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MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS 1964
SOME POLICIES, GUIDELINES, AND PROCEDURES
FOR THE
DEVELOPMENT AND PROMOTION OF EXPORT PROCESSING ZONES
IN THAILAND

TERMINAL REPORT
Project No. DF/TH/77/009/11-53
Assistance to the Industrial Estate Authority of Thailand

BY
EUGENIO S. SABANGAN
Export Processing Zone Adviser

Export of the United Nations Industrial Development Organization
as the
Executive Agency for United Nations Development Programme

June 15, 1983

This report is yet to be cleared with the United Nations Industrial Development Organization which, therefore, does not necessarily share the views presented herein.
ZONE POLICIES, GUIDELINES, AND PROCEDURES

FOR THE

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**ACKNOWLEDGEMENT**
ABREVIATIONS AND CONVERSIONS

IEAT - Industrial Estate Authority of Thailand
EPZ - Export Processing Zone
UNIDO - United National Industrial Development Organization

hectares (1 hectare equals 10,000 m²)
rail - 1,600 m²
ZONE POLICIES, GUIDELINES, AND PROCEDURES
FOR THE DEVELOPMENT AND PROMOTION OF EXPORT PROCESSING ZONES
AT LAI KALING AND LEGO CHANG

I. INTRODUCTION

One of the main objectives in the Fifth Five-Year Economic and Social Development Program of the Kingdom of Thailand is the "restructuring of the production processes in order to accelerate the expansion of exports, reduction of imports, creation of additional employment and decentralize economic activities and growth to various target areas and regions."

A major instrument to achieve partly these economic goals is through the development of industrial estates and more particularly export processing zones. By definition, an industrial estate is a planned industrial area wherein all the infrastructures and utilities needed by manufacturing companies that operate within the estate are provided. In Thailand, there are two types of industrial estates; namely, the general industrial zone and the export processing zone. The former is primarily domestic-oriented; the products manufactured are mainly sold to or geared for the local market. They manufacture import substitutes. As such, the companies operating within a general industrial zone save foreign exchange for the economy.

As distinguished from a general industrial zone, export processing zones are export-oriented. The output of operating companies are all exported abroad. As a matter of policy, they are not allowed to sell to the domestic market. They are large generators of foreign exchange.
Countries in Southeast Asia such as Taiwan, South Korea, Philippines, Singapore, and Malaysia have been very successful in developing and promoting their export processing zones and industrial estates. In Taiwan, there are three (3) operational export processing zones; the Philippines has also three (3) and two (2) more are being developed; South Korea has two (2) and has many industrial estates (general industrial zones); Malaysia has 6; and finally, Singapore, 1.

All these zones have contributed significantly to the economic development of their respective countries. Throughout Asia, the total employed by all the export processing zones in operation in 1978 was 451,000 workers. In terms of foreign exchange earned, Taiwan in its three zones in 1974 netted US$534 M. In the Philippines, the three operating zones also grossed US$204,1 M in 1981.

In Thailand, there has also been initial success in the development of general industrial zones. There are three (3) presently in operation; namely, Bang Poo Industrial Estate, Bang Chan Industrial Estate and Lat Kabang Industrial Estate.

The projected total number of jobs in these estates was 12,202 in 1982; also, there are 122 companies in full operation. There are no statistics relative to the amount of dollar savings they have achieved but it can be presumed these are substantial.

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2 Ibid., pp. 11.
3 Source: Division of Procedure & Control, ICA.
The development of export processing zones in this country has yet to be proven successful. As in other Asian countries, there is a strong need to develop export processing zones in Thailand along with general industrial zones. The economic benefits that shall accrue to the country are tremendous such as the following:

1. Generation of foreign exchange - Thailand's balance of trade (difference between the exports and imports of commodities) has always been a deficit from 1976 to 1981 (only data within this period were gathered). In 1981, the excess of imports over exports was 42,266 M baht (Please see Annex I). Exports have been increasing during this period in review but the rate of increase has slowed down considerably from 23% in 1980 to 14.8% in 1981. On the other hand, the average rate of increase of imports was 24.7%; that of exports was 20.2%. There is therefore an imperative need to accelerate exports, to encourage industries that are export-oriented, and to develop export processing zones.

2. Generation of Employment - the experience of the three (3) general industrial zones in Thailand is tangible evidence of the potential of industrial estates to create jobs. As of December, 1982, there are 12,202 workers projected for these three zones as pointed out earlier.

3. Transfer of New Technology - The main target of export processing zones as potential investors are foreign companies from developed countries like Japan, United States, United Kingdom, Germany, Australia, and others. The transfer of technology comes in the form of training of local technical employees either within the company's premises or abroad.
Regional development - Industrial estates are very convenient vehicles for dispersing industries towards the underdeveloped parts of the country. Regional development enhances industrialization of the rural areas resulting at the same time in the decongestion of urban areas like Bangkok.

Indirect benefits can also be generated through the linkages of established industries in the industrial estate with the domestic sector. Beneficiaries are the suppliers of services such as, haulers, repair shops, customs brokers, suppliers of raw materials, parts, and other supplies. This is not to mention the multiplier effect on the economy of the new income that is generated by the zone enterprises.
II. SUMMARY OF RECOMMENDATIONS

1. The selling price of lots at the Lat Krabang Export Processing Zone must be re-examined and reduced as soon as possible to a level lower than the selling price of those in the general industrial zone. The pricing strategy in determining the prices in both the two zones is also recommended.

2. The incentives that IEAT grants to companies operating in the Export Processing Zone should be revised and that the IEAT Act B.E. 2522 be amended to incorporate the additional economic and financial benefits and privileges that are recommended.

3. Reactivate, strengthen and revitalize the investment and public relations functions by elevating them from a Section level to a Division level in the organization; at the same time a new Head be appointed who will immediately plan and prepare an investment promotion programme specially for the Lat Krabang Export Processing Zone.

4. Some strategies and guidelines in investment promotion were recommended.

5. Standard Factory buildings at the Lat Krabang Export Processing Zone must be constructed as soon as possible to hasten the occupancy of the zone.

6. An improvement in the present system of control at the Lat Krabang Export Processing Zone through the use of records is recommended. This is also applicable to the Laem Chabang Export Processing Zone or other zones that shall be established in the future.

7. Recommended special cases and conditions under which the sale of goods from the export processing zone to the domestic market may be allowed.
8. The principle of "one-stop service" similar to the Investment Services Centre of the Board of Investment be adopted by the IEAT.

9. The "Research function" be added to the present functions of the Division of Procedure and Control.

10. A list of types of industries to be admitted at the Laem Chabang Export Processing Zone is recommended.

11. The industrial lots at the Laem Chabang Export Processing Zone should be for lease; not for sale.

12. A pricing strategy in determining the selling price of the industrial lots at the Laem Chabang Export Processing Zone in case the policy by that time will be to sell and not to lease the lots, is recommended.

13. There must be a strong and full (all-out) government support of IEAT projects.

14. The granting of permits to operate customs bonded manufacturing warehouses should be discouraged if not entirely stopped and that pending and future applications should be encouraged to set up their projects at the Lat Krabang Export Processing Zone, where supervision and control can be achieved more effectively.
III. FINDINGS: LAT KRABANG EXPORT PROCESSING ZONE

1. The Lat Krabang Export Processing Zone is situated within the Lat Krabang Industrial Estate which is alongside Donchok Road, Lampratwang district, about 25 kms. from Bangkok harbor and 30 kms. from Don Muang International Airport. It consists of 27 hectares and is the first export processing zone developed in the country. The zone is enclosed by a wire fence and the infrastructures and utilities are already available. It has been ready for occupancy since about two years ago.

2. There are no housing facilities for workers in the whole industrial estate. Neither are there around the periphery or within commuting distance from the Estate. One company operating within the Export Processing Zone has to rent the housing facilities for its workers (as per author's interview with the Chairman of the Board). In addition these workers are also being transported to and back from the factory by the company itself.

3. There is also no transport system at present in spite of the number of workers in the whole industrial estate which is 3,318.¹

4. The following social amenities are not available:
   i) Workers' Cafeteria - workers take their lunch and snacks within the companies' premises;
   ii) Recreational facilities;
   iii) Commercial center where there are stores, supermarkets, service shops, public markets, etc.
   iv) School for children or for single workers;

5. There is a health facility, a clinic, located near the Administration building of the Estate; this takes care of the medical requirements of the workers and employees.

¹Per information from the Division of Procedure & Control, IEAT.
6. There is a bank and a post office that are presently servicing the industrial estate. One can communicate with anybody in the zone through the telephone system but there are no telex services.

7. The industrial lots at the Export Processing zone are for sale at 516,000 baht per rai; this is higher than the selling price of the lots in the general industrial zone which is 430,000 baht per rai. The price difference is due to the development costs of each zone; that of the export processing zone is higher presumably. These EPZ lots are also for lease at 4 baht per sq.m. per month and IEAT reserves the right to increase the rent but not to exceed 15% of the existing rent. The period of lease is 15 years and renewable after that.

8. There has been very little effort exerted in the past to promote the Export Processing Zone. Apparently, IEAT has been constrained by limited budget for this purpose. The one in-charge at present is in an acting capacity only and also handles other jobs.

There is a 12-page brochure printed in April, 1982, and presumably distributed or given as hand-outs to visitors. The author was informed that there were no more informational materials particularly on the export processing zone printed afterwards.

The Board of Investment undertakes investment promotional campaigns to selected foreign countries through their overseas offices in four countries—Japan, Germany, United States, and Australia. Just a month or two ago an investment promotion mission went abroad to promote Thailand as a haven for foreign investors.
This lack of promotion could have been one of the major factors why the EPZ has not been sold out.

9. The incentives granted by the IEAT to companies that operate in an export processing zone are not competitive if viewed against those in other Asian countries. And if compared with those being granted by the Board of Investment, they are also much less. An IEAT registered company must be approved by the Board of Investment to be able to get the benefits enjoyed by the promoted persons.
IV. ANALYSIS AND RECOMMENDATIONS THE LAT KRABANG EXPORT PROCESSING ZONE:

1. Pricing Policy - It is very possible that the higher priced industrial lots at the Lat Krabang Export Processing Zone could have been one of the causes for the slow sale or occupancy of the zone. The pricing strategy used is the cost-plus method. This seems to be the pricing policy of the IEAT. To arrive at a price using this method add the acquisition and development costs plus a little margin for operational expenses and divide the total by the total number of rai. According to IEAT sources the development costs in the export processing zone is higher because of the fencing and the roads.

This method of pricing is suitable to the industrial lots in the general industrial zone but not in the EPZ. The difference lies in the nature and type of buyers who are the prospective investors. In the former, the buyers were mainly local industrialists; perhaps most of them had ready projects for implementation, hence, they were then ready to buy as soon as the lots were made available for sale. This situation (in economics) is called the sellers' market in which IEAT, the seller, can relatively dictate its terms or price. It could have been even possible that with a slightly higher price, the lots could also have been sold. For the EPZ lots, the prospective buyers are primarily foreign investors who may want to invest as 100% foreign-owned or in joint venture with local businessmen. They are not ready buyers; it is not easy to reach them. The Board of Investment must send a selling mission in order to attract
some to come into the country. In short, efforts are greatly exerted by way of promotion to be able to attract foreign investments. This situation is called a buyers' market in which the buyers (investors) have an edge over the seller, the IE&I. Hence, the use of promotional economic incentives and the pricing scheme in this particular case can be used as one of the gimmicks for the export processing zone.

Promotional pricing should be the one which should apply to the industrial lots at the Lat Krabang Export Processing Zone.

**RECOMMENDATIONS:**

i) The selling price of the Export Processing Zone industrial lots must immediately be re-examined. If possible the price should be made lower than those in the general industrial zone.

To arrive at a lower price level, part of the development costs of the EPZ must be added to the development costs of a general industrial zone to be developed next. The effect of this is lower price for EPZ lots but a relatively higher price for lots in the general industrial zone. On the overall however, the money receipts to IE&I will ultimately be the same or that there will also be full recovery of the development costs of the export processing zone but at a later period.

ii) The payment period of the industrial lots in the Lat Krabang Export Processing Zone should be extended up to 5 or more years, if possible.
2. **The Incentive System** - The incentive system offered by export processing zones to prospective investors is one of the major factors that attract prospective investors. In Southeast Asia, the countries that operate export processing zones grant practically the same economic incentives.

The economic and financial incentives granted by the IEAT are listed in Annex II. Also in Annexes III and IV are the financial benefits and other privileges enjoyed by export processing zone companies in Pakistan and the Philippines.

It must be noted from these annexes that quite a number of incentives enjoyed by the zones in Pakistan and the Philippines are not enjoyed by the EPZ companies at the Lat Kraban Export Processing Zone.

The Philippines incentives not enjoyed by IEAT EPZ companies are as follows:

i) Exemption from the payment of municipal and provincial taxes;

ii) Loss is deductible from taxable income;

iii) Accelerated depreciation of fixed assets;

iv) Foreigners investing at least US $ 100,000 in a zone enterprise may reside in the country for as long as their investment remain thereat.

v) Priority in the allocation of foreign exchange for importing raw materials;

The South Korean incentives not enjoyed by IEAT EPZ companies are as follows:

i) Income tax, corporation tax, property tax and acquisition tax are exempted for the initial 5 years and reducible by 50% for the following three years;

ii) Exempted from business tax permanently;

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1. Per Eastern Seaboard Pre-Feasibility Study.
iii) Tax on profit dividend and earned surplus exempted for the first 5 years and reducible for the following 3 years;

iv) Foreigners employed in EPZ companies are exempted from salary and wage income tax permanently.

The above incentives both from the Philippines and South Korea are significant advantages which are not enjoyed by those at the Lot Krung EPZ.

However, if aside from the present IAT incentives, those granted by the Board of Investment to promoted persons are made available to EPZ companies b, IAT then they will become competitive if not better than their counterparts in Asia.

Listed in annex V are the economic and financial privileges granted to promoted persons by the Board of Investment but are not enjoyed by EPZ companies.

RECOMMENDATIONS

1. The IAT Act B.L. 2582 must be amended to incorporate the following additional incentives and privileges for EPZ enterprises:

i) Five years corporate income tax holiday;

ii) 50% reduction in corporate income tax for 5 years following the expiry date of the income tax holiday;

iii) Net operating loss deductible from taxable income up to five years from the expiry date of the income tax holiday;
iv) additional deduction from taxable income of \( \frac{1}{2} \) the value of labor training expenses but not to exceed 10% of direct labor costs;

v) accelerated depreciation of fixed assets;

vi) exemption from the payment of municipal and provincial taxes;

vii) all guarantees and protection under Chapter 5 of the Investment Promotion Act B.E. 2520.

An alternative recommendation is that all economic and financial incentives that are available to promoted persons except those that are already within the authority of the IEAT to give, including all the guarantees and protection in Chapter 5 of the Investment Promotion Act B.E. 2520 be incorporated in an amendment to IEAT Act B.E. 2522.

There are three main reasons for the alternative recommendation namely, a) to avoid the problem and difficulty of applying and registering with two government agencies, the IEAT and the Board of Investment, if only to obtain the incentives of a promoted person; b) there may be companies operating in an export processing zone (be it at Lat Krabang or Suvarnabhumi in the future) that do not qualify to register with the Board of Investment; hence, the need for IEAT to grant the same incentives; c) EZZ companies will become at par with the promoted persons in so far the incentives are concerned and perhaps better off than their counterparts in other zones.
2. Investment Promotion and Public Relations

As mentioned earlier, there was an inadequate promotion (if ever) in the past of the export processing zone at the Lot Kennedy Industrial Estate; hence, the slow occupancy. There are other significant reasons though, as has already been discussed.

Investment Promotion is a part and parcel of the primary task of IEAT in building industrial estates and especially export processing zones. It is IEAT's concern to see that after an industrial estate/export processing zone is developed, it is adequately promoted and sold to prospective industrialists.

There are other government agencies that are in a very good and convenient position to supplement the promotional efforts of IEAT like the Board of Investment and the Ministry of Commerce. The former has four overseas offices as mentioned earlier. Every now and then people from the Board of Investment undertake investment missions abroad to selected countries. On the other hand, the Ministry of Commerce has its commercial attaches stationed in different cities abroad. They are in a position to directly promote the zones to prospective investors in their respective areas.

RECOMMENDATIONS:

1. "Activate, strengthen, and revitalize the investment promotion and public relations functions. This can be achieved by the following:

   1) These functions in the organization of IEAT should be elevated into a Division and the Head reports to the Governor. This is to give more emphasis and important to these functions and to make the position of the Head more attractive."
ii) A new Head of the Division who has the professional competence, background and experience must be appointed immediately.

The Division shall have 3 sections--Public Relations, Investment Promotion and Publications. These are complementary activities that go hand in hand.

The job of public relations is to develop and establish a good image of IBAF to the different sections of the public; namely, the government, the general public, the business sector here and abroad, and IBAF employees.

In general, building a favorable image is to stress the accomplishments especially in relation to the development of industrial estates and the economic benefits derived from the estates and others thru news or magazine write-ups and articles.

The investment promotion function is planning, preparation and launching of promotional programs for specific projects like that of the Lat Krabang EPZ.

If investment promotional activities are to be stepped up there must be available informational materials to be prepared for distribution; hence, the need also to activate and strengthen the publications function.

Printed handouts and other informational materials for distribution must be informative and accurate. It should include the following information among others:

1) information about the IBAF--its projects particularly the EPZ;

ii) location of the industrial estate, area, facilities, community amenities, and industries that are already in operation;

iii) the incentives and privileges enjoyed by companies that operate in the EPZ;
iv) the services that IEAT render to prospective applicants when they apply or to the already operating companies; and

v) pictures or scenes inside a factory where the workers are in actual operation and other selected areas.

2. Guidelines in Investment Promotion - Below are some guidelines and strategies that are recommended in the promotion of Export Processing Zones in general:

i) Direct Personalized Approach - This is similar to house to house selling which requires approaching prospective investor-companies—the decision makers or corporate planners. From IEAT’s side the top executives would do well to deal with the corporation planners or top men of the companies.

Before the approach, there must be a list of company prospects. A guide in the preparation of the prospect list are the types of admissible industries. In Thailand there are associations of different types of industries and from the Secretariat’s office, a list of member companies including their addresses can be obtained.

This approach is very suitable in Bangkok where most of the prospective local investors are located. It may also be used abroad by the commercial attaches and economic counsellors of the Board of Investment and IEAT officials.

ii) Industry or Group Approach - In here, the prospects are approached as a group (industry associations) in one of their regular weekly or monthly meetings. The Governor or any of his deputies may be
invited to talk about the IEAT's projects or specifically the Export Processing Zone at L.t. Krabang. Visual aids if available can be interspersed in the speech. At the end an invitation for a field trip either as a group or as individuals is extended. In the open forum doubts or questions raised can be clarified immediately.

This approach can be very effective in generating interest in the Industrial Estates. It is not costly except for the pamphlets that may be distributed.

iii) Use of Commercial Attaches - As discussed earlier the trade attaches can be of great help towards the promotion of the export processing zones in their respective areas. However, they have to be briefed and properly oriented about the IEAT, its projects and the export processing zone. A one-day seminar may be necessary to prepare them adequately for the job. If there is a training seminar of the Ministry for its commercial attaches, this will be an opportune time for one from IEAT to be invited as one of the speakers. This training must be supplemented by a field tour to the zone to enhance further their enthusiasm and interest. Printed informational materials should be distributed to them for their ready reference and also for distribution.

iv) Use of Economic Counsellors - The IEAT must also coordinate with the Board of Investment for the assistance of the 4 overseas offices for promotional purposes. These offices are staffed with Economic (Investment) Counsellors and just like the commercial
Commercial attaches, they can be trained, briefed and oriented in a seminar training. Brochures and other informational materials that are available may also be given to them during the seminar.

It must be noted however, that the commercial attaches and economic counsellors have their main tasks to perform; but if given the necessary encouragement, they surely are of great help.

v) Organized Investment Promotion Missions - IEDT may organize selling missions abroad, a practice being used by the BOI. The composition of the mission usually comes from the top—the Governor, his Deputies, and some of the Board members.

The assistance of the commercial attaches and/or economic counsellors in these missions is important. They will be requested to arrange a program in which the members of the mission will be able to get an audience with industry groups and/or selected individual companies that may likely have interest in investing abroad.

This method of promotion is costly but highly effective. It is also a personalized approach because the mission have a chance to meet and discuss with the prospects about the industrial estates more particularly the export processing zones.

vi) Foreign Trade Attaches - These are the commercial attaches of foreign countries with embassies or consulate offices here in Bangkok. They constitute the initial contact points of businessmen from their country who may find any interest in this country or if such businessmen come over for a business trip. It is important therefore that they (foreign trade attaches) know also about the industrial estates in Thailand, the economic benefits and privileges
vii) Direct Mail - This consists of mailing informational materials and/or brochures to prospective investors. For those that can not be reached through the use of the previous approaches discussed above, the direct mailing comes in handy. This is a very selective method; the mailing list must be chosen well and updated. It is impersonal though but it is a good supplement to the other methods of promotion.

viii) Use of Visual Aids - Colored pictures of selected spots or areas of the EPZ must be taken and developed into color slides. Together with a projector and a furnished, presentable briefing room the slides can be projected whenever visitors come around or whenever the Governor is invited to speak before a group of businessmen.

The one who does the briefing must have the following basic qualifications:

a) Ability to speak English well;

b) Must have a pleasing personality; and

c) Must have a thorough and up-to-date knowledge of IIEAT, its projects, the incentives offered to prospective investors, how to apply and the requirements to submit together with the application.

During the briefing the visitors must be given a chance to ask questions which should be handled very satisfactorily. After the briefing, a concluding statement extending an invitation to the visitors to a field trip in order to have an actual sight of the Zone, must be made. The field trip may increase further their interest to invest in the EPZ.
For a group that consists of top people from the respective companies, it is advisable that the Governor or anyone of his Deputies or officials should do the briefing; otherwise, the Head of the Division will suffice.

ix) Participation in Exhibits - Another form of promotion that is being recommended is the participation in exhibits. These may be local exhibits (in Bangkok) or in selected cities abroad. The goods of the EPZ companies may be displayed but the promotional thrust is that these are manufactured at the Lat Krabang or Laem Chabong Export Processing zones (as the case may be). During the period of the exhibit, literature or promotional materials are distributed.

Participation in exhibits in a selected city abroad must be done thru the coordination and assistance of the Commercial Attaché. International exhibits wherein foreign countries like Thailand can participate in are regularly held every year; hence, the schedules are ready and available long before the exhibits come.

The Commercial Attaché is requested to give information about the exhibit which he may recommend for IEAT to participate in—the inclusive dates, type of products to be displayed, specific location, costs of the space and other related information.

International exhibits may be very effective if planned and implemented properly but they could be costly too.
x) Use of an Advertising Agency - Advertising agencies render to their clients the following services:

a) advertise the products of their clients thru the use of media such as print, billboards, radio, T.V. etc.;

b) sales promotion thru the use of give-aways, samples, exhibits, fairs, displays and others.; and

c) public relations which consists of building up the image of the clients thru news write-up's about the company or articles about the activities or projects, if any, in magazines.

An advertising agency can plan and prepare an investment promotion as well as a complimentary public relations program for IEMT. However, the costs might be prohibitive. Their use is not advisable at this time.

4. The Housing Problem - The lack of housing facilities at the Lat Krabang Industrial Estate poses a big problem to the companies, most of which if not all, are shuffling the housing accommodations of their workers including the transportation service.

According to IEMT sources, there was a proposal by the National Housing Authority to develop a new community at Lat Krabang, 4 kms. to the west of the Lat Krabang Industrial Estate. In the first phase of the plan a total of 3,830 residential units are to be constructed and when fully developed the new town will accommodate 90,000 residents.

The whole project covers an area of 353 hectares. It had provisions for a wide range of community facilities such as commercial centers, supermarkets, public markets, clinics or hospitals, and others.
5. Workers' Cafeteria - This may not be so much of a problem as the housing and the medical clinic. The workers can take their lunch and snacks anywhere in the companies' premises. Some companies however, have provisions of small canteens within the factory premises. But it is best for IEAT to put up one in a strategic location within the EPZ. A study is to be undertaken to determine the type of building to construct, the capacity of the canteen, who is going to operate it; and how is it financed. The IEAT staff perhaps can handle the study.

6. Schools - This is a need specially for the children of the factory workers. IEAT should coordinate with another Ministry--the Education Ministry. They are in a better position to size up and evaluate the education requirements in terms of facilities and other related information. If a housing area is to be developed by IEAT in coordination with National Housing Authority for the Lat Krabang Industrial Estate, then the school buildings can be located there including that of the commercial center.

7. Transport System - With the workers and all other employees totalling 3,318 at the Lat Krabang Industrial Estate, it may already be feasible for a public utility company to service the area. This is worthwhile looking into by IEAT. It should also coordinate with the Ministry of Transportation which may undertake a study on the transport requirements not only for the Industrial Estate but also for the other areas nearby.
2. **Standard Factory Buildings** - Availability of standard factory buildings in an export processing zone can constitute an effective attraction to prospective investors. The only two companies in actual operation so far at the Lat Krabang Export Processing Zone are occupying advance factory buildings. It is really much easier and less costly initially to implement a business project if the factory building is available for lease.

In Singapore there were over 300 factory buildings under construction in 1979 and Malaysia had 59 per ESS by Coopers & Lybrand Associates. The Philippines had also constructed a number of standard factory buildings which are being rented at very low rates.

There had been plans of IEAT to put up also advance factory buildings presumably for the Lat Krabang Export Processing Zone. There were designs prepared and costs estimates made by the Technical Department. Also there was a Rent Level Study undertaken by a group headed by a UNIDO expert Mr. J.M. Gajewski; but unfortunately the plan was not implemented obviously for lack of funds.

**RECOMMENDATION:**

It is imperative at this point of time that IEAT should construct and make available advance factory buildings at the Lat Krabang Export Processing Zone and later at the Laem Chabang Export Processing Zone. For this purpose, the Technical Department of the IEAT must review their cost estimates if necessary. For the rent level I suggest that the recommendations in the Study be applied.
9. The Control System

Operating companies in the EPZ have the privilege of importing all they need in their production tax-free and duty-free; hence, the movement of goods in and out of the Zone must be adequately controlled.

The Customs Department is very much aware of this so that customs police officers are assigned as escorts of incoming and outgoing shipments from the zone. On the part of IEAT, the branch manager or his representative makes an ocular inspection of the merchandise for export before they are trucked to the piers. However, there seems to be no record being kept and maintained by the branch office with respect to the exports and imports.

**RECOMMENDATION:**

The present control system can be improved. IEAT can adopt an administrative control method which utilizes records. It should keep and maintain a record of all exports and imports of the EPZ companies. These records are very useful because from these, IEAT can keep track of the operations within the Zone—how much has been exported by a company at a given time; how many dollars were earned during the year and similar other data. By looking at the export data one can determine whether a company is faring well or not. On the other hand, a record of all imports by companies must also be maintained. With the "process formula" (this determines the quantity of each raw material that goes into the manufacture of a given unit of product) the total raw materials used in the manufacture of a given quantity of finished goods can be computed and with this information the raw materials in stock can be determined and later verified by ocular inspection at the company's factory warehouse.
There are sources of information where the import and export data can be secured as follows:

For imports - the commercial invoice, packing list and the bill of lading. These are documents normally received by the bank of the importer and the latter is supplied by the former with copies of said documents. The EPZ management (through its branch office) should require the submission of copies of these documents for record purposes.

For exports - The exporters prepare all these three documents which are necessary in the processing of their exports; hence, the EPZ branch should also require submission of the commercial invoice, bill of lading, and packing list after these have been processed by the Customs officers.

In the Philippines export processing zones, both the application to import and to export are coursed thru and approved by the EPZ authorities. The escorting of the cargo is done by EPZ personnel who are deputized by the Bureau of Customs. The advantages of utilizing EPZ personnel as police escorts are: there is better and closer control of the escorts because they are employees of the EPZ authority; oftentimes, the customs police escorts are not available, thus causing delay in the delivery of the cargo.

The above control system thru the use of records if implemented will supplement those that are presently in use; such as, the customs officers escort, the enclosed fence of the zone, the use of security guards at the entrance and exit gates, and the ocular inspection of the goods to be exported and those in stocks in the storage areas as well.
10. Policies on Sales to the Domestic Market - As a matter of policy, the sale of pools from the Export Processing Zones to the domestic or local market should not be allowed. However, there may be special cases and situations in which a sale may be allowed as follows:

i) When there is a shortage of the particular commodity in the local market. In this case, a certificate of such a shortage from the National Economic and Social Development Board must be secured first before the sale is allowed by IEAT;

ii) When the stocks for sale are classified as "seconds" (seconds are products that have slight production defects); and

iii) When the stocks are wastes or scrap.

In any of these three cases the total sale allowable must not exceed 10% of the value of the accumulated production from the start of the year up to the time when the sale is made; and that the corresponding taxes and duties must be paid.

11. "One-Stop Service" - The operating principle of a "one-stop" service becomes very significant when a newly approved company for the EPZ starts implementing its project. It will have to secure permits for some or all of the many different requirements as follows:
**Procedure** | **Ministry/Department**
--- | ---
Application for promotional EPZ | Board of Investment
Formation of a new company | Ministry of Commerce
Compliance with Factory Control Law | Ministry of Industry
Importation of machinery and raw materials | Board of Investment
Permit to bring in experts | Customs Department
Obtaining non-immigrant visas and labor permits | Ministry of Interior
Permit to own land | Department of Immigration
Factory License | Ministry of Industry
Restriction of foreign exchange | Bank of Thailand
Export Licensing | Ministry of Commerce
Exemption from Import/Export Duty | Customs Department
Exemption from business/income tax | Revenue Department

**Source:** "Comments and Guidelines for Control and Operation of Lat Krabang EPZ," April, 1981

According to Mr. David H. Alden in his report "Comments and Guidelines for Control and Operation of Lat Krabang EPZ," dated April, 1981, he stated that "approval of the construction of buildings and the issue of factory establishment licenses and factory operation licenses is now IIEC's responsibility, and this has gone some way towards providing a "one-stop" service so necessary to produce a speeding up of the factory establishment procedure."
At the BOI, a "one-stop service" to industrialists is provided by its Investment Services Centre. The Centre provides a hand-holding service which means that the industrialist provides the required information for all the permissions required to set up, the Centre fills in the forms, submits them to the appropriate departments and obtains the required permissions.¹

The above procedure and system at the BOI can be applied at the IEMT and the particular Division that can handle this is the Division of Control and Procedure. It is this Division where applications are received, evaluated and later recommended for approval.

12. The Procedure & Control Division - This is a Division that receives, evaluates, and recommends for approval applications to Establish a Factory both for the general industrial and export processing zones. It also enforces certain regulations governing the operations of companies like the enforcement of anti-pollution measures, among others.

An additional function is being recommended to be performed by this Division and that is, the research function. The statistics section is already existing; hence, the section will thus be named Research & Statistics. Usually these two functions go together.

For IEAT purposes, the following data must be gathered and compiled: exports per month by company; imports per month by each company;

¹ Export Processing Zone Feasibility Study by Coopers & Lybrand Associates
number of workers per company; ownership (foreign and local), etc. This information—exports and imports—when analyzed indicate business activities in the industrial estate. Export earnings and workers employed are economic achievements. There are also data that should be gathered which are useful in the evaluation of projects.

13. The Application for Registration Form - The existing application to "Establish a Factory" form is primarily for use by those that have projects in the general industrial zone. The information required therein are few and not very detailed. There is not much compelling reason really to require the applicants for more data about their projects because the only privileges that are granted are minimal.

In the case of the BOI which grants economic benefits and many other privileges, a feasibility study is required for projects worth 100 M baht or more. For those less, only a pre-feasibility study is required to support the application for promotion. The BOI should know in return for the incentives and privileges it grants, the economic benefits the particular project shall contribute to the country and these data are included in the feasibility or pre-feasibility study.

---

1 Per information from Mr. Thamroong of the Planning Division, BOI, in an interview by the author
RECOMMENDATION:

IESAT should require more information from applicants to the Export Processing Zones. These are also recipients of economic incentives though not as much as that of the BOI. IESAT should be interested in the contribution of a given project to the economy like the estimated exports or foreign exchange earnings, number of workers, proposal markets abroad and other information. A very important information for purposes of control is the manufacturing or process formula which gives the quantity or amount of a given raw material needed in the processing of a unit of finished product.

Specifically, IESAT should require the applicant company to submit a project proposal which shall be attached to the application. This project proposal could be equivalent to a pre-feasibility study. A guideline for the preparation of a project proposal is in Annex V.
THE LAEM CHABANG EXPORT PROCESSING ZONE

V. FINDINGS

1. The proposal to establish the second export processing zone at Laem Chabang was embodied in the final report of Coopers & Lybrand Associates, entitled "Eastern Seaboard: Industrial Opportunities Identification Study" dated June, 1982. It is a part of an overall plan to develop the Eastern Seaboard of Thailand from Chachoengsao town to Rayong into a multi-billion baht huge industrial complex wherein light to heavy industries are expected to be set up.

2. The main attractions in this part of the country are the substantial deposits of natural gas in the Gulf of Thailand, the abundant indigenous resources around the area, the deep-sea-ports that can be developed feasibly at Laem Chabang and Rayong and the desire of the national government to develop this region.

3. The proposed site of the Laem Chabang Industrial Estate is virgin land at present. It is located at Laem Chabang which is about 120 kms. from Bangkok proper and a good two hours ride by bus. The area which is 2,300 rai has already been purchased. Within this estate, the export processing zone shall be developed consisting of 1,000 rai (160 ha) as per plan.

4. Laem Chabang is a sea-port which shall be expanded and developed into a commercial-sized harbor complete with all the equipment and facilities to enable it to service ocean going vessels carrying containerized and other cargoes, up to 100,000 dwt at full completion.
5. To be included in the overall master plan of this huge industrial complex which is presently being undertaken is the creation and development of a new town near or within commuting distance to the industrial estate. In the master plan for the town shall provide the following:

   i) Housing facilities
   ii) Schools
   iii) Clinic/hospital
   iv) Commercial center
   v) Bank(s)
   vi) Post office
   vii) Public market/supermarkets
   viii) Recreational facilities
   ix) Theatres/movie houses
   x) Communication system
   xi) Other service amenities

6. The physical development of the Laem Chabang Industrial Estate is expected to be finished in about five years from now or in 1988 if plans do not miscarry. By then all utilities such as the water system, power, road network within the Estate (including that of the export processing zone) communication system and other physical structures that need to be constructed shall be made available.

7. The labor supply for the workers of the projected companies that operate in the general industrial and export processing zones shall come mainly from the town of Laem Chabang, the neighboring towns and the other
sources are those from Bangkok and neighboring provinces. Labor in Thailand is also mobile like in the Philippines. Because of the increasing unemployment situation in the country, thousands of Thai workers have already gone abroad—to the Middle East like Saudi Arabia, Iraq, Kuwait, etc.—if only to earn a better living or income. In the Philippine export processing zones there are factory workers that come from a distance of 400 kms. north of Manila.
VI. ANALYSIS AND RECOMMENDATIONS: THE LAEM CHABANG EXPORT PROCESSING ZONE

1. The Location - The Laem Chabang Industrial Estate shall have a very ideal location if present plans are to be carried through. Being in close proximity to a deep sea-port is an inherent advantage. It will result to substantial savings in operating expenses for companies within the estate if viewed with those that are located at the Lat Krabang Industrial Estate and the two others. The loading, unloading and delivery costs will just be minimal.

The railway which is under construction shall pass thru Laem Chabang. This, too, will make convenient the movement of goods into the industrial zone while at the same time encourages linkages between the estate and the domestic sector.

2. Labor Supply - There will not be any problem of recruitment of factory workers. As mentioned earlier there are hundreds of thousands unemployed in the country and the number is increasing every year.

One operating practice of some export processing zones in Asia is the assistance they render to their operating companies relative to the recruitment and training of workers. In the Batan Export Processing Zone of the Philippines, the Authority of the Zone recruits factory workers. If there are requests for new factory workers of different skills coming from a zone enterprise, the company that requested is given a list of names and from this, it finally selects the most qualified for interview. This type of assistance is very helpful especially to new companies that are just starting. The National Manpower Youth Council, a Philippine government agency, assists in the training of factory workers by setting up training centers in strategic parts of the country. Some companies however, prefer to train their own workers. In other zones in Asia, the training costs of the
Companies are deducted from taxable income. In effect they are being subsidized partly or wholly in their expenses of training. These practices might be worthwhile looking into by the IEAT.

3. The New Town and Social Amenities - The IEAT in its efforts to plan, develop, and promote industrial estates is also at the same time developing towns and communities. These towns may either be planned or unplanned. In the case of the Lapu Lapu Industrial Estate a new town is being planned.

There will be a master plan for this town which allows adequate provisions for housing facilities, medical clinic/hospital, commercial center, bank (s), post office, schools, public market/supermarket and a recreational area and many others. These are the basic facilities and social amenities that must be developed hand in hand with the industrial estate.

4. Communication System - This refers to the telephone, telefax and cable systems which are indispensable to the operations of business enterprises. This will not be a problem because even at this time there are telephone services available.

5. Transport System - A transport study is recommended to determine the transport requirements of the workers. The experience of the Sasaan Export Processing Zone in the Philippines on this matter is that for transportation services strictly within the zone, a permit to operate a transport system was given to one pick-up operator on a monopoly basis. The rationale behind this is that there is a better and more effective control of the movement of workers and visitors within the zone. However, at the outskirts of the zone limits, all the other public utility vehicles are allowed.

1Per Eastern Seaboard Study, Projects 2, September, 1980.
6. Types of Industries to be Admitted - At this point, it might well be to cite two of the major economic problems of the country which also are very common to other underdeveloped countries; namely, unemployment for the hundreds of thousands of employable workers and its perennial foreign exchange deficits.

As discussed previously, the export processing zones can contribute substantially towards the solution of these two problems. Viewed therefore from these perspectives, the selection of the types of industries to be admitted should consider among others the following: labor intensity and high value-added. The Eastern Seaboard Study by Coopers & Lybrand Associates arbitrarily classified a type of industry as having a high labor intensity if an output worth 10 M bath is produced by over 12 persons. (Please see Annex VI). The study lists 32 types of industries with high labor intensity.

Another method of determining labor intensity is by taking the ratio of total investment over total number of workers employed.

Value-added may be defined as the difference between the value of finished goods and the cost of materials and/or supplies used in producing them. It is computed by taking the difference between the export value of the goods and the cost of the inputs except labor. Actually, the value-added is the cost of labor and the profit made by the entrepreneur. It is a very good quantitative measure of the economic importance of an industry. To operating companies in an export processing zone, the higher the value added, the higher would be the net foreign exchange earnings for the economy.

Other factors to be considered are:

1) Natural resource-based type of industry - this is to encourage the use of indigenous materials.
b) Industries that are mostly attracted in other zones. The types of industries operating in the Philippines export processing zones are listed in Annex VIII. In Taiwan, the list is in Annex IX.

c) Types of industries with high export growth - A list of these types of industries was done by Cooper & Lybrand Associates. See Annex X.

d) The industry must be "clean", its wastes must not be pollutant.

Practically all the industry listings in Annexes VIII and IX largely satisfy the above criteria/factors discussed above. All these therefore are to be recommended.

7. Sale or Lease of Industrial Lots - The industrial lots at the Laem Chabang EPZ should be for lease only. This is premised on the anticipation that there will be more Government financial support for the development of the Eastern Seaboard projects and that the fiscal orientation of the government towards the IEAT shall have been changed. The lease shall be for 25 years subject to renewal for another 25 years.

(The life of a corporation usually is 50 years).

The alternative recommendation is that if the lots are for sale because the above recommendation is not possible by that time because of finances of IEAT, then the selling price must be lower than the industrial lots in the general industrial zone; and the payment period, a little longer. This is to make the lots more saleable to aim at faster occupancy of the export processing zone. The pricing to be used in computing the selling price should be the same as that recommended for the Lat Krabang EPZ.
8. **Investment Promotion** - The general guidelines for investment promotion recommended for the Lat Krabung Export Processing Zone is also recommended for the Laem Chabang Export Processing zone.

The other recommendations made for Lat Krabung Export Processing zone on the following are also being recommended for the Laem Chabang Export Processing zone as follows:

i) the control system through the use of records;

ii) the guidelines for the preparation of project proposals; and

iii) the construction of standard factory buildings;

**Strong and Full Government Support** - IEMT has been handicapped greatly by limited budget for all its projects. This is the main reason why it has to resort to operating like a "real estate" developer whereby it buys land, develops it, and later sells it at a little margin of profit for operational expenses. Not only does it have to make a profit but more important the acquisition and development costs must be recovered within a short period of time. In the process however, general industrial zones are developed.

This type of operation is not applicable to the development of export processing zones because of the following:

a) Some, if not most, likely occupants in an export processing zone are foreign investors who may prefer to lease rather than purchase the industrial lots. Their initial costs at the start of operation would be much lower.

b) Those on a joint venture basis may also not wish to own the land because the local counterparts are being influenced by their foreign partners not to buy the land;
c) The problem of disposing the land may pose a problem later if there is a decision to withdraw the investments. If the lots are leased, IEAT will not be able to get back its capital within 3 to 5 years.

In short, the investment in the development, promotion, and operation of an export-processing zone must be viewed in the long-run; not in the short-run, and that the returns are not so much in the form of profit money but economic benefits for the country.

IEAT must be looked at and considered primarily as an Agency for economic growth and progress. As such, it is strongly recommended that it be given the necessary financial support for all its projects.

VII. CONCLUSION:

Like other developing Asian countries, Thailand will also surely succeed in its venture to develop export-processing zones. It cannot afford to fail. The Industrial Estate Authority of Thailand is determined to make it.
LIST OF ANNEXES

Annex I  - Thailand's Exports and Imports of Commodities, 1976-81
Annex II - List of Incentives given by IEAT to Export Processing Zone Companies
Annex III - List of Incentives given by the Karachi Export Processing Zone
Annex IV - List of Incentives Granted by the Bataan Export Processing Zone, Philippines
Annex V  - List of Incentives Granted by the BOI Not Enjoyed by IEAT Registered enterprises
Annex VI - Guidelines for the Preparation of Project Proposals
Annex VII - Domestic Export Oriented with High Labor Intensity
Annex VIII - Types of Industries from Bataan Export Processing Zone, Philippines
Annex IX  - Types of Industries at the Kaoshiung Export Processing Zone, Taiwan
Annex X  - Developing Country Export Growth, 1967-1975
Annex XI - Outline Map of the Lat Krabang Export Processing Zone
Annex XII - Outline Map of the Laem Chabang Export Processing Zone

JOB DESCRIPTION
## ANNEX I

THAILAND'S EXPORTS AND IMPORTS OF COMMODITIES 1976 - 1981

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (M)</th>
<th>Imports (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>60,797 Baht</td>
<td>65,655 Baht</td>
</tr>
<tr>
<td>1977</td>
<td>71,198</td>
<td>34,344</td>
</tr>
<tr>
<td>1978</td>
<td>33,065</td>
<td>98,107</td>
</tr>
<tr>
<td>1979</td>
<td>123,179</td>
<td>131,677</td>
</tr>
<tr>
<td>1980</td>
<td>133,197</td>
<td>169,387</td>
</tr>
<tr>
<td>1981</td>
<td>153,201</td>
<td>195,267</td>
</tr>
</tbody>
</table>

ANNEX II

LIST OF INCENTIVES GIVEN BY IEAT TO EPZ COMPANIES

1. The right to own land in an industrial estate;
2. The privilege to bring in foreign experts, skilled workers including their dependents;
3. The repatriation of capital and profits;
4. Duty-free and tax-free importation of machineries, equipment, and supplies;
5. Duty-free and tax-free importation of raw materials;
6. Exemption from export duty.

Source: The IEAT Act B.E. 2522.
ANNEX III

LIST OF INCENTIVES GIVEN BY THE KARACHI EXPORT PROCESSING ZONE

1. A five-year tax holiday, from the date commercial production begins, is extended on profits. This is also applicable to the income of foreign personnel attached to concerns operating in the Zone. The tax holiday period may be extended by the Federal Government on a case-to-case basis depending on the capital investment, development of technology, creation of employment and exports of value-added of the relevant enterprise.

2. After the termination of the tax holiday period, income tax will be levied at the rate of 25% of the normal rate applicable in Pakistan.

3. Capital gains including gains from the sales of shares is taxable.

4. Trading losses will be allowed to be carried forward indefinitely.

5. Justifiable expenditure on overseas advertising, market research, etc., qualifies for income deduction.

6. There will be no taxation on overseas income when remitted to the Karachi Export Processing Zone.

Source: "Export Processing Zones in Developing Countries," Prepared by the Global and Conceptual Studies Section, UNIDO.
ANNEX IV

LIST OF INCENTIVES GRANTED BY THE BATAN EXPORT PROCESSING ZONE (PHILIPPINES)

1. Duty free importation of machinery, tools, raw materials and semi-finished goods.
2. Exemption from overseas export taxes.
3. Exemption from municipal and provincial corporate taxes and fees, but not from national corporate income and realty taxes.
4. Allowance for more rapid depreciation (up to double the normal rate).
5. Losses during the first five years may be deducted from taxable income during the following five years.
6. Priority in the allocation of foreign exchange for the importation of machinery, tools, and raw materials.
7. Priority in the allocation of loans from Philippine financial institutions.
8. Right for wholly owned foreign firms to establish subsidiaries in the Zone.
9. Relaxed import and export procedures.
10. Right to repatriate foreign investments and profits.

Source: Annual Report of the Export Processing Zone Authority, 1990, PHILIPPINES.
LIST OF INCENTIVES AND PRIVILEGES GRANTED BY BOI NOT ENJOYED BY IEA/T REGISTERED ENTERPRISES

1. Exemption from payment of corporate income tax from 3 - 9 years;
2. Loss is deductible from taxable income for a period of 5 years from the expiry date of corporate income tax exemption;
3. Goodwill, copyright, and other rights are deductible for 5 years;
4. Dividends are exempted from the computation of taxable income;

One or more of the special rights below may be granted:
1. Reduced business taxes up to 90% for a period of not more than 5 years;
2. 50% reduction in corporate income tax for 5 years from expiry date of corporate income tax exemption;
3. Double deduction of transportation, electricity and water supply expenses;
4. Permission to deduct from taxable income an amount equal to 5% of the increased income over the previous year;

Guarantees and protection of BOI promoted persons:
1. Guarantee against state nationalization;
2. Guarantee against state competition;
3. Guarantee against state monopoly in the sale of products of the same kind as those produced by the promoted person;
4. Guarantee against state price control;
5. State protection in not allowing any government agency or state enterprises to import into the Kingdom duty-free and tax-free similar products as these manufactured by the promoted person.

Sources: Investment Promotion Act, B.E. 2520.
## ANNEX VI

**GUIDELINES FOR THE PREPARATION OF PROJECT PROPOSALS**

I. Economic Study:
   
   A. Market Information -
      
      1. Proposed markets ...........................................
      
      2. Projected Exports for the first 5 years:
         
         | Year   | USD  |
         |--------|------|
         | 1st    |      |
         | 2nd    |      |
         | 3rd    |      |
         | 4th    |      |
         | 5th    |      |
      
      3. Projected Importation for the first 5 years:
         
         |             | Machineries | Raw Materials |
         | Year | USD  |      |      |
         | 1st   |      |      |      |
         | 2nd   |      |      |      |
         | 3rd   |      |      |      |
         | 4th   |      |      |      |
         | 5th   |      |      |      |
      
      4. Labor Employment for the first 5 years:
         
         | Year  | Factory Workers | Others | Total |
         |-------|-----------------|--------|-------|
         | 1st   |                 |        |       |
         | 2nd   |                 |        |       |
         | 3rd   |                 |        |       |
         | 4th   |                 |        |       |
         | 5th   |                 |        |       |
II. TECHNICAL STUDY:

A. Products to Manufacture - ..........................................................

B. Estimate of Production for the first 5 years:

Name of Product: .................................................................

| Year | Quantity | Value
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td></td>
<td>US$</td>
</tr>
<tr>
<td>2nd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3rd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4th</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5th</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

C. Raw Materials -

1. Description and specifications; (Use separate sheets)

2. Quantity or percent of each raw material used per unit of finished product ..........................................................

D. Power and Water Requirements (Based on rated capacity)

E. Waste Disposal -

1. Description and quantity of waste products -

2. Method (s) of wastes disposal -
III. Financial Study:
   A. Total Project Cost (first year)—all items considered and assumptions made.
      | Foreign Cost | Local Cost | Total |
      |              |            |       |
      Building    |              |            |       |
      Machinery & Equip. |              |            |       |
      Other Assets |              |            |       |
      Pre-operating Exps. |              |            |       |
      Working Capital |              |            |       |
      **TOTAL**    |              |            |       |
   B. Financing —
      | Amount |
      Total Loans |              |
      Equity Contribution |              |
   C. Financial Statements:
      1. Projected Income Statement for first 5 years.
         (broken down by years)
### ANNEX VII

DOMESTIC EXPORT ORIENTED SECTORS LABOUR FORCE CHARACTERISTICS

LABOUR QUALITY AND LABOUR INTENSITY

<table>
<thead>
<tr>
<th>Sector</th>
<th>Labour quality</th>
<th>Labour intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fish</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Edible vegetable</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Fruit &amp; nuts</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Cereals</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Oil Seed</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Vegetable plaiting</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Preparation of meat, fish, mollusc</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Preparation of cereals</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Preparation of vegetables</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Inorganic chemicals</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Organic chemicals</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Pharmaceutical products</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Dyeing extracts</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Washing preparation</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Artificial resins &amp; plastic materials</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Rubber</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Raw hides</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Articles of leather</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Paperboard</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Wadding &amp; felt</td>
<td>H</td>
<td>H</td>
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<tr>
<td>Furniture</td>
<td>M</td>
<td>H</td>
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<tr>
<td>Toys and games</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Products of milling industry</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Raw vegetables used in dyeing</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Glues</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Wood &amp; charcoal</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Paper-making material</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Yarn and woven fabric</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Electrical equipments</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Medical instruments</td>
<td>M</td>
<td>H</td>
</tr>
</tbody>
</table>

a  Labour quality: H high, M medium, L low

b  Labour intensity: H high, over 12 persons per million baht output at 1975 price ESS, Table 3.12 Interim Report, Volume II, Page 169

# Types of Industries

1. Garments and Other Wearing Apparel  
2. Footwear  
3. Transport Equipment  
4. Sporting Goods  
5. Cork and Wood Manufacture  
6. Paper and Paper Board Manufacture  
7. Optical Goods  
8. Artificial Resins: Plastic Materials and Related Products  
9. Textile Manufacture  
10. Electronics/Electrical Products  
11. Base Metal Manufacture  
12. Food Manufacture  
13. Miscellaneous Manufacture Articles

ANNEX IX

TYPES OF INDUSTRIES OPERATING AT THE KAOSHIUNG EXPORT PROCESSING ZONE

TAIWAN

1. Electronics Products
2. Metal Products
3. Plastic Products
4. Handicrafts
5. Rubber Products
6. Leather Products
7. Knitted and Woven Goods
8. Garments
9. Furniture Manufacturing
10. Machinery Manufacturing
11. Electrical products
12. Precision Machinery & Instruments
13. Toy Manufacturing
14. Yacht Manufacturing
15. Paper Products
16. Printed Matters
17. Chemical Products
18. Others

Source: "Export Processing Zones Essential Statistics; March, 1971. This is a publication of the Kaoshiung Export Processing Zone (KEPZ)
## ANNEX X

### DEVELOPING COUNTRY EXPORT GROWTH 1967-1975

<table>
<thead>
<tr>
<th>High export growth sector</th>
<th>Developing country market share (%)</th>
<th>Developed country imports % growth value 1975 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-alcoholic beverages (fruit juices)</td>
<td>2</td>
<td>33</td>
</tr>
<tr>
<td>Fur clothing</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>Leather clothing</td>
<td>13</td>
<td>39</td>
</tr>
<tr>
<td>Silk yarn</td>
<td>1</td>
<td>62</td>
</tr>
<tr>
<td>Transistors, etc</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>Railway freight cars (not mechanically propelled)</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Inorganic acid (sulphuric, phosphoric)</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>Exercise books, stationery</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>Sporting goods, except firearms</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Leather parts of footwear</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>Cocoa powder</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>Jewellery</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Radio receivers</td>
<td>3</td>
<td>22</td>
</tr>
<tr>
<td>Travel goods</td>
<td>19</td>
<td>31</td>
</tr>
<tr>
<td>Tape &amp; other sound recorders</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Bone, ivory, etc, carvings</td>
<td>14</td>
<td>42</td>
</tr>
<tr>
<td>Watches</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Steel sinks, wash basins, etc</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Hygienic rubber articles</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Parts of musical instruments</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Headgear</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Silk fabrics</td>
<td>13</td>
<td>39</td>
</tr>
<tr>
<td>Phosphatic fertilisers</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>Calculating machines</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Fencing wire</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Fibre board, Building board</td>
<td>4</td>
<td>11</td>
</tr>
</tbody>
</table>

a Total imports in 1975 as per cent of imports in 1967.

ANNEX XI OUTLINE MAP OF THE LAT KRABANG INDUSTRIAL ESTATE

Areas in the E Blocks are within the Export Processing Zone.
The area crossed with diagonal lines is the Laem Chabang Industrial Estate.
ACKNOWLEDGEMENT

The author wishes to express his sincere thanks to Governor Wanchok Voradilok, Deputy Governor Prateeb Chuntavetta and other officials and employees of the Industrial Estate Authority of Thailand for their kind cooperation and assistance while the author was working out his assignment.

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The guidance of Mr. David A. Litken, Industrial Estate Management Adviser, UNIDO, was most excellent and for this reason I wish to express my heartfelt gratitude.
J O B   D E S C R I P T I O N

Post Title : EXPORT PROCESSING ZONE ADVISER
Number    : DF/THA/77/009/11-53/31.3.L

Specific Duties:

1. Review the policies and procedures for the establishment and operation of Lat Krabang Export Processing Zone and advise action necessary for its successful development;

2. Study the proposal for the establishment of an export processing zone at Laem Chabang on the Eastern Seaboard, and advise on policies and procedures for its successful implementation, including the need for improvements of the system of incentives; and

3. Advise on the strengthening of the IEAT's promotional and marketing activities, particularly in relation to the attraction of foreign investors and export processing zone industries.