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Thought Leadership | Foreign Direct Investment

## Why Thailand is the Perfect Place to Invest in Polyactic Acid (PLA) Plastic

Thailand's bioplastic manufacturing industry has grown exponentially in recent years, from 26.67 Kilo Tons per Annum (KTA) of bioplastic resin exported in 2007 to an estimated [156 KTA in 2019](#). This increase reflects increased international demand for bioplastics, which are plastic materials produced from biomass sources such as agricultural by-products.

As one of the most popular kinds of bioplastic, Polylactic acid (PLA) shares many physical characteristics with conventional plastics that are made from fossil-fuel based petrochemicals. The Thai Industry Ministry predicts that the value of PLA exports will increase to [2.7 billion baht](#) this year, making Thailand the world's third largest exporter of this type of bioplastic.

The success of Thailand's bioplastics industry has already attracted significant international investment. In September 2019, Thailand saw the opening of the [second-largest PLA bioplastics plant in the world](#) – a joint venture between TotalEnergies, a French-led leader in oil and gas, and Amsterdam-based Corbion.

Many opportunities remain for market growth in bioplastics like PLA, due in large part to the wide availability of raw materials, as well as the range of government-backed incentives for bioplastic manufacturing. Investors can see excellent returns from this industry, provided they have a proper understanding of the market, and the incentives supporting bioplastics production in Thailand.

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Get in touch

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## Environmental plastic

A highly versatile material, PLA is one of the most widely known types of bioplastics. Through industrial processes, PLA can be created from renewable feedstocks like sugarcane, corn, sugar beet, cassava, and other types of biomass.

While containing many of the physical properties that make petrochemical-based plastics so useful, PLA has the advantage of being biodegradable and being virtually carbon-neutral. PLA is also recyclable, and, unlike its fossil-fuel based counterparts, is much less toxic if burnt or dumped into the environment.

PLA is already recognized as a greener alternative to conventional plastic. Uses include PLA packaging, toys, organic waste bags, and especially 3D printing materials. PLA is also a valuable material for medical implants due to its biocompatibility – meaning that it is non-toxic and can be absorbed by the human body.

These factors make PLA an increasingly popular replacement for conventional plastics, which are less environmentally friendly and rely on fossil fuels. As consumer awareness grows surrounding sustainability, recyclability and green packaging, international demand for PLA is likely to increase further. A [study conducted in March 2021](#) forecasts that global PLA market size will reach 1.82 billion US dollars (about 59.8 billion baht) by 2028.

## Seeds of growth

Thailand is fertile ground for exploring bioplastic production, thanks to the country's natural resources – and its flourishing agricultural sector. Thailand is currently the world's biggest exporter of cassava (with [over 60% of the global market](#)), and [the fifth largest](#) sugar producer. Cassava and sugarcane, along with their waste byproducts, are important sources of biomass that can be repurposed to make PLA and other bioplastics.

Any business seeking to operate its bioplastics business in Thailand will therefore have readily available access to large amounts of biomass resources. As industry demand grows, this access will prove to be increasingly valuable over time.



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## Government-backed market development

In addition to Thailand's abundant natural resources, several incentives have also been made available by the Thai government to support biotechnology companies. The government's three-pronged incentive model targets the [bioeconomy, circular economy, and green economy](#) (BCG) for sustainable development. The overall aim is to increase national growth while simultaneously responding to environmental issues – an effort that includes providing incentives for greener industries like bioplastic production.

In June 2019, Thailand's cabinet approved the promotion of bioplastic packaging, with tax deductions of up to 125% from January 2019 to December 2021 for companies that purchase and use bioplastics. This initiative encourages existing companies at different levels of production to increase their demand for bioplastic resins and products, including PLA.

Companies in the bioplastics sector may also be eligible for several tax-related incentives offered by Thailand's Board of Investment (BOI). Producers of PLA and other bioplastics may be eligible for a corporate tax exemption period; manufacturers of eco-friendly chemicals or eco-friendly products, such as PLA, may enjoy tax holidays of up to eight (8) years; and those in the bioplastics industry stand to receive import duty exemptions for machinery.

The BOI also offers non-tax incentives which may be particularly attractive to foreign investors. These include land ownership rights, a lift of foreign currency restrictions, and the ability to bring in expatriate talent.

These government incentives have already helped Thailand generate a wave of interest in its bioplastics industry. From January 2015 to March 2021, the BOI approved a total of 21 projects in the bioplastics value chain, with a combined investment value [in excess of 31 billion baht](#).

Earlier this year, for example, the BOI approved NatureWorks' application to invest more than 15 billion baht into PLA production. NatureWorks, a world-leading manufacturer of PLA products, plans to open its Thai facility by 2024.

Although bioplastics currently make up only one percent (1%) of the world's total production of conventional plastics, the [CAGR for this](#)

## About Us

### Foreign Direct Investment Practice Group

We are commercially-minded and solutions-oriented legal advisors whose every move is made with your objectives in mind. We act as trusted legal and business advisors to leading international private and public corporations, start-ups, private equity funds, and foreign individuals on all aspects of their foreign direct investment (FDI) transactions in Thailand.

Our team has extensive experience in providing legal services to international clients on every aspect of investing in or expanding their business in Thailand. We help foreign clients navigate Thailand's foreign ownership laws to ensure that their businesses are structured and are carried on in compliance with legal requirements. We also regularly work with US clients on obtaining benefits under the Thai-US Treaty of Amity and Economic Relations.

[industry is at 8%](#) – significantly higher than the 3-4% growth rate for fossil fuel plastics. Increased demand, incentives and industry investment all point to one conclusion: PLA is here to stay.

### All business is local

Thailand's natural resources make the country an excellent destination for investment in this field. And yet, even though conditions are very favorable, the journey from idea to reality is anything but simple. Obtaining the necessary licenses and permits requires great familiarity with the Thai legal system, and the BOI also demands that its rules be followed precisely on every incentive application.

Moreover, any successful business endeavor needs the benefit of local expertise. Securing government incentives is only the beginning; companies must understand the community in which they operate, and connect productively with the right business partners.

If you are looking for guidance on investment, or setting up a new bioplastics entity in Thailand, our highly qualified team of legal advisors can help. Contact Kudun & Partners today to get started.

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