



Eastern Economic Corridor

Latest Updates and Implications



July 2018



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Executive Summary

Eastern Economic Corridor: Recent Update



EEC Bill Approval



- Concrete timeline (2018-2019) for high-priority infrastructure development projects



High Speed Train
Linked 3 Airport



U-Tapao Airport



Laem Chabang
and Map Ta Phut Ports

- Investment from large conglomerates in new S-curve industries



Alibaba
E-Commerce



Airbus
MRO Center



Hirata
Robotics

Business Opportunities in EEC



Invest in Infrastructure
Projects via PPP



Invest in
Targeted Industries



Develop
Industrial Estate

Incentives of Investing in EEC



Tax

Max 15 year of
Corporate Income
Tax Exemption



Property Rights

Max 50 year with
49 year renewal
period for land lease



Visa

5 years visa for
investors and
expats

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Eastern Economic Corridor (EEC) – Recent Update

EEC Development Recent Update

2017

Feb 2017: **EEC Kick Off**
BOI launched special incentives for investment in targeted industries in EEC

2018

Feb 2018: **EEC Bill Approval**
EEC policy committee would be established to oversee holistic EEC development plans

May 2018: **EEC Bill Implemented**
Time for concrete actions of EEC development

What is EEC bill ?

EEC bill aims to create a **regulatory sandbox** in EEC (Chonburi, Rayong, and Chachoengsao provinces) to facilitate EEC development including infrastructure development projects and investment in 10 targeted industries.

How EEC bill facilitates EEC development ?

EEC policy committee is a central committee consolidating relevant regulatory bodies, government and state enterprises with authorities to plan, set up rules and procedures, approve, execute and monitor all development projects in EEC.



Plan



Specify rules and procedures



Approve budget



Co-invest/
Subsidies projects

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Eastern Economic Corridor (EEC) – Before **VS** After EEC Bill

EEC bill sets up a dedicated committee to ensure implementation of the EEC development plans, boosting investor confidences in both infrastructure development projects and targeted industries development.

	Before implementation of EEC bill	After implementation of EEC bill	Targeted Investors
BOI	The <u>sole</u> government agency in charging of promoting investment in Thailand and EEC.	The <u>main</u> government agency in charging of promoting investment in Thailand and EEC.	<ul style="list-style-type: none"> Investors (existing and new) interested to invest in 10 targeted industries
EEC Policy Committee	—	<p>NEW</p> The <u>main</u> government agency in charging of <ol style="list-style-type: none"> Infrastructure development Deregulation necessary to enable huge investment in targeted industries 	<ul style="list-style-type: none"> Infrastructure development investors Cutting edge technology/ large scale investors in 10 targeted industries
Outcome	<ul style="list-style-type: none"> Investment in 10 targeted industries, mainly focusing on the first S-curve industries e.g. automotive, electronics 	<ul style="list-style-type: none"> Investment in high priority infrastructure projects (total 18 billion USD) More investment focusing on new S-curve industries 	

Benefit of EEC to Investors

By investing in EEC, investors could benefit from tax incentives, property rights and visa for foreign investors, as well, as smoothen project implementation.

Investment in Targeted Industries



- **Maximum 15 years** corporate income tax exemption*
- **17%** personal income tax rate for foreign expat (lowest tax rate in ASEAN)

Property Rights



- **Land ownership** for foreigners
- **Max 50 year** with **49 year renewal period** for land lease

Visa



- **5 years working visa** for investors and expats

Investment in Infrastructure Development Projects



- **Enable** infrastructure development projects via Public Private Partnership (PPP)
- **Smoothen** implementation of infrastructure development via fasten EIA process

Cutting Edge Technology & Large Scale Investment



- **Enable** investment in cutting edge technology via more flexible regulation in “Special Promotion Zones”

*Number of year of corporate income tax exemption varies upon investment activities and locations.

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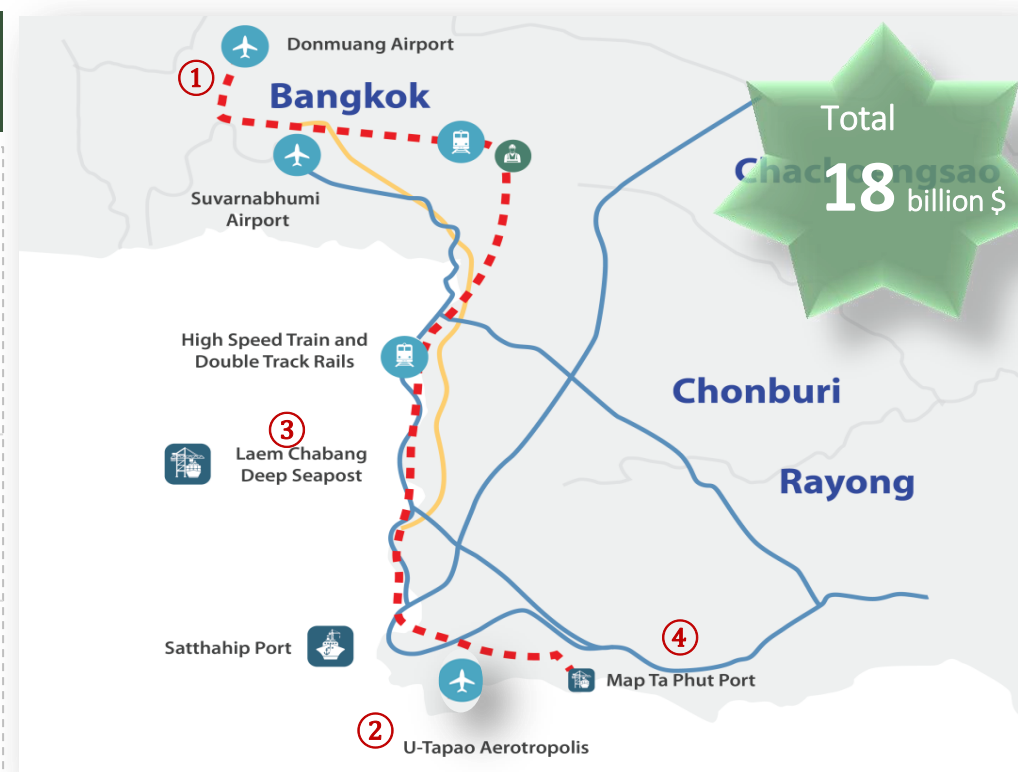
EEC Infrastructure Development – Overview

High priority infrastructure development projects are projects essential for Thailand’s long term development, in which EEC policy committee will materialize via PPP with fast track EIA process.

High Priority Infrastructure Development Projects

Project	Total Investment (Tentative)	Key Stakeholder
① High Speed Train Linked 3 Airport	USD 6.8 billion	State Railway of Thailand
② U-Tapao Airport & MRO	USD 6.0 billion	Royal Thai Navy
③ Laem Chabang Deep Seaport: Phase 3	USD 4.7 billion	Port Authority of Thailand
④ Map Ta Phut Port: Phase 3	USD 0.3 billion	Industrial Estate Authority of Thailand

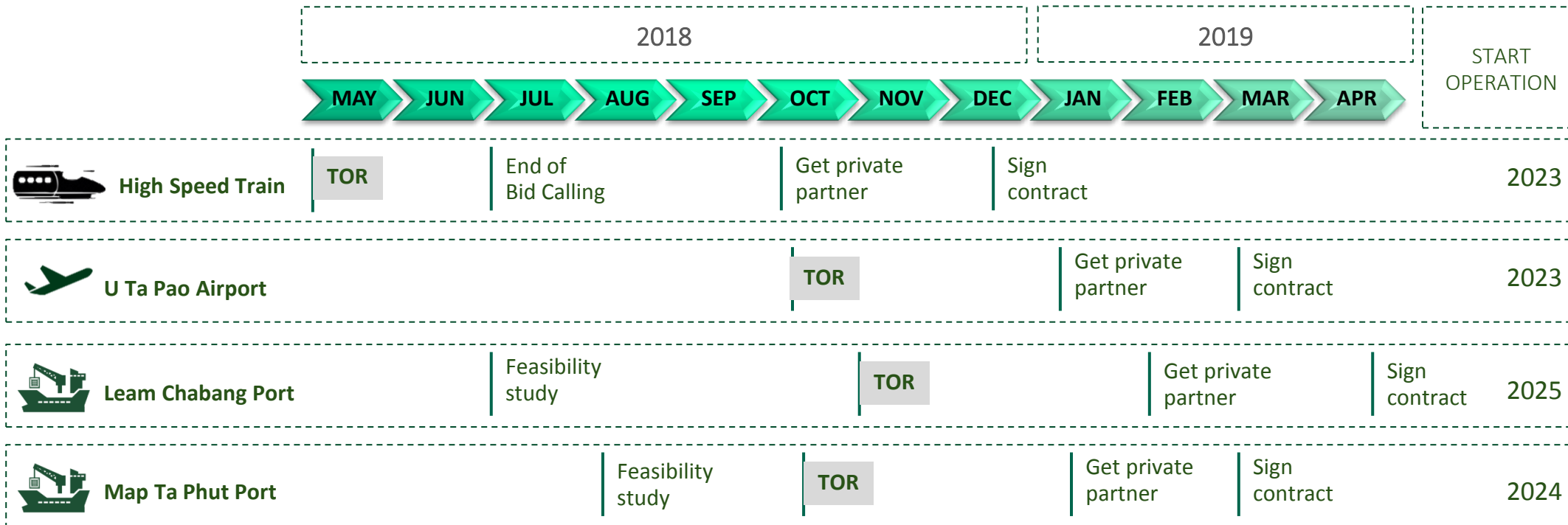
Map of High Priority Infrastructure Development Projects



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EEC Infrastructure Development – Timeline

Besides high speed train, timeline for launching TOR and selecting private partners will be announced around 2018-Q4 to 2019-Q1.



Source: Prachachart Durakit (June 13, 2018) adjusted by World Business Advisory, KASIKORNBANK

Note: This information is tentative timeline, which may subject to change by EEC policy committee.

① High Speed Train Linked 3 Airport



Project Overview

Key Concept	<ul style="list-style-type: none"> High speed train to connect 3 international airport (Don Muang – Suvarnabhumi – U Tapao) within 1 hour To accommodate 110 million passengers/year
Total Investment	<p>THB 224.5 billion (USD 6.8 billion)</p> <ul style="list-style-type: none"> Railway system development: THB 168.7 billion Property Development (around Makkasan and Sri Racha station): THB 45.2 billion
Type of Contract	<p>Public Private Partnership (PPP)</p> <ul style="list-style-type: none"> Private Investment Partnership: 50 years (5 year construction + 45 year operation) Government will provide subsidies to support private investor
Recent Update	<p>31 companies express interest in this projects</p> <ul style="list-style-type: none"> 14 Thai firms: e.g. BTS, CP, Italian-Thai, Sino-Thai Engineering 7 Chinese firms: Sinohydro Corp, China Railway Group, CITIC 4 Japanese firms: Itochu, Fujita corp, Hitachi Asia 2 French firms: Transdev group, SNCF international 2 Malaysia firms: Wannasser International, MRCB Builder 1 Korea firm: Korea Thai High Speed Railroad Consortium 1 Italian firm: Salini Impregio

Development high speed train will help facilitating movement of skilled workers, boosting tourism as well as flourishing real estate development into EEC region.

Development of High Speed Train: Implications



Facilitate movement of high skilled workers from the capital

- Currently, majority of expats and high skilled workers are living in Bangkok. High speed train will shorten commute time between Bangkok to EEC to less than 1 hour, facilitating movement of high skilled workers.



Boost Tourism into EEC region

- Both domestic and foreign tourists can travel into EEC region more convenience at affordable price, boosting tourism activities in major tourist destinations in EEC e.g. Pattaya.



Develop real estates surrounding train stations

- High speed train linked 3 airport will make it easier to commute both to Bangkok and to EEC region, creating opportunities for real estates development surrounding train stations.

② U-Tapao Airport and MRO Center

Development of U-Tapao airport and MRO center will promote tourism, enable aviation & logistic hub, and facilitate development of new cities and hi-tech industries surrounding the airport.



Project Overview

Key Concept	<p>U Tapao International Airport and “Maintenance Repair and Overhaul (MRO) center”</p> <ul style="list-style-type: none"> To accommodate 15 million passengers/year To be able to maintenance 3 aircraft at a time
Total Investment (Tentative)	<p>THB 200 billion (USD 6 billion)</p> <p>U Tapao International Airport</p> <ul style="list-style-type: none"> Passenger terminal and commercial gateway Air cargo facilities <p>MRO Center</p> <ul style="list-style-type: none"> Maintenance, Repair, and Overhaul (MRO) facilities Aviation Training Center
Type of Contract	<p>Public Private Partnership (PPP)</p> <p>Between 30 -50 years</p>

U-Tapao Airport and MRO Center Development: Implications



Promote Thailand’s Tourism

- Currently, Suvarnabhumi airport and Don Muang airport have been operated above capacities, serving 97 million passengers/year.
- U-Tapao airport together with high-speed railway development will increase Thailand’s capacity to accommodate more foreign tourists.



Enable Aviation and Logistics Hub

- With additional air cargo capacity, U-Tapao airport could serve as air cargo hub, enhancing capability to export.
- With MRO center, U-Tapao airport could serve as an aviation hub for transit, and aircraft regular check up.



Develop Aerotropolis

- With more tourism, logistics, and aircraft maintenance activities, many new jobs will be created. This will facilitate development of an aerotropolis, in which the airport serves as the city center.



Facilitate Development of Hi-Tech Industries

- Together with generous investment incentives, areas surrounding U-Tapao airport are suitable to be **a manufacturing hub for hi-tech products that need to export via air cargo** e.g. smart electronics, biotechnology, and robotics.

③ Laem Chabang Deep Seaport and ④ Map Ta Phut Port

Development of Laem Chabang and Map Ta Phut ports will enhance logistics and trading activities, facilitate development of targeted industries such as automotive and petrochemical industries.



Project Overview

Key Concept	<p>Laem Chabang Phase 3;</p> <ul style="list-style-type: none"> To increase container output from 7.7 million containers/ year to 18.1 million containers/year To increase the number of cars shipped via Laem Chabang from 2 million cars/year to 3 million cars/year To increase the number of container shipments via railway from 7% to 30% <p>Map Ta Phut Phase 3</p> <ul style="list-style-type: none"> To increase the capacity of natural gas and raw fluid material shipments for petrochemical industry (additional 19 million tons of petrochemical and natural gas within 20 year)
Total Investment (Tentative)	<p>Laem Chabang Phase 3: THB 155.8 billion (USD 4.7 billion)</p> <p>Map Ta Phut Phase 3: THB 10.2 billion (USD 305 million)</p>
Type of Contract	<p>Public Private Partnership (PPP)</p> <p>Between 30 -50 years</p>

Development of Laem Chabang and Map Ta Phut Ports: Implications



Enhance Trading Activities

- With more than double of shipping capacities, development of phase 3 of both ports will enhance Thailand's competitiveness in trading and logistics activities.



Develop of the First S-Curve Industries around Laem Chabang

- With additional 1 million cars/years capacities of Laem Chabang port, it will promote development in next generation automotive around this port area.
- In addition, additional shipping capacities will support development of other high value added industries that usually ship via sea cargo e.g. food processing, health care products, agriculture and biotech



Develop of Petrochemical Industries around Map Ta Phut

- With additional capacity to ship petrochemical and natural gas, it will facilitate development of environmental friendly petrochemical industry around Map Ta Phut area.

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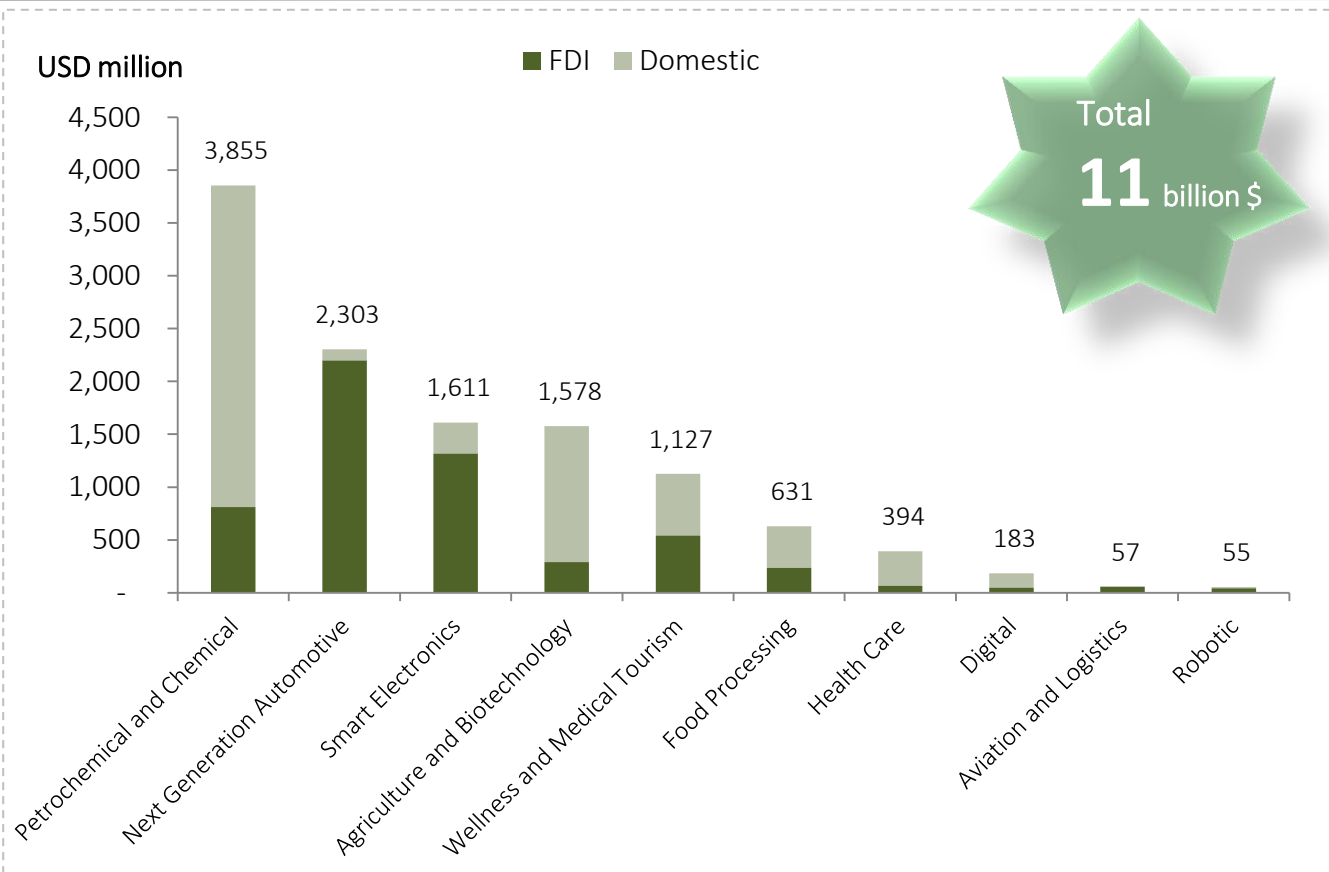
After implementation of EEC bill, regulatory sandbox is created in “Special Promotion Zones” aiming to facilitate development in targeted industries.

Before	VS	After
Implementation of EEC bill		Implementation of EEC bill
<p><u>Regulation</u></p> <ul style="list-style-type: none"> ○ Any change in regulation to facilitate investment in targeted industries development in EEC has to pass to normal legislation process through parliament. 		<p><u>Regulation</u></p> <ul style="list-style-type: none"> ○ Regulatory sandbox is created in “Special Promotion Zones” in which EEC policy committee has authority to change regulation to facilitate investment in 10 targeted industries.
<p><u>Outcomes</u></p> <ul style="list-style-type: none"> ○ Investment projects mostly concentrated on the first S-curve industries that Thailand has competitive advantage such as <ul style="list-style-type: none"> ▪ Automotive ▪ Electronics ▪ Agriculture & Biotech ▪ Food Processing 		<p><u>Expected Outcomes</u></p> <ul style="list-style-type: none"> ○ Adjustment in regulation is expected to enable the new S-curve industries for example: <ul style="list-style-type: none"> ▪ E-commerce and logistics: adjustment and digitalize custom process ▪ Health Care and Biotech: enable clinical trial for private enterprises ▪ Medical tourism: allow medical license from abroad to be effective in special promotion zones

Investment in Targeted Industries – Before Implementation of EEC Bill

In 2017, most of investment in targeted industries focused in first S-curve industries, in which foreign investors played an important role in automotive and electronics industries.

Net Application Submitted for Investment Incentive in Targeted Industries, as of 2017

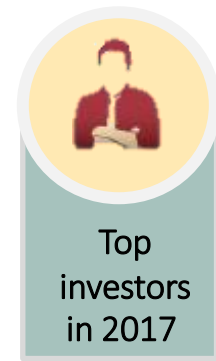


Facts about Investment in Targeted Industries

48% of investment in targeted industries are from foreign investors

Large Thai conglomerates mostly invested in petrochemical (e.g. PTT), tourism, and agriculture & biotechnology.

Foreign investors mostly invested in automotive and electronics sectors, in which Thailand has competitive advantages and strong supply chains.



- | Rank | Country | Investment (USD billion) |
|------|-----------|--------------------------|
| 1 | Japan | USD 1.7 billion |
| 2 | Singapore | USD 1.1 billion |
| 3 | China | USD 1.0 billion |

Top investors in 2017

Investment in Targeted Industries – After Implementation of EEC Bill

After implementation of EEC bill in early 2018, investment in new S-curve industries has begun to show the positive sign; With growing number of investors, EEC also provides new opportunities for industrial estate development for special promotion zones.

Recent Development of Targeted Industries



E-commerce & Logistics

- **Alibaba Group** is preparing to set up the Smart Digital Hub in Chachoengsao province, with total investment of THB 11 billion.



Health Care & Biotech

- **Siam Bioscience** (JV with Abinis) invests in R&D to develop bio-pharmaceuticals for cancer and auto-immune disease.



Aviation Industry

- **Thai Airways** (JV with Airbus) to invest in EEC for the Maintenance, Repair, and Overhaul Center (MRO).
- **Bridgestone** and **Minebea** to invest in aviation parts.



Robotics Industry

- **Hirata corporation** is considering to establish industrial robotics factory in EEC.

Industrial Estates in EEC



Subsidiary of CP Group and Guangxi Construction Engineering are working together to establish CP Industrial Estate Rayong, aiming to tap into Chinese investors in targeted industries.







24 industrial estates were declared as “Special Promotion Zones”

- 8 Hemaraj Industrial Estates (Chonburi, Rayong)
- 5 Pinthong Industrial Estates (Chonburi)
- 3 Amata Industrial Estates (Chonburi, Rayong)
- Eastern Seaboard Industrial Estate (Rayong)
- Yamato Industrial Estate (Chonburi)
- TFD 2 Industrial Estate (Chachoengsao)
- CP Rayong
- Smart Park Industrial Estate (Rayong)
- Eastern Airport City(EEC-a)
- EEC of Innovation (EECi)
- Digital Park Thailand (EECd)





Opportunities for Investment in the First S-Curve Industries

Thailand has strong foundation in the first S-curve industries, offering opportunities to bring in new production technology for industrial upgrade.

	 Next Generation Automotive	 Smart Electronics	 Food Innovation	 Tourism
Rationale	Thailand's automotive industry is diversifying toward eco-car and hybrid EV with high environmental standard to serve EU and US markets.	Thailand's electronics industry is an export hub for electrical appliances and is upgrading to IoT connected appliances with sensor based technology.	Thailand has long been a major exporter of food products and aims to a new hub for food for health and aging people .	Thailand's tourism industry continues to grow rapidly with bright tourism outlook from infrastructure projects in EEC region.
Potential Activities	<ul style="list-style-type: none"> Hybrid EV parts <ul style="list-style-type: none"> Battery, traction motor Hi-tech automotive parts <ul style="list-style-type: none"> Electronic control unit (ECU), transmission Safety parts <ul style="list-style-type: none"> Anti-lock Brake System (ABS), Electronic Stability Control (ESC) 	<ul style="list-style-type: none"> Electrical products capable to connect IoT Electronic control and measurement instrument, e.g. sensor 	<ul style="list-style-type: none"> Medical food Food supplements Active ingredients from natural raw materials Food additives or food ingredient using modern technology 	<ul style="list-style-type: none"> Amusement parks Aquariums Open zoo Cultural center Convention hall
Potential Location	Proximity to Laem Chabang Port	Proximity to U-Tapao Airport	Proximity to Laem Chabang Port	Proximity to Pattaya

Opportunities for Investment in the New S-Curve Industries

For investment in new S-curve industries, it might take a certain period of time for deregulation or completion of necessary infrastructure; In the medium term, investment in the new S curve industries could be lucrative.

	 Aviation and Logistics	 Health Care and Biotechnology	 Robotics	 Digital
Rationale	<p>Thailand has already become a regional trading hub and soon, there will be adjustment in custom process to facilitate trading activities.</p>	<p>Thailand’s medical schools have long experienced in clinical trials. Now there is a movement to allow clinical trial for private companies.</p>	<p>Now, Thailand is upgrading technology toward robotics automation. In addition, tax incentive will be granted for investment in productivity improvement, boosting demand for automation.</p>	<p>Thailand is moving toward digital economy with growing demand for digital services. There are plenty room for new players as number of digital service provider is still limited.</p>
Potential Activities	<ul style="list-style-type: none"> Logistic Park International distribution center Air transportation services 	<ul style="list-style-type: none"> Active pharmaceutical ingredients’ production Drug manufacturing R&D using biotechnology 	<ul style="list-style-type: none"> Robots or Automation Equipment’s Assembly Manufacture of automation equipment with engineering design 	<ul style="list-style-type: none"> Digital Services <ul style="list-style-type: none"> Fin Tech Med Tech Cloud Services Data Center Software Development
Potential Location	<p>Chacheongsao (Suvarnabhumi) or Eastern Aviation City</p>	<p>Medical Special Promotion Zone e.g. Smart Park</p>	<p>Robotic Special Promotion Zone e.g. Amata, Pinthong, Hemaraj</p>	<p>Digital Special Promotion Zone e.g. Digital Park Thailand</p>

Opportunities for Development of Special Promotion Zones

With expected rising in demand for investment in the new S curve industries in the medium term, investors may consider developing facilities to serve the new-S curve industries, especially in health care sector.

Demand for Industrial Estates in EEC region

- In Short Term (2018-2023)
 - Demands for industrial estate tend to focus on the first S-curve industries e.g. next gen automotive, smart electronics, food processing, and tourism
- In Medium Term (2023 onward)
 - Demands for industrial estate will be more diversified toward the new S-curve industries
 - Note that facilities necessary to support high wealth and medical tourism are different from industrial park that support manufacturing

Supply for Industrial Estates in EEC region

- Generic Special Promotion Zone
 - **Large Supply:** most of currently available special promotion zone are generic special promotion zone, welcoming investors from several industries
- Specialized Special Promotion Zone
 - **Still Limited Supply:** only few special promotion zones focus on one target industries e.g. Digital Park Thailand, Eastern Aviation City, Pinthong Laem Chabang (next gen automotive)



Opportunities

- To develop specialized special promotion zone to support the new S-curve industries e.g. health care, biotech, logistic, and digital.

Conclusion: Opportunities for Investors

Now, it is time to grab opportunities in infrastructure and industrial development. In addition, investment in the first S curve industries will be lucrative from now on, whereas investment in the new S curve industries will be fruitful in the medium term.

2018-2019

2018-2023

2023 -Onward

Build Strong Foundation for EEC

Expand Investment in the First S Curve, Explore Investment in the New S Curve

Surge Forward in the New S Curve Industries

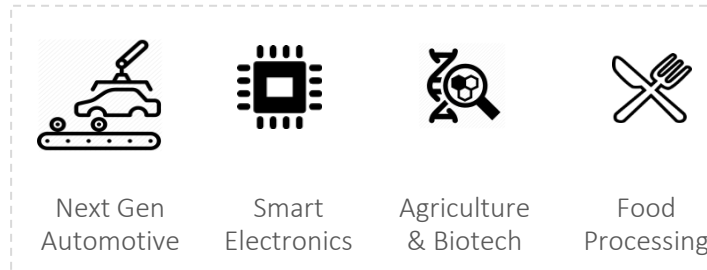
At preparation stage of EEC development, the government has to build strong foundation for EEC resulting in opportunities to develop infrastructure and industrial estates

Most investment still focus on the first S curve industries, while some global players began to explore opportunities in the new S curve industries

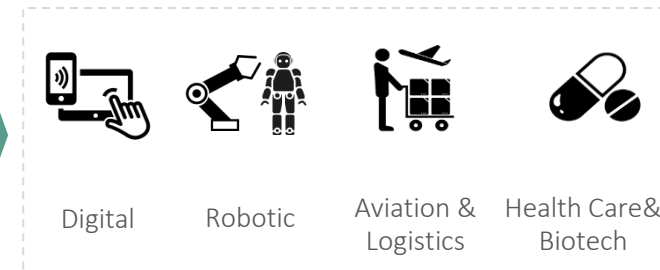
Investment in the new S curve industries will surge once infrastructure and deregulation are in place.



Preparation Stage



Rise of the First S-Curve Industries



Rise of the New S-Curve Industries

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