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AN EXPLORATION OF FOREIGN DIRECT INVESTMENT IN THAILAND

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Abstract: Against the backdrop of economic globalization and the disruptions triggered by the U.S. reciprocal tariff policy, this study explores Thailand's attractiveness as a foreign direct investment (FDI) destination and its role in the global economy. Analyses of its economic development indicate that Thailand's GDP grew steadily at 3.9% in 2023 and 2.3% in 2024, reaching approximately $526.8 billion in 2024, with FDI serving as a critical driver of this growth. The Thai government's policies, such as tax incentives and the one-stop services offered by the Board of Investment (BOI), have significantly facilitated FDI inflows. Key investment sectors include electronics, digitalization, automotive manufacturing, and agriculture. For example, Chinese investments in electric vehicle (EV) components and Japanese advancements in automotive technology have boosted industrial upgrading. This study provides actionable insights for global enterprises to leverage Thailand's advantages for trade substitution and sustainable development, highlighting its potential as a key node in global value chains.
Keywords: Thailand; Foreign direct investment(FDI); Economic growth; Industrial development

1 INTRODUCTION

In the context of economic globalization, the international trade landscape is undergoing significant transformations. The reciprocal tariff policy implemented by the United States has introduced substantial disruptions to the global trade order, posing severe challenges to the overseas development of enterprises from various countries. Since the inception of trade frictions, the United States has repeatedly imposed high tariffs on export products from multiple nations, targeting numerous key industries. This has directly eroded the profit margins of exports for these enterprises and, in some cases, led to a precipitous decline in their market share. Consequently, enterprises from around the world have been compelled to reassess and reconfigure their global investment strategies.

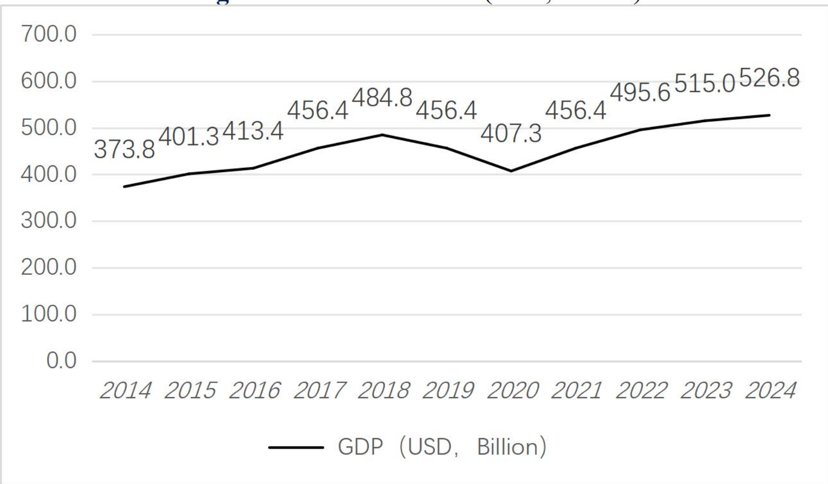
Thailand, as a vital economy in Southeast Asia, holds a strategic position within the region. Over the past decades, Thailand has witnessed a continuous deepening of cooperation across political, economic, and cultural domains with numerous countries. Thailand's strategic geographical location, coupled with its abundant natural resources and vast potential consumer market, renders it an attractive destination for foreign investment. Moreover, the political environment in Thailand remains relatively stable. The Thai government's proactive efforts in economic reform and liberalization have led to the introduction of a series of investment promotion policies, creating a conducive environment for foreign enterprises[1].

This study aims to provide an analysis of Thailand's economic environment and investment landscape. By examining the relevant factors, this research seeks to offer targeted and actionable recommendations for enterprises from different countries to engage in entrepreneurial activities, make informed investment decisions, and optimize their employment strategies in Thailand. These insights are intended to assist enterprises in effectively mitigating the adverse impacts of U.S. tariff policies and leveraging Thailand's unique advantages to achieve sustainable development.

2 ECONOMIC DEVELOPMENT OF THAILAND

Thailand occupies a significant position in the Southeast Asian economy, with its GDP growing steadily in recent years[2]. In 2023 and 2024, the Thai economy sustained its recovery, with GDP growth rates of 3.9% and 2.3%, respectively. In 2024, Thailand's GDP reached approximately 526.8 billion US dollars. This performance highlights the robustness of the Thai economy within the Southeast Asian region.This robust economic growth is primarily attributed to the Thai government's proactive economic stimulus policies, the vigorous recovery of the tourism sector, and the stable development of the manufacturing industry, all of which have created a favorable environment for foreign investment, see Figure 1.

Figure 1 GDP of Thailand (USD, Billion)



Sources: National Economic and Social Development Council (Thailand)

The role of Foreign Direct Investment (FDI) in driving Thailand's economic growth is significant[3]. According to data from the Thailand Board of Investment (BOI), in 2024, the number of FDI projects in Thailand reached 1605, foreign direct investment (FDI) in Thailand reached approximately 703.09 billion baht, marking a 59% year-on-year increase during 2020-2024, see Table 1.

Table 1 FDI in Thailand (2020-2024)

Year	Number of FDI Projects	FDI Amount (in billion baht)	Growth Rate of FDI Amount (%)
2020	559	109.18	-38.22
2021	458	180.43	65.26
2022	608	252.28	39.82
2023	976	453.04	79.58
2024	1605	703.09	55.19

Sources: The Board of Investment of Thailand (BOI)

Thailand has long been a popular destination for foreign investment[4]. In 2024, foreign direct investment (FDI) in Thailand reached approximately 703.09 billion baht, marking a 59% year-on-year increase during 2020-2024. The sources of investment are diverse, with countries and regions such as China, Singapore, Japan, and the United States playing important roles in various industries[5]. These investments have spurred Thailand's industrial upgrading, economic development, and job creation[6].

The neoclassical growth theory underscores the significance of capital accumulation in driving economic growth. The influx of FDI has brought a substantial amount of external capital to Thailand, directly augmenting the country's capital stock. According to the Solow Growth Model, an increase in capital can stimulate the development of related industries through a multiplier effect, thereby propelling overall economic growth[7]. For instance, investment projects by Chinese firms in Thailand have not only generated immediate economic value but also spurred the coordinated development of upstream and downstream industries through supply chain linkages, further invigorating Thailand's economy.

The endogenous growth theory, on the other hand, highlights the decisive role of technological progress and human capital in economic growth[8]. The inflow of FDI has introduced advanced technology and managerial expertise to Thailand, thereby enhancing the level of human capital in the country. For example, Japanese investments in Thailand's automotive industry have not only brought state-of-the-art automobile manufacturing technology but also improved the skill level of Thai workers through training and technology transfer. This technological spillover effect has significantly boosted Thailand's total factor productivity (TFP), thereby driving long-term economic growth.

3 ANALYSIS OF FDI IN THAILAND

The Board of Investment of Thailand (BOI) has formulated comprehensive investment promotion policies based on the national economic development strategy and industrial planning[9,10]. These policies are designed to provide one-stop services for projects that align with priority industries, such as high-end manufacturing, technological innovation, and green energy. These services include assistance with investment approval, recommendations for land acquisition, and solutions to issues encountered during the investment process, thereby enhancing the convenience and efficiency of corporate investment.

In terms of tax incentives, the BOI offers customized tax exemptions for different investment projects. High-tech enterprises can enjoy up to 15 years of corporate income tax exemption. Companies located in designated economic zones are also exempt from import duties on equipment and raw materials, which helps to reduce production costs. In addition to tax incentives, the BOI provides non-tax benefits, such as assisting investors in acquiring land ownership or long-term lease rights, and facilitating the processing of work visas and permits. These measures help enterprises attract overseas talent, see Table 2.

Table 2 Proportion of FDI in Thailand (2020-2024)

Year	Number of FDI Projects	FDI Amount (in billion baht)	Percents of FDI Projects	Percents of FDI Amounts (%)
2020	559	109.18	33	23
2021	458	180.43	27	37
2022	608	252.28	29	38
2023	976	453.04	42	62
2024	1,605	703.09	51	62

Sources: The Board of Investment of Thailand (BOI)

From a macro perspective, FDI holds an important position in Thailand's total domestic investment. According to data from the Board of Investment of Thailand (BOI), in recent years, the proportion of FDI inflows in Thailand's total domestic investment has been rising year by year, which shows that the importance of foreign capital in Thailand's economic growth is becoming more and more prominent.

3.1 Singapore

Singapore is a significant investment partner for Thailand. In 2024, Singaporean investments accounted for 16.45%of Thailand's foreign direct investment (FDI), with 264 projects totaling 224.36 billion baht (approximately 6.23 billion US dollars, 31.91% of Thailand’s FDI), mainly in the areas of digital services and electronics manufacturing. Leveraging Thailand's geographical location and telecommunication infrastructure, Singaporean enterprises have developed projects in data center services and electronic component manufacturing.

3.2 China

In 2024, Chinese enterprises were highly active in investing in Thailand, launching 743 projects with a total investment value of 174.44 billion baht (approximately 4.85 billion US dollars), primarily concentrated in the fields of electronics, automotive manufacturing, and metal processing. Among foreign direct investment (FDI) in Thailand, Chinese investment account for 46.29% of the total number of investment projects and 24.81% of the total investment amount. In alignment with Thailand's Eastern Economic Corridor(EEC) initiative, Chinese enterprises made strategic investments in the production of electric vehicle(EV) components and data center infrastructure[11].

3.3 Japan

Japan has maintained long-term investment cooperation with Thailand. In 2024, there were 295 Japanese projects (18.38% of Thailand’s FDI) with an investment value of 62.30 billion baht (approximately 1.73 billion US dollars, 8.86% of Thailand’s FDI), focusing on areas such as automotive and motorcycle manufacturing, and electronic equipment (11.04 billion baht). Japanese investments in automotive component production and EV charging infrastructure have propelled the upgrading of Thailand's automotive industry.

3.4 American

American enterprises have maintained stable investment in Thailand. In 2024, there were 62 U.S. projects with an investment value of 30.58 billion baht (approximately 0.85 billion US dollars), covering fields such as electronic equipment(4.97 billion baht), and automotive and motorcycle manufacturing(5.28 billion baht). By leveraging Thailand's market access and policy advantages, American enterprises have expanded their business in Southeast Asia through data center services and electronic equipment manufacturing, see Table 3.

Table 3 The Top 10 Countries’s FDI in Thailand (by Investment Amount)

Source	Number of Projects	Investment Amount (in billion baht)
Singapore	264	224.36
People's Republic of China	743	174.44
Hong Kong Region	146	71.37

Netherlands	46	67.21
Japan	295	62.30
Taiwan Region	117	51.87
United States of America	62	30.58
Australia	22	19.26
Ireland	5	8.81
Indonesia	5	7.87

Data Sources: The Board of Investment of Thailand (BOI)

4 ANALYSIS OF INDUSTRIES WITH FDI IN THAILAND

Thailand's industrial structure is highly diversified. In the agricultural sector, Thailand is a major global exporter of agricultural products, holding a significant competitive edge in the production and export of key commodities such as rice, rubber, cassava, and tropical fruits[12]. The agricultural industry is also evolving towards modernization and technological advancement. In manufacturing, the automotive industry has established a complete industrial chain, emerging as a vital automotive production base in the ASEAN region. Moreover, Thailand is actively developing the electric vehicle sector. The electronics and electrical appliances industry has also experienced rapid growth, securing a place in the global electronics value chain. The service sector, with tourism as its cornerstone, has attracted a large number of international tourists due to its rich tourism resources, thereby driving the prosperity of related industries, see Table 4.

Table 4 Top 5 FDI Industry (2024)

Industry	Number of Projects	Investment Amount (in billion baht)
Electronics	349	256.33
Digitalization	91	95.21
Automotive and Components	235	87.76
Chemicals and Chemical Products	193	52.21
Agriculture and Food Processing	110	25.58

Data Sources: The Board of Investment of Thailand (BOI)

4.1 Electronics

The electronics and electrical appliance manufacturing industry integrates traditional manufacturing with advanced technologies, covering areas such as electronic components, consumer electronics, and semiconductor packaging. It is one of Thailand's most globally integrated manufacturing sectors. Long-term foreign investment has fostered industrial clusters centered around component production, final assembly, and research and development, with major companies like Apple, Samsung, and Foxconn operating important production bases in Thailand. In 2024, the sector attracted 349 projects with a total investment of 256.33 billion Thai baht (approximately USD 7.12 billion). Its competitive advantages include a vertically integrated value chain formed within the Eastern Economic Corridor, a plentiful and cost-competitive labor force, an efficient logistics network, and its strategic position as an ASEAN electronics manufacturing hub offering strong market reach.

4.2 Digitalization

As the frontier of high-tech innovation, the digital sector encompasses key areas such as data center construction, cloud computing, and digital communication technologies, serving as the core driver of Thailand's economic digital transformation. Against the backdrop of the global digital economy's rapid expansion, it has successfully attracted investments from multinational corporations such as Alphabet (Google) and NextDC. In 2024, the sector secured 91 projects with a total investment value of THB 95.21 billion (approximately USD 2.64 billion).

This remarkable growth has been fueled by the Thai government's Digital Economy Development Plan, which offers tax incentives and streamlined approval processes. Additionally, Thailand's strategic geographical location, continuously improving 5G and fiber-optic network infrastructure, and the vast market demand from internet users across Southeast Asia have further reinforced the sector's momentum.

4.3 Automotive and Components

The automotive industry is a pillar of Thailand's economy, encompassing vehicle manufacturing, auto parts production, and electric vehicle (EV) research and development. It serves as a major automotive manufacturing hub in Southeast Asia. In recent years, apart from Japanese manufacturers, European and Chinese enterprises have increased their investments in the new energy vehicle sector.

In 2024, the sector attracted 235 projects in this industry, with investments reaching THB 87.76 billion (approximately USD 2.44 billion), of which EV-related investments accounted for 40%. Policy incentives, a mature supply chain, an expanding market, and professional talents cultivated by universities have provided strong support for the industry's development.

4.4 Chemicals and Chemical Products

The petrochemical and chemical industry — a capital- and technology-intensive sector comprising petroleum refining, basic chemicals, and fine chemicals — plays a pivotal role in Thailand's industrialization. While its investment scale remains smaller than some key industries, the sector has attracted global giants such as BASF, Shell, and Reliance Industries to invest in mid-to-high-end product lines.

In 2024, the industry saw 193 projects with total investments reaching 52.21 billion Thai baht (approximately 1.45 billion US dollars). Its growth is driven by multiple factors: proximity to oil and gas resources, well-established infrastructure, close integration with downstream industries, and rising chemical demand across the ASEAN region.

4.5 Agriculture and Food Processing

Thailand's agricultural food processing industry relies on the country's abundant agricultural resources and covers crop cultivation, agricultural product processing, food manufacturing, and export trade. It represents a traditional economic strength and a major source of foreign exchange. The industry has attracted global food giants such as Nestlé, Unilever, and Mars through well-known brands like "Thai Hom Mali Rice" and "Siamese Tropical Fruits."

In 2024, the sector secured 110 new FDI projects, amounting to 25.58 billion Thai baht (equivalent to approximately 0.71 billion U.S. dollars), with a focus on tropical fruit processing, aquaculture, and innovative functional foods. Thailand's core competitiveness in this industry stems from its natural resources, processing technologies, global market access, and policy support.

5 CONSLUSION

This study provides an analysis of the global investment in Thailand, highlighting the country's appeal as an emerging investment destination and its significance within the global economy. Thailand's robust economic growth in recent years, coupled with the diversification of its industrial structure and the implementation of a range of economic policies and investment promotion measures by the government, has collectively created extensive investment opportunities for global enterprises. The country's competitive edge in multiple sectors, including agriculture, manufacturing, and services, as well as its relatively lenient tariff policies, have provided favorable conditions for global firms to achieve trade substitution and industrial upgrading.

From a global perspective, Thailand has attracted substantial direct investment from various countries and regions, with investment primarily concentrated in emerging and advantageous industries such as the digital sector, electronics and electrical manufacturing, and the automotive industry. These investments have not only spurred Thailand's economic growth but also driven the upgrading and innovation of related industries. Although global enterprises face certain industry-specific risks in their investment activities in Thailand, these risks can be effectively mitigated through strategies such as enhanced market research, increased investment in technological development, and active engagement in cooperation, thereby achieving sustainable development.

COMPETING INTERESTS

The authors have no relevant financial or non-financial interests to disclose.

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