



Emerging Market Opportunities – Thailand's Automotive Components Industry (Part 2)

新興市場商機—泰國汽車零組件(下篇)

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(1) Thailand's Commitment to Developing the EV Industry

To achieve its goals of carbon neutrality by 2050 and net-zero greenhouse gas emissions by 2065, the Thai government launched the "30@30" policy in 2021, aiming for 30% of domestically produced vehicles (approximately 725,000 units) to become zero-emission vehicles (ZEVs) by 2030. **In February 2022, the government introduced the EV3.0 electric vehicle promotion scheme, centered on a subsidy program. The incentives cover three categories of vehicles—passenger cars, pickup trucks, and motorcycles—and are built on three major pillars: purchase subsidies, reduced import tariffs, and lower excise taxes.**

Initially, purchase incentives for passenger cars applied only to vehicles with a retail price below THB 2 million. Vehicles equipped with batteries of less than 30 kWh were eligible for a subsidy of THB 70,000, while those with batteries exceeding 30 kWh could receive subsidies of up to THB 150,000. In addition to purchase subsidies, the Thailand Board of Investment (BOI) introduced investment incentives to foster the development of the EV supply chain. The first phase, launched in 2017, targeted both electric vehicles and hybrid vehicles, with Japanese automakers primarily applying under the hybrid vehicle category. The second phase, introduced in 2021, excluded hybrid vehicles while retaining incentives for other EV projects. Chinese EV manufacturers, including Great Wall Motor, also became eligible for these incentives. Furthermore, based on automakers' investments in upstream supply chains, tax exemption incentives have been available since 2023, with a maximum exemption period of up to 11 years. Companies such as BMW have also applied for these incentives.

(2) Phased Incentive Measures for the EV Industry (EV3.0–EV3.5)

Thailand launched the first phase of its EV industry incentive program, EV3.0, in 2022. A total of 13 brands from 15 automakers participated in the program, covering electric passenger vehicles, electric pickup trucks, and electric motorcycles, thereby stimulating the growth of Thailand's EV industry.

In November 2023, Thailand approved the second phase of its EV incentive program, EV3.5, covering the period from 2024 to 2027. The new measures provide opportunities for new automakers to invest in and establish production facilities in Thailand while encouraging investment in electric passenger vehicles, electric pickup trucks, and electric motorcycles. Manufacturers already participating in EV3.0 may also apply for additional incentives under the new scheme. Subsidies are provided according to vehicle type and battery capacity. Electric passenger vehicles priced below THB 2 million with battery capacities of less than 50 kWh are eligible for subsidies ranging from THB 20,000 to THB 50,000 per vehicle, while those with battery capacities exceeding 50 kWh receive THB 50,000 to THB 100,000 per vehicle. In addition, during the first two years of the program (2024–2025), completely built-up (CBU) imports of eligible electric passenger vehicles received import duty reductions of up to 40%. Although electric passenger vehicles priced below THB 7 million are not eligible for purchase subsidies, their excise tax has been reduced from 8% to 2%.

For vehicles manufactured in Thailand, electric pickup trucks priced below THB 2 million and equipped with batteries larger than 50 kWh are eligible for subsidies of THB 50,000 to THB 100,000 per vehicle. Electric motorcycles priced below THB 150,000 with battery capacities exceeding 3 kWh receive subsidies ranging from THB 5,000 to THB 10,000 per vehicle.

To qualify for EV3.5, manufacturers must also meet localization requirements. Eligible participants include manufacturers already enrolled in EV3.0 as well as those qualified under the EV3.0 incentive scheme. Beginning in 2026, manufacturers are required to produce two domestically manufactured EVs for every imported completely built-up (CBU) EV (a 1:2 ratio) to offset vehicle imports. In addition, localized production of battery cells, battery modules, or battery packs must begin before January 2026. Thailand's EV manufacturing is no longer limited to simple battery pack assembly, which generates relatively low added value. Instead, the country aims to localize the production of key components such as battery cells, Power Control Units (PCUs), and Domain Control Units (DCUs) to expand the domestic supply chain and create greater value-added manufacturing.

(3) Promoting the Upgrade of Automotive Manufacturing

BOI has approved the Investment Promotion Measures for Automotive Industry Upgrade, encouraging automakers to adopt automation systems and robotics to improve the production efficiency of conventional vehicles, hybrid electric vehicles (HEVs), and plug-in hybrid electric vehicles (PHEVs). Eligible applicants include both existing automotive manufacturers operating in Thailand—regardless of whether they currently receive BOI investment privileges—and new investment projects, provided that applications are submitted within 2024. Manufacturers using automation systems or robots with at least 30% local Thai content are entitled to a three-year corporate income tax exemption, with the tax exemption covering 100% of the investment value spent on purchasing automation systems or robots. Those using automation systems or robots with less than 30% local content are also eligible for a three-year corporate income tax exemption, although the tax exemption is limited to 50% of the investment value.

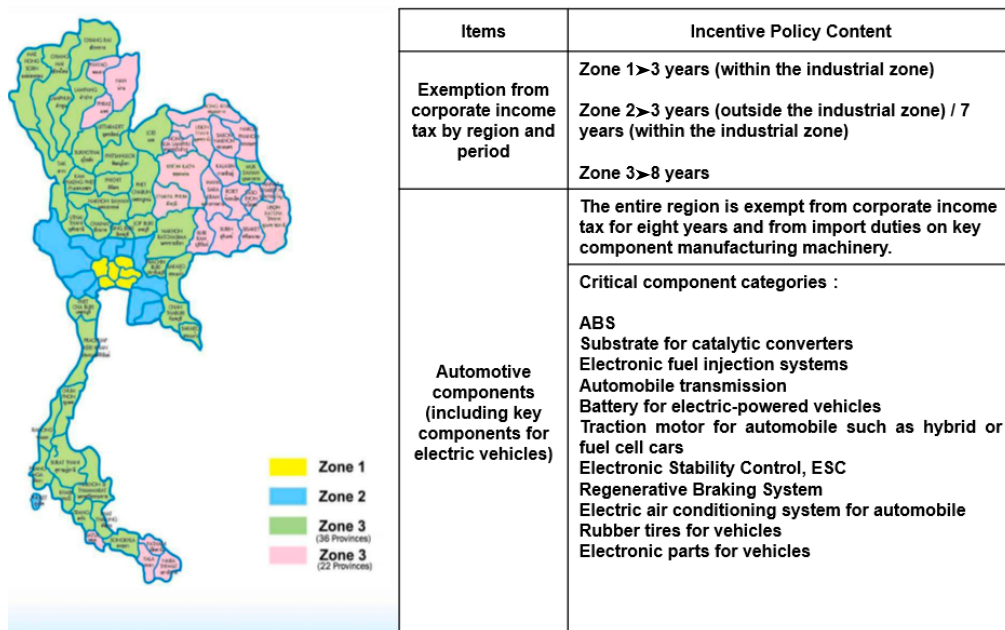
As the automotive industry is one of Thailand's key industries and is currently undergoing a transition toward next-generation technologies, upgrading manufacturing capabilities will help accelerate industrial transformation and strengthen Thailand's position as a manufacturing base that utilizes advanced technologies. At the same time, the EV3.5 program is expected to attract new investors to establish EV production facilities in Thailand while encouraging conventional automakers to transition toward EV manufacturing. These initiatives will help maintain Thailand's position as ASEAN's largest automotive manufacturing and export hub, while supporting the country's goals of achieving carbon neutrality by 2050 and net-zero greenhouse gas emissions by 2065.

(4) Investment Incentives for Thailand's Automotive and Auto Parts Industries

Automotive Components: Corporate income tax exemptions are available for automotive component manufacturers, with duration varying by investment zone. Zone 1 projects are eligible for three years of tax exemption (within industrial estates); Zone 2 projects receive three years (outside industrial estates) or seven years (within industrial estates); and Zone 3 projects qualify for eight years of tax exemption. **Figure 1** illustrates the industrial zones eligible for investment incentives for Thailand's automotive components industry. **Key Automotive Components:** Manufacturers of designated key automotive components are eligible for an eight-year corporate income tax exemption nationwide, as well as import duty exemptions on machinery used to manufacture these key components. Eligible products include anti-lock braking system (ABS) components, substrates for catalytic converters, electronic fuel injection systems, automobile transmissions, batteries for electric vehicles, traction motors for electric vehicles (such as hybrid and fuel cell vehicles), Electronic Stability Control (ESC) systems, regenerative braking systems, electric air conditioning systems for automobiles, rubber tires for vehicles, and automotive electronic components.

Through corporate income tax exemptions and tax reduction measures, the Thai BOI actively supports the development of key components for new energy vehicles and electric vehicles. The BOI has also established a classification system for key automotive components. **Table 1** summarizes Thailand's investment incentive policies for the automotive components industry.





Source: BOI; Industrial Technology Research Institute (ITRI), Industry, Science and Technology International Strategy Center, July 2026.

Figure 1. Investment Incentive Industrial Zones for Thailand's Automotive Components Industry

Table 1. Thailand's Investment Incentive Policies for the Automotive Components Industry

Category	Description	Investment Incentives / Benefits	EV Component Categories	Conventional Automotive Component Categories
A1	Strengthens R&D and enhances the competitiveness of Thailand's automotive industry.		—	—
A2	Limited existing investment in Thailand; strengthens industrial infrastructure and increases added value through advanced technologies.	• 8-year corporate income tax exemption • Import duty exemption on raw materials used for export production • VAT exemption	• Key EV components (traction motors, motor controllers, etc.) • Inverters, converters, and on-board chargers • EV batteries and battery management systems (BMS) • Electric air-conditioning systems and related components • EV chargers and charging stations	• Catalytic converter substrates • Electronic fuel injection systems • Automotive transmissions • Engine Control Units (ECUs) • Anti-lock Braking Systems (ABS) • Idle Stop systems • Electronic Stability Control (ESC) systems • Automotive tires
A3	Emerging investment sectors in Thailand involving high-tech applications that promote industrial development.	• 5-year corporate income tax exemption • Import duty exemption on raw materials used for export production • VAT exemption	—	• Powder metallurgy products, automotive sheet metal components, fuel pumps, injection pumps, fuel injectors • Drivetrain and transmission components (ring gears, transmission gears, torque converters, propeller shafts, drive shafts, differentials, etc.) • Turbochargers and related components • Molds, dies, and jigs & fixtures

A4	Lower technological level than A1–A3; strengthens Thailand's automotive supply chain.	• 3-year corporate income tax exemption • Import duty exemption on raw materials used for export production • VAT exemption	—	• Non-ferrous metal forming (including forging) • Engine components (cylinder heads, cylinder blocks, camshafts, pistons, intake/exhaust valves, connecting rods, crankshafts, etc.) • Vehicle safety systems (seat belts, airbags, braking systems) and related components • Steering systems, cooling systems (water pumps), and related components
B1	Does not involve advanced technologies but provides significant value to the automotive industry value chain.	• Tax incentives based on competitiveness enhancement • Import duty exemption on machinery • Import duty exemption on raw materials used for export production • VAT exemption	—	• Automotive sheet metal forming (including non-ferrous metals) • Engine assembly equipment • Automotive production and assembly equipment • Automotive wire harnesses
B2	Does not involve advanced technologies but provides significant value to the automotive industry value chain.	• Import duty exemption on raw materials used for export production • VAT exemption	—	—

Source: BOI; Industrial Technology Research Institute (ITRI), Industry, Science and Technology International Strategy Center, July 2026.

BOI classifies key automotive components into different incentive categories based on their technological sophistication:

- **Category A1** (Strengthening R&D and enhancing the competitiveness of Thailand's automotive industry) and Category A2 (Limited existing investment in Thailand with advanced technologies that strengthen industrial infrastructure and increase value-added) are eligible for an eight-year corporate income tax exemption, import duty exemptions on raw materials used for export production, and VAT exemptions.
- **Category A3** (Emerging high-tech industries with limited existing investment in Thailand that promote industrial development) is eligible for a five-year corporate income tax exemption, import duty exemptions on raw materials used for export production, and VAT exemptions.
- **Category A4** (Industries with lower technological requirements than Categories A1–A3 that strengthen Thailand's industrial supply chain) is eligible for a three-year corporate income tax exemption, import duty exemptions on raw materials used for export production, and VAT exemptions.
- **Category B1** (Industries that do not employ advanced technologies but make significant contributions to the automotive value chain) is eligible for tax incentives based on the level of competitiveness enhancement, import duty exemptions on machinery, import duty exemptions on raw materials used for export production, and VAT exemptions.
- **Category B2** (Industries that do not employ advanced technologies but make significant contributions to the automotive value chain) is eligible for import duty exemptions on raw materials used for export production and VAT exemptions.



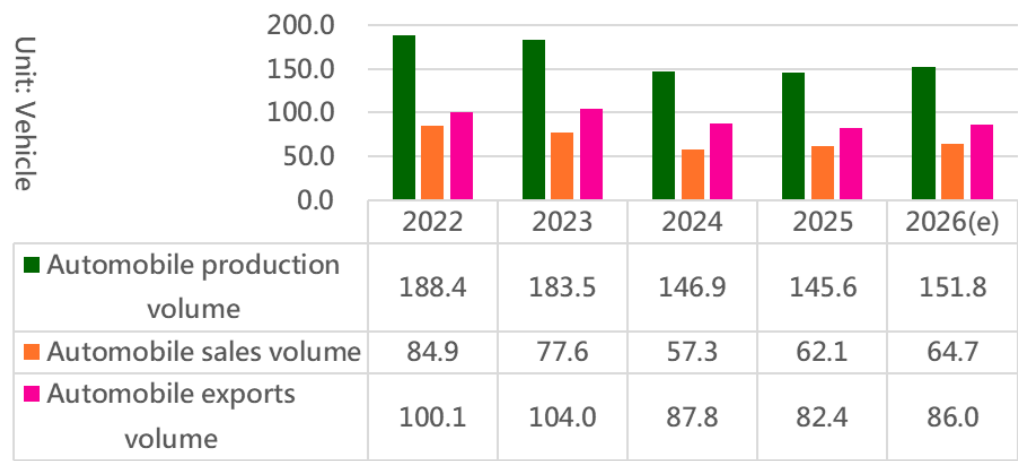


Thailand's Automotive and Auto Parts Production and Sales

(1) Japanese Automakers Continue to Dominate Market Share While Chinese Brands Expand Rapidly —

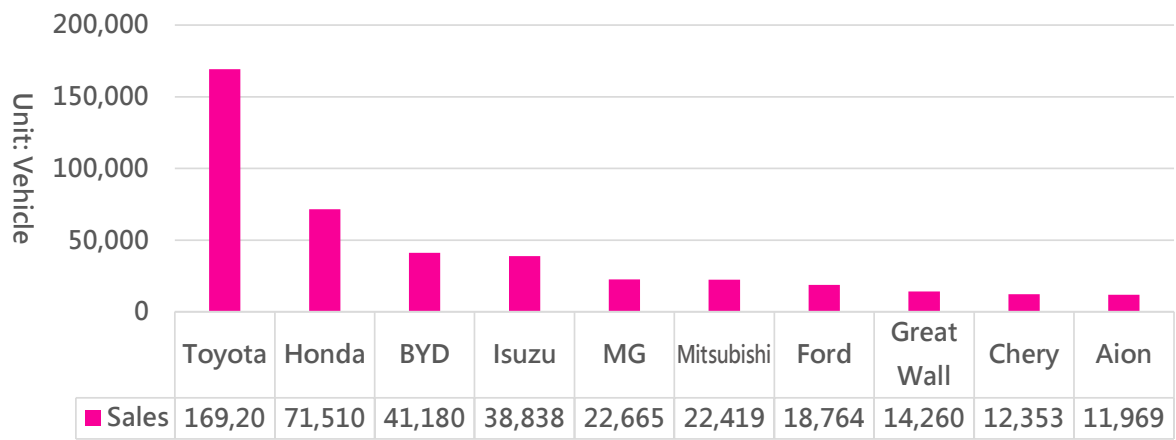
According to the Federation of Thai Industries (FTI), Thailand produced, sold domestically, and exported automobiles and motorcycles in December 2025 under the continued impact of the government's EV production compensation policy. **Automobile production reached 113,000 units in December 2025, down 12.6% from November but 8.6% higher than the same month a year earlier. The increase was mainly driven by the rapid growth in EV production, allowing manufacturers to meet the import compensation requirements stipulated under the government's EV incentive programs. Among battery electric passenger vehicles (BEVs), 75.7% of production was exported, highlighting Thailand's strong export orientation, while 27,661 units, or 24.3%, were sold in the domestic market. Total automobile production for the year reached 1.456 million units, while domestic vehicle sales totaled 621,000 units, representing a 0.9% decline compared with 2024. Figure 2 shows Thailand's automobile production and sales in 2025, while Figure 3 compares the sales performance of major automakers in Thailand during the same year.**

Figure 2. Thailand's Automobile Production and Sales



Source: Industrial Technology Research Institute (ITRI), Industry, Science and Technology International Strategy Center, July 2026.

Figure 3. Comparison of Major Automakers and Vehicle Sales in Thailand (2025)



Source: Industrial Technology Research Institute (ITRI), Industry, Science and Technology International Strategy Center, July 2026.

Positive factors supporting domestic vehicle sales include the formation of a new government following democratic elections; increased foreign direct investment (FDI), with approved investment projects exceeding THB 1 trillion; the new administration's early economic stimulus measures aimed at easing living costs and boosting purchasing power; interest rate cuts by the Bank of Thailand; and the reopening of cross-border trade following the easing of border tensions with Cambodia.

Factors weighing on domestic sales include delays in forming the government, which postponed the utilization of the fiscal year 2027 budget; slower exports caused by the United States' reciprocal tariff measures; appreciation of the Thai baht, which has hurt exporters—particularly agricultural exporters—and increased travel costs for foreign tourists; abnormal weather conditions; declining birth rates and population, which have weakened demand for infant- and child-related products and services such as kindergartens, primary schools, and baby food; recurring border conflicts; concerns over cross-border scam incidents that may reduce foreign tourists' sense of security; household debt exceeding 80% of GDP, prompting financial institutions to tighten lending and directly affecting automobile sales; and the continued decline in the industrial production index, with capacity utilization remaining below 60%, thereby constraining investment, employment, household income, consumer spending, and overall economic growth.

(2) Consumer Preferences in Thailand's Automotive Components Market

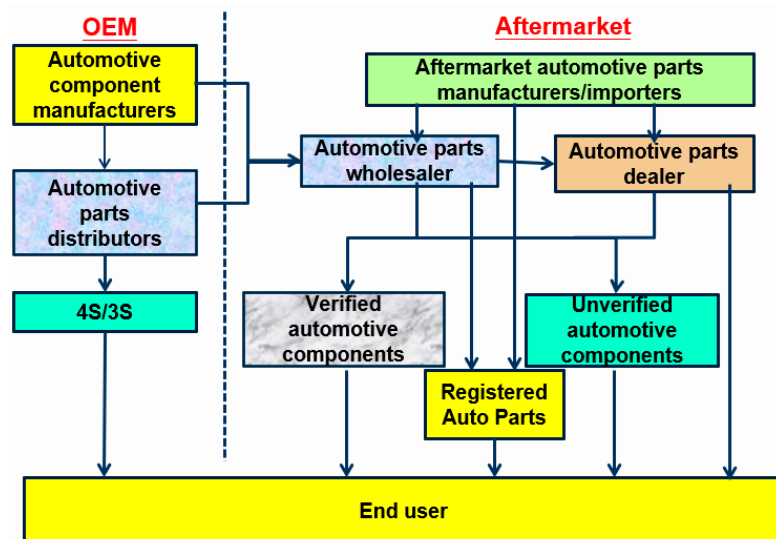
Thailand's automotive components market is divided into two major segments: the original equipment manufacturing (OEM) market and the aftermarket (AM). Product quality is the primary consideration for Thai consumers. Approximately 51% of consumers remain loyal to OEM services. Most vehicle dealers in Thailand provide three- to five-year warranty coverage through insurance companies, requiring vehicle owners to have their cars serviced or repaired at authorized dealerships. Depending on the insurance policy, customers receive varying levels of reimbursement, such as paying only for replacement parts while labor costs are waived.

While quality remains the top priority, consumers are also highly price-conscious. About 36% of Thai consumers insist on using genuine OEM parts. In the aftermarket, 82% of consumers consider product quality to be the most important factor, while 79% pay close attention to brand reputation and pricing. The skill level and service speed of mechanics are each valued by 76% of consumers, and 68% consider the accessibility of parts distributors when making purchasing decisions.

Repair costs at independent repair shops are typically 30% to 50% lower than those at authorized dealerships. During the first 3 years of vehicle ownership, most Thai consumers continue to use dealership service centers for maintenance and repairs. Once the warranty expires, however, many owners switch to independent repair shops and opt for lower-priced, non-OEM replacement parts. Because aftermarket components are generally less expensive but vary considerably in quality, many automotive component suppliers have actively expanded into the AM market.

Thailand's automotive parts replacement business is concentrated in several commercial districts where numerous parts retailers operate. Competition in the aftermarket is highly price-sensitive, with significant price differences across product segments. Low-cost alternatives from countries such as China and Vietnam have entered Thailand's mid- and low-end aftermarket in large volumes. Meanwhile, some Tier 1 suppliers manufacture products through certified production lines or subsidiaries and market them under their own brands to both the Original Equipment Service (OES) and aftermarket (AM) channels. Among domestic Thai manufacturers, competitive strengths are mainly found in brake discs, sheet metal body parts, and in-vehicle audio system modifications, while capabilities in automotive electronics and key EV components remain relatively limited. Meanwhile, some Tier 1 suppliers manufacture products through certified production lines or subsidiaries and market them under their own brands to both the OES and aftermarket channels. Among domestic Thai manufacturers, competitive strengths are mainly found in brake discs, sheet metal body parts, and in-vehicle audio system modifications, while capabilities in automotive electronics and key EV components remain relatively limited. Figure 4 shows consumer preferences in Thailand's automotive components market.

Figure 4. Consumer Preferences in Thailand's Automotive Components Market



Source: Industrial Technology Research Institute (ITRI), Industry, Science and Technology International Strategy Center, July 2026.

(3) Analysis of Thailand's Automotive Components Production, Sales, Imports, and Exports

Thailand's automotive components market recorded sales of US\$22.08 billion in 2025. Most locally manufactured components are products that utilize domestically available raw materials and enjoy strong market demand. These products generally involve relatively low technological complexity, lower value-added, or pollution-intensive manufacturing processes, including tires, forgings, castings, stampings, gear sets and other metal components, battery assembly, and plastic injection-molded parts. The Thai government has identified automotive assembly and manufacturing as one of its priority industries. Over the next 5 years, it plans to continue promoting the development of the automotive sector while strengthening Thailand's position as ASEAN's largest vehicle assembly and production base. As new vehicle models enter production and domestic demand continues to expand, the need for greater localization of automotive components and higher local content has become increasingly important.

Japanese automakers have maintained a long-term presence in Thailand's automotive industry, and vehicle manufacturers continue to play a decisive role in shaping the country's automotive supply chain. Since many of the companies investing in Thailand are leading global automakers from Japan, Europe, and the U.S., they operate within established global supply chain networks. As a result, many high-value, critical components used in Thai assembly plants are imported from Japan. At the same time, components produced by satellite manufacturing facilities in Thailand are distributed to assembly plants in other countries. Given the significant differences in manufacturing quality and technological capabilities among ASEAN countries, coupled with the dominant market position of Japanese

automotive brands across the region, a substantial proportion of Thailand's automotive component exports is destined for other ASEAN markets.

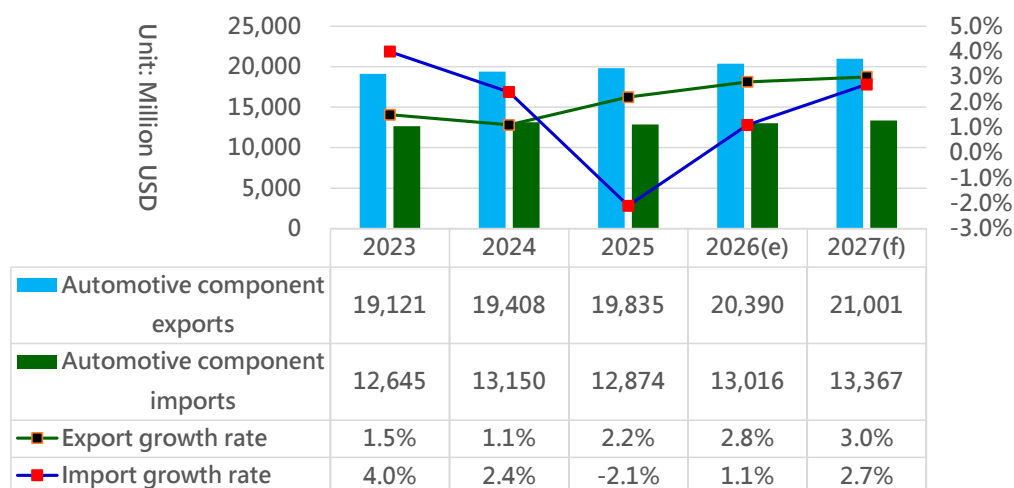
Japanese automakers have driven the expansion of their component suppliers into Thailand, making the country's automotive supply chain more comprehensive than those of other ASEAN countries. While key components such as engine systems, electronically controlled continuously variable transmissions (eCVTs), and fuel supply systems are still imported from Japan, many automotive components manufactured in Thailand are supplied not only to local vehicle assembly plants but are also exported to other ASEAN countries. In 2025, Thailand's automotive component exports reached US\$19.84 billion, representing a 2.2% increase from 2024, while imports totaled US\$12.87 billion, a 2.1% decline from the previous year. As shown in **Figure 5**, Thailand's automotive components market is characterized by exports consistently exceeding imports.

Thailand's major automotive component export products include body panels, brake system components, steel wheels, machined parts, and automotive tires. In 2025, the top export destinations were Japan (11.4%), Indonesia (10.3%), Malaysia (8.9%), China (8.3%), and the United States (7.8%), with the top five markets accounting for 46.7% of total exports. **Figure 6** illustrates Thailand's major export destinations and their respective shares.

Thailand's principal automotive component imports consist of automotive electronics, chassis components, engine systems, steering systems and components, drivetrain systems, and key brake and suspension components. In 2025, the country's leading import sources were Japan (49.3%), China (25.1%), Germany (7.4%), the U.S. (2.5%), and Indonesia (2.1%), with the top 5 suppliers accounting for 86.4% of total imports. **Figure 7** shows Thailand's major import sources and their market shares.

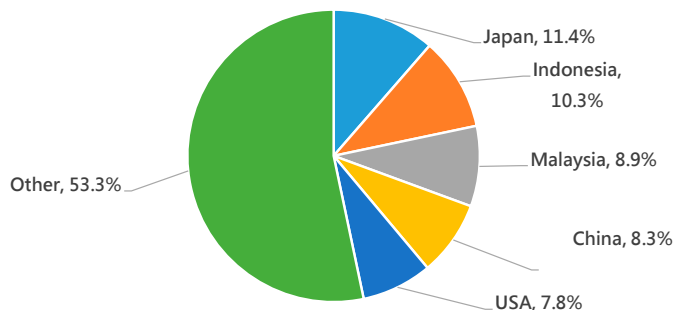
Most of the high-value, critical components used by vehicle assembly plants in Thailand continue to be imported from Japan. At the same time, components produced by Japanese suppliers' satellite factories in Thailand are distributed to assembly plants in other countries. Given the considerable differences in manufacturing quality and technological capabilities among ASEAN countries, Japanese automotive brands continue to maintain a strong market presence throughout the region.

Figure 5. Forecast of Thailand's Automotive Component Imports & Exports



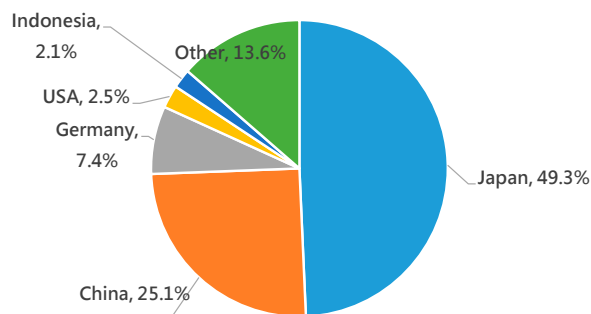
Source: Industrial Technology Research Institute (ITRI), Industry, Science and Technology International Strategy Center, July 2026.

Figure 6. Major Export Destinations and Shares of Thailand's Automotive Components (2025)



Source: Industrial Technology Research Institute (ITRI), Industry, Science and Technology International Strategy Center, July 2026.

Figure 7. Major Import Sources and Shares of Thailand's Automotive Components (2025)



Source: Industrial Technology Research Institute (ITRI), Industry, Science and Technology International Strategy Center, July 2026.

Business Opportunities in Thailand's Automotive Components Industry

(1) Taiwan's Automotive Components Are Primarily Exported to Europe and the U.S., Complementing Thailand's Industry

As Taiwan's automotive market is dominated by Japanese brands, local suppliers have developed strong manufacturing capabilities for related automotive components. Major export products include replacement parts such as rubber and plastic components, automotive sunshades, tires, vehicle lighting, bumpers, forged and stamped parts, hoods, fenders, radiators, condensers, automotive belts, instrument panels, and rearview mirrors. Taiwan also has an established international presence in automotive electronics, including in-vehicle infotainment systems, advanced driver assistance systems (ADAS), and key electric vehicle components such as electric motors, powertrain systems, and charging equipment. The U.S. is Taiwan's largest export market for these products, followed by Asia and Europe.

China, supported by leading global automakers, Sino-foreign joint ventures, and domestic automotive brands, possesses a comprehensive automotive supply chain in which Chinese vehicle manufacturers provide raw materials and key components for automotive parts production. Automotive components are widely used in both vehicle assembly and the aftermarket. Supported by its vast domestic market, most leading international automotive component manufacturers have established production and sales operations in China. In addition to supplying vehicle assembly plants, China exports automotive components to emerging markets, including ASEAN, the Middle East, and Latin America, making it a net exporter of automotive components.

In Japan, 71.8% of automotive component production is supplied to domestic OEM vehicle manufacturers, while 8.2% serves the replacement and repair market. The remaining 20.0% is supplied to vehicle body manufacturers and automotive repair markets both within Japan and overseas. Stable political and economic conditions have supported domestic consumption, while relatively stable raw material prices and electricity costs have contributed to continued growth in exports of automotive components to the U.S. and other emerging markets. South Korea's automotive components industry is similar to Taiwan's in that it is composed primarily of small and medium-sized manufacturers. Supported by a well-established domestic automotive industry, Korean automakers provide raw materials and key components for their suppliers. In recent years, Korean automotive manufacturers have actively expanded into emerging markets in Central and Eastern Europe, the Middle East, and Latin America.

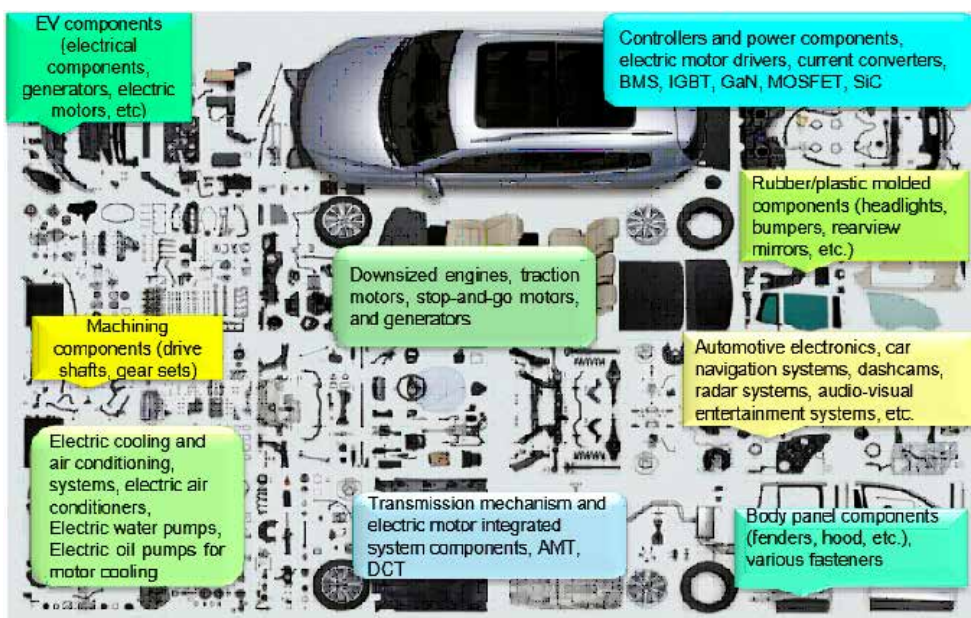
Thailand serves as Japan's second-largest automotive production base. Most automotive components manufactured locally utilize readily available domestic raw materials and focus on products with strong market demand. These products are generally characterized by relatively lower technological complexity, lower value-added, or pollution-intensive manufacturing processes. Thailand has developed competitive capabilities in products such as tires, forgings, castings, stampings, gear sets, other metal processing components, battery assembly, and plastic injection-molded parts. As ASEAN's largest automobile manufacturing base, Thailand also exports one-ton pickup trucks to North American markets.

(2) Taiwan's Proven Expertise in Key EV Components Provides a Competitive Advantage for Expanding into Thailand

As the automotive industry continues its transition toward electrification and digitalization, Taiwan has not only established its own domestic vehicle brands but has also developed internationally competitive capabilities in key electric vehicle components. Taiwanese manufacturers of electric motors, inverters, converters, battery management systems (BMS), charging stations, power devices, and wire harnesses have successfully entered global EV supply chains, creating new growth opportunities for Taiwan's EV component industry. The EV industry is a highly integrated sector

characterized by significant technological barriers and substantial capital requirements. Compared with manufacturers in the EU, the U.S., Japan, and even China, Taiwan has demonstrated strong technological competitiveness in the development of key EV components. Recognizing Thailand's position as ASEAN's leading automotive manufacturing and components hub, Taiwanese listed companies have actively expanded their investment in the country, attracted by its abundant workforce, supportive industrial policies, mature supply chain, and promising market potential. By leveraging Thailand's policy support for EV industry development, Taiwanese companies can establish strategic partnerships with local manufacturers to develop Thailand's EV components industry, using the country as a production base to serve both the ASEAN region and global markets. **Figure 8** shows the competitive automotive component segments for Taiwanese companies expanding into Thailand.

Figure 8. Competitive Automotive Component Segments for Taiwanese Companies Expanding into Thailand



Source: Industrial Technology Research Institute (ITRI), Industry, Science and Technology International Strategy Center, July 2026.

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