

Asia in focus



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It's famous for its sandy beaches and holiday resorts, but Thailand is also an industrial powerhouse.

The Land of Smiles is on an international investment drive as it seeks more money for key industries such as car manufacturing, agribusiness and food production.

Thailand is the world's sixth largest tyre

manufacturer, one of the biggest producers of canned fish and the second biggest maker of hard-disc computer drives.

Its booming car industry, dubbed the "Detroit of the East", is home to foreign manufacturers such as Toyota, Mazda, BMW and Ford. About 300 Australian companies have already built a presence in Thailand, with two-way Thai-Australian trade now totalling more than \$19 billion a year.

While there are increasing opportunities in Thailand, Australian companies are warned to do their due diligence before jumping in. There are legal, corporate and cultural aspects that can trap the unprepared.

Thai Board of Investment's Duangjai Asawachintachit told a recent trade seminar in Brisbane that the country's strategic location at the heart of southeast Asia makes it an attractive place for Australian businesses seeking to expand in the region.

Thailand is offering foreign investors a range of incentives, including duty exemptions and attractive corporate and income tax rates.

The Government also aims to make the country more investor-friendly by tackling corruption and improving infrastructure.

In a region with strict foreign ownership rules, Asawachintachit says Thailand allows 100 per cent foreign ownership in manufacturing and most services.

One Australian company taking advantage of Thailand's increasingly liberal investment rules is aqua feed producer

Ridley, which earlier this year formed a joint venture with one of the country's largest prawn producers. Thailand is the second largest producer of prawns and has an estimated prawn feed market capacity of 800,000 tonnes per annum. That's 100 times larger than the Australian market.

The joint venture, which will be used to develop a prawn feed additive, could prove lucrative for Ridley, which has a major plant at Narangba, north of Brisbane. Ridley Aqua Feed general manager Bob Harvey says Thailand, with its huge prawn-growing industry, is an ideal location for the company as it seeks to expand its overseas markets.

"It will be a showcase for us as we move to commercialise the product in Thailand," Harvey says. "More than 50 per cent of the fish in the world are now farmed and the challenge is to feed them. The new additive helps prawns to grow faster."

Harvey says Thailand has good infrastructure and is considered safe for foreign workers.

"It also was important that we had tenure over land before we made the investment."

Asialink Business chief executive Mukund Narayanamurti says Thailand has a world-class investment regime, skilled workers and competitive labour costs.

"The rules administering investments are far more streamlined than in other parts of Asia," Narayanamurti says.

While infrastructure has lagged behind regional neighbours such as Singapore, the

Quality control employees on the Honda production line in Prachinburi Province in Thailand. Thailand is offering foreign investors a range of incentives to set up business there. Picture: Bloomberg

Government is making a big push to improve rail, port and road links.

Narayanamurti stresses Australian businesses setting up in the country need to understand the country's history and culture, particularly its reverence for their monarch.

"It is absolutely critical you spend a lot of time on the ground in Thailand," he says.

"You have to do your due diligence and you cannot just fly in and fly out."

He says it is also important Australian businesses appoint local accountants and lawyers who understood the legal system, tax structures and corporate governance.

Australian business people sometimes struggle to appreciate the different business culture in Thailand and that "corporate speak" acceptable in the Brisbane CBD may not work in Thailand.

"When our corporate people started presenting to our joint-venture partners, we just got blank stares," Harvey says.

"You need to stand back and understand the cultural differences."

Glen Norris worked in Hong Kong from 2000-2011 as a business editor for The Wall Street Journal, Bloomberg and the South China Morning Post