OIE Emphasizes the Government's Drive for the EV Industry, Promoting Investment and Issuing Support Measures to Support the Development of Modern Vehicles, Confirming Openness to Accepting Car Manufacturers of All Nationalities

The Office of Industrial Economics (OIE), under the Ministry of Industry (MIND), reported that the Thai government is moving forward with policies to promote investment and develop modern vehicles, hoping to reduce carbon (CO_2) emissions and support the electric vehicle (EV) industry. It also aims to promote domestic vehicle production, opening up to car manufacturers of all nationalities and continuously issuing support measures. It has also collaborated with the Automotive Institute to launch curriculum development and training to prepare workers' skills to support the needs of new manufacturers who invest, set up factories, and have production plans for 2024 to 2025. Demand is expected to reach over 5,000 workers per year.

The Director of the Office of Industrial Economics (OIE) from the Ministry of Industry (MIND), Mrs. Warawan Chitaroon, spoke about the news, saying the Thai government has turned the nation's automotive industry from being the "Detroit of Asia" into a lore after providing subsidies to buy electric vehicles, resulting in the number of Chinese electric cars soaring, causing sales of Japanese domestically produced combustion-powered vehicles to immediately decrease. In addition, production bases have relocated, affecting Thai parts factories, forcing them to close or lay off workers, and causing Malaysia to become the leader, and Thailand placed as number 2 instead. She provided clarification, saying that due to the volatile weather and natural disasters, many countries around the world have policies to promote the use of electric vehicles to reduce carbon (CO_2) emissions. Some countries have measures to ban the import of internal combustion engine (ICE) vehicles by 2035, and some countries have import tax measures to control imports to develop the automotive industry to be competitive and in line with global market demand. For Thailand, the government has opened up opportunities to promote investment and develop modern vehicles, ranging from hybrid vehicles (HEV), plug-in hybrid vehicles (PHEV), and battery electric vehicles (BEV).

For 25 years, the Thai government has had a policy to support the electric vehicle (EV) industry, including promoting domestic vehicle production, by opening up to all nationalities of car manufacturers and continuously providing support measures, such as tax and non-tax privileges, as well as infrastructure development, such as the development of automotive testing and research center standards, and the development of skilled workers. In addition, to promote domestic production, the government has pushed for measures to encourage its use, such as the EV3 and EV3.5 electric vehicle support measures, in which over 14 European, Japanese, Chinese, and Thai car manufacturers have participated, providing subsidies for EV buyers who participated, totaling 6.7 billion Baht. Furthermore, 18 projects received investment promotion cards for BEVs totaling 39 billion Thai Baht, with a total planned production capacity of 400,000 vehicles per year. At the same time, there is also a part of connecting the domestic supply chain to join the electric vehicle industry, such as adding essential production processes in the Freezone to create the use of value-added parts and organizing business matching activities for car manufacturers with domestic part manufacturers.

The reasons for the closure of the ICE car factories and the reduction of production capacity are primarily due to the economic slowdown due to the continuous decline in Thailand's economic growth. In 2023, GDP grew less than 2 percent, especially in the automotive industry, which has slowed down since the beginning of 2023 from the impact of destructive debt issues in the car hire-purchase group, resulting in stricter car lending, particularly for ICE pickup trucks (which currently do not produce or use BEV pickup trucks) as buyers cannot pay installments due to poor economic liquidity and high household debt. The slowdown in the domestic market for the above reasons has caused most manufacturers to reduce production capacity, and two car manufacturers plan to close factories, one of which is Subaru, which announced the end of car production by December 30, 2024. This comes after production in Malaysia ended earlier due to the changing economic and business environment, causing the inability to sell produced cars at reasonable prices. Furthermore, the company could not control the selling price. In 2023, there were 400 employees and a total of 1,600 vehicles produced/sold. Automotive parts were mainly imported from Indonesia and Malaysia. Suzuki's factory, with 800 employees, announced plans to stop making cars in Thailand by the end of 2025 due to a review of Suzuki's global production structure. Even though domestic production will cease, manufacturers of parts that supply Suzuki will not be affected much as they also supply other automakers. In 2023, approximately 11,000 units were produced.

In addition, MIND has prepared a contingency plan for the affected workers, such as developing a curriculum and training to prepare skilled workers for the needs of new manufacturers who invest in setting up factories and have production plans from 2024 to 2025, requiring over 5,000 workers per year. In 2024, MIND, through the OIE, in collaboration with the Automotive Institute, will develop a curriculum and train workers from two factories, including those who want to transition to modern vehicles. It will also create a platform to connect manufacturers with users to increase market channels for spare parts (REM) for ICE and modern cars.

"In addition to supporting BEVs, the government has continuously supported the production of electric-powered vehicles such as HEVs and PHEVs since 2017, with an emphasis on developing ICE vehicle manufacturers, which are the majority of manufacturers in the country. It has promoted the production of semi-electric vehicles or hybrid vehicles (HEVs) under investment promotion measures, excise tax measures, and other measures, resulting in a significant increase in HEV vehicle production. In 2023, production over doubled compared to the previous year, and the total production from January to June 2024 was 85,916 vehicles, an increase of 40 percent compared to the same period last year. The government has pushed for measures to support the transition to the electric vehicle industry by supporting the production of HEVs by providing tax benefits and setting criteria for grantees, with an emphasis on CO2 emissions, the use of domestic parts, and the development of driving assistance systems (ADAS), with approximately 4-5 domestic vehicle manufacturers interested in joining the measures, and a total investment of over 50 billion Baht in the next 4 to 5 years," said **Mrs. Warawan.**