



Flash by EIC

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Rubber City and the hope of Thai rubber industry amid challenges

Event

- Industrial Estate Authority of Thailand (IEAT) invited both foreign and Thai investors to participate in the Rubber City project during the Global Rubber & Latex Expo 2016 (GRTE2016) on 10 March 2016. Moreover, Thailand's Rubber City is now on an urgent implementation in accordance with the government's super cluster policy, which is expected to be completed in 2018. Its primary objectives are to boost domestic consumption of rubber and consequentially expand mid- and down-stream of rubber industry in Thailand.

Analysis

- **Kedah's Rubber City is being implemented in Malaysia as well.** According to Kedah State Government, Ku Abdul Rahman, the project is expected to complete the acquisitions and land clearing by the third quarter this year. This project is located just 80 kilometers away from Thailand's Rubber City. Malaysia aims to expand Kedah's Rubber City to over 6 million square meters by 2025, while Thailand's Rubber City currently has over 2 million square meters (excluding the southern industrial estate of 3.8 million square meters). Moreover, Indonesia is taking interest in investing in the Rubber City project as well.
- **If Thailand collaborates with Malaysia and Indonesia on developing the overall value-chain of the whole rubber industry, EIC assesses that rubber industry in Thailand will grow well in the near future.** In early this year, Thailand, Malaysia, and Indonesia, (accounting for 60% of total world production), joined hands to reduce exports quantities under the tri-party agreement to boost the domestic consumption of each country. Such cooperation to reduce export quantities was seen as the right solution, because it could help to reduce global rubber supply sustainably. In addition, the tri-party alliance of the three countries has shown cooperation for embracing strengths and tackling weaknesses, which will in turn help the whole rubber industry to grow in the long run.

Implication

- **EIC suggests investors carefully study Rubber City plans of Thailand and Malaysia before making investment decisions.** While similar projects are currently being implemented, the two countries may differ in their incentive schemes for investors. It would be best to select an appropriate scheme for investors' own businesses.

- Moreover Thai rubber entrepreneurs should find ways to become a part of the global value chain through international cooperation. If the tri-party cooperation becomes stronger and tightly knitted, the value chain of the rubber industry will transform itself into a super cluster internationally in the future. This opens up more opportunities that Thai rubber entrepreneurs should not over look.

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