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Analyzing the Factors Contributing to the Establishment of Thailand as a Hub for Regional Operating Headquarters

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Abstract: In June 2010, the Thai government proposed improved investment tax incentive schemes to attract more foreign companies to establish Regional Operating Headquarters (ROH) in Thailand. The major theme of incentive packages has historically been the waiving of income tax on ROHs locating in the Kingdom. In the wake of recent political crises, these tax benefits are considered as important measures in reinforcing the Kingdom's position as an important manufacturing and service hub for the ASEAN region. While investor confidence was wavering because of the unstable political environment that has appertained since 2006, investors are weighing business continuity and safety concerns against the provided and proposed incentives. This paper briefly compares the original ROH tax incentives from 2002 with the new ones, examines the factors contributing to the establishment of Thailand as a hub for ROHs and analyzes the competitiveness of Thailand in comparison with Hong Kong, Singapore and Malaysia in the context of national competitiveness for establishing ROH. National competitiveness is measured by using the Double Diamond-based nine factor model (IPS Model) from the IPS national competitiveness research study.

Key Words: *Regional Operating Headquarters (ROH), Competitiveness, IPS Model, Thailand*

1. Introduction

In 2002, the Royal Thai Government (RTG) introduced tax and non-tax incentives for establishing Regional Operating Headquarters (ROH) as an instrument to attract international investors from Hong Kong, Singapore and Malaysia to establish their regional headquarters in Thailand. According to the RTG: "An ROH can be either an independent company incorporated under Thai law or an organization unit of such a company. The business of an ROH is limited to the provision of services to their respective subsidiaries or branches abroad or in Thailand. Services in this sense include administrative and technical tasks of management; product related research and development as well as training of employees." Under the 2002 incentive schemes, the number of foreign investors conducting ROH business in Thailand providing support services to their offshore entities is less than one hundred (Visuttipat, 2010). Specifically, these companies comprise 84 ROH companies (as of April, 2010), which are permitted on the basis of non-tax incentives under the Board of Investment (BOI) investment promotion guidelines, while 71 ROH companies (as of April, 2009) applied for tax incentives under the Bureau of Large Business Tax Administration (LT) of the Revenue Department (RD), in addition to six already dissolved ROH companies (Panich, 2010).

In May 2010, eight years after establishing its tax incentive scheme to attract foreign companies and strengthen the country's competitive advantages, the RTG extended the incentive benefits in the area of Corporate Income Tax (CIT) and Personal Income Tax (PIT) for foreign staff working within an ROH company. The scope of permitted activities under services includes:

- Sourcing raw materials, parts, finished products
- Research and development
- Technical assistance
- Marketing and sales promotion
- Human resources training
- Business advisory services
- Investment feasibility studies
- Credit management
- Other services approved by the Revenue Department on a case-by-case basis

These new incentive packages are designed to target mainly foreign companies doing business in South East Asia while controlling their activities from outside Thailand and, also, for local companies who are planning to expand their business activities to other parts of the Asian region. By launching a new comprehensive tax incentive package, Thailand reinforced its competitiveness compared with comparable incentives available in other Asian countries. For example, under Singapore's Regional Headquarters Award, qualifying companies are granted a reduced corporate income tax rate of 15% for up to five years based on incremental qualifying income. Malaysia has a similar regime and offers corporate tax exemption for a period of 10 years on specified sources of foreign income for an approved Operational Headquarters (OHQ) (RSM International, 2010). Past records have revealed that Hong Kong was the traditional venue to establish a ROH for the South East Asian Region; Singapore subsequently successfully attracted many HQ companies to their shores and then Malaysia attracted its own fair share. Finally, Thailand entered the scene (Avenell, 1996).

2. Regional Headquarters

For this study, we have adopted the definition of an RHQ provided by the Australian Department of Industry, Science and Tourism (DIST) and the National Investment Council: "RHQs are intermediaries between corporate headquarters and country branches or subsidiaries themselves located in a number of countries. An RHQ performs coordination, control and business planning functions (Yeung, Poon and Perry, 2001)." The tasks performed can extend to any combination of finance and treasury operations, data management, telecommunications, research and development, accounting, logistics and marketing. Today, the complexity of accelerated globalization has forced businesses to consider the strategic option of using RHQs to control and co-ordinate their value-chain activities in different regions (*ibid.*) External changes have posed challenges to multinational enterprises (MNEs), global companies and international businesses from the triad of the USA, Western Europe and Japan and their ability to manage overseas subsidiaries and affiliates (*ibid.*). Several factors, both internal and external, are taken into consideration in the decision-making process required when selecting where to locate RHQs that are responsible for managing a firm's activities in a group of nations. In many cases, it would be more accurate to describe the internationalization process involved as regionalization rather than globalization, since the latter stresses a worldwide presence which is inappropriate for the resource-seeking or market-seeking activities of those firms concerned in this study.

To date, there are only a handful of studies on RHQs (Heenan, 1979; Grosse, 1981; Daniels, 1987; Perry, 1992; Sullivan, 1992; Forsgren, Hom and Johanson, 1995; Lasserre, 1996 and Ho, 1998). Roslan and Polak's (2009) study identifies location criteria as important factors that it should be compulsory for MNCs to examine before setting up regional treasury centres in regions other than where their HQs are. Yeung, Poon and Perry (2001) present some empirical findings from an exploratory study of the RHQs of foreign firms in Singapore. Their findings indicate that the propensities of global corporations to establish these regional organisational structures are dependent upon the structural context of globalisation and regionalisation and the regional context of home country variables (proximity, familiarity with and commitment to host regions, etc.) and host country variables (government incentives, local infrastructure and proximity to regional markets, etc.). Studies of regional HQs in the Asia-Pacific tend to concentrate on such specific empirical issues as host government incentives (Dicken and Kirkpatrick, 1991; Kumarapathy, 1994; Perry, 1995), regional production networks (Aoki and Tachiki, 1992) and the role of producer services (Ho, 1998).

Porter (1990) posits that RHQs are best placed not for administrative convenience but in the nation with the most favorable national "diamond" and he chose DuPont as an example. DuPont moved its European agri-chemical HQ from Geneva to Paris because France is the world's second larget market for crop protection. Three regions have clearly emerged as the leading pillars of a tripolar global economy North America, Western Europe and East Asia (Yeung, Poon and Perry, 2001). In the Asia-Pacific region, Tokyo, Hong Kong and Singapore were rated the 'big three' centres for RHQs in the 1990s. A survey conducted on choice of location for RHQs by MNCs shows that 35% of respondents chose Hong Kong, followed by 30% for Singapore, 9% for Tokyo and 5% for Sydney. MNCs embarking on setting up reginal treasuries in Asia tend to have Singapore and Hong Kong on the top of their lists of locations, according to Avenell (1996), who argues that the popularity of these two countries is due to their roles as international financial centres, solid telecommunications and transport infrastructures, easy availability of qualified staff, loose foreign exchange controls and their benign tax efficient environments.

"Tax efficient" simply means low tax rates compared to other locations (Roslan and Polak, 2009). Blair (1999) reaffirms the importance of the tax system in such decisions; when Nokia faced the apparent need to be close to its international operation in Singapore, it considered setting up a RTC in Singapore, Hong Kong, Malaysia and Australia. Owing to the comparatively unattractive tax regimes offered by the latter three states, Singapore was chosen. Additionally, Murphy (2000) points out that international treasurey centres are primarily tax driven where tax on profits generated is treated at a favourable rate. The world's largest package and document delivery company, UPS, considered Singapore and the Philippines as possible RTC locations as those two countries offered some of the lowest tax rates in Asia and, again, Singapore was chosen (Roslan and Polak, 2009). Zilva (2004) also studied Australia's ROH taxation incentives by comparing them to Singapore, Malaysia and Thailand in a study with a similar methodology to that of Watanabe (1998), i.e. a tax related comparative study. The logic of these studies is, again, that it is the tax environment that can be decisive when it comes to discretionary decisions to locate HQ operations. Of course, states that offer what are construed to be clement tax environments to attract inward investment are also the kinds of states likely to offer attractive conditions as measured by other criteria.

3. Country Comparison

Hong Kong: According to Hong Kong's Census and Statistics Department data (Census and Statistics Department, 2009), there were 1,252 RHs in Hong Kong in 2009. Hong Kong does not have any particular or specially enacted incentive scheme for ROH companies. However, under Hong Kong profit tax law, the source of income is determined by analysis of the facts, and the general rule is to look to see what a Hong Kong tax payer has done to earn the income and where a Hong Kong taxpayer has done it (RSM International, 2010). In other words, if what is done takes place in Hong Kong, then the income arising from it will generally be subject to profit tax in Hong Kong. However, if what is done takes place outside of Hong Kong, then the income arising from that activity will generally be subjected to profit tax there. Consequently, the income of an RH taxpayer in Hong Kong (the bulk of which would be income from services provided to affiliated companies outside of Hong Kong) should mostly not be subject to profit tax in Hong Kong (*ibid.*). As a result, an RHQ company having to pay tax on profits in Hong Kong is liable only for the income arising from services that are rendered to affiliated companies in Hong Kong and carried out in Hong Kong. In addition, in relation to any derived dividend income, this is exempted by the tax regime. As a result, the laws administering Hong Kong profits tax provide a definite advantage for RHQs incorporated there (*ibid.*).

Singapore: The Singapore Government's economic development policy reaches out to all types of MNC to encourage a RH to be located in Singapore. The highlight of the relevant tax incentives is the Singapore Government's RHQ Award (*ibid.*). The Government provides an RHQ company, which meets their minimum requirements of S$500,000 capital in Singapore and incurs at least S$5,000,000 in annual business spending, with these benefits:

- 15% tax on incremental qualifying income and
- 3 years' tax relief, with extension for an additional 2 more years.
- Multinationals that commit to exceeding the minimum requirements for the RHQ Award can be granted an International Headquarter (IHQ) Award, with greater tax incentives, such as
- 0/5/10% tax on qualifying income customized on the level of commitment and as negotiated with the Singapore Economic Development Board, and
- 5 to 20 years' tax relief.

The qualifying income of an RHQ or IHQ is income from management, technical assistance and other supporting services, and qualifying interest and royalty income. There is no Singapore tax on dividends received by an RHQ or an International HQ (IHQ) and dividends paid out by an RHQ or an IHQ are free of Singapore withholding tax (*ibid.*)

Malaysia: Malaysia offers an Operational Headquarters (OHQ) regime. An OHQ is a company incorporated in Malaysia that provides qualifying services to its offices or related companies within or outside Malaysia and is approved by the Malaysia Industrial Development Authority (MIDA). For an OHQ company established in Malaysia with a minimum of RM500,000 capital and incurring minimum spending of RM1,500,000 per year, the Malaysian Government grants the following taxation incentives:

- 0% corporate income tax for 10 years on income arising from services rendered by an OHQ to its related companies outside Malaysia;
- 0% corporate income tax for 10 years on interest income derived on loans extended to its related companies outside Malaysia;
- 0% corporate income tax for 10 years on royalties received from research and development work carried out in Malaysia for its related companies outside Malaysia;
- 0% corporate income tax for 10 years on income earned from related companies in Malaysia, provided the income does not exceed 20% of the total OHQ income from qualifying services;
- 0% withholding tax can be claimed for dividends declared out of OHQ exempt income (*ibid.*).

Non-Malaysian citizens working for an OHQ or for a Regional Office (RO) based in Malaysia are taxable on their income from their Malaysian employment, on a time apportionment basis, in accordance with the number of days spent in Malaysia (*ibid.*).

Peer Comparison: A comparison summary of the important tax structuring considerations for a Regional Headquarters company in the SE Asian countries of Hong Kong, Singapore, Malaysia and Thailand follows:

Table 1: Country Comparison. Source: RSM International, 2010

	Thailand	**Hong Kong**	**Singapore**	**Malaysia**
Minimum Investment Amount	US$900,000[1]		US$350,000	US$150,000
Minimum Annual Spending	US$450,000[2]		US$1.4m	US$450,000
Tax benefits	Concessionary corporate income tax rate of 0% on income from overseas; 10% corporate income tax rate on local income (10 years with possibility of +5 five years)	0% income from outside the country. 16.5% on income from inside the country.	Concessionary corporate tax rate of 15% for three years on incremental qualifying income from abroad (with possibility of a two-year extension) for RHQ, 0%, 5%, or 10% on the income of an IHQ	Corporate income tax exemption for ten years for specified sources of income
Qualifying Income	Fifty percent of income must be generated from services to overseas companies to claim the interest, royalty and dividend income benefit		Income from providing a minimum of three qualifying services to qualifying service recipients	Income from providing a minimum of three qualifying services to qualifying service recipients
Qualifying Recipients	In year one ROH must have offshore client from at least one country; two countries within year three; three countries within year five		Qualifying services must be made to at least three network entities in three countries outside of Singapore	Qualifying services must be provided to at least three related companies outside Malaysia
Capital Structure	Must have annual expenses in Thailand of 15 million baht or have invested at least 30 million baht in Thailand		Paid-up capital of SGD 0.2 million and SGD 0.5 million by the end of year one and year three, respectively.	Paid-up capital of not less than MYR 0.5 million and minimum total business spending of MYR 1.5 million.
Expat Benefits	15% flat rate for eight years, if the ROH achieves a threshold of 50% income from services overseas	15%	20%	25% Expatriates only taxed on income attributable to the number of days actually in Malaysia

[1] *If ROH meets minimum annual spending amount, minimum investment amount is not required.*
[2] *If ROH meets minimum investment amount, minimum annual spending amount is not required.*

4. Inward Investment Incentives and National Competitiveness

Empirical research (IMF, 2003; Lee, 2002; OECD, 2005) on FDI determinants demonstrates that there is a relationship between FDI statistics and the special purpose entities (SPEs) of MNCs. SPE is a generic label applicable to organizational structures also referred to as financing subsidiaries, conduits, holding companies, base companies and RHQs. In some instances, MNCs use existing operational companies to perform functions usually associated with SPEs. For an MNC to invest in a country other than the home country, the location decision is a multi-faceted process that depends on the nature of the activities being off-shored and on the mode of entry of investment. While the specialized literature suggests that incentives (fiscal or financial) are not a significant driver of the location criteria of an inward FDI investor, it is also recognized that they can influence the final decision when competing locations rate similarly in the rest of the attraction factors (Guimón, 2008). Competitiveness related to countries has become a new policy emphasis in Asia and nearly all countries promote inward investment (Tavares and Young, 2005). Offering incentive concessions has become a common practice in most countries, on the basis that inward investors are believed to achieve superior performance compared with domestic firms. Increasingly, would-be host countries seek to promote research and development incentives with a view to encouraging inwards technology transfer and generate positive externalities (Guimón, 2008).

Most of the literature relating to this issue derives from the USA and deals with the relocation of corporate HQs. Given that the location requirements of HQs and RHQs are broadly similar, the literature may be considered to be useful (Avenell, 1996). US corporations planning to relocate their HQs describe the most important factors as: (1) Quality of life, (2) Quality of air passenger transportation services, (3) Operating costs (4) Quality of telecommunications and mail service (5) Government attitude to business (*ibid.*). Roslan and Polak (2009) add additional variables, such as language barriers, availability of expertise and outsourcing options, access to key financial markets and banking centres, stability of communication networks, time zone and so forth, mixing again personal and organizational factors. However, in these studies, the sample sizes available tend to be so small and disparate that it is difficult to have much confidence in the results proclaimed. There is, after all, a great deal of talk from time to time about corporate bodies moving overseas if tax rates for corporations or the rich are not cut and yet there are few cases indeed when this has really occurred.

The international business management literature does include some relevant studies (e.g. Dunning, 1988; Cantwell, 1989; Porter, 1990 and others. Young, Hood and Peter (1994), for example, identify some methods by which clusters might be generated as a means of promoting synergetic industrial and economic growth. One of these is through local source routes and from this they integrate host government requirements factor as part of the inward investment policy, with the following features of the macro-economic framework: infrastructure, education, R&D support, other public goods and policies to facilitate efficient resource allocation. Meanwhile, for environmental conditions, important issues include the provision of research parks, innovation centres, public venture funds (including support for university-industry research linkages), government procedures and the availability of assistance to indigenous suppliers (Dunning, 1999). If all these variables are assumed to be forming part of the base conditions without which the country will not be considered as a location, then it may be concluded that financial incentives such as tax privileges are only partially influential in location decision for possible inward investors. For this reason, instead of considering the tax incentive measure alone, this research study attempts to analyze the potential of Thailand to establish itself as a hub for ROHs from a competitiveness perspective which includes taxation but is not limited to it. Looking at the situation from the national competitiveness approach could bring about the integration of various factors which would be appropriate in identifying the nation's readiness to become an ROH hub.

It is necessary, therefore, to try to definie competitiveness, which is a notoriously slippery term to identify exactly. One definition is included in the Report of the President's Commission on Competitiveness, which was written for the Reagan administration in 1984 (IPS, 2010): "A nation's competitiveness is the degree to which it can, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously expanding the real incomes of its citizens. Competitiveness at the national level is based on superior productitivity performance." This definition is taken as a starting point. It is then unpacked and articulated with respect to its various component parts by Porter (1990), who provided the well-known diamond configuration which united factor and demand conditions, firm structure, strategy and rivalry and related and supporting industries. For a nation to be competitive according to this model, in other words, its government bears responsibility for important areas such as the primary and secondary education system, basic infrastructure and research in areas of broad social concern such as healthcare. Governments in most nations are attempting in one way or another to improve competitiveness.

In terms of government policy, Porter (*ibid.*) considers the most relevant policy areas to be: devaluation, deregulation, privatization, relaxation of product and environmental standards, promotion of interfirm collaboration and cooperation of various types, encouragement of mergers, tax reform, regional development, negotiation of voluntary restraint or orderly marketing arrangements, efforts to improve the general education system, expansion of government investment in research, government programs to fund new enterprises and a more proactive role for defence and other forms of government procurement. It is clear, then, that competitiveness depends to a significant extent upon the actions taken by the public sector and the degree to which it can set a fair and competitive environment for business and to police all regulations. However, this initial model has received considerable comment and attempts to improve it in terms of the number and degree of variables involved and from the perspective of supplementing the existing empirical research used to create and develop the model. One elaboration of the original model that has proved robust over recent years is the double diamond model that forms the basis of the IPS approach, which is discussed in the next section.

5. Measuring National Competitiveness: The IPS Model

IPS National Competitiveness Research (2010) introduced a new model (IPS Model) to measure competitiveness at the national level. Using this model, the competitiveness of 67 countries was measured and studied. Both the scope and source of national competitiveness are taken into consideration in this model. The scope of national competitiveness encompasses both domestic and international contexts and the source of national competitiveness is composed of both physical and human factors, each of which is arranged in a diamond form. The physical factors include factoes and demand conditions, related industries and business contexts; the human factors include workers, politicians and bureaucrats, entrepreneurs and professionals. Hence, this model makes greater use of evaluation not just of the role of the public sector but also the outputs of that sector, which are generally embodied in the human resources of the state, including the professional, bureacratic and labour market conditions. About half of the original 200 variables measured in 23 sub-categories comprised hard data measures and the remainder soft data measures. Having collected data over a number of years, IPS now compares new results with its three-Year Moving Average to minimize measurement error. A ninth factor, the Chance Events measure, is not included in this study because of the limitations of data availability.

In the IPS model, Thailand's present strategy index places it in 25th place in the world ranking. When benchmarked against a country or a group of countries with higher competitiveness with a similar size or nature, in this case Sweden, Thailand is behind Sweden in terms of all the four physical factors, and Politicians & Bureaucrats, Entrepreneurs and Professionals among human factors. Only in terms of the general labour market does Thailand come out ahead of its benchmark nation.

Factor Rankings

The world rankings and factor rankings along with sub factor ranks from IPS research for Thailand, Singapore and Hong Kong SAR and Malaysia are shown in Table 2.

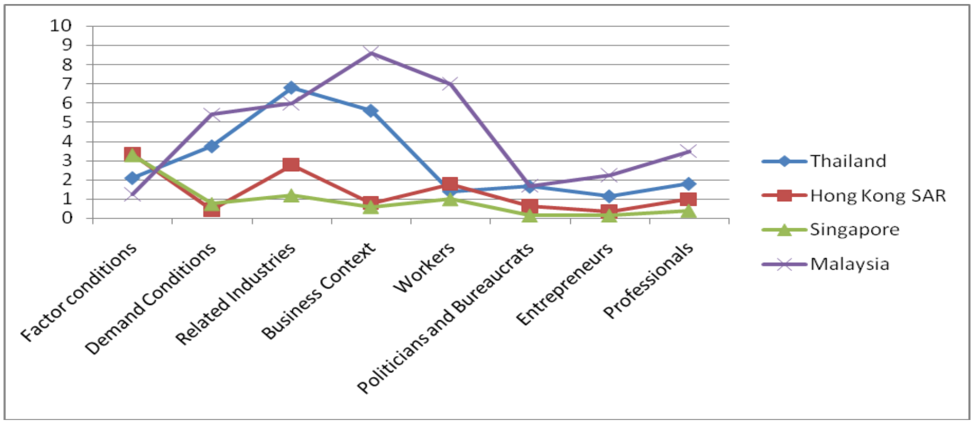
Table 2: IPS Ranking (2010)

(2009-10)	Thailand	Singapore	Hong Kong SAR	Malaysia
World Ranking	25	5	8	38
Factor Conditions	42	66	67	25
Energy Resources	35	54	61	18
Other Resources	36	67	66	21
Demand Conditions	25	5	3	36
Demand Size	29	3	2	23
Demand Quality	24	15	13	43
Related Industries	34	6	14	30
Transportation	32	8	7	21
Communication	38	9	4	30
Finance	31	7	1	23
Education	36	8	31	27
Science & Technology	50	13	29	41
Cluster Development	14	5	16	36
Overall Living Environment	31	8	12	33
Business Context	28	3	4	43
Strategy & Structure	24	1	14	51
Global Mindset	27	7	9	49
Business Culture	27	4	17	42
Foreign Investment	42	8	1	20
(Unskilled) W**orkers**	7	5	9	35
Quantity of Labour Force	6	14	19	26
Quality of Labour Force	29	7	16	39
Politicians and Bureaucrats	33	3	13	34
Politicians	34	4	13	31
Bureaucrats	32	3	12	39
Entrepreneurs	23	3	7	45
Personal Competence	26	7	13	40
Social Context	15	3	4	42
Professionals	18	4	10	35
Personal Competence	17	5	12	42
Social Context	18	2	8	33

Table 3: Weighted Factor Ranks

Factors	**Weight**	**Weighted Ranks**			
		Thailand	**Singapore**	**Hong Kong SAR**	**Malaysia**
Factor conditions	0.05	2.1	3.3	3.35	1.25
Demand Conditions	0.15	3.75	0.75	0.45	5.4
Related Industries	0.2	6.8	1.2	2.8	6
Business Context	0.2	5.6	0.6	0.8	8.6
Workers	0.2	1.4	1	1.8	7
Politicians and Bureaucrats	0.05	1.65	0.15	0.65	1.7
Entrepreneurs	0.05	1.15	0.15	0.35	2.25
Professionals	0.1	1.8	0.4	1	3.5
Overall factor rating	1	24.25	7.55	11.2	35.7

Figure 1: Comparison of Weighted Rankings between Selected Countries (adapted from IPS, 2010)



In order to find different competitive positions for different strategies, we give different weights to the competitiveness variables as shown in Table 3 on a subjective basis. Among eight available factors, three factors are identified as being highly related to ROH establishments, namely, Related Industries, Business Context and Workers. Thus, these are awarded the highest weight of 0.2 each. The nation's demand conditions follow in the second position with a weight of 0.15. Thirdly, the Professional Factor is assigned a weight of 0.1 as it is an important factor for R&D intensive FDI inward investors. Finally, 0.05 weights are given to the two remaining factors, the nation's factor condition factor and Politician and Bureaucrats factor. This is due to the former focus on natural resources availability, while the latter emphasizes the country's parliamentary system and its ability to bring to implementation policies enacted by the state government and its agencies.

As shown in Figure 1, Thailand is still ranked behind both Singapore and Hong Kong in all factors according to these measures. It is important to note that Thailand falls behind in Demand conditions and Professional factors, which are considered to be the critical preconditions for ordinary countries to move to the advanced level. Consequently, Thailand should upgrade its competitive structure for a further takeoff to the next stage of competitiveness. This means changes have to be introduced in order to improve the current situation. According to its stated policies, Thailand is involved with upgrading its competitive advantage regime from low cost areas to high value-added areas. In contrast, compared with Malaysia's ranking in the IPS model, Thailand shows promising advantages in certain factors such as Business Context, Workers, Entrepreneurs and Professionals. This indicates that Thailand has some potential to initiate the improvements needed to elevate itself to a better position to attract the ROHs of MNEs.

Previous research, as described above, has tended to divide policies, models and recommendations along the lines of responsibilities undertaken by government ministries. For example, one model stresses the role of tax and financial incentives that might be taken by a finance ministry or its appointed agency, while another might like at lifestyle features, infrastructure features of the labour market characteristics that might be addressed by a combination of Labour and Education Ministries. Few models, at least prior to the IPS research, has been able to adopt a sufficiently broad approach as to merge the various market, lifestyle, labour, finance and other factors required to create a comprehensive understanding of the location decision. To some extent, this can be understood as a limitation on research imposed by lack of resources and lack of access. After all, few people are able or willing to explain exactly why a large MNE makes an important strategic decision and attempting to identify the parameters of that decision by objective, external measurement of all relevant variables and constructs has proved beyond most actually possible attempts. However, there is also the methodological difficulty of most attempts using quantitative means of approaching this issue, which most commonly use a form of linear regression or more sophisticated alternative to try to identify the comparative importance of a variable, set of variables or constructs in influencing the decision to locate or relocate. Such approaches are limited in the context of the present research in that they do not seek to provide comprehensive solutions but, instead, to quantify individual factors, at the risk of some form of missing or hidden variable bias. To a certain extent, there is an incentive for large companies in particular to fail to cooperate with this kind of research since, from a political perspective, they can and often do threaten to move their operations away from one country if they do not receive the concessions that they are currently lobbying to obtain. If nobody knows the real reasons why and how such companies do relocate, then company executives have a stronger bluff to play.

6. Conclusion

Thailand joined the group of East Asia's best performers from 2002-04 by averaging more than 6% annual GDP growth. From 2005 onward, the beginning of prolonged political crises eroded investor and consumer confidence and contributed to a deceleration of overall economic growth (averaging 4.9% from 2005 to 2007, which later fell to 2.6% in 2008), principally owing to the global economic crisis. Following the two antigovernment protests at the airport in 2008 and at the business district in the capital in 2010, business uncertainty has escalated and investor sentiment has been brought into question, although the continued inflow of investment throughout 2010 and the concomitant rise in the value of the baht suggests that international investors remain bullish about Thailand's long-term prospects. With factors such as well-developed infrastructure, a free-enterprise economy, and generally pro-investment policies plus a newly re-structured tax regime, Thailand's outlook remains appealing to potential investors. Generally, there are two benefits for the Kingdom resulting from the incentive schemes provided: (a) the establishment of ROHs in Thailand can generate more opportunities for Thailand's labour force and (b) Thailand can gain economic benefits from both domestic and international investors. However, in order to gain an edge in the competition to become the hub for MNC RHs, it is important for Thailand to remain vigilant in terms of regulations significant to potential overseas investors. While the overall picture seems promising, therefore, the detailed approach reveals weaknesses in Thailand's position. This research study applied the IPS model in order to identify Thailand's competitive advantages and disadvantages compared to those of Singapore, Hong Kong SAR and Malaysia by employing the IPS model in analyzing Thailand's competitiveness in becoming positioned as a hub for ROHs has several advantages. By using this model, weak competitiveness factors are clearly identified and the nation can gain benefit through appropriate measures to improve them.

The new tax regime makes it easier for a company to qualify as an ROH and makes it easier for ROH companies to operate by reducing bureaucratic and regulatory encumbrances (or declining to benefit from them). However, apart from the tax incentives, as the findings with the IPS model indicate, a range of inward investment factors may still be required to improve in order for Thailand to become the desired hub for ROHs. Providing identified weak factors with proper treatment and combining the outcomes along with the new tax incentives, the Kingdom's dream to be positioned as the regional ROH hub in the near future may indeed be realized. In doing so, further research should continue to try to evaluate the exact nature of those variables which are most important in contributing to locational decisions and which are anterior or subordinate to the main reasons. Limited resources dictate that not every way of pleasing the international business community can or indeed should be made. The narrower the focus on those factors really does matter can be achieved, the better that evidence-based policy decisions can be made.

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