foreign businesses to get information on government procurement bidding and would facilitate their participation in business opportunities from Thai government procurement.

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<sup>30</sup> Taiwan Ministry of Economic Affairs, Bureau of Foreign Trade, "Survey Tables of the 2015 Report on Trade Obstacles Toward Taiwan: Thailand" (2015 年對臺貿易障礙報告調查表：泰國), March 7, 2017, p. 26; Letter from the Economic Division of the Taipei Economic and Cultural Office in Thailand, "About the officials of the Economic Division visiting the Thai Ministry of Finance to consult about how to assist Taiwanese firms to participate in Thai government procurement cases" (關於本組拜會泰國財政部，洽商如何協助我商參與泰國政府採購案事), November 2, 2015.



## **2.6 Investment issues (relevant agencies: Ministry of Commerce, Ministry of Interior, Ministry of Foreign Affairs, Board of Investment of Thailand)**

### **2.6.1 Limitations on investment in the service sector**

- Liberalize the Foreign Business Act to reduce restrictions on investment in, and operations in, parts of the service sector by foreign firms, in order to promote liberalized development of the service sector.

#### *Explanation and impact of the problem*

Since joining the WTO in 1995, Thailand has made concrete progress toward liberalizing its service industries market, and moreover, in terms of regional economic integration, Thailand is—on the basis of the ASEAN Framework Agreement on Services (AFAS) and the ASEAN Economic Community Blueprint—gradually fulfilling the promises it has made about liberalization of the service sector. Moreover, in the regional trade agreements made between ASEAN and Australia and New Zealand, mainland China, and Korea, and in the bilateral free trade agreements between Thailand and Japan, Australia, and New Zealand, Thailand has in each case made promises regarding the liberalization of the service sector. These demonstrate the Thai government’s determination to promote liberalization of the service sector.<sup>31</sup>

However, as far as foreign businesses are concerned, according to the provisions in the Foreign Business Act (B.E. 2542) announced in 1999, foreign businesses still currently face limitations on, and obstacles to, participation in the service sector market of Thailand that await resolution. Of these, foreign businesses are basically subject to controls when participating in any part of the service sector, and foreign business people, under circumstances in which their firm has not received government permission, can only hold at most 49% of shares in a company. Foreign firms can, with special permission, participate in investment in, and operations of, some service industries (such as accounting services, legal services, construction services,

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<sup>31</sup> World Trade Organization (WTO), “Trade Policy Review: Thailand,” 20 October 2015, WT/TPR/S/326, pp. 120-121.



engineering services, and engineering construction) if these are listed under List Three in the Appendix to the Foreign Business Act as service industries in which Thai people do not yet have competitiveness with foreigners. However, if foreign firms want to hold majority shares in such a company in their status as foreign businesses, they must go a step further and get permission from the Thai Ministry of Commerce. If the service industry that a foreign business wants to invest and operate in is considered by the Board of Investment of Thailand to be an enterprise or specified industry for which they want to provide encouragement (for example, retail sales,<sup>32</sup> the wholesale industry,<sup>33</sup> brokers or agents,<sup>34</sup> and construction,<sup>35</sup> which meet certain specified conditions), the foreign firm can only acquire a majority of company shares with permission from the government.

Following on the past when Taiwanese businesses mainly used an export processing operating model, and given the current transition to developing the Thai domestic market and the service sector, besides the fact that it can be observed that the manufacturing sector is now deploying in newly rising industries such as energy-saving services, or is extending the value chain to areas like equipment maintenance and logistics, there is also a trend of increasing numbers of investments in food and beverages, e-commerce, communications services, and APP services. However, the relevant provisions limiting the types of industries in which foreigners can invest and upper limits on shareholding of the Foreign Business Act as currently in effect

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<sup>32</sup> According to stipulations in the Appendix to the Foreign Business Act, this refers to “Retailing all categories of goods having of less than 100 million baht capital in total or having the minimum capital of each shop of less than 20 million baht.”

<sup>33</sup> According to stipulations in the Appendix to the Foreign Business Act, this refers to “Wholesaling, all categories of goods having minimum capital of each shop less than 100 million baht.”

<sup>34</sup> According to stipulations in the Appendix to the Foreign Business Act, the broker or agent industry refers to: “(a) brokerage or agency of securities or service related to future agricultural commodities futures or financial instruments or securities; (b) brokerage or agency for the purchase/sale or procurement of goods or services necessary to production or providing services to affiliated enterprises.; (c) brokerage or agency for the purchase or sale, distribution or procurement of markets, both domestic and overseas for the distribution of products made in Thailand, or imported from overseas in the category of international business, with minimum foreign capital of not less than 100 million baht or more; (d) other brokerage or agency activities, as stipulated in ministerial regulations.”

<sup>35</sup> According to stipulations in the Appendix to the Foreign Business Act, the category of construction refers to: “(a) construction of infrastructure in public utilities or communications requiring tools, technology or special expertise in such construction, except where the minimum foreign capital is 500 million baht or more; (b) other construction, as prescribed in regulations.”

constitute an element of uncertainty for Taiwanese business people evaluating investment in Thailand.

### ***Suggestions***

Extending the motive power for economic growth from the manufacturing sector to the service sector is one of the core goals of the “Thailand 4.0” policy. All types of production-oriented or consumer-oriented services are, at the current stage, important areas for deployments in Thailand by Taiwanese businesses. In order to accelerate the attraction of foreign investment into, and promote the international competitiveness of, Thailand’s service sector, the Thai government should consider relaxing limits on shareholding for investments in Thailand’s service sector by foreign businesses, and go a step further and promote liberalization of the service sector. Second, it is necessary at the same time to make it faster and easier for foreign business people to apply for work permits and visas, in order that foreign business people can, in a timely manner, participate in business opportunities through investment in Thailand’s service sector, provide higher quality services to the Thai market, and create more service sector jobs.

### **2.6.2 Investment application procedures**

- **Simplify the timetable for general investment to set up a company, in order to make it easier for Taiwanese firms to participate in commercial opportunities in the Thai market.**

#### ***Explanation and impact of the problem***

According to interviews with Taiwanese business people in Thailand, the application procedure at present for Taiwanese business people to make a general investment to set up a company normally takes at least six months, and moreover, it is necessary to prepare a large amount of documentation. Unfortunately these factors adversely affect the ability of Taiwanese investors to seize business opportunities by

investing in Thailand.<sup>36</sup>

### ***Suggestions***

We suggest that the Thai government simplify the process and timetable for foreign business people applying to set up a company in Thailand, in order that Taiwanese firms can participate in business opportunities in the Thai market in a timely manner.

### **2.6.3 Restrictions on ownership of land and structures held by foreign investors**

- Liberalize restrictions on the longest allowed period for foreigners or foreign companies to rent land and structures, raise their willingness to make long-term investments.

### ***Explanation and impact of the problem***

According to stipulations in Thailand's Land Act (1954), generally speaking non-Thai enterprises and citizens are not permitted to own land. (Companies with over 50% Thai investment can legally acquire ownership rights to land.) However, foreigners or foreign enterprises can acquire land ownership rights so long as they conform to one of the following conditions:

1. Foreign companies can buy land in Thai government-approved industrial parks.
2. Through projects approved by the Board of Investment (BOI) of Thailand, companies that receive promotional incentives, and in which foreign investors hold more than 50% of the shares, can still use appropriate forms to apply to the offices of the BOI for permission to own land. Once permission is received for the acquisition of the land, by using a letter of approval issued to the applicant by the offices of the BOI, and notifying the Department of

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<sup>36</sup> Data from interviews with Taiwanese business people in Thailand conducted for this study; European Association for Business and Commerce (EABC) (2017), "2017 European Business Position Paper—Trade/Investment Issues & Recommendations in Support of a Competitive Economy in Thailand," p. 37.

Land or the provincial governor, then the company can have land ownership rights.

3. Among projects that receive approval from the BOI, foreign companies that receive special permission to operate in the petroleum industry can own land to undertake necessary operational activities.
4. Based on the Land Code as amended in 1999, foreign investors whose investment exceeds 40 million Thai baht and lasts more than five years can, with the agreement of the Thai Ministry of Interior, purchase up to 1,600 square meters of land for residential use.

Moreover, according to stipulations of the Condominium Act (1979), Thailand also places limitations on the holding of ownership rights in buildings by foreign business people. Although currently foreigners can have ownership rights in buildings, they cannot hold more than 49% of the total units in a building. If the conveyancing application put forward by a foreigner exceeds 49% of the ownership rights in the entire building, this would violate relevant laws, and officials can reject that application for transfer of ownership rights.<sup>37</sup> From this we can know that, under current Thai regulatory restrictions, many foreign business people who are not able to conform to the conditions mentioned earlier can only use renting to acquire usage rights to land or structures for residential, commercial, or industrial use, with a maximum rental period for land and structures of 30 years and 50 years, respectively. At the same time, if a foreign business wants to extend rental of land or structures whose limitation on longest rental period has already been reached, they must sign a new contract. This causes foreign businesses, when deciding on rental contract conditions, to not only have to consider business needs and conditions, but to also face legal limitations on the longest possible rental period.

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<sup>37</sup> Thailand Board of Investment (BOI), *A Business Guide to Thailand 2016*, p. 83; European Association for Business and Commerce (EABC) (2017), “2017 European Business Position Paper—Trade/Investment Issues & Recommendations in Support of a Competitive Economy in Thailand,” pp. 38-39.

## *Suggestions*

In order that Taiwanese businesses can, on the basis of business needs, have greater flexibility when renting land or structures necessary to business activities, we suggest that the government can relax the maximum time limits for foreigners or foreign companies to rent land and structures. This will be helpful to increasing the flexibility that foreign firms have for renting land and buildings based on business needs, in order to raise the willingness of Taiwanese businesses to make long-term investments in Thailand.

### **2.6.4 Financing of small and medium enterprises**

- **Reduce obstacles to raising of capital by small and medium enterprises, assist in strengthening the competitiveness of these firms.**

#### *Explanation and impact of the problem*

Banking and financial services is a strategic industry with dual special characteristics. If it can operate smoothly, seek innovation, and increase efficiency, this will not only be helpful to the development of the financial industry itself, it will have a positive multiplier effect on the other industries that it serves, and will have a positive impact in terms of energizing the overall national economy. Especially for small and medium enterprises (SMEs), which account for 99.72% of all Thai enterprises and employ 80.44% of the labor, and whose contribution to Thai exports exceeds 90%, because their capital is often relatively small, while maintaining and developing business they especially need external channels of financing to get the capital they need for enterprise operations. How to help Thai SMEs create a friendly environment in which they can get financing support is often mentioned as one of the important policy tasks of the present time.<sup>38</sup>

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<sup>38</sup> Foreign Office, The Government Public Relations Department, Office of the Prime Minister, Thailand, "Promoting SMEs and Startups in Thailand," *Inside Thailand*, 28 January 2017, [http://thailand.prd.go.th/ewt\\_news.php?nid=4775&filename=index](http://thailand.prd.go.th/ewt_news.php?nid=4775&filename=index) (last accessed: May 31, 2017); Tientip Subhanij, "Rethinking the Small and Medium-sized Enterprise Financing Model and the Role of Commercial Banks," *Asia Pathways: the Blog of the Asian Development Bank Institute (ADBI)*, October 5, 2016, <https://www.asiapathways-adbi.org/2016/10/rethinking-the-small-and-medium-sized-enterprise-financing-model-and-the-role-of-commercial-banks/> (last accessed: May 31, 2017).

In recent years, demand for financing loans for Thai SMEs has continually risen. The total amount of business loans given to SMEs has increased from 1.331 trillion Thai baht in 2007 to 4.575 trillion in 2015, which accounts for 71.04% of the total amount of business loans in Thailand in 2015. However, despite the fact that the ratio of non-performing loans to SMEs to total loans to SMEs has fallen from 7.9% in 2007 to 3.86% in 2015, this is still higher than the ratio of non-performing loans to total business loans in 2015 of 0.85%. Therefore, under circumstances in which the risk of lending is relatively high, Thai financial institutions still mainly give short-term loans to SMEs. In 2012 short-term loans accounted for only 48.1% of total loans to SMEs, but in 2013 that figure rose to 61.4%.

Not only that, because the risk of lending is relatively high, in general financial institutions have correspondingly higher demands for collateral for SME financing. In 2015 for example, the value of the collateral acquired by Thai financial institutions for loans to SMEs was six times the amount of loans given to SMEs, and lack of collateral has already become a major obstacle to Thai SMEs when they want to raise operating capital through financing from financial institutions.<sup>39</sup>

In recent years, in order to meet the demand for financing from Thai SMEs, the Thai Ministry of Finance's Thai Credit Guarantee Corporation (TCG) has assisted SMEs that cannot provide sufficient collateral but that have a credit guarantee letter given after TCG review, and have paid the guarantee fee, to apply for and get loans from financial institutions. Statistics as of 2015 show that the amount of loans given by Thai financial institutions to SMEs through TCG guarantees rose from 64 billion Thai baht in 2010 to 309 billion Thai baht in 2015. However, despite this, there are still many SMEs who have to go through high-interest loan operators in order to get financing, and it is quite common for monthly interest rates on financing to reach 15-20%. In addition, many consumer loans in fact are used to satisfy demand for

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<sup>39</sup> Organization for Economic Cooperation and Development (OECD), "OECD Country and Partner Economy Profiles: Thailand", in *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard* (Paris: OECD Publishing, 2017), pp. 1-2; Joint Foreign Chambers of Commerce in Thailand (JFCCT), "Our Economy: Building for the Future," 25 Nov. 2015, p. 30.

financing from SMEs.<sup>40</sup> From this we can know that in terms of reducing obstacles to financing for SMEs to enable them to get the capital they need to maintain and expand business activities, and thereby raise their competitiveness, Thailand still has quite a lot of room for growth.

### ***Suggestions***

We suggest that the Thai government expand current assistance measures with regard to SMEs getting financing. For example, in order to put into practice the “Thailand 4.0” policy by supporting domestic SMEs with potential for development, currently the Small and Medium Enterprise Development Bank of Thailand (SME Bank) is promoting the SMEs Transformation Loan project. It is hoped that this project can provide loans of a maximum of 15 million Thai baht to individual SMEs, of which loans that do not exceed five million Thai baht can, after review and provision of guarantees from the TCG and without need to provide collateral, be repaid in installments with a fixed interest rate of 3% for the first three years. This type of policy to reduce obstacles to, and the burdens from, SME financing is worthy of approbation, and should be continued and expanded in the future.<sup>41</sup>

However, even as the SME Bank promotes a variety of services helpful to SME financing, at the same time consideration should be given to looking anew at, and amending, the charter and loan procedures of the SME Bank. This should be done in order to make it easier, given the goal of strengthening services and assistance for SME financing, to increase the operational efficiency and flexibility of the SME Bank, and to simplify the procedures and conditions for SMEs to get loans (in particular, emphasis should be placed on SME profitability, costs, and risk management capabilities as the main bases for reviewing financing).

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<sup>40</sup> Tientip Subhanij, “Rethinking the Small and Medium-sized Enterprise Financing Model and the Role of Commercial Banks”; Joint Foreign Chambers of Commerce in Thailand (JFCCT), “Our Economy: Building for the Future,” 25 Nov. 2015, pp. 29-30; Organization for Economic Cooperation and Development (OECD), “OECD Country and Partner Economy Profiles: Thailand,” in *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard* (Paris: OECD Publishing, 2017), pp. 1-2.

<sup>41</sup> National News Bureau of Thailand (NTT), “SME Bank launches SMEs Transformation Loan for Thailand 4.0,” [http://nwnt.prd.go.th/CenterWeb/NewsEN/NewsDetail?NT01\\_NewsID=WNECO6005120010020#sthash.aEgkgNZu.dpuf](http://nwnt.prd.go.th/CenterWeb/NewsEN/NewsDetail?NT01_NewsID=WNECO6005120010020#sthash.aEgkgNZu.dpuf) (last accessed: May 31, 2017).



In addition, in order to broaden the target beneficiaries of financing and raise the effectiveness of financing policies, we suggest that any SME that was established in Thailand, and which engages in business activities in Thailand, should be included within the target beneficiaries of services provided through government SME financing policies. Even some SMEs with mainly foreign investment should be included, in order to increase the number of beneficiary SMEs in Thai territory, raise the overall competitiveness of Thai SMEs, and create a friendly environment for SMEs in Thailand to get financing support.<sup>42</sup>

### **2.6.5 Investment guarantees**

- **Strengthen guarantees of the rights and interests of Taiwanese firms that invest in Thailand.**

#### ***Explanation and impact of the problem***

Taiwan and Thailand, in order to create a positive environment to ease the expanding of economic cooperation and investment on the principle of mutual benefit, and given a consensus between Taiwan and Thailand that mutually encouraging and mutually protecting investment can stimulate willingness to invest among enterprises on both sides, signed the “Agreement between the Taipei Economic and Trade Office in Thailand and the Thailand Trade and Economic Office in Taipei for the Promotion and Protection of Investments.”<sup>43</sup> This includes stipulations regarding the definition of “investment,” the scope of application of the agreement, investment promotion and protection, treatment of investment, exceptions, expropriation and compensation for losses, transfers of investments and returns, subrogation, settlement of disputes between contracting parties, and investment-related disputes. However, as of the present that investment promotion

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<sup>42</sup> Data from Taiwanese business people interviewed for this study; Joint Foreign Chambers of Commerce in Thailand (JFCCT), “Our Economy: Building for the Future,” 25 Nov. 2015, pp. 29-31.

<sup>43</sup> Department of Investment Services, Ministry of Economic Affairs, Taiwan, “Agreement between the Taipei Economic and Trade Office in Thailand and the Thailand Trade and Economic Office in Taipei for the Promotion and Protection of Investments,” [https://www.dois.moea.gov.tw/file/pdf/泰國投保協定\\_英文.pdf](https://www.dois.moea.gov.tw/file/pdf/泰國投保協定_英文.pdf) (last accessed: May 2, 2017).



and guarantee agreement has been in effect for more than 20 years, and it is difficult to get concrete resolution under the agreement framework for many new changes in the environment and new needs.<sup>44</sup>

### *Suggestions*

In order to meet the needs of current changes in the environment and markets of the two sides, we suggest that Thailand and Taiwan should discuss how to strengthen and update the current contents of the “Agreement between the Taipei Economic and Trade Office in Thailand and the Thailand Trade and Economic Office in Taipei for the Promotion and Protection of Investments,” to enable Taiwanese investing in Thailand to get even stronger guarantees of their rights and interests and thereby promote an increase in investment in Thailand by Taiwanese businesses.

## **2.7 Tax issues (relevant agencies: Ministry of Finance)**

### **2.7.1 Withholding tax rate on firms’ domestic service activities**

- Lower the withholding tax rate on firms’ domestic service activities, reduce situations of overpaid income taxes and lighten the operational burden on businesses.

#### *Explanation and impact of the problem*

The Thai government already lowered corporate income tax (CIT) from 30% to 23% in 2012, and in 2013-2014 went even further and temporarily lowered CIT to 20%. On January 1 of 2016 the Thai government decided to permanently maintain the level of 20% for CIT.<sup>45</sup> Basically, this policy is helpful to constructing an investment-friendly environment in Thailand. However, there has been no corresponding lowering of the domestic withholding tax rate on services. This leads

<sup>44</sup> Taiwan and ASEAN and South Asia, Plan Overhauling Investment Guarantee Agreements” (臺灣與東盟南亞，擬翻修投保協定), *The Universal Daily News* (Thailand), August 15, 2016, <http://www.udnbkk.com/article-190102-1.html> (last accessed: May 3, 2017).

<sup>45</sup> “Thailand: Corporate Tax Rate of 20% Becomes Permanent,” *Regfollower*, October 26, 2015, <https://regfollower.com/2015/10/26/thailand-corporate-tax-rate-of-20-become-permanent/> (last accessed: July 4, 2017).

to situations in which, under circumstances in which domestic businesses have not attained a 15% profit margin before tax, because they must pay the current 3% domestic withholding tax rate on services, there arises the problem of overpaid tax positions. Because it is not easy in practice for domestic firms to attain a 15% profit margin before taxes, therefore maintaining the 3% domestic withholding tax rate on services creates a not inconsiderable burden on enterprises.<sup>46</sup>

### *Suggestions*

We suggest that the Thai government should lower the current domestic withholding tax rate on services of 3%. For example, assuming that the withholding tax rate is lowered to 2%, enterprises need only reach a 10% profit margin before taxes and then they can then cope with the payment of the withholding tax, and this will make it possible to keep the tax burden within a reasonable range that enterprises can find more acceptable. Of course, if the government can go further and lower the withholding tax rate to 1.5%, this will create an even more competitive investment environment for Thailand, and at that time if an enterprise can simply attain a 7.5% profit margin before taxes, this can ensure that the situation of overpaid income taxes will not occur.

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<sup>46</sup> PwC, *Thai Tax 2016 Booklet*, <http://www.pwc.com/th/en/publications/assets/Thai-Tax-2016-Booklet-en.pdf> (last accessed: May 3, 2017), p. 19, 25; European Association for Business and Commerce (EABC) (2017), “2017 European Business Position Paper—Trade/Investment Issues & Recommendations in Support of a Competitive Economy in Thailand,” p. 30; Amcham Thailand, “Recommendations for Refining Thai Tax Regime,” November 2015, [https://www.google.com.tw/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwj0NKKD6dLTAhVLJJQKH6xhAhoQFgggMAA&url=https%3A%2F%2Fwww.amchamthailand.com%2Fasp%2Fview\\_doc.asp%3FDocCID%3D5296&usg=AFQjCNE6ab28M3sOulj-jBDd4mil3NbYVA](https://www.google.com.tw/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwj0NKKD6dLTAhVLJJQKH6xhAhoQFgggMAA&url=https%3A%2F%2Fwww.amchamthailand.com%2Fasp%2Fview_doc.asp%3FDocCID%3D5296&usg=AFQjCNE6ab28M3sOulj-jBDd4mil3NbYVA) (last accessed: May 3, 2017).

## 2.7.2 Advance tax rulings

- Provide advance tax rulings before transactions in order to make it easier for the taxpayer to make an overall assessment of the impact of taxes on the transaction.

### *Explanation and impact of the problem*

Seeing as before engaging in a real transaction, the taxpayer will ordinarily weigh the impact of the taxes generated by that transaction, and particularly under conditions in which the transaction involves concrete numbers or the complexity of the transaction is relatively high, getting relatively certain tax amounts will be helpful to the taxpayer in doing an overall and detailed assessment before doing the transaction or investment. However, at present, generally speaking the Revenue Department of the Ministry of Finance only provides tax rulings on transactions that have already occurred. Therefore, the taxpayer is not able to get a binding and timely transaction tax ruling before the transaction occurs, which means it is not easy for the taxpayer to undertake a more comprehensive and deliberate evaluation of the investment or transaction beforehand.<sup>47</sup>

From the point of view of Taiwanese businesses, shifting investment to the domestic demand-oriented market, newly rising industries, and the service sector has already become a major transformational strategy. Secondly, there is also a trend toward increased investment in the digital economy by Taiwanese firms, for example in e-commerce, mobile APP services, and digital content. The operational model and tax issues that are involved in these above-mentioned investments, including the provision of transnational services and determination of reasonable profit, are all quite different from traditional export processing, so if firms are able to get advance

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<sup>47</sup> European Association for Business and Commerce (EABC) (2017), “2017 European Business Position Paper—Trade/Investment Issues & Recommendations in Support of a Competitive Economy in Thailand,” p. 30; AmCham Thailand, “Recommendations for Refining Thai Tax Regime,” November 2015, [https://www.google.com.tw/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwj0NKD6dLTAhVLJJQKHxhAhoQFggMAA&url=https%3A%2F%2Fwww.amchamthailand.com%2Fasp%2Fview\\_doc.asp%3FDocCID%3D5296&usg=AFQjCNE6ab28M3sOulj-jBDd4mil3NbYVA](https://www.google.com.tw/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwj0NKD6dLTAhVLJJQKHxhAhoQFggMAA&url=https%3A%2F%2Fwww.amchamthailand.com%2Fasp%2Fview_doc.asp%3FDocCID%3D5296&usg=AFQjCNE6ab28M3sOulj-jBDd4mil3NbYVA) (last accessed: May 3, 2017).

tax rulings, this will be helpful to investment evaluations and operations of Taiwanese businesses.

### ***Suggestions***

We suggest that the Revenue Department of the Ministry of Finance provide advance tax rulings, to make it easier for Taiwanese firm to undertake more comprehensive and detailed evaluations of the possible impact of taxes generated by a transaction before the transaction occurs. This will reduce worries about the possible impact of taxes generated by a transaction or investment.

## **2.7.3 Tax reporting**

- Reduce reporting by small and medium enterprises of value-added tax, payroll, and withholding tax amounts to once per quarter, reduce the administrative burden of taxes on businesses.

### ***Explanation and impact of the problem***

According to current rules, all businesses in Thailand must report value-added tax, payroll, and withholding tax monthly to the Revenue Department of the Ministry of Finance. This rule generates a quite high level of tax-related administrative burden on small and medium enterprises, which have fewer administrative resources.

### ***Suggestions***

In order to reduce the tax administrative burden brought on small and medium enterprises by having to report their value added tax, payroll, and withholding tax to the Revenue Department of the Ministry of Finance each month, the reporting frequency should be reduced to once per quarter, in order to reduce the costs to small and medium enterprises.

## **2.7.4 Period of carry-forward of net operating losses for tax purposes**

- Extend time limits on carry-forward of net operating losses for tax purposes, in order to provide incentives for new investment and additional investment.

### ***Explanation and impact of the problem***

Corporate income tax is normally one of the major factors to consider when companies make investment decisions. If a country does not provide preferential treatment on taxes, then, when foreign firms do their investment decision evaluations, it can lose its competitiveness and attractiveness for investment. As far as this goes, currently one of the many tax incentives for investment in the Thai market is that the carry-forward of tax losses (i.e. carry-forward of net operating losses for tax purposes) can be up to five years. This preferential treatment is essential for many investments, because, generally speaking, tax losses are frequent during the initial period of investment. Therefore, extending the carry-forward of tax losses can be a strong incentive for attracting even more foreign businesses to come to Thailand to undertake new investment.

### ***Suggestions***

Currently countries including Malaysia, Singapore, and Hong Kong permit carry-forward of tax losses to be used without any time limit, and other Asian countries (for example Japan and India) permit the period for tax loss carry-forward to exceed five years. Therefore we suggest that the Thai government can consider extending the time limit of carry-forward of tax losses from the current five years to at least ten years, in order to provide even more investment incentives to corporate taxpayers and investors.<sup>48</sup>

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<sup>48</sup> European Association for Business and Commerce (EABC) (2017), “2017 European Business Position Paper—Trade/Investment Issues & Recommendations in Support of a Competitive Economy in Thailand,” pp. 31-32; D. Endres, C. Fuest and C. Spengel, eds., *Company Taxation in the Asia-Pacific Region, India and Russia* (Berlin: Springer, 2010), p. 10; Deloitte), Deloitte, “What You Need to Know for Doing Business in Thailand” (泰國經商須知), 2015, <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/international-business-support/deloitte-cn-ibs-thailand-int-tax-zh-2015.pdf> (last accessed: June 29, 2017).

## **2.8 Infrastructure issues (relevant agencies: Ministry of Natural Resources and Environment, Ministry of Transport, Ministry of Energy, Ministry of Finance, Ministry of Digital Economy and Society)**

### **2.8.1 Basic hardware infrastructure**

- Improve infrastructure and its quality

#### *Explanation and impact of the problem*

In recent years, Thailand, with the strengthening of its economy and rise in domestic-demand consumption, has also seen a rise in demand for infrastructure. Over the past 20 years, infrastructure in Thailand has developed rapidly. According to the “Infrastructure” rankings under the Logistics Performance Index issued by the World Bank, in 2016 Thailand was ranked 46<sup>th</sup> in the world, and third in ASEAN, behind only Singapore (ranked 6<sup>th</sup> in the world) and Malaysia (ranked 33<sup>rd</sup> in the world).<sup>49</sup> Meanwhile, in the Global Competitiveness Index (GCI) issued by the World Economic Forum (WEF), not only do they assess the overall infrastructure quality of every evaluated economy, they further break down the evaluation for quality of infrastructure into sub-indices, including roads, railroads, ports, air transport, electricity supply, fixed telephone lines per 100 population, and mobile phone subscriptions per 100 population.

From the evaluations by the WEF as shown in Table 2, we can know that over the last three years Thailand has shown clear progress in terms of its global ranking for quality of overall infrastructure, with its ranking for 2016-2017 being four places ahead of its ranking for 2014-2015. However, in terms of rankings for quality of railroad infrastructure and fixed telephone lines per 100 population, Thailand’s average ranking over the last three years has been lower than its average ranking for quality of overall infrastructure, indicating that the Thai government must in

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<sup>49</sup> World Bank, “International LPI,” <http://lpi.worldbank.org/international> (last accessed: June 1, 2017).

the future continue to upgrade the quality of railroad infrastructure and fixed line infrastructure.

In addition, in the 2016-2017 WEF GCI, Thailand fell compared to 2015-2016 in its rankings for road infrastructure, port infrastructure, electricity supply, fixed telephone lines per 100 population, and mobile telephone subscriptions per 100 population. These areas deserve especially more attention and improvement in the Thai government's future work in promoting the upgrading of infrastructure quality.

**Table 2 Evaluation of the Infrastructure Area in the Global Competitiveness Index as Issued by the World Economic Forum**

Item	Year		
	2016-2017	2015-2016	2014-2015
Quality of Overall Infrastructure, 1-7 (best)	4.0	4.0	4.1
	(72)	(71)	(76)
Quality of roads, 1-7 (best)	4.2	4.4	4.5
	(60)	(51)	(50)
Quality of railroad infrastructure, 1-7 (best)	2.5	2.4	2.4
	(77)	(78)	(74)
Quality of port infrastructure, 1-7 (best)	4.2	4.5	4.5
	(65)	(52)	(54)
Quality of air transport infrastructure, 1-7 (best)	5.0	5.1	5.3
	(42)	(38)	(37)
Quality of electricity supply, 1-7 (best)	5.1	5.2	5.1
	(61)	(56)	(58)
Fixed telephone lines/100 pop.	7.9	8.5	9.0
	(91)	(88)	(91)
Mobile telephone subscriptions/100 pop.	125.8	144.4	138.0
	(55)	(31)	(34)

Notes: 1. The numbers in parentheses show the global ranking for Thailand among all economies evaluated for that year.

2. Areas shaded in gray indicate that, for that sub-index, Thailand's global competitiveness ranking was lower than its global ranking for overall infrastructure.

Source: World Economic Forum (WEF), *The Global Competitiveness Report 2014-2015*; World Economic Forum (WEF), *The Global Competitiveness Report 2015-2016*; World Economic Forum (WEF), *The Global Competitiveness Report 2016-2017*.

## *Suggestions*

Promotion of infrastructure and logistics are important development items in the 12<sup>th</sup> Economic and Social Development Plan (2017-2021), determined and promoted on the basis of the “20-year National Strategy, 2017-2036.”<sup>50</sup> The Thai-Taiwan Business Association strongly supports and affirms this correct development strategy under which the Thai government will, within the Plan, develop tangible and intangible infrastructure and through that support the development of domestic economic special zones and cities, and strengthen linkages with international transport. Also, a study and analysis issued in May of 2017 by Business Monitor International (BMI) shows that Thailand’s construction sector can look forward to growth of 6% in 2017 thanks to the infrastructure development plan being promoted by the Thai government. Moreover by 2026 the Thai construction sector will have kept average annual growth at 4%, which would be the fastest rate of growth for the Thai construction sector since the global financial crisis of 2008.<sup>51</sup>

Because of the future potential business opportunities in construction related to Thailand’s domestic infrastructure, Taiwanese businesses and foreign capital both very much hope to contribute ideas and effort to reaching the targets set for upgrading of Thai infrastructure and logistics development. In order to make the best use of private businesses’ investment energy and technology, and put into practice as early as possible Thailand’s development plans for all kinds of infrastructure and logistics, we suggest that in the future the Thai government can use more Public-Private Partnerships (PPP). Through these the Thai government can bring in the power of Taiwanese enterprises and foreign capital, and encourage them to work together with the Thai government to promote relevant infrastructure construction in Thailand. This will build for Thailand an even more convenient, advanced, and efficient transport and

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<sup>50</sup> Foreign Office, The Government Public Relations Department, Office of the Prime Minister, Thailand, “Inside Thailand: 12th National Economic and Social Development Plan,” [http://thailand.prd.go.th/ewt\\_news.php?nid=3807&filename=index](http://thailand.prd.go.th/ewt_news.php?nid=3807&filename=index) (last accessed: June 1, 2017).

<sup>51</sup> Business Monitor International (BMI), “Industry Trend Analysis - Transport Sector Supports Positive Growth Outlook,” May 2017, <http://www.infrastructure-insight.com/industry-trend-analysis-transport-sector-supports-positive-growth-outlook-may-2017> (last accessed: June 1, 2017).



infrastructure environment, and strengthen Thailand's core status in ASEAN as a logistics, international headquarters, and international trade center.

## **2.8.2 Mobile communications network and its quality**

➤ Improve the mobile communications network and its quality.

### ***Explanation and impact of the problem***

With the development of the digital economy, the importance of the communication network has risen constantly, and it affects the operational efficiency of enterprises. According to data from the World Economic Forum shown in Table 2, the penetration rate for mobile phones in Thailand has greatly risen over the last few years. In 2015-2016 its ranking for mobile phone subscriptions per 100 population for a time jumped as high as 31<sup>st</sup> in the world. If we look beyond that to Internet access speed, according to a report issued by the research institution Akamai in 2015, in 2015 Thailand's average Internet access speed was 8.2 Mbps, behind only Singapore among ASEAN members and higher than the world average for Internet access speed. However, the ratio of its population that uses the Internet to the total population (54%) still lagged behind that of Singapore (84%) and Malaysia (67%). In addition, the cost for citizens to use the Internet in Thailand as a proportion of their income is higher than in Singapore. These numbers indicate that Thailand still has room for improvement in terms of expanding its population that uses the Internet and in lowering costs for going online (as shown in Table 3).

**Table 3 The General Situation with Respect to Internet Access in Six Countries of ASEAN**

	Number of people using the Internet as a proportion of total population, 2015 (%) <sup>a</sup>	Average Internet access speed, 2015 (Mbps) <sup>b</sup>	Internet user fees as a proportion of citizen income, 2014 (%) <sup>c</sup>
Worldwide	42	5.1	-
Singapore	84	12.5	0.70
Malaysia	67	4.9	3.10
Thailand	54	8.2	3.63
Vietnam	50	3.4	2.00
The Philippines	46	2.8	8.27
Indonesia	34	3.0	3.11
India	19	2.5	5.28

Source: a. Digital, Social, and Mobile in APAC 2015, We Are Social & iab Singapore (2015).

b. Akamai's State of the Internet (2015).

c. Measuring the Information Society Report 2015, ITU.

### ***Suggestions***

We suggest that the Thai government continue to improve the construction of Internet infrastructure, while raising its Internet-using population and the penetration rate for Internet access and lowering costs for Internet use, in order to create a superior environment for development of the digital economy. Moreover, a good digital communication network with high quality not only can be helpful to enterprises in raising operational efficiency, it is also helpful to the development of new-form industries and creative entrepreneurship, driving and accelerating the progress toward the industrial upgrading targets announced in “Thailand 4.0.”

## **2.9 Other issues (relevant agencies: Ministry of Foreign Affairs)**

### **2.9.1 Continuing to promote visa facilitation measures between Taiwan and Thailand**

- Simplify measures for tourist visas for Thailand, in order to make it easier for Taiwanese tourists to go to Thailand.

#### *Explanation and impact of the problem*

There is frequent travel back and forth between people from Taiwan and Thailand. In 2016 the number of Thai people coming to Taiwan was nearly 200,000, an increase of almost 60% compared to 2015, and in 2017 the number of Thai people coming to Taiwan continued to grow, with an increase of 85% in the first five months of 2017 compared to the same period in 2016.<sup>52</sup> This growth is strongly connected to Taiwan providing visa-free entry to visitors from Thailand starting on August 1 of 2016.<sup>53</sup> In comparison, the number of Taiwanese people going to Thailand is roughly 500,000 to 600,000 per year. If in the future both sides can strengthen visa facilitation measures, this should effectively increase the number of Taiwanese people traveling to Thailand, bringing in even more tourism and travel income for Thailand.

Basically, there are two types of tourist visas for citizens of Taiwan going to Thailand: A three-month single-entry tourist visa and a six-month multiple-entry tourist visa. Until August 31 of 2017, Taiwanese could enjoy the privilege of no visa fee for the single-entry tourist visa. But for a resident of Taiwan to arrange a “Visa on Arrival” or “Visa on Arrival Online,” the fee is 1,000 Thai baht. However, for the Visa on Arrival Online, only people entering the country through Thailand’s

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<sup>52</sup> Tourism Bureau of Taiwan’s Ministry of Transportation and Communications, “Tourism Statistics Database” (觀光統計資料庫), <http://stat.taiwan.net.tw/system/index.html> (last accessed: July 18, 2017).

<sup>53</sup> From August 1, 2016 through July 31 of 2018, Taiwan is having a trial period for giving foreigners traveling from Thailand to Taiwan 30-day visa-free treatment. Bureau of Consular Affairs of the Taiwan Ministry of Foreign Affairs, “List of Countries Eligible for Visa-Free Entry for Foreigners Coming to Taiwan” (外籍人士來臺免簽證適用國家名單), July 12, 2017, <http://www.boca.gov.tw/public/Attachment/77131520771.pdf> (last accessed: July 18, 2017).

Suvarnabhumi Airport can apply for one before arrival. Thailand's Visa on Arrival Online is a visa for which you can apply in advance online. After filling out the form online and printing it out, the traveler shows that document to Thai customs upon arrival in Thailand and pays the fee, and only then can the traveler get the visa.<sup>54</sup> Therefore compared to the visa-free entry treatment Taiwan gives to Thai people, it is relatively inconvenient and has higher costs. Especially given that most Southeast Asian countries already offer travelers from Taiwan visa-free entry, this is adverse for encouraging more citizens of Taiwan to go to Thailand for tourism and travel.

### *Suggestions*

In 2016 the ranking for Taiwan citizens among the number of people from around the world going to Thailand was 18<sup>th</sup>.<sup>55</sup> But among countries needing visas, Taiwan was ranked third, behind only mainland China and India. Moreover, the number of people going from Taiwan to Thailand to travel was higher than the number for some visa-free countries such as Sweden, Myanmar, and the Philippines. Therefore there is considerable potential for promoting travel in Thailand by Taiwanese.

Taking Malaysia and Indonesia as examples, the two countries began providing Taiwan residents visa-free entry treatment starting in September and October of 2015, respectively. This caused the number of tourists from Taiwan going to Malaysia and Indonesia to grow in 2016 by 9.95% and 6.18%, respectively.<sup>56</sup> From this it can be seen that simplifying the tourist visa application process for Taiwan citizens going to Thailand, and especially adopting visa-free measures, would be helpful to attracting even more travelers from Taiwan to go to Thailand to travel.

In addition, digitization of documents for international travel has already

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<sup>54</sup> Bureau of Consular Affairs of the Taiwan Ministry of Foreign Affairs, "Visas and Entry Regulations: Thailand," (簽證及入境須知－泰國) <http://www.boca.gov.tw/content.asp?CuItem=773&BaseDSD=13&CtUnit=18&mp=1> (last accessed: July 18, 2017).

<sup>55</sup> World Atlas, "Tourist Arrivals in Thailand by Country," <http://www.worldatlas.com/articles/tourist-arrivals-in-thailand-by-country.html> (last accessed: July 18, 2017).

<sup>56</sup> Tourism Bureau of Taiwan's Ministry of Transportation and Communications, "Tourism Statistics Database" (觀光統計資料庫), <http://stat.taiwan.net.tw/system/index.html> (last accessed: July 18, 2017).

become the trend of the future. We suggest that the Thai government can promote an eVisa system for foreigners going to Thailand. With respect to Taiwanese and other foreign visitors who meet the application qualifications, and especially for travelers going to Thailand for business, tourism, short-term family visits, and attending international conferences, it would be best if the Thai government could establish fast and convenient “one-stop” online services that the individual can use on their own for applying for a visa online (filling out the application form online, paying by credit card, and getting approval for and receiving an eVisa). This would eliminate the burdens and costs to applicants of going in person to a Thai representative office overseas to apply, of waiting time for the issuance of documents, and of exhaustion from travel.<sup>57</sup>

### **3. Issues and Suggestions for Specific Industries**

#### **3.1 Renewable energy industry (relevant agencies: National Energy Policy Council, Ministry of Energy, National Energy Regulatory Commission)**

##### **3.1.1 Solar power industry**

- Develop a balanced government Feed-in Tariff system, encourage the development of the solar power industry

##### *Explanation and impact of the problem*

Since 2010 Thailand has increased its energy consumption by about 4%, and in 2014 total expenditures on energy were US\$63.23 billion, an increase of about 2.6% over 2013. In 2014 over 57% of the energy used in Thailand depended on foreign imports. Therefore, in order to reduce Thailand’s dependence on imported energy, strengthen Thailand’s energy security, and lay a strong foundation for stable growth of the Thai economy, how to develop and utilize alternative energy and

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<sup>57</sup> The Taiwan side has already put forward a similar eVisa plan. See Bureau of Consular Affairs of the Taiwan Ministry of Foreign Affairs, “eVisa Program put into Effect as of January 12, 2016” (電子簽證 (eVisa) 計畫自 2016 年 1 月 12 日起施行), <http://www.boca.gov.tw/ct.asp?xItem=7361&ctNode=697&mp=1> (last accessed: July 18, 2017).

renewable energy has become an important policy issue in order for the country to pursue energy security and adapt to the international trend toward saving energy and reducing carbon emissions. To this end, the Thai government proposed its first alternative energy plan in 2012, in hopes of using development of renewable energy and biomass energy to deal with the challenge of energy security that Thailand could face in the future.<sup>58</sup> In 2015 the Thai government went a step further and devised the “Thailand Power Development Plan, 2015-2036” (PDP2015) that takes into account energy security, the economy, and reducing ecological conflicts. It is planned that by 2036, the proportion of energy consumption met by renewable energy sources (including hydropower) will rise from 8% in 2014 to 15-20%.

In order to reach the targets announced for development of renewable energy in the PDP2015, the Thai government went on to promote the “Alternative Energy Development Plan” (AEDP). It is hoped that by 2036, the country can increase the installed capacity of alternative energy from 7,490.4 MW in 2014 to 19,634.4 MW in 2036. Of the various types of alternative energy, the installed capacity of electricity generated by solar power is estimated to rise the most, from 1,298.5 MW in 2014 to 6,000 MW in 2036. From this we can see that figuring out how to actively develop solar power will in fact have a critical impact on whether Thailand can put into effect the AEDP in a timely manner.<sup>59</sup>

In fact, the Thai government began promoting the development of solar power as early as the 1990s. In 1993 the Thai government gave all-out support to “non-electrified” villages, schools, health clinics, and water pumping stations, and developed solar power generation reaching 30 MW. In 2007 the Thai government went a step further and introduced the Adder (Feed-in Premium) policy for Small Power Producers (SPP) and Very Small Power Producers (VSPP), to provide an incentive for investment. After 2010, as Thailand’s targets for installed capacity of solar power

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<sup>58</sup> Thailand Board of Investment, “Thailand’s Bio-economy Industry,” [http://www.boi.go.th/upload/content/BOI-brochure%202017-BioEconomy-20170517\\_84245.pdf](http://www.boi.go.th/upload/content/BOI-brochure%202017-BioEconomy-20170517_84245.pdf) (last accessed: June 21, 2017).

<sup>59</sup> Ministry of Energy, Thailand, “Thailand Power Development Plan, 2015-2036 (PDP2015),” pp. 2-1, 3-6, [http://www.egat.co.th/en/images/about-egat/PDP2015\\_Eng.pdf](http://www.egat.co.th/en/images/about-egat/PDP2015_Eng.pdf) (last accessed: June 21, 2017).

continually rose, the purchase price paid for solar power under the Adder (Feed-in Premium) policy gradually declined, from the 2007 level of 8 Thai baht per kWh (where it had been for ten years), to 6.5 Thai baht per kWh in 2010. Thereafter, in 2014 the Thai Energy Regulatory Commission (ERC) again undertook promotion of ground-mounted solar power, and launched a new government Feed-in Tariff (FIT) system, using 25-year electricity purchasing contracts providing a purchase price of 5.66 Thai baht per kWh, in hopes of establishing a long-term positive investment environment for solar power in Thailand.<sup>60</sup>

Based on successful experiences in developing the solar power sector internationally, we know that a FIT system that takes into account both sustainability of the industry and the balance of government finances often is a major factor in whether or not a country's solar power industry can continue to vigorously develop. Therefore, despite the fact that the average costs for solar power generation are steadily falling, due to innovative new technologies and materials that are being constantly introduced and because the scale of power generation is increasing, when planning a new government FIT system, it is still necessary to pay attention to the direct impact brought by changes in power purchasing policy on building Thailand's environment for the solar power industry as well as on the willingness to invest, and investor confidence, among Taiwanese and other foreign firms.

### ***Suggestions***

As an important participant in the world's trend towards energy transformation, Thailand must focus on developing a long-term low-carbon energy mix, in order to ensure a stable supply of, and security for, energy. In this effort, time and commitment of financial capital are especially important. Active promotion of the renewable energy industry not only is beneficial to Thailand's future development of a low-carbon power generation mix, it can also at the same time conform to the

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<sup>60</sup> PUGNATORIUS Ltd, "Seven Opportunities: Thailand Solar Energy Update 2017," June 2017, <https://pugnatorius.com/solar-energy-update-2017/> (last accessed: June 21, 2017).



objective needs of Thailand's ensuring a sustainable environment. Especially as far as development of the solar power industry is concerned, Thailand has excellent sunlight conditions, so it is very suitable for the development of solar power, and solar power should be able to have an important place in Thailand's electricity policy. Although the Thai government has since October of 2014, in order to support the development of solar power, adopted a new FIT system or payment rate mechanism, in order to make it easier to provide resources to renewable energy households that feed solar power into the power network, however, if in the future the determination and implementation of the FIT system can develop in the direction of long-term considerations, predictability and high transparency, and its purchasing fee rate structure can take into account both economic efficiency and the balance of government finances, this would be beneficial to raising the willingness and confidence of Taiwanese firms or other foreign investors to invest in Thailand's solar power industry, and moreover will be helpful to the establishment and development of a healthy investment environment for that industry.<sup>61</sup>

## **3.2 Service sector (relevant agencies: Ministry of Commerce)**

### **3.2.1 Needed improvements in the service sector legal system**

➤ **Further strengthen the legal system for franchising.**

#### ***Explanation and impact of the problem***

Thailand's franchising market is expanding rapidly, at an average growth rate of 10% per year, and it has already become one of the main business models. At present, Thailand has 435 domestic brands and 295 international brands that do franchising, operating 65,000 outlets, mainly restaurants, drinks shops, and educational services.<sup>62</sup>

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<sup>61</sup> European Association for Business and Commerce (EABC) (2017), "2017 European Business Position Paper—Trade/Investment Issues & Recommendations in Support of a Competitive Economy in Thailand," pp. 58-59; Cynthia Pornavalai, "Thailand 4.0: Powered by Renewable Energy?," *Thai-American Business*, Vol. 1, 2017, pp. 20-21.

<sup>62</sup> The International Trade Administration (ITA), "Thailand - Franchising Industry Sector", August 9, 2016, <https://www.export.gov/article?id=Thailand-Franchising-Industry-Sector> (last accessed: June 9, 2017).



As for Taiwanese businesses, already a number of food and beverage firms, including Din Tai Fung, Sushi Express, CoCo tea drinks, the Shen-Geng Tea Company, and Chatime, have already established outlets in Thailand, with some of them using mainly directly operated outlets, though in the future they may expand use of the franchise form to expand their operating scale. However, because Thailand currently does not have a specially designated agency responsible for administratively managing, nor laws and regulations to set norms for, franchising matters, this could be adverse for the operations of franchise businesses and the development of franchising services.

Although the Thai government has already drawn up a draft Franchise Business Act, this bill has yet to complete the legislative process. Meanwhile, general commercial laws including the Civil Commercial Code (CCC), the Unfair Contract Terms Act, the Trademark Act, and the Patent Act, cannot completely meet the special needs of developing the franchising model, nor do they set norms for related business behavior.<sup>63</sup> For example, franchisors need to get a substantial amount of information from businesses applying for franchises, including their financial condition and operating experience, in order to fully evaluate whether they have market development capabilities. Correspondingly, businesses applying for franchises need relevant information about the franchisors to undertake their own evaluation. But Thailand's current franchising supervisory system does not clearly require the two sides to provide specified information, meaning that franchisors and franchisees must invest more time and costs in the collection, verification, and evaluation of information, increasing the burden on the operational development of these businesses.

### ***Suggestions***

We suggest that the Thai government designate a governing authority for franchise businesses, and complete the legislative process for the special law governing

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<sup>63</sup> Pornchai Wisuttisak & Nguyen Ba Binh (2014), "The Thai Regulatory and Commercial Environment for Franchising under the AEC Integrating Market," Paper for Presentation at LAWASIA Conference 2014, 3-6 October 2014, Bangkok, Thailand.

franchise businesses, as quickly as possible. Also, considering that the special draft law for franchise businesses does not have provisions for disclosing information, the Thai government can refer to the experiences of other countries in managing franchise systems and establish a Franchise Disclosure Document (FDD) system, to clarify what information has to be provided by the franchisors and the businesses applying for franchises, in order to assist the two parties in undertaking due diligence before cooperating, and lower related costs and risks. Moreover, the Thai government is actively supporting the development of small and medium enterprises (SMEs), and believes that the franchising system will be helpful to SMEs expanding the scale of their operations and creating jobs. For this reason, establishing a better franchising supervisory system and related mechanisms will be helpful to maintaining franchise market order, and provide an operating environment that will be beneficial for entrepreneurs and SMEs.



## **Part Three** Promoting the Development of Taiwan-Thailand Cooperation

Economic and trade cooperation between Taiwan and Thailand goes back decades, and ties between industries in the two parties are close. Thailand is rich in natural resources, its population structure is relatively young, it is located at a transportation hub for Southeast Asia, and it has already become an important production base for Taiwanese businesses in Southeast Asia. Currently the Thai government is actively promoting the “Thailand 4.0” industrial upgrading plan, to move in the direction of high value-added industries, while Taiwan has advanced production technology and marketing experience. Also, the Taiwan government is actively promoting the “New Southbound Policy,” in hopes of engaging in interactions with Southeast Asia in many areas. Therefore, if Taiwan and Thailand can integrate the competitive advantages of up- and downstream industries in the two parties, and deepen cooperation in global supply chains, Taiwan can help Thailand to adjust its industrial structure and raise international competitiveness, while Thailand can help Taiwan develop Southeast Asian markets. If this can be done, it will create a mutually beneficial win-win situation, which will have a positive impact in deepening future bilateral economic, trade, and investment relations.

To this end, this study, from the perspectives of the needs of current economic development in the two parties and the complementarity of competitive advantages, proposes seven areas of cooperation to which priority consideration should be given, including: “cooperation in human resources and training,” “small and medium enterprise cooperation,” “cooperation in high-value agriculture and applications of biotechnology,” “cooperation in information and communications technology,” “cooperation in innovative entrepreneurship,” “cooperation in industries in the circular economy,” and “cooperation to attract investment from Taiwanese firms and

deepen bilateral economic and trade relations,” for the reference of governments and enterprises on both sides. Concrete discussion of these areas for cooperation follows here:

## **1. Cooperation in Human Resources and Training**

Taiwan has a very complete technical and vocational education system, which over the years has built up a plentiful stock of technical talent for Taiwan’s industries. In recent years, Taiwan technical schools and its industrial community have, through close industry-academic cooperation, extended from technical fields to marketing, design, and other service fields, and even to cooperation in innovative entrepreneurship, which has played a critical role in supporting the development of industries and the transformation of enterprises. The above experience and capabilities have been shared with other countries through measures like exchanges of students and teachers, overseas study, and hiring of foreign instructors.

As for Thailand, according to the 2017 Global Innovation Index (GII),<sup>64</sup> Thailand is ranked 51<sup>st</sup> out of 127 countries and economies. Within this ranking, under the sub-index “human capital and research,” Thailand ranks 85<sup>th</sup> and 90<sup>th</sup>, respectively, for general education and higher education. In addition, for the sub-index “knowledge workers” (within the “business sophistication” index), Thailand was ranked 85<sup>th</sup>. These numbers indicate that Thailand still has room for upgrading in terms of quality of human resources and technical skills training. In coordination with the “Thailand 4.0” policy to promote the goal of economic growth shifting toward high-value and smart industries, it will be critical to develop human resources that can fit with new-form industries and operating models, and the Thai government takes this issue very seriously.<sup>65</sup> The Thai Office of the

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<sup>64</sup> The Global Innovation Index 2017, <https://www.globalinnovationindex.org/gii-2017-report#> (last accessed: June 16, 2017).

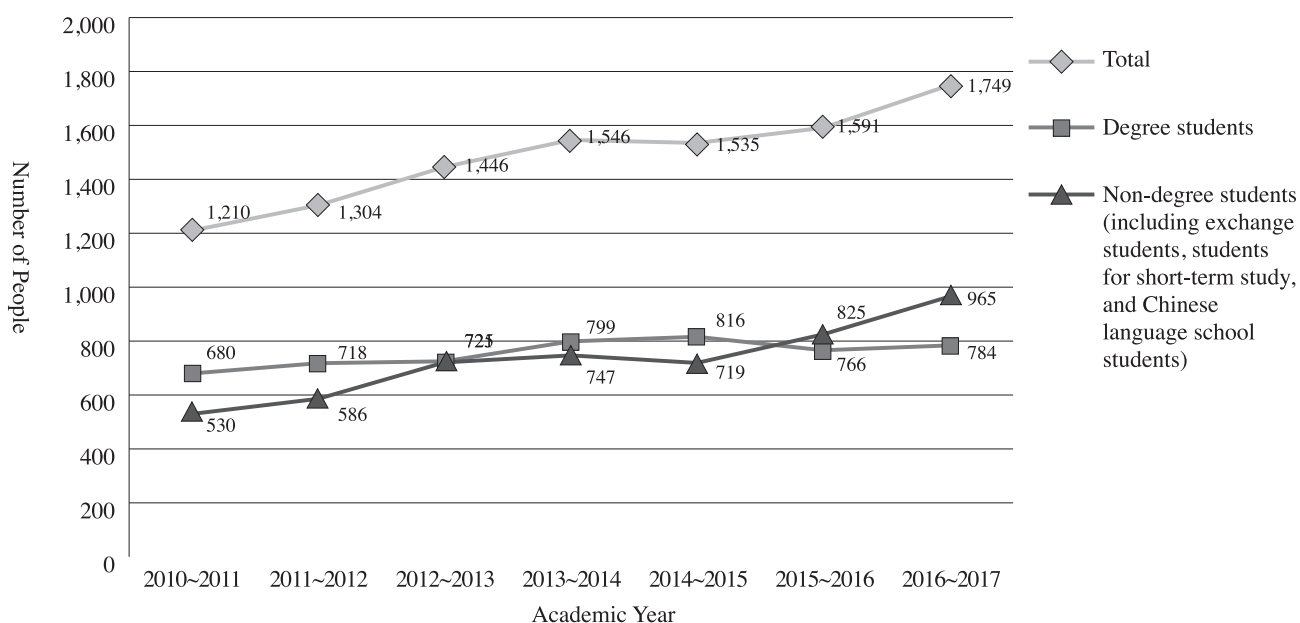
<sup>65</sup> The Government Public Relations Department, Office of the Prime Minister, “Human Resource Development to Be Emphasized in Moving toward Thailand 4.0,” January 2, 2017, [http://thailand.prd.go.th/ewt\\_news.php?nid=4576&filename=index](http://thailand.prd.go.th/ewt_news.php?nid=4576&filename=index) (last accessed: June 7, 2017).

Vocational Education Commission says that over the next five years they will train 3.32 million skilled workers, of which 1.99 million will be graduates of technical and vocational schools and 1.33 million will be college graduates; in addition they will expand training to 13 million technical workers.<sup>66</sup>

In fact, in fields like migrant labor and student research and study, interactions between Taiwan and Thailand have become increasingly close. For a long time now, labor from Thailand has participated in Taiwan infrastructure projects and home care, making an outstanding contribution to Taiwanese society. In addition, in recent years there has been a tendency for the number of Thai students coming to Taiwan to increase, especially exchange students, students for short-term study, and language students (as shown in Figure 4). Moreover, the National Taipei University of Technology has set up an EMBA curriculum in Thailand directed at Taiwanese business people; Ming Chuan University is working with Thai universities to promote a program under which teachers of Chinese go to Thailand for internships; and Yuan Ze University is promoting a program for students to go to Thailand and do internships in Taiwanese enterprises there. In the future, the two sides can connect with Thai industrial development, and deepen bilateral cooperation in human resources and training.

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<sup>66</sup> Taiwantrade, “Thailand Ranks 48<sup>th</sup> in the World in Human Resources,” (泰國全球人力資源排第 48 名), <http://info.taiwantrade.com/biznews/%E6%B3%B0%E5%9C%8B%E5%85%A8%E7%90%83%E4%BA%BA%E5%8A%9B%E8%B3%87%E6%BA%90%E6%8E%92%E7%AC%AC48%E5%90%8D-1151961.html> (last accessed: June 7, 2017).



Source: This figure was prepared for this study from basic data on all levels of schools from the Ministry of Education.

**Figure 4 Number of Thai Students Studying in Taiwan Universities or Colleges, 2010-2017**

## 1.1 Technical, vocational, and specialized manpower training

With the Thai government continually increasing expenditures, domestic political stability, and global oil prices remaining at a low level, Thailand's economy began to gradually recover in 2015, with an economic growth rate of 2.94% in 2015, rising to 3.23% in 2016. The IMF estimates that in 2017-2018 Thailand's economic growth will remain at over 3%. In terms of policy, the Thai government is actively promoting the "Thailand 4.0" and "Eastern Economic Corridor Development Project" policies, and has selected a number of industries to focus on for the future, including electric vehicles, smart electronics, medical tourism, agriculture and biotechnology, food processing, robotics, aeronautics, logistics, biofuels and biochemistry, the digital economy, and healthcare services. Through the above policies, Thailand hopes that its economic growth model can be extended from manufacturing to services, and from purely attracting investment as in the past to combining international talent, knowledge, and innovation capabilities.

Because Taiwan has long-term experience with developing several of the industries mentioned above, including information and communications, food processing, biotechnology, and healthcare, and also has molds, machinery, and automation systems closely connected to industrial development for which it has already established a training mechanism for related technically skilled talent, therefore the two sides can strengthen cooperation in the field of vocational training, for example by having Thai labor come to Taiwan to undergo industry-related technical training and do internships. Secondly, Taiwanese businesses in Thailand have in recent years, in order to upgrade the technical level of personnel, devoted themselves to internal training within industries, as well as industry-academia cooperation, and further consideration can be given to how to link up with the higher education and technical and vocational education systems in Taiwan.

Besides cooperation in the field of industrial skills, as enterprise operations have grown and become internationalized, Thailand's need for finance and accounting talent has steadily risen. Taiwan has a long background in developing business administration education systems, with complete departments for accounting, financial management, risk management, and international business administration. Taiwan also has a system of professional accounting services with international tax experience. Taiwan and Thailand can extend current cooperation in general business administration to specialized fields of business administration, and expand the targets of cooperation from mainly Taiwanese businesses to Thai enterprises, in order to help businesses on both sides cope with ASEAN regional economic integration, and expand business opportunities in the global market.

## **1.2 Establishment of a talent database**

As mentioned above, Thailand and Taiwan already have close human resources interactions, including migrant labor, degree students, and students doing short-term research and study. Because these Thai people understand Taiwan's society and



culture, they have become an important source of energy for deepening economic and trade cooperation between Taiwan and Thailand. We suggest that, through the Thai-Taiwan Business Association, a platform can be established, and Thai people who go to Taiwan to work or study can be encouraged to register their information, or government agencies of the two sides can discuss undertaking data exchange, to make it easier for enterprises on both sides to recruit outstanding talent.

## **2. Small and Medium Enterprise Cooperation**

For a long time now industries in Taiwan have been mainly built around small and medium enterprises (SMEs). According to the “2016 White Paper on Small and Medium Enterprises in Taiwan,” in 2015 there were 1,383,981 SMEs in Taiwan, accounting for 97.69% of all enterprises. The number of people employed at SMEs was 8.76 million, accounting for 78.22% of all employed persons in Taiwan. As for Thailand, according to the “White Paper on Small and Medium Enterprises of Thailand in 2016,” the total value of production of Thai SMEs in 2015 was 5.5595 trillion Thai baht, accounting for 41.1% of Thailand’s total non-agricultural GDP, and an increase of 5.3% compared to 2014. In comparison, large enterprises accounted for 49.8% of Thailand’s non-agricultural GDP and 2.6% of its growth rate. These figures indicate that Thai SMEs have played an important role in the economic recovery in recent years. Also, as of the end of 2015 the number of SMEs in Thailand was 2,765,986, accounting for 99.72% of all enterprises, while the number of people employed by Thai SMEs was 10.75 million, accounting for 80.44% of total employed persons. To support Thai SMEs as they make the transition to becoming smart, high value-added firms, recently the Thai government has announced the “Small and Medium Enterprises 4.0” policy, which covers infrastructure, capital mechanisms, and support for innovative businesses, and it is hoped that this will enable Thailand to reach its target of having SMEs account for 50% of GDP by 2021.

Seeing as Thailand and Taiwan have similar characteristics in terms of the high proportion of enterprises accounted for by SMEs, which have made outstanding contributions to innovation and economic growth, when you consider that Taiwan also has experience in, and mature policy mechanisms for, the development of SMEs, Taiwan and Thailand could deepen exchanges and cooperation in the field of SMEs.

## **2.1 Assisting small and medium enterprises on both sides to bring together their strengths and develop cooperation**

The operational strategy of SMEs is to be nimble and flexible, but limited as they are in enterprise scale, they must rely on external business networks to get the resources they need for operations. Owing to its superior geographical position Thailand has already, in contrast to neighboring countries like Myanmar, Laos, and Cambodia, given rise to production networks and markets, and local SMEs have the advantage of having firm knowledge of supply chains and consumer market dynamics. Secondly, the areas in which SMEs grew fastest in Thailand in 2015 included tourism and travel, construction, wholesale and retail sales, transport, and logistics. In comparison, SMEs in Taiwan, because of their development background, have technical capabilities in areas like information and communications and metal processing, and they also have comprehensive linkages to international production networks. Based on the unique features of SMEs in Thailand and Taiwan, a platform or mechanism can be established to encourage SMEs from the two sides to combine their technology, capital, and markets and undertake transnational cooperation. To take a concrete example, Taiwan has areas that have reached mature development, such as textiles, food products, and metals, and by bringing together Taiwan's technology with the raw materials possessed by Thailand and undertaking development of new products or applications that conform to the special characteristics of the ASEAN regional market, they can expand the development of ASEAN markets for such products.

## **2.2 E-commerce cooperation**

Thailand and Taiwan both have many SMEs with highly competitive technologies or products (otherwise known as “Hidden Champions”). But because they have inadequate marketing capabilities and insufficient grasp of sales channels, they face obstacles to expanding markets. We suggest that Taiwan and Thailand can engage in SME e-commerce cooperation, to provide businesses from both sides, in the process of going into the other’s markets, with help in coordinating measures such as undertaking marketing that employs Internet tools, choosing suitable e-commerce platforms, and constructing logistics systems and brick-and-mortar sales channels. Or they can provide businesses with opportunities to match up with other businesses, to make it easier to develop markets.

## **3. Cooperation in High-Value Agriculture and Applications of Biotechnology**

Thailand is an agricultural power, and the rice, meat, fruit, and related manufactured products that it produces are sold in many countries, so that Thailand has become an important supplier of agricultural products and food products to the world and the ASEAN regional market. The Thai government, under its “Thailand 4.0” plan, is actively pushing agriculture to develop in the direction of high value-added and smart agriculture, and they have the following targets: By 2021 Thailand will rise from being the world’s 14<sup>th</sup> largest exporter of agricultural products to the top ten, and the value of exports, currently at one trillion Thai baht, will be doubled. As for the Taiwan side, although the area of agricultural land is very limited, Taiwan has abundant experience with variety improvements, cultivation techniques, and sophisticated agriculture. Over the years, Taiwan has, through the international cooperation mechanism, cooperated with the Thailand Royal Project Foundation to promote cooperation in a variety of crops, fruit, flowers, and technology and techniques; this has been going on for more than 40 years. Based on the above

background, we suggest that the two sides can follow up with deeper cooperation in the agricultural field.

### **3.1 Extending cooperation in agricultural value chains**

Thailand and Taiwan are both actively promoting the transformation of traditional agriculture, in the expectation that by adding new technologies and techniques, farmers will be encouraged to raise production value, and to develop diversified products. Moreover, traditional agriculture is facing dramatic changes to its environment, including globalization, ageing of the rural population, changes in the eating and drinking habits of consumers, and climate change, and it is necessary to strengthen R&D into technologies and techniques, development of equipment, and manpower training, as only then can rural communities mainly composed of medium and small farm households be helped to cope with the impact of these changes. Thailand is rich in natural resources, with many varieties still awaiting exploitation of their application value. Taiwan, meanwhile, has abundant experience in, and technologies and techniques for, development of sophisticated agriculture and extending agriculture to food processing, logistics (including low-temperature logistics), marketing of agricultural products, and the operation of agribusinesses. The two sides have business opportunities from cooperation related to health foods, functional foods, and industrial chains.

Secondly, following the rise in consciousness among consumers about health, environmental friendliness, and food safety, and social changes like the ageing of the population, business opportunities in the field of applied biotechnology are gradually growing. Taiwan has in recent years been actively promoting cross-disciplinary linkages between agriculture and pharmaceuticals, food products, and environmental protection, and many biotechnology enterprises have devoted themselves to, and have had concrete accomplishments in, newly rising fields like animal feed, vaccinations, breeding, R&D into cultivation technologies and techniques, biotech cosmetics (such

as facial masks), and biomass energy. All of the above-mentioned fields will play an important part in the transformation of, and innovation in, agriculture in Thailand, and moreover Thailand has diversified natural resources, so Taiwan and Thailand can do in-depth evaluations of their conditions and potential for cooperation.

### **3.2 Cooperation in agriculture-related fields**

The Thai government is actively promoting its “smart agriculture” program, which is expected to drive demand for monitoring equipment and systems for things like climate change and crop growth. Next, the process of developing high-value agriculture will also drive demand for farm machinery, greenhouse design, and pesticide sprayers (such as unmanned aerial vehicles). At present Taiwan already has businesses that have incorporated information and communications technology and devoted themselves to the development of related equipment and systems, which will give rise to cooperation opportunities in agricultural peripheral fields. Furthermore, Taiwan in recent years, in the process of dedicating itself to the transformation of agriculture and rural communities, has accumulated vast experience in things like revitalization of local agriculture, community construction, tourist factories, and supporting young people to return to the countryside to dedicate themselves to farming, so there can be exchanges and cooperation with Thai programs like “One Town One Product,” (OTOP), and Taiwan and Thailand can work together to promote the transition of traditional agriculture to technology- and capital-intensive new forms that also take into account sustainability.

## **4. Cooperation in Information and Communications Technology**

Taiwan, relying on advantages like R&D talent, innovation capabilities, and industrial clusters, has close ties to the global information and communications industry, and plays a critical role as a supplier of products like semiconductors,

panels, and electronic components. Secondly, because single products face intense price competition, in recent years, Taiwanese businesses have been actively combining software and hardware advantages to develop diversified innovative applications and services, such as intelligent transportation, smart logistics, smart healthcare, smart campuses, and smart homes. As for Thailand, it has long played a role as a manufacturing base for some information and communications products, becoming one of the major supplier nations of hard drives, integrated circuits, printed circuit boards, and home appliances. But because progress in the information and communications industry is rapid, and smart applications have already become the trend, the Thai government is actively promoting the transformation of its electronics and electrical products toward smart electronics, for example transforming traditional home appliances into smart home appliances, and moreover is developing new areas like automobile electronics and medical equipment. Furthermore, Thailand is including digital industries in its list of main industries for future development, with digital industries including software, cloud services, data centers, and digital content all considered core industries for development. On September 16 of 2016 Thailand reorganized the former “Ministry of Information and Communication Technology” into the “Ministry of Digital Economy and Society,” and one of the primary goals of this new ministry is to promote innovative changes like pushing Thailand’s model for development of industries in the direction of digital and smart industries.

In recent years Taiwan’s information and communications industries have been actively developing systems integration, and already have had successes. In combination with major policies like “Thailand 4.0,” Taiwan and Thailand can undertake cooperation to develop solutions that are suited to local conditions in Thailand. This will also help Taiwanese businesses, through field trials, accumulate experience in localized adjustments and international operations, after which they can further expand markets in newly rising countries. As for concrete areas for

cooperation, for example because the information and communications industries in Taiwan and Thailand face similar challenges of transformation, and because of the complementarity caused by the two sides being at different stages of development, possible cooperation opportunities include the following:

## **4.1 Automation and industry 4.0**

Because of industrial development and changes in the population structure in Thailand, in recent years the competitiveness of labor-intensive industries has gradually declined. Some businesses have shifted their production to neighboring countries, giving rise to a regional production system, while factories that remain in Thailand, on the other hand, have launched a transition to automation, and there is very strong need for related equipment and systems. Besides changing the traditional production model of using large amounts of labor, some businesses have introduced information systems to promote the “industry 4.0” smart manufacturing idea. Besides purchasing machinery and equipment, businesses are also investing in employee training, switching from the original single-task station-by-station assembly process to handling several tasks at the same time, and nimbly replacing the old production process with a method in which man and machine work collaboratively to complete tasks. Taiwan’s machine tool industry, using the advantages of complete product lines and competitive quality and costs, and having moved the focal point of development from the stage of automated equipment in the past to areas like smart machinery and robotics, has the ability to provide diverse solutions, and could become the best possible partner for Thailand’s transformation to smart industries.

## **4.2 Smart cities**

The “Thailand 4.0” plan will drive enormous demand for infrastructure, including smart government, smart transport, smart energy, and smart healthcare, with all of these being areas where there are opportunities for cooperation between Taiwan and Thailand. In terms of smart government, Thailand will reorganize



government public services, with all types of services integrated into a single platform, and will provide smart cards that can be used for all cross-institutional business, so that people can complete all their business on the same website. In terms of smart transport, to deal with the move towards numerous infrastructure projects as well as upgrade traffic management and the quality of public transportation, Thailand will have steadily rising interest in things like electronic toll collection (ETC) for roads, public bicycle systems, and road and traffic monitoring. In terms of smart energy, Thailand will continue to promote diverse energy policies such as solar power and biomass energy, which is expected to drive demand for power grid systems and energy management. Because Taiwan already has many successful examples in the above areas, such as e-government, the highway ETC system, U-bike, and smart energy-saving programs, Taiwan and Thailand can assess the possibilities for promotion of bilateral cooperation.

In terms of smart healthcare, Thailand's healthcare services already enjoy an international reputation, and moreover the Thai government has listed development of high-grade medical tourism and raising the capabilities of healthcare services as focal-point policies, which is expected to drive demand for related medical equipment and systems. Taiwan's medical equipment industry has in recent years been brought together with information and communications technology, and is gradually transforming from OEM manufacturing to development of high-value, systematized, and smart manufacturing. There have already been real accomplishments at international standards in minimally invasive surgery, smart assistive devices, dentistry, orthopedics, and medical imaging. Based on the above, Taiwan can further develop cooperation with Thailand in the area of smart healthcare, raising the quality of healthcare services and assisting the development of the healthcare industry.



### **4.3 Smart campuses and narrowing the digital gap**

In step with the improvement of Internet infrastructure, the Thai government has been actively promoting digital learning on school campuses. Besides raising the penetration rate of information devices, this also entails emphasis on integrating software and hardware, content, and learning activities. Taiwan has a complete information and communications industry chain, and moreover in recent years has even integrated servers, storage, and Internet equipment to construct cloud management platforms, and it can undertake customized design of campus learning platforms. Secondly, in order to narrow the digital gap, the Thai government has issued a 20-year digital economy plan, announcing that in the future it will provide 30,000 villages with broad band Internet, including 10,000 free Wi-fi spots, while at the same time the government will establish 600 digital community centers, in order to teach people how to use these. In the past, Thailand, in coordination with the APEC Digital Opportunity Center (ADOC) program, had already set up ADOCs in many locations, and moreover had cooperated with Taiwanese businesses to get computers and other hardware support. In the future, the two sides can add in cloud solutions in order to expand the areas of cooperation.

## **5. Cooperation in Innovative Entrepreneurship**

The area covered by the term innovative entrepreneurship is very broad, and below we will analyze Thailand's active promotion of the digital economy and support for start-up teams. At the present moment, the Thai government has already made the digital economy into the main axis of the "Thailand 4.0" policy. Besides encouraging the development of digital content such as software and cloud services, in response to the global tide of innovative entrepreneurship, the Thai government has announced that it will set up a fund of 20 billion Thai baht to support start-up companies, in hopes of reaching a target of 10,000 start-up companies by 2018.<sup>67</sup>

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<sup>67</sup> Bangkok Post, "State Plans B20bn Fund for Start-Ups," April 23, 2016, <http://www.bangkokpost.com/archive/state-plans-b20bn-fund-for-start-ups/944405> (last accessed: June 11, 2017).

Secondly, Thailand is also actively engaged in policies like constructing software parks in order to support the development of start-up teams.<sup>68</sup> In fact, Thailand's start-up enterprises have in recent years been very active, and there are many successful examples, including the construction management platform company Builk, the restaurant reservation platform Wongnai, and the small-scale equipment developed by the car monitoring system Drivebot that monitors the health of automobiles and which can, through a cellphone APP, monitor the car and notify the driver when problems arise.

As for Taiwan, not only is development of the entrepreneurial eco-system relatively complete, it also has a rich variety of entrepreneurial social networks, entrepreneurship competitions, business incubation centers, coworking spaces, accelerators, and other mechanisms. Also, the government has built an entrepreneur-friendly environment with policies like relaxation of laws and regulations, attracting talent, and injections of capital. The Asian Silicon Valley project, launched in 2016, has as its objective to construct a complete innovative entrepreneurship eco-system, while also emphasizing the integration of Taiwan's innovative capabilities for the Internet of Things, and, externally, linking up with Silicon Valley and other international innovation centers. In recent years, Taiwan's start-up teams have already drawn the attention of international venture capital. For example, the artificial intelligence company Appier has gotten investment from Sequoia Capital, UOB Venture, and JAFECO Asia; and the designer product shopping platform Pinkoi has gotten investments from Sequoia Capital and GMO Venture, and moreover has already moved into the Thai and Japanese markets, successfully linking up the designer community with consumer markets. Seeing as both Taiwan and Thailand are actively supporting innovative entrepreneurship, and that there is a gap in the development of the innovative entrepreneurship eco-systems between the two sides, possible opportunities for cooperation include:

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<sup>68</sup> Bangkok Post, "B280m to Support Thailand 4.0 Startups," April 21, 2017, <http://www.bangkokpost.com/tech/local-news/1235686/b280m-to-support-thailand-4-0-startups> (last accessed: June 11, 2017).

## 5.1 Cooperation in the digital economy

Thailand's Internet environment and penetration rate are superior to many ASEAN countries. According to the research institution Akamai in a report issued in 2015, Thailand's average Internet access speed in 2015 was 8.2 Mbps, behind only Singapore among ASEAN countries. Its Internet-using population, meanwhile, accounted for 54% of the total population, behind Singapore and Malaysia. Secondly, according to the "Digital in 2017: Southeast Asia" survey released by the social media marketing company "we are social" and the social network services company HootSuite,<sup>69</sup> Thailand's Internet penetration rate and the proportion of users of social media are both 67%, while the mobile phone penetration rate is 133%. In addition, in the area of online shopping in Thailand in 2016, 51% of shoppers directly used social media as their exchange platform, much higher than in other countries,<sup>70</sup> indicating that in Thailand mobile phones and other mobile devices are very common, and consumers have a high degree of acceptance toward Internet economic activities. Based on Thailand's advantages in Internet environment and market scale, Taiwan and Thailand can bring together concepts like the sharing economy or the platform economy and do things like undertake cooperation in innovative business models, or development of digital service applications.

## 5.2 Cooperation in innovative value chains

Innovation covers every different phase from coming up with ideas to business models. In the process, in addition to the innovation team's own resources, it is also necessary to coordinate with peripheral links like design, manufacturing, marketing and sales channels, manpower training (including "mentoring"), operational guidance, and finance, as only in this way can one build a complete innovative value chain. Therefore, besides exchanges and cooperation between start-up teams,

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<sup>69</sup> we are social & HootSuite, "Digital in 2017: Southeast Asia," <https://digitalinasia.com/2017/02/01/digital-in-asia-2017-overview/> (last accessed: June 14, 2017).

<sup>70</sup> PwC, *Total Retail Survey 2016*, <https://www.pwc.com/gx/en/retail-consumer/publications/assets/total-retail-global-report.pdf> (last accessed: June 11, 2017).

Taiwan and Thailand can, based on the production conditions in each country (for example, Taiwan's advantages in information and communications and in high-efficiency manufacturing), promote cooperation in many areas. In addition, Taiwanese investment in Thailand is spread over a variety of industries, and investors have enormous resources and interpersonal networks, so it is possible for them to cooperate with start-up teams from both sides in areas that include technology, manufacturing, capital, and markets. Not only would this be helpful to the operations and development of business models for start-up teams, it would also be helpful to Taiwanese enterprises in terms of ensuring sustainable innovation.

### **5.3 Cooperation in the innovative entrepreneurship eco-system**

Recently innovative entrepreneurship has been very active in Thailand, attracting the attention of international venture capital. However, overall the development of the innovative entrepreneurship eco-system is not yet complete. Moreover, local start-up teams pay more attention to ASEAN regional start-up dynamics, and are unfamiliar with the start-up environment in Taiwan. When you consider that Taiwan has many incubators and accelerators, and close ties to international industrial chains, and some start-up teams have even been brought together with venture capital, in the future Taiwan and Thailand can promote cooperation between teams from both sides in setting up mechanisms like incubators, accelerators, coworking spaces, or platforms. If this can be done, not only will it be beneficial to exchanges and cooperation between start-up teams on the two sides, as well as to Taiwan start-up teams setting up operations in Thailand, it can also play a role in linking up start-up capabilities on both sides with Taiwanese businesses in Thailand (including businesses run by young people or by second-generation Taiwanese business people), which would have a positive effect on the development of the start-up industry eco-system in both Taiwan and Thailand.

## **6. Cooperation in Industries in the “Circular Economy”**

In recent years, under the impetus of the international trend toward green economies, the development of the “circular economy” has gradually drawn serious attention from many countries. Basically, the circular economy refers to an industrial system that can recover and reuse waste material. It uses “biological cycles” and “industrial cycles” to enable waste to be recovered and reused, in order to reduce dependence on fossil fuels and energy, and subsequently to reduce extraction. It can also eliminate the very idea of waste, and can create a win-win-win situation for consumers, industries, and the environment. However, successful circular economy policies must take into account coordinated measures like waste separation, circular reuse of waste, the construction and operation of incinerators, and community relations around incinerators. In the long term, in order to fully implement and promote the circular economy, there needs to be action taken in terms of product design, industrial symbiosis, and coordinated citizen education.

Basically, Taiwan has had quite a lot of successful practical experience with the circular economy. This extends from waste separation and collection of trash fees through the use of special trash bags, to the construction and operational management of incinerators, to the transformation of waste through special treatment into marketable products, and even to education, where, starting from basic citizenship education during which Taiwan promotes instruction in waste resources separation, there have been very concrete successes.

Looking back to the past, although Taiwan and Thailand have had differences in the course of industrial development, the environmental problems they have faced are extremely similar. For example, in the past the trash problem was a real headache for Taiwan’s county and city governments, because when it came to starting a trash landfill or building an incinerator, they would always run into protests from local residents. However, after more than 30 years of trash handling and resource recycling

policies, in 2016 Taiwan's nationwide resources recycling rate reached 49.46%. If huge waste material and food waste recycling were to be included, Taiwan's 2016 trash recycling rate would reach 58.02%,<sup>71</sup> comparable to advanced areas such as Europe, the US, and Japan. Taiwan has even been christened “geniuses of garbage disposal” by well-known international media.<sup>72</sup>

As for Thailand, like other countries with rapid industrial and economic growth, in recent years Thailand has also faced the problem of waste treatment growing worse with each passing day. According to statistics, at present nearly 54% of Thailand's waste is not receiving appropriate treatment.<sup>73</sup> To address this, the Thai government has specially issued the National Waste Management Master Plan (2016-2021), the Environmental Quality Management Plan (2017-2021), and the Alternative Energy Development Plan (2015-2036). They hope to work from the aspects of strengthening transformation of waste into resources and energy, promoting substitute and renewable energy, and raising environmental quality, to promote the development of Thailand's circular economy.

For example, at present many cities in Thailand are facing the issues of how to develop new energy sources and handle waste, as a result of which using waste to generate power has become one of the main proposals for solving both of these issues. In 2015, Thai prime minister Prayuth Chan-ocha, faced with the ever more serious trash problem, pointed out that building trash power stations would not only effectively handle trash, it would help Thailand reduce its dependence on energy from oil and natural gas. However, although trash power stations are technologically feasible and have the policy support of the government, at present one of the biggest problems in developing trash power plants is how to resolve the controversies that trash power

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<sup>71</sup> “Last Year's National Resource Recycling Rate 49.46%, Setting a New High” (去年全國資源回收率 49.46%，再創新高), *Economic Daily News*, <https://udn.com/news/story/7238/2394505> (last accessed: June 23, 2017).

<sup>72</sup> “Taiwan: The World's Geniuses of Garbage Disposal,” *The Wall Street Journal*, <https://www.wsj.com/articles/taiwan-the-worlds-geniuses-of-garbage-disposal-1463519134> (last accessed: June 23, 2017).

<sup>73</sup> Waste Minimization Division, Pollution Control Department, Thailand, “Country 3R Progress Report for the Seventh Regional 3R Forum in Asia,” November 2-4, 2016, [https://www.google.com.tw/?gws\\_rd=ssl#q=sanitary+landfill%E4%B8%AD%E6%96%87&spf=1498205648825](https://www.google.com.tw/?gws_rd=ssl#q=sanitary+landfill%E4%B8%AD%E6%96%87&spf=1498205648825) (last accessed: June 23, 2017).

plant construction faces from the environmental and societal perspectives. With respect to this problem, Taiwan in the past has not only had quite a lot of experience with successfully handling environmental and societal controversies, experience which can be shared, its other successful examples of developing circular-economy industries also have profound reference value for Thailand. Here we will raise topics in which, in the future, Taiwan and Thailand can strengthen cooperation with regard to industries in the circular economy.

## **6.1 Strengthening exchanges of experiences and cooperation in “energy resources integration” in industrial parks**

One of the main goals of Taiwan’s current promotion of circular-economy industries is to fully put into practice “energy resource integration.” To this end, Taiwan is mainly working with energy generated by cogeneration (combined heat and power plants), establishment of regional power supply centers, establishment of resource circular-use centers, establishment of water resources recycling centers, and regional water resources integration. It is hoped that through optimally designed value chains of industrial symbiosis and promotion of an energy resources exchange network, that Taiwan can expand circular linkages of energy resources in domestic industrial parks, and achieve the goal of energy resources integration. The China Steel operation located in the Linhai Industrial Park in Kaohsiung is one successful example. Because China Steel has consistently been Taiwan’s biggest steelmaker, in the production process it produces large amounts of energy resource byproducts, while other plants in the Linhai Industrial Park, including petrochemical and chemical products plants, have a very high demand for heat energy. Therefore, China Steel and other plants in the park undertook resource integration, and each year China Steel earns approximately NT\$2 billion (about 2.23 billion Thai baht) from selling steam. The steam mainly comes from waste heat recovery and cogeneration. By selling steam China Steel can recover some profit, while the benefit to customers in terms of reducing costs is even higher than for China Steel. Completion of the transactions



reduces use of fuel and lowers carbon dioxide emissions, which is also beneficial to society, so this can be seen as a win-win-win situation.<sup>74</sup> Meanwhile, Thailand has a wide distribution of industrial parks, and many still have room for improvement in terms of energy resources integration. Therefore Taiwan and Thailand can undertake exchanges and cooperation with respect to their experiences in promoting industrial park energy resources integration. The Taiwan side can offer its successful experiences in this area to provide Thailand with essential experience-sharing and assistance for its industrial park energy resources integration.

## **6.2 Strengthening cooperation between Taiwanese firms that go to Thailand and local Thai firms in the circular economy**

At present the Taiwan side has already had some Taiwanese businesses related to the circular economy go to invest and build factories in Thailand. Examples include CTCL, which has the ability to promote infrastructure and green energy construction (including trash incinerators), and has had success in doing so; Delta Electronics, which engages in energy management projects and the design, manufacturing, and servicing of related electronic parts; Gigastorage, a major manufacturer of multi-crystalline solar wafers; and Gintech, a major manufacturer of solar power batteries. Therefore, by drawing on the successful experiences of Taiwan companies in circular-economy industries, cooperation can be strengthened between Taiwanese firms that go to Thailand and local circular-economy industries, which will be helpful to the development and upgrading of local Thai circular-economy industries.

## **6.3 Promoting bilateral cooperation between circular-economy technology research and development institutions**

Taiwan has long been internationally renowned for its advanced petrochemical technology and scale of operations, and petrochemical and plastics processing

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<sup>74</sup> Industrial Development Bureau, Ministry of Economic Affairs, “Reuse of Waste Energy Resources, Striding towards a Circular-economy New Revolution” (廢棄能資源再生利用，邁向循環經濟新革命), August 17, 2016, [https://www.moea.gov.tw/MNS/populace/news/News.aspx?kind=1&menu\\_id=40&news\\_id=55666](https://www.moea.gov.tw/MNS/populace/news/News.aspx?kind=1&menu_id=40&news_id=55666) (last accessed: July 23, 2017).



technologies are very mature. But faced with the pressure of global climate change, Taiwan urgently needs to seek out raw materials for environmental protection technology as well as cooperative partners, in order to expand markets. Thailand, meanwhile, is rich in resources, including tropical agricultural products such as cassava, rice, and sugar cane, with the waste products produced by these agricultural products all being important raw materials for biorefining, part of the circular economy. Recently Taiwan's Industrial Technology Research Institute (ITRI) and the Plastics Institute of Thailand (PITH, under the Ministry of Industry) signed a Memorandum of Understanding to co-develop biomass materials. Thailand will provide an abundant supply of biomass raw materials, which will be brought together with Taiwan's bioplastics production technology. The two sides can also go a step further and collaborate to integrate the up-, mid-, and downstream steps for biomass materials, to accelerate the development of bioplastics technology in Taiwan and Thailand and undertake production with economies of scale. This will allow both Taiwan and Thailand to quickly seize new markets in green circular economies, which are just now in the process of rapidly emerging.

For the future, Taiwan still has several quite mature technologies which can serve as focal-point technologies for exchanges and cooperation between R&D and technology institutions in Taiwan and Thailand in developing industries in the circular economy. These include waste electronics products (E-Waste) recycling; recycling of the solder dross or tin-stripper produced in the process of manufacturing printed circuit boards; recovery and use of sludge-to-energy from paper manufacturing and textiles; recycling of the waste cutting fluid and waste mortar from the solar power battery and wafer manufacturing industries; reuse of waste sulfuric acid from industry; and transformation of wastewater containing copper into a resource; as well as green architectural engineering, which has the features of being energy-saving and resource-saving while generating little pollution.

## **6.4 Promoting investment and cooperation in Thailand by firms in the circular economy in Taiwan**

While at present the main focus of circular-economy policies in Thailand is to eliminate waste materials, there is still considerable room for development of the "venous industry," which is to say the industry that recycles waste material resources and puts them to new uses. Taiwan currently has private sector enterprises with many circular-economy products and technologies that have market value. These include recycling waste glass to manufacture high-grade wine and alcohol glasses, fire-retardant building materials, and glass boutique products; recycling plastic bottles to manufacture breathable, environmentally-friendly cloth and other products; recycling computer motherboards and transforming them into glass fiber powder, to manufacture building materials, furniture, and artworks; recycling coffee grounds to manufacture deodorizing environmentally-friendly clothing and other related products; recycling waste tires to manufacture recycled oils and lubricants, environmentally-friendly carbon black, steam, and steel wire; and recycling waste lighting materials to manufacture environmentally-friendly regeneration fluorescent lights. These Taiwanese companies, which have the ability to create circular-economy products that are marketable, can all in the future go to Thailand to invest and bring innovative technologies and job opportunities to Thailand. If Taiwan and Thailand can in the future strengthen the attraction to Taiwanese circular-economy businesses to go to invest in the Thai market, and engage in exchanges and cooperation, this will be helpful to linking up the circular-economy industries from both sides, and to upgrading the technology of, and expanding markets for, Thai circular-economy industries.

## **7.Strengthening Cooperation to Attract Investment from Taiwanese Firms and Deepen Bilateral Economic and Trade Relations**

Taiwanese enterprises invested in Thailand quite early, and more than half a century has passed since the 1960s. Industries for investment have ranged from, in the past, the petrochemical industry, labor-intensive light industry, information and communications, automobile parts, food products, and peripheral metals processing, to, more recently, the service sector, newly-rising industries, and innovative applications services. The range of investment by Taiwanese businesses has been quite broad, and it can be said that they have been important partners in assisting and being witness to Thailand's economic growth. In the early days, most Taiwanese businesses that went to Thailand engaged in export processing manufacturing, creating numerous jobs locally in Thailand and assisting in cultivating a great deal of Thai technical talent. At the same time, as Taiwan-Thailand trade and investment cooperation links have become increasingly close, the relationship of mutual dependence in industrial chains has steadily deepened.

However, although Taiwan has a great deal of mechanical equipment, key technologies, raw materials and parts which have an outstanding reputation globally for quality and price, and which can create competitiveness for Taiwanese businesses in Thailand and local companies, yet the barrier of an average import tariff of 11% causes the costs for firms in Thailand to import parts or semi-finished products from Taiwan to become comparatively higher. For this reason, buyers turn and import these things from countries with which Thailand has signed a free trade agreement (FTA). In particular, the volume of imports from mainland China has continued to rise year after year. This not only deepens Thailand's reliance on mainland China's economy and trade, it also squeezes the market share in Thailand for superior products from Taiwan, which is adverse for the deepening of trade and industrial chain relations between Taiwan and Thailand.

Therefore, in order to strengthen the competitiveness of products from both Taiwan and Thailand, and to further the positive development of bilateral trade and investment relations, Taiwan and Thailand should consider a more systematized arrangement, such as an Economic Cooperation Agreement (ECA), to construct an even broader and deeper cooperation framework, and through this to make it more attractive for Taiwanese businesses to go to Thailand to invest and develop, and deepen bilateral economic, trade, and investment relations. Here we will separately discuss trade cooperation, investment cooperation, and cooperation in harmonizing regulatory and legal systems.

## **7.1 Trade cooperation**

According to statistics from the Customs Administration of the Ministry of Finance of Taiwan, in 2016 the value of Taiwanese exports to Thailand was US\$5.491 billion, while imports from Thailand totaled about US\$3.818 billion, meaning that Taiwan showed a trade surplus in its trade with Thailand. Basically, the main reason why there is a trade surplus for Taiwan in its trade with Thailand is there are differences between Taiwan and Thailand in the division of labor in global industrial chains. When you also consider that Taiwan and Thailand have yet to sign an ECA, this causes products from Thailand that have competitiveness, especially manioc (cassava) flour, frozen shrimp, and some processed food products, to face high tariffs of over 7%. Even some Thai industrial products with competitiveness like air conditioners, automobiles and parts, and refrigerators, generally face relatively high tariffs of 5% when exported to Taiwan. Given that academic institutions and think tanks in Taiwan and Thailand have in the past completed joint research on an ECA, there is already a quite high level of trust and understanding between the two sides. Therefore, if in the future the two sides can go a step further and open consultations and preparatory work on an ECA, and moreover sign an ECA, through these means tariff barriers between the two sides can be reduced, which should be helpful to the export of Thai products to Taiwan. Thai products enjoy rich commercial

opportunities in Taiwan, especially considering that there are currently over 59,000 Thai laborers and over 1,700 Thai overseas students in Taiwan, and in addition there have been other positive factors like the passion for Thai cuisine and for tourism and travel in Thailand in recent years among Taiwanese. These could all bolster the economic effect of signing a Taiwan-Thailand ECA, expand Thai exports to Taiwan, and enable bilateral trade to develop in the direction of mutual benefit.

Moreover, because intra-industry trade relations between Taiwan and Thailand are very close, especially in machinery, electrical equipment, chemical products, and plastics, this has given rise to close industrial chain cooperative relations. If in the future the two sides can strengthen cooperation in areas like trade facilitation, customs procedures (for example, simplification and harmonization of customs documentation), trade systems integration (for example integration and simplification of trade procedures and documentation), and product standards (for example, strengthening mutual recognition of certifications and jointly developing product standards), such steps should also further reduce bilateral trade barriers, and deepen mutual economic and trade cooperative relations.

## **7.2 Investment cooperation**

In terms of investment cooperation, in 1996 Taiwan and Thailand signed the “Agreement between the Taipei Economic and Trade Office in Thailand and the Thailand Trade and Economic Office in Taipei for the Promotion and Protection of Investments.” In addition, to deal with income-tax double taxation arising from investment and related tax issues, in 1999 the two sides signed the “Agreement Between the Thailand Trade and Economic Office in Taipei and the Taipei Economic and Trade Office in Thailand for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income” (which was amended in 2012, taking effect in January of 2013). Nevertheless, after more than 20 years of changes in the economic and trade environment and in markets, the current

bilateral agreement for promotion and protection of investments needs to be revised in response to the new era.

First, in terms of investment promotion, both Taiwan and Thailand should consider relaxing controls over capital transfers, they should remove limitations on use of raw materials from the investor's home country (that is, no local content restrictions), and they should lift restrictions on the nationality of the board of directors or high-ranking managers, in order to reduce investment barriers between the two sides and further bilateral investment exchanges. Secondly, in terms of investment guarantees, Taiwan and Thailand should continue to extend the mutual guarantee promises they have made, and provide investors with a complete dispute resolution mechanism, to guarantee the rights and interests of investors in each other's markets. Finally, in terms of investment facilitation, we suggest that in the future Taiwan and Thailand should move in the direction of updating the current bilateral investment promotion and protection agreement, or, when negotiating and signing an ECA, they should draw up a special section setting norms for investment and issues related to investment facilitation, in order to build a systematized framework for bilateral investment relations, and increase the confidence of, and protections for, investors on both sides.

### **7.3 Cooperation in harmonizing regulatory and legal systems**

In terms of cooperation in legal issues, how to promote harmonization of the legal and regulatory systems of the two sides is a key issue in lowering barriers to investors going to the other party to invest, as well as in increasing bilateral investment protections and confidence, and in upgrading cooperation and exchanges between the two sides. Generally speaking, the main purposes in harmonization of legal and regulatory systems are none other than to eliminate non-tariff barriers (NTBs) and reduce the impact on trade of unwritten rules. Areas of harmonization can include agriculture (including inspection and quarantine issues, or sanitary and phytosanitary

measures), industry (product standards), services (market access and licensing), and customs (electronic data exchange and Authorized Economic Operator certification). In fact, if in the future Taiwan and Thailand can negotiate and sign an ECA, they can incorporate the above-mentioned legal and regulatory harmonization issues into the ECA cooperative framework. As for construction of the platform system that will be needed for legal and regulatory harmonization, Taiwan has concrete experience which it can share, and can, in the future, provide essential practical assistance when the two sides put into practice cooperation on harmonization of the legal and regulatory systems.

# **Part Four** Conclusions and Suggestions

## **1. The Course and General Situation of Taiwanese Investment in Thailand**

Bilateral economic and trade relations between Taiwan and Thailand are very close. The earliest investment in Thailand by Taiwanese business people can be traced back to the 1960s, with investment reaching a peak in the late 1980s to the mid-1990s, and of Taiwanese firms in Thailand, there are several who have been there over 40 years. The geographical locations of Taiwan and Thailand are relatively close, the climate and temperature in Thailand are similar to Taiwan's, Taiwan and Thailand both have faith in Buddhism, and in recent years Thai cuisine has deeply penetrated the Taiwan market, and these factors are all helpful to Taiwanese business people adapting to local life in Thailand, and subsequently to becoming deeply rooted there. As of December of 2016, the number of cases of Taiwanese investment in Thailand was 2,320, with total investment of US\$14.213 billion. That does not include investment through third parties such as mainland China, Singapore, Samoa, and the Virgin Islands, so it can be assumed that the actual amount of Taiwanese investment in Thailand is even higher. At present there are estimated to be more than 5,000 Taiwanese businesses in Thailand, the highest number of Taiwanese businesses of any country in Southeast Asia. In the early period Taiwanese businesses mainly invested in labor-intensive light industry. But in the 1990s, under the larger environment of corporate deployments matching up with the government's "Go South Policy," the information and communications industry, auto parts industry, food products industry, and metals processing industry all moved one after another to invest in Southeast Asia. As for the newest wave of Taiwanese businesses investing in Thailand, these are mainly in the service sector, newly rising industries, and innovative applications services. As for investment locations, the main areas have been Bangkok and the provinces surrounding Bangkok, including Samut Sakhon Province, Samut



Prakan Province, Pathum Thani Province, Ayutthaya Province, and Nakhon Pathom Province. There is also Taiwanese investment in Chonburi Province and Rayong Province in the eastern part of the country, Nakhon Ratchasima Province in the northeast, Chiang Mai Province in the north, and in southern Thailand.

Following the rise of Taiwanese investment in Thailand, Taiwanese enterprises gradually began treating Thailand as the center in making their production and marketing deployments, and moreover, they have used Thailand's FTA network to export to East Asia, ASEAN markets, and to the world, making Thailand into an important link in the global and Southeast Asian industrial chains. In addition, relations between Taiwan and Thailand are not built only on bilateral trade and investment. With the signing in 2002 of the "Agreement between the Taipei Economic and Cultural Office in Thailand and the Thailand Trade and Economic Office in Taipei on Employment of Thai Workers," at present there are over 59,000 Thai people employed in Taiwan, with 99% in production businesses, making Thailand one of the important sources of foreign labor for Taiwanese industries. Besides earning foreign exchange for Thailand, this also allows these workers, after learning production technologies and getting experience in factory operations, to return home and start their own companies, or to work in Taiwanese firms in Thailand.

Although in the past, changes in the political situation in Thailand affected the willingness of foreign investors to invest, as politics and society have been restabilized over the past two years, foreign capital has again begun to flow back in. In addition, based on evaluations by many international institutions, Thailand's main investment advantages can be summarized as follows: (1) It has rich natural resources and a superior geographic position. (2) It has a positive outlook for economic growth and great potential for market development. (3) Its infrastructure, including industrial parks, transportation, and electrical power, has a definite foundation. (4) Its population structure is young, and labor problems are relatively rare. (5) It has the advantage of industrial clusters. (6) It has the advantage of an expanding potential market as

a result of its participation in regional economic integration. Moreover, statistics from the Board of Investment (BOI) of Thailand show that over the past five years the average annual amount of approved investment has been in excess of US\$19 billion, showing that Thailand's market still has strong attraction for foreign businesses from major countries around the world. However, although Thailand's investment environment has clearly improved, Taiwanese businesses operating locally still face operational obstacles that urgently need to be resolved. Because of the unique history of Taiwanese investment in Thailand, Taiwanese firms commonly face issues related to laws and regulations, labor, human resources, trade, government procurement, investment, taxes, and infrastructure. We ask that the Thai government take seriously the voices of Taiwanese business people, and assist in removing related obstacles, in order to further raise the operational efficiency and competitiveness of Taiwanese enterprises in Thailand, and to satisfy the desire of Taiwanese businesses to set down deep, long-term roots in Thailand and continue to develop. If the Thai government can continue to shape a superior investment market environment, this should be helpful to attracting many more Taiwanese business people to go there to invest, and enable Taiwan and Thailand to be able, through close mutual cooperation between up- and downstream industries, to achieve a win-win situation of reciprocal mutual benefit and sustainable operations. Here we will discuss issues of concern for Taiwanese investors, with suggestions, and we look forward to relevant Thai government agencies being able to help resolve them.

## 2. Issues of Concern to Taiwanese Investors, with Suggestions

Issues	Suggestions
<b>Issues of common concern and suggestions</b>	
<b>(1) Regulatory and administrative procedure issues</b>	
(i) Regulatory norms	<ul style="list-style-type: none"> <li>Strengthen announcement of official English versions of laws and regulations, strengthen regulatory transparency.</li> <li>Strengthen product quality norms to prevent poor-quality products from entering the Thai market.</li> </ul>
(ii) Administrative procedures	<ul style="list-style-type: none"> <li>Simplify the certification application process for industrial goods, reduce the time required for certification.</li> </ul>
<b>(2) Labor issues</b>	
(i) The definition of “work”	<ul style="list-style-type: none"> <li>Clarify the definition of “work.”</li> </ul>
(ii) Visas and work permits	<ul style="list-style-type: none"> <li>Eliminate the rule requiring notification from foreigners every 90 days of residence.</li> <li>Extend the time limits on work permits and liberalize restrictions on work location.</li> <li>Simplify the procedures for getting visas and work permits.</li> </ul>
<b>(3) Human resources issues</b>	
(i) Skilled labor	<ul style="list-style-type: none"> <li>Strengthen capabilities for basic technical and vocational education, raise the skill level of labor.</li> </ul>
(ii) Training of talent in specialized fields	<ul style="list-style-type: none"> <li>Strengthen training in specific skills for talent in specialized fields.</li> </ul>
<b>(4) Trade issues</b>	
(i) Tariffs and customs	<ul style="list-style-type: none"> <li>Promote Thai-Taiwan economic and trade cooperation to reduce bilateral tariff barriers.</li> <li>Encourage facilitation of customs clearance, reduce administrative and transaction costs for imports and exports.</li> </ul>
<b>(5) Government procurement</b>	
(i) Information on government procurement and participation in electronic bidding	<ul style="list-style-type: none"> <li>Provide official English explanations of government procurement information, and promote facilitation of participation in electronic bidding by foreign firms.</li> </ul>
<b>(6) Investment issues</b>	
(i) Limitations on investment in the service sector	<ul style="list-style-type: none"> <li>Liberalize the Foreign Business Act to reduce restrictions on investment in, and operations in, parts of the service sector by foreign firms, in order to promote liberalized development of the service sector.</li> </ul>
(ii) Investment application procedures	<ul style="list-style-type: none"> <li>Simplify the timetable for general investment to set up a company, in order to make it easier for Taiwanese firms to participate in commercial opportunities in the Thai market.</li> </ul>
(iii) Restrictions on ownership of land and structures held by foreign investors	<ul style="list-style-type: none"> <li>Liberalize restrictions on the longest allowed period for foreigners or foreign companies to rent land and structures, raise their willingness to make long-term investments.</li> </ul>

Issues	Suggestions
(iv) Financing for small and medium enterprises	<ul style="list-style-type: none"> <li>Reduce obstacles to raising of capital by small and medium enterprises, assist in strengthening the competitiveness of these firms.</li> </ul>
(v) Investment guarantees	<ul style="list-style-type: none"> <li>Strengthen guarantees of the rights and interests of Taiwanese firms that invest in Thailand.</li> </ul>
<b>(7) Tax issues</b>	
(i) Withholding tax rate on firms' domestic service activities	<ul style="list-style-type: none"> <li>Lower the withholding tax rate on firms' domestic service activities, reduce situations of overpaid income taxes and lighten the operational burden on businesses.</li> </ul>
(ii) Advance tax rulings	<ul style="list-style-type: none"> <li>Provide advance tax rulings before transactions in order to make it easier for the taxpayer to make an overall assessment of the impact of taxes on the transaction.</li> </ul>
(iii) Tax reporting	<ul style="list-style-type: none"> <li>Reduce reporting by small and medium enterprises of value-added tax, payroll, and withholding tax amounts to once per quarter; reduce the administrative burden of taxes on businesses.</li> </ul>
(iv) Period of carry-forward of net operating losses for tax purposes	<ul style="list-style-type: none"> <li>Extend time limits on carry-forward of net operating losses for tax purposes, in order to provide incentives for new investment and additional investment.</li> </ul>
<b>(8) Infrastructure issues</b>	
(i) Basic hardware infrastructure	<ul style="list-style-type: none"> <li>Improve infrastructure and its quality.</li> </ul>
(ii) Mobile communications network and its quality	<ul style="list-style-type: none"> <li>Improve the mobile communications network and its quality.</li> </ul>
<b>(9) Other issues</b>	
(i) Continuing to promote visa facilitation measures between Taiwan and Thailand	<ul style="list-style-type: none"> <li>Simplify measures for tourist visas for Thailand, in order to make it easier for Taiwanese tourists to go to Thailand.</li> </ul>
Issues and suggestions for specific industries	
<b>(1) The renewable energy industry</b>	
(i) The solar power industry	Develop a balanced government Feed-in Tariff system, encourage the development of the solar power industry.
<b>(2) Service sector</b>	
(i) Needed improvement in the service sector legal system	Further strengthen the legal system for franchising.

### **3. Promoting the Development of Thai-Taiwan Cooperation**

#### **3.1 Cooperation in Human Resources and Training**

- i. Strengthen technical, vocational, and specialized manpower training. In coordination with policies including “Thailand 4.0,” the “Eastern Corridor Economic Development Project,” and promotion of various newly-rising industries, it will be critical to develop human resources that can fit with new-form industries and operating models, and over the next five years the Thai government will train large numbers of personnel in technical and specialized fields. Taiwan has had excellent experience with development of technical and vocational training, and Taiwan has already established training mechanisms for talent related to molds, machinery, and automation systems. In terms of business administration, Taiwan has complete academic departments for accounting, financial management, risk management, and international business management. The two sides can strengthen cooperation in the field of occupational training. Taiwan has already had several universities start cooperation with the Thai side, and further consideration can be given to how to link up Taiwan and Thailand’s higher education and technical and vocational education systems.
- ii. Establish a talent database. Seeing as there have already been successes in economic, trade, educational, and cultural exchanges between Taiwan and Thailand, it is possible that through the Thai-Taiwan Business Association, a platform can be established, and Thai people who go to Taiwan to work or study can be encouraged to register their information, or government agencies of the two sides can discuss undertaking data exchange, to make it easier for enterprises on both sides to recruit outstanding talent.

### **3.2 Small and Medium Enterprise Cooperation**

- i. Assist small and medium enterprises (SMEs) on the two sides to carry out cooperation by combining their respective strengths. Thailand and Taiwan both have a great number of SMEs, and they have made outstanding contributions to innovation and economic growth, and when you consider that Taiwan also has experience and mature policy mechanisms for the development of SMEs, Taiwan and Thailand could deepen exchanges and cooperation in the field of SMEs. Local Thai SMEs have the strengths of having a firm grasp on supply chains and consumer market dynamics, and these can be matched up with the strengths of Taiwanese SMEs in information and communications, metals processing, and linkages to international industrial chains, to undertake transnational cooperation.
- ii. Strengthen bilateral cooperation in e-commerce. Thailand and Taiwan both have many SMEs with highly competitive technologies or products, but because they have inadequate marketing capabilities and insufficient grasp of sales channels, it is not easy for them to expand markets. We suggest that Taiwan and Thailand undertake cooperation in e-commerce for small and medium enterprises, and eliminate problems that may be met in the course of undertaking Internet marketing or selecting e-commerce platforms, or with logistics systems and brick-and-mortar sales channels. Or the two sides can provide businesses with matching-up opportunities with businesses in the other country, in order to make it easier to expand markets.

### **3.3 Cooperation in high-value agriculture and applications of biotechnology**

- i. Promote cooperation in extending agricultural industrial chains. Thailand and Taiwan are both actively promoting the transformation of traditional agriculture, using strengthened technology R&D, equipment development, and manpower training to assist small and medium sized farm households to

cope with challenges. Thailand is rich in natural resources, while Taiwan has superior capabilities in sophisticated agriculture and food processing technology as well as in logistics (including low-temperature logistics), and Taiwan has even more abundant technologies and experience in marketing of agricultural products. The two sides have cooperative commercial opportunities in health foods, functional foods, biomass energy, and bringing together of industrial chains.

- ii. Expand cooperation in agriculture-related fields. The Thai government is promoting the “smart agricultural community” idea, which will drive demand for monitoring equipment and systems for climate change and crop growth. Meanwhile, Taiwan already has businesses that have incorporated information and communications technology to meet demand for farm machinery, greenhouse design, and pesticide sprayers (such as unmanned aerial vehicles). In addition, in recent years Taiwan has accumulated vast experience in things like revitalization of local agriculture, community construction, tourist factories, and supporting young people to return to the countryside to dedicate themselves to farming, so there can be cooperation with Thailand’s “One Town One Product” (OTOP) program, creating a new form of technology- and capital-intensive, as well as sustainable, agriculture.

### **3.4 Cooperation in information and communications technology**

- i. Promote cooperation in automation and industry 4.0. Taiwan’s machine tool industry, using the advantages of complete product lines and competitive quality and costs, and having moved the focal point of development from the stage of automated equipment in the past to areas like smart machinery and robotics, can help Thailand resolve the problem of having inadequate technical manpower, which drives wages up, and can become the best possible partner in Thailand’s transformation to “smart industry,” and assist Thai-

land to reach its policy targets for automation and industry 4.0.

- ii. Strengthen cooperation in smart cities. The “Thailand 4.0” policy will drive enormous demand for infrastructure like electronics and telecommunications technology, such as for smart government, smart transport, smart energy, and smart healthcare. Because Taiwan already has many successful examples in the above areas, such as e-government, the highway ETC system, U-bike, and smart energy-saving programs, these are all areas in which there are opportunities for cooperation between Taiwan and Thailand. In addition, seeing as Taiwan has brought together information and communications technology with healthcare systems, and already has achieved concrete successes at international standards, Taiwan can carry out cooperation with Thailand to raise the quality of healthcare services and assist in development of the healthcare industry.
- iii. Promote cooperation in smart campuses and narrowing the digital gap. The Thai government is actively promoting campus digital education and narrowing of the digital gap. Its emphasis is on raising the penetration rate of information devices and on learning activities that integrate software and hardware. Taiwan and Thailand’s past experience cooperating in the APEC Digital Opportunity Center program can serve as the foundation for future integrating of cloud solutions and expanding areas of cooperation.

### **3.5 Cooperation in innovative entrepreneurship**

- i. Launch cooperation in the digital economy. Thailand’s Internet environment and penetration rate are superior to those in most ASEAN countries, with mobile devices being very common and consumers having a high level of acceptance of Internet economic activities. Based on Thailand’s advantages in Internet environment and market scale, Taiwan and Thailand can bring together concepts like the sharing economy or the platform economy and do things like undertake cooperation in innovative business models, or develop-



ment of digital service applications.

- ii. Strengthen exchanges and cooperation in innovative value chains. Innovative businesses at different stages need to coordinate with peripheral links like design, manufacturing, marketing and sales channels, manpower training (including “mentoring”), operational guidance, and finance, as only in this way can one build a complete innovative value chain. Therefore, industries in Taiwan and Thailand can use Taiwan’s advantages in information and communications and in high-efficiency manufacturing to promote cooperation in many areas. Meanwhile, Taiwanese investment in Thailand is spread over a variety of industries, and investors have enormous resources and interpersonal networks, so it is possible for them to cooperate with start-up teams from both sides in areas that include technology, manufacturing, capital, and markets, which would also be helpful to Taiwanese enterprises in terms of ensuring sustainable innovation.
- iii. Promote cooperation in innovative entrepreneurship eco-systems. Although innovative entrepreneurship is very active in Thailand, overall its eco-system has not yet fully developed and moreover attention is paid mainly to the ASEAN region. When you consider that Taiwan has many incubators and accelerators, and close ties to international industrial chains, and some start-up teams have even been brought together with venture capital, in the future Taiwan and Thailand can promote cooperation between teams from both sides in setting up mechanisms like incubators, accelerators, coworking spaces, or platforms in Thailand.

### **3.6 Cooperation in the circular economy**

- i. Strengthen exchanges of experience with, and cooperation in, “energy resources integration” in industrial parks. One of the main goals of Taiwan’s current promotion of circular-economy industries is “energy resources integration.” It is hoped that through optimally designed value chains of in-

dustrial symbiosis and promotion of an energy resources exchange network, that Taiwan can expand circular linkages of energy resources in domestic industrial parks, and achieve the goal of energy resources integration. The China Steel operation located in the Linhai Industrial Park in Kaohsiung is one successful example. Meanwhile, Thailand has a wide distribution of industrial parks, and many still have room for improvement in terms of energy resources integration. Therefore Taiwan and Thailand can undertake exchanges and cooperation with respect to their experiences in promoting industrial park energy resources integration.

- ii. Strengthen cooperation between Taiwanese businesses in Thailand and local Thai circular-economy industries. Having been through rapid industrial and economic growth, Thailand has in recent years faced an ever-more serious problem of handling waste material, while Taiwan has already had many successful experiences in the practice of the circular economy. At present many cities in Thailand are facing the issues of how to develop new energy sources and handle waste, as a result of which using waste to generate power has become one of the main proposals for solving both of these issues. The Taiwan side has already had some Taiwanese businesses related to the circular economy go to invest and build factories in Thailand, and by using the successful experiences of Taiwan companies in circular-economy industries, cooperation can be strengthened between Taiwanese firms that go to Thailand and local circular-economy industries, which will be helpful to the development and upgrading of local Thai circular-economy industries.
- iii. Promote bilateral cooperation between circular-economy R&D institutions. Thailand is rich in biorefining raw materials, which can be brought together with Taiwan's advanced petrochemical and plastics processing technologies. The two sides can also go a step further and collaborate to integrate the up-, mid-, and downstream steps for biomass materials, to accelerate the development of biomass technology in Taiwan and Thailand and undertake produc-

tion with economies of scale. This will allow both Taiwan and Thailand to quickly seize new markets in green circular economies, which are just now in the process of rapidly emerging. Moreover, Taiwan has a number of mature circular-economy technologies for recycling industrial and electronics waste (E-Waste), which can serve as focal-point technologies for exchanges and cooperation between R&D and technology institutions in Taiwan and Thailand in developing industries in the circular economy.

- iv. Promote cooperation in the area of Taiwan circular-economy industries going to Thailand to invest. Because Taiwanese companies developed relatively early in the areas of recycling waste material resources for reuse and transforming them into marketable products, these companies can in the future go to Thailand to invest and bring innovative technologies and job opportunities to Thailand. If Taiwan and Thailand can in the future strengthen the attraction to Taiwanese circular-economy businesses to go to invest in the Thai market, and engage in exchanges and cooperation, this will be helpful to linking up the circular-economy industries from both sides.

### **3.7 Strengthening cooperation in attracting Taiwanese investment and deepening bilateral economic and trade relations**

- i. Launch consultations and preparatory work for a Taiwan-Thailand Economic Cooperation Agreement (ECA) as soon as possible. Academic institutions and think tanks in Taiwan and Thailand have in the past completed joint research on an ECA, so there is already a quite high level of trust and understanding between the two sides. If in the future the two sides can go a step further and open consultations and preparatory work on an ECA, and moreover sign an ECA, through these means tariff barriers between the two sides can be reduced, and cooperation in trade facilitation, customs procedures, trade systems integration, and product standards will be strengthened,

which will be helpful to the export of Thai products to Taiwan, especially for strengthening links for bilateral intra-industry trade. When you also consider that there are currently more than 60,000 Thai citizens in Taiwan, and moreover there has been enthusiasm in recent years among Taiwanese for Thai cuisine and tourism and travel in Thailand, these all enable Thai products to have strong commercial opportunities in Taiwan. Many positive factors can further increase the economic effect of the signing of a Taiwan-Thailand ECA, expand Thai exports to Taiwan, and enable bilateral trade to develop in the direction of reciprocal mutual benefit.

- ii. Update the Taiwan-Thailand investment promotion and protection agreement. Taiwan and Thailand have in the past signed agreements related to investment and taxes. But after 20 years of changes in the economic and trade environment and in markets, there is a need to update these to meet the needs of the new era. In terms of investment promotion, both Taiwan and Thailand should consider relaxing controls over capital transfers, eliminating local content restrictions, and lifting restrictions on the nationality of the board of directors or high-ranking managers, in order to reduce investment barriers between the two sides and further bilateral investment flows. In terms of investment protection, Taiwan and Thailand should continue to extend the mutual guarantee promises they have made, and provide investors with a complete dispute resolution mechanism, to guarantee the rights and interests of investors in each other's markets. In terms of investment facilitation, we suggest that in the future Taiwan and Thailand should move in the direction of updating the current bilateral investment promotion and protection agreement, or, when negotiating and signing an ECA, they should draw up a special section setting norms for investment and issues related to investment facilitation, in order to build a systematized framework for bilateral investment relations, and increase the confidence of, and protections for, investors on both sides.

iii. Promote harmonization of regulatory systems. Taiwan and Thailand should make an effort to eliminate non-tariff barriers (NTBs) and reduce the impact on trade of unwritten rules, and strengthen cooperation in fields that include agriculture (including inspection and quarantine issues, or sanitary and phytosanitary measures), industry (product standards), services (market access and licensing) and customs (electronic data exchange and Authorized Economic Operator certification). In the future if Taiwan and Thailand can sign an ECA, at the same time they can incorporate the above-mentioned regulatory harmonization issues into the cooperative framework of the ECA. As for the construction of the information platform that will be needed for regulatory harmonization, Taiwan can provide assistance.

# Appendix

## 1. A Brief Introduction to the World Taiwanese Chambers of Commerce

Following the rise in foreign investment by Taiwanese businesses, all over the world Taiwan business associations were founded. In order to bring together the power of these business associations and to raise the level of services to Taiwanese business people, in September of 1994 the World Taiwanese Chambers of Commerce (WTCC) was formally founded in Taipei, Taiwan. It upholds the following five principles for serving Taiwanese businesses around the world: (1) It promotes cooperation between Taiwanese business people all over the world to work together to develop industry and commerce and open up international markets. (2) It strengthens contact, mutual aid, and friendship between Taiwanese business people all over the world, and encourages exchanges of experiences in business management and academic science and technology. (3) It provides Taiwanese business people all over the world with industrial, commercial, and financial information, and from there strengthens regional economic and trade cooperation. (4) It raises the international status of Taiwanese businesses, and encourages all countries to protect the rights and interests of Taiwanese businesses. (5) It promotes social and cultural exchange in regions throughout the world, in order to further mutual understanding and economic development.

Under the WTCC are six continental chapters, for Asia, Europe, North America, Central and South America, Oceania, and Africa. It has more than 40,000 member businesses, from 189 chambers of commerce in 73 countries and regions, making it a non-governmental group that is taken seriously by all sectors of society. In September of 2009, the WTCC established a fixed office in Taipei to better serve Taiwanese businesses around the world.

The WTCC has a president, whose term of office is one year, without the possibility of serving a second term. The presidents of the continental chapters are vice-presidents of the WTCC. The president, acting on the basis of the WTCC charter, appoints a secretary-general, chief financial officer, and others, who all work as volunteers, to assist in handling WTCC affairs. It also has 17 functional committees, covering electoral affairs, management of public funds, Taiwanese businessmen in mainland China, women's friendship, friendship in Taiwan, training of elite Taiwanese business people, promotion of business opportunities, discipline, international affairs, public relations, project affairs, education and culture, the "Overseas Taiwanese Rock Award," professionals, network information, publishing, and laws and regulations. In recent years the WTCC has actively encouraged continental chapters to establish junior chambers of commerce, to encourage the younger generation of Taiwanese business people to join Taiwanese chambers of commerce, and in October of 2010, in Taipei, established the WTCC Junior Chapter, in order to promote the passing along to the next generation, and sustainable development, of Taiwanese chambers of commerce around the world.

## **2. A Brief Introduction to the Asia Taiwanese Chambers of Commerce**

In the late 1980s, a steadily increasing number of Taiwanese business people went to Southeast Asia to invest, and national-level Taiwanese chambers of commerce were established one after another in 1990-1992. However, there was little interaction between them, and they were out of touch with each other. Because of this, Yu Sheng-ching, the founder and then-president of the Thai-Taiwan Business Association (TTBA), got together with the heads of Taiwanese chambers of commerce in the Philippines, Malaysia, Singapore, and Indonesia, to organize the Asia Taiwanese Chambers of Commerce (ATCC).

The ATCC was formally established in Taipei, Taiwan, in June of 1993,

and upholds five major founding principles: (1) It promotes cooperation between Taiwanese business people in Asian countries to work together to develop industry and commerce and open up international markets. (2) It strengthens contact, mutual aid, and friendship between Taiwanese business people in Asia, and encourages exchanges of experiences in business management and academic science and technology. (3) It provides Taiwanese business people in Asian countries with industrial, commercial, and financial information, and from there strengthens regional economic and trade cooperation. (4) It raises the international status of Taiwanese businesses, and encourages all countries to protect the rights and interests of Taiwanese businesses. (5) It promotes social and cultural exchange in the Asian region, in order to further mutual understanding and economic development.

There are 12 formal member-nation chapters under the ATCC, including Thailand, the Philippines, Malaysia, Singapore, Indonesia, Japan, Hong Kong, Macao, Vietnam, Laos, Cambodia, and Brunei. There also six observer member-nations, including Bangladesh, India, Myanmar, Jeddah, Guam, and East Timor, while a branch will soon be founded in Korea. Total membership exceeds 27,000 enterprises. There is one president, with the heads of the national chapters being vice-presidents, along with a standing board of directors, a board of directors, and a board of supervisors. There are also functional committees covering electoral affairs, public affairs, industrial functions, the charter, publishing, education and culture, finance, friendship with Taiwanese business people in mainland China, promotion of ATCC affairs, discipline, the new generation, crisis management, long-term development, and ASEAN affairs. The ATCC also is responsible for being a window for all members to engage in discussions with advisors. The ATCC is subordinate to the World Taiwanese Chambers of Commerce, and is the best platform for exchanges, matching-up of businesses to exploit commercial opportunities, and promoting investment. Especially now that this is a period of rapid development for ASEAN, the ATCC expects to bring together the resources of all sectors in society to provide stronger and more powerful services for its members.



### **3. A Brief Introduction to the Thai-Taiwan Business Association**

Starting in 1988, in response to the government's "Southbound Policy," more and more Taiwanese businesses went to Thailand to invest. In order to foster friendship among Taiwanese business people as well as bring into play the spirit of watching out for one another and of mutual aid, every area of Thailand where Taiwanese businesses were concentrated established friendship associations for Taiwanese business people. Yu Sheng-ching, then head of the department of industry and commerce at the Taiwan Association of Thailand, seeing that the number of Taiwanese businesses coming to Thailand to invest was steadily climbing, thought that besides friendship associations, it was also essential to found an organization that was a legal person, and through it, to unite the power of Taiwanese businesses in order to protect their rights and interests in Thailand. After getting enthusiastic feedback for the idea from Taiwanese business people, on October 20 of 1992 a business association was founded, with Yu selected as the chairman of the board of directors. In April of 1993, this association was formally registered as a legal person by the Thai government, and later changed its name to the Thai-Taiwan Business Association (TTBA).

The founding principles of the TTBA include: (1) Promote operations and cooperation between Taiwan and Thailand in industry, commerce, and finance. (2) Support and assist TTBA members to comply with Thai laws when undertaking business operations, with services including supplying industrial and commercial information, advising, and handling matters related to certification. (3) Strengthen and uphold the lawful rights and interests of members, including having representative members provide opinions to the Thai and Taiwanese government authorities, to enable the furtherance of the economic rights and interests of Taiwanese investors who come to Thailand to invest and develop, in order to promote substantive commercial and economic relations between Thailand and Taiwan. (4) Collect

statistics related to industry and commerce, information on laws and regulations, market information, and information about directions and policies with respect to social and economic development, and include analysis of internal and external developments and their impact on investment, and provide all this to members in order to upgrade their knowledge, and to ensure that the businesses operated by members can make timely adjustments in step with social and economic development.

(5) Protect and advance trust and interpersonal relationships between Taiwanese investors in Thailand, and strive to get the same rights enjoyed by investors from other countries. (6) Assist and expand business and investment in Taiwan by Thai business people, including promoting contacts between the Thai industrial and commercial sectors and Taiwan's industrial and commercial sectors. (7) In coordination with the Thai government's economic development policies, invite and encourage Taiwanese entrepreneurs, either in Taiwan or living overseas, to come to Thailand to engage in investment in the industrial, commercial, and financial sectors. (8) Actively promote TTBA affairs, to encourage unity and mutual aid among members, and moreover create a high-quality work environment and living conditions, so that members can live in peace and work happily, and also organize constructive activities that are of benefit to society. (9) Assist and encourage members to participate in activities of industrial and commercial enterprises that are of benefit to Thailand, and encourage members, on their own initiative, to participate in charitable activities on behalf of society and the public interest, while, however, not violating the principles of Article 22 of the Chamber of Commerce Act of the Buddhist year 2509. (10) Assist members to establish positive relations with state governing institutions home and abroad, so that members can engage in their businesses lawfully and in accord with the policies stipulated by the government. (11) Frequently hold entertainment, friendship-building, or sporting events for members that will promote health in body and mind. (12) To ensure the smooth operations of the TTBA, the TTBA can, after reaching agreement with members, stipulate rules that members must follow, or that they must not violate. (13) Support members in welfare matters that do not violate Article 22 of the

Chamber of Commerce Act of the Buddhist year 2509.

Since the TTBA was formally registered as a legal person in April of 1993, it has founded 15 sub-chambers. These are in Samut Prakan, the Northern Zone, Chachoengsao, Thonburi, Ladkrabang, Chonburi, Bangkok, Ban Pong Wanwan, Rayong, Asok, Nakhon Ratchasima, Silom, Northern Thailand, Southern Thailand, and Phuket, and one can also add that the TTBA has 16 branches of the Thai Youth League. There are more than 3,000 member enterprises in the TTBA. The TTBA has an executive committee to handle association affairs, and the most important posts are president, vice-president, member of the advisory committee, chief supervisor, deputy supervisor, director, executive director, supervisor, executive supervisor, secretary-general, vice-secretary-general, treasurer, deputy treasurer, director-general, and other staff. There is also a board of directors, a board of supervisors, and a board of counselors.

The Thai-Taiwan Business Association leads the various local sub-chambers in serving the needs of Taiwanese business people. It also serves as a bridge for communication of opinions between Taiwanese businesses and the Taiwan and Thailand governments, for policy promotion, and for promoting investment. Over many years now it has provided all kinds of functional services, enabling cooperation between Taiwanese businesses to be even closer and gaining serious attention from all sectors of society home and abroad, while demonstrating the greatest effectiveness that a business association can have.

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