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Building Supply Chain Resilience: What Thailand's Manufacturing Ecosystem Offers Investors



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Introduction

Over recent years, one strategic question has moved firmly into the boardroom: how can manufacturers reduce dependence on any single country without sacrificing cost, capability or market access? The pandemic exposed the fragility of concentrated supply chains. Tariff uncertainty has kept that fragility front of mind ever since. The response, commonly referred to as "**China Plus One",** has sent a wave of capital into Southeast Asia in search of a second, third, or fourth production base.

Thailand is increasingly part of that conversation, but its case is not simply that it is a lower-cost alternative to China, or that it outperforms every regional competitor. That is because every country in the region is actively promoting itself as the preferred destination for manufacturers, and the reality is more nuanced than any investment promotion campaign might suggest.

Building a resilient manufacturing base is not a purely commercial exercise. The legal structure a company adopts at the outset shapes how quickly it can begin operating, the scope of activities it is permitted to undertake, its day-to-day operational flexibility, its tax efficiency, its room to expand, and its ongoing regulatory compliance. These foundations are far easier to set correctly at the planning stage, before key commercial decisions have been made.

What Thailand Offers

Thailand's investment proposition is less about competing primarily on cost and more about the depth of its manufacturing ecosystem. Decades as Southeast Asia's automotive manufacturing hub has built a supplier ecosystem that other jurisdictions cannot replicate quickly: component makers, tooling specialists, logistics providers, and a technical workforce that already understands high-precision manufacturing discipline. For manufacturers in sectors that depend on specialised suppliers, technical capabilities and established logistics networks, that ecosystem depth can be an important consideration alongside labour costs.

The Eastern Economic Corridor (EEC), Thailand's flagship investment zone covering Chachoengsao, Chonburi and Rayong provinces, reinforces this position. More than simply offering investment incentives, it brings together integrated road, rail, maritime and aviation infrastructure, major industrial estates and targeted government support to build an advanced manufacturing ecosystem and technology-driven industries.

For most investors, however, the primary gateway to incentives is the Board of Investment (BOI). BOI promotion offers eligible projects exemptions from import duties on machinery and raw materials, corporate income tax, and — importantly for foreign manufacturers — relief from the foreign ownership restrictions that would otherwise apply. The scale of investment activity has also been substantial, with the BOI approving 1,300 projects worth THB 1.3 trillion in the first half of 2026 alone. Eligible projects located within the EEC may then qualify for additional benefits beyond the standard BOI package, particularly in targeted industries such as electric vehicles, advanced electronics, robotics and automation, including additional corporate income tax benefits and, in certain promoted zones, streamlined approval and licensing procedures.

For investors, the practical question is not whether incentives exist, but which of them, if any, are applicable to a particular project. That determination turns on a combination of factors; the nature of the project's activities, its intended location, the corporate structure through which it will operate, and the specific legal requirements attached to each incentive category. These factors interact in ways that are not always apparent at the outset, and a structure optimised for one incentive may inadvertently forfeit eligibility for another. Early legal involvement allows these considerations to be incorporated into the project's structure from an early stage, rather than revisited after key commercial and structuring decisions have already been made.

The Regional Comparison

Vietnam remains the standard which many Thailand pitches get measured against, and for good reason. It has captured the lion's share of electronics assembly and continues to demonstrate strong manufacturing and export momentum. However, the depth of integration between foreign manufacturers and the domestic supplier base remains an area for further development, with the Organisation for Economic Co-operation and Development (OECD) noting that foreign-owned firms have developed relatively limited supplier linkages with local firms.

Malaysia competes hardest in electronics and semiconductors, supported by its longstanding integration into global electrical and electronics value chains. As it moves into higher-value semiconductor activities, however, skills gaps and the need to deepen domestic research and development (R&D) and innovation remain important challenges.

Indonesia offers the largest domestic market of the four and is attracting capital in electronic vehicles and battery supply chains, but logistics costs remain high relative to regional comparators, reflecting persistent infrastructure gaps in port connectivity and integration between different modes of transport.

Thailand holds a unique position in the region. Although it has a smaller electronics assembly footprint than Vietnam and a smaller domestic market than Indonesia, its comparative strength lies in the depth of its established automotive manufacturing base and its increasingly developed electric vehicle (EV) ecosystem. Thailand is making a significant strategic commitment to the EV sector, backed by both government incentives and an already-substantial automotive base being retooled for EV production.

That established base also gives Thailand a degree of resilience as automotive investment expands across Southeast Asia. New investment elsewhere in the region should not necessarily be viewed as a shift away from Thailand, which remains deeply embedded in regional

automotive supply chains through supplier networks and production capabilities developed over several decades. For manufacturers looking to establish or expand operations in Southeast Asia, this provides a proven platform for launching, scaling and integrating production into regional and global supply chains.

A Closing Planning Note

A number of structural decisions should be addressed early in the planning process when Thailand is being considered. These include how the operating entity is established, the appropriate ownership structure, whether the intended activities qualify for foreign-investment exemptions other promotions, or even a combination of various promotions to maximise promotional incentives, how land for the project should be held or accessed, and which operational licences must be in place before production can commence. These issues are best considered alongside the commercial site-selection and project-structuring process.

Thailand's case is not that it outperforms every regional competitor across every metric. The optimal manufacturing location will depend on the company's industry, supply chain requirements, target market and long-term investment strategy. Thailand's strengths are particularly relevant to manufacturers — especially in automotive, EV and advanced manufacturing — that place a premium on established supplier networks, industrial capabilities and connectivity rather than the lowest possible production costs. For those projects, Thailand can offer a well-developed platform for long-term regional operations.

This update is intended solely to provide general information on recent regulatory and enforcement developments in Thailand and does not constitute legal advice or a legal opinion. Specific legal advice should be sought in relation to individual circumstances.