Doing Business in Thailand

Thailand is the second economy of Southeast Asia and strategically located to serve markets in region and beyond. Besides an attractive production base, its 68 million-strong population provides an interesting consumer market. The Netherlands is Thailand’s largest EU investor and an important trading partner with an excellent reputation in exactly those areas which Thailand takes a particular interest in.

Thailand is the second economy of Southeast Asia after Indonesia with an estimated Gross Domestic Product (GDP) of 496.7 billion dollar (2018). It is an upper middle income country with an open, export-orientated economy, as export accounts for around half its GDP. The Kingdom is strategically located to serve markets in Southeast Asia, India and China, is a WTO member and has free trade agreements with China, Japan, South Korea, India, Australia and New Zealand. Its membership of the Association of Southeast Asian Nations (ASEAN) provides businesses in Thailand the advantages of the ASEAN Economic Community, a single market of over 640 million people covering 10 regional countries.

In 2016, the government introduced ‘Thailand 4.0’, an economic model that would lead Thailand to becoming a high-income country, focusing on creating a tech-centered innovative/value-based industry. ‘Thailand 4.0’ emphasizes economic prosperity, social wellbeing, human values and environmental protection.

In May 2014, the Thai army seized power ending months of unrest. While stability has been restored, political divisions remain unresolved and the country awaits the democratic elections planned for early 2019.

Despite Thailand’s modest economic growth amidst the domestic political turmoil, the country provides many business opportunities for Dutch businesses. This is in particular true for those entrepreneurs focusing on agri-food and horticulture, sustainability and transportation & logistics.

Priority sectors

Agri-food and horticulture

The Thai agriculture industry makes up a large part of the Thai GDP (8.7%) and provides work for 40% of its population (2017). Thailand’s abundant natural resources provide the Kingdom with a key competitive advantage over its regional and global competitors in the food processing industry. The country is among the world’s leading suppliers of commodities such as rice, sugar and cassava, as well as a leading provider of fresh and canned fish, shrimp, and a variety of fruits and vegetables. Moreover, the Thai food processing industry comprises more than 10,000 food-processing companies.
Being such a significant player in the global food market, the Thai government attempts to promote the implementation of international standards on food safety and hygiene and to increase advanced technology investment to safeguard Thailand’s position as a world leader in the agri-food industry. The Thai government has also decided to emphasize upgrading small and medium sized enterprises and smart farming.

Sustainability

In Thailand’s National Strategy Plan (2018-2037), sustainability and ‘Eco-Friendly Development and Growth’ are mentioned as key aspects. Thailand plans to adapt its socio-economic policies to enhance sustainable development, whilst optimizing trade and investment.

Circular Economy

Although the Circular Economy (CE) debate in Thailand is not (yet) as big as in the EU, Thailand is currently looking for an approach to combine its economic growth without further damaging the environment. This includes establishing institutional structures and implementing the right technologies to limit natural resource depletion and facilitate environmental and waste management. Accordingly, the Ministry of Science and Technology has recently launched the BCG Model (Bioeconomy, Circular Economy and Green Economy) as a driver for economic growth. Therefore, now would be the right time to integrate Dutch CE-initiatives within Thailand.

Renewable Energy

To increase the share of renewable energy in its energy mix, the Thai Government developed a twenty-year Alternative Energy and Development Plan, AEDP (2015-2036). This plan aims to increase alternative energy consumption to 20 percent in 2021. Renewable resources available include solar, wind, hydropower and - due to its large agricultural sector - bioenergy and biofuel. With regards to e-mobility, the government wants to increase the number of electric vehicles to 1.2 million by 2036. Please consult our fact-sheet on E-Mobility in Thailand on our website for more information.

Waste

Thailand is the world’s sixth biggest contributor to ocean waste and generates 1.03 million tons of plastic waste per year. The impact of this waste poses a danger to the tourism industry, a major industry that accounts for 18% of Thailand’s GDP (2016). Thailand has been called ‘garbage bin of the world’ due to waste import, but it has recently announced that it will stop importing waste as of 2021, following China and neighboring countries, and wants to start banning single use plastics as of 2022. Current challenges are: ineffective waste management, faulty waste segregation in waste-to-energy plants, dealing with environmental (marine) pollution and lack of tackling the issue from the source by reducing, reusing and recycling waste.

Transport & logistics

Over the past two decades, overall international trade with Thailand has grown by a staggering 600%. Manufacturing exports in particular have increased, now accounting for over three-quarters of total exports. The country is geographically positioned as one of Asia’s major trading hubs, and in line with ‘Thailand 4.0’, the government sees major opportunities in developing the country’s role in this field. This is particularly true for the airfreight, marine, trucking and railway industries. Thailand’s Transport Infrastructure Development Strategy (TIDS) for the period of 2015-2022 and Eastern Economic Corridor (EEC), a special economic zone designed to be the prime gateway to the region, are important frameworks for the development of Thai infrastructure.

At the moment, congested ports and waterways are hindering Thailand’s ambitions to become the regional transport hub. Therefore, an important objective of this ambition is increasing and improving the water transport network, including the development of inland and coastal ports. The implementation of these frameworks demands (advisory) services and supply of technology in dredging, port development and harbor logistics.
After the completion of the EEC, that will link Southeast Asia with China, Thailand will likely witness increasingly heavy trade flows. The country’s position as regional transport hub will be strengthened in the coming years as infrastructure connections to China and the rest of Southeast Asia are improved with a deep-sea port, air cargo facilities and high-speed train. For more information about the EEC and Thailand’s transport & logistics sector, please consult the Eastern Economic Corridor fact-sheet published on our website.

Do’s and don’ts in Thailand

Be prepared
Before coming to Thailand, good preparation is essential. Get to know more about the country, its economic and political climate and its culture. Make good use of the knowledge and services available from government authorities and branch organizations. Talk to entrepreneurs with experience with doing business in Thailand, for example via the Netherlands-Thai Chamber of Commerce or MKB Thailand.

Build relationships
Building and maintaining good relationships is essential for doing business in Thailand. A reliable local partner can speed up the preparatory work considerably.

Understand business etiquette
• Do prepare some business cards, as they are important and widely used.
• The formal term of address for Thai people, men or women, is “Khun”, followed by the first name (i.e. Mr. Napat Meesuk, so call him Khun Napat).
• English is business language; however, in case of meetings with SMEs, do find reliable interpreters for profound business discussions.
• The safe dress code is to go formal and use conservative colors. Handshakes are common when Thais greet foreigners; however, since body contact in Thai culture is kept to a minimum, handshakes tend to be brief, especially with women.
• Do not be surprised if Thai people are smiling or laughing, even if you feel that the circumstances do not warrant such behavior.

• Do show up exactly on the agreed time either for dinner or working meetings, especially at meetings with the authorities and introductory/first business meetings.
• Do avoid conflict (loss of face). Be patient: very often things do not move at the same pace as in the Netherlands.
• Do follow-up immediately in writing any agreement you feel you may have reached. Yes, may not mean “yes”. It may mean “yes, I understand what you are saying”.
• During and around Songkran, the Thai New Year’s holiday which takes place from 13 to 15 April, everything in the country is put on hold, including business.

Challenges
• Thailand has an unpredictable political situation and has had five coups d’etat since 1981. Around the political turmoil that lead to the 2014 coupe, GDP growth dropped from 7.2% in 2012 to 1.0% in 2014.
• Corruption can pose a serious barrier for doing business in Thailand. Corruption is a criminal offence in both Thailand and the Netherlands, even if it takes place abroad. For more information on avoiding corruption, see RVO’s CSR Passport.
• Make sure you do due diligence prior to entering into contracts or other commercial arrangements and don’t underestimate the need for quality checks in Thailand. Grey areas cannot always be clarified, and should be recognized as a potential risky element.
• Outdated or unclear regulations are common challenges in Thailand. Seek proper (legal) advice, in particular regarding customs and tax issues.
• Thailand has lacking intellectual property rights protection and enforcement, including lengthy procedures.
• Foreign business ownership of a Thai Limited Company (Ltd.) is limited to max. 49% of the shares. Also, having a Thai nominee shareholder to hold the remaining 51% of company shares is a violation of the Foreign Business Act, as you need at least three shareholders. Foreign companies are subject to stricter laws.
• Thailand has strict immigration rules. It is illegal to work with a tourist visa. Getting a non-Immigrant Visa “B” (business and work) is a timely procedure and requires proof of business conduct.
Official name | The Kingdom of Thailand  
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Government type | Constitutional Monarchy  
Head of State: HM King Maha Vajiralongkorn Bodindradebayavarangkun  
Head of Government: General Prayut Chan-o-cha  
Population | 68 million (January 2019)  
Area | 514,000 km² (15 times bigger than the Netherlands), coastline 3,219 km  
Main cities | Bangkok (capital, metropolital area 15 million), Nakhon Ratchasima, Chiang Mai, Hat Yai, Udon Thani  
Time difference | + 6 hrs. (NL winter time), + 5 hrs. (NL summer time)  
Currency | Thai Baht (THB); EUR 1 = THB 36.13 (17/01/2019)  
GDP growth rate | 3.9% (2017), 3.3% (2016), 3.0% (2015), 1.0% (2014), 2.9% (2013), 7.2% (2012)  
FDI | 2017: Registered FDI USD 8.0bn (1.8% GDP), 2016: Registered FDI USD 2.8bn (0.7% GDP)  
Trade volume | 2017: USD 438.3 bn (export: USD 235.1bn, import USD 203.2bn)  
Inflation | 0.9% (2018)  
Global Competitiveness Index | Rank 32/137 (2017/2018)  
Ease of Doing Business | 27 of 190 (2018)  
Global Corruption Perception Index | 96 of 180 (2017)  
Memberships | WTO, ASEAN (ASEAN+3, ASEAN+6), BIMSTEC, TAFTA, JTEPA, EFTA  
Main trading partners | United States, China, Japan, EU, Hong Kong, China, Australia, Malaysia and Korea, Rep.  
Major exports | Cars, automotive parts and accessories, computer equipment, precious stones and accessories, refine fuels, plastic pellets, chemicals products, rubber, machinery and parts, electronic integrated circuits  
Major imports | Crude oil, machinery & parts, electrical machinery & parts, chemical products, iron, steel products, electrical circuit boards, auto parts & accessories, other metal ores, jewellery (including silver bars and gold), computer equipment & parts  
Netherlands FDI in Thailand | The Netherlands is the biggest cumulative EU investor in Thailand (total USD 15bn by the end of 2018)  
Dutch – Thai trade | The Netherlands is the 2nd EU trading partner for Thailand (trade volume 2017: USD 4.6 bn)  

We support your business

The Netherlands Embassy in Bangkok offers active support to Dutch companies already present in Thailand and Dutch companies interested in doing business in Thailand. Our main services include the following:
- Providing information on sectors and rules and regulations.
- Finding potential business partners.
- Supporting trade missions and visiting programs to Thailand.
- Organising meetings with relevant authorities at local, provincial or government level.
- Monitoring business opportunities.
- Trouble shooting and advice on resolving disputes.
- Advising on available instruments and services.
- Promoting Dutch business in Thailand.

The Netherlands government supports enterprises which implement Corporate Social Responsibility (CSR). Enterprises should put in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders.

For more information, please see the RVO’s CSR Passport.

Business support instruments

The Netherlands Government has developed several instruments to support Dutch companies in doing business in Thailand. For more information, please visit the Thailand page of the Netherlands Enterprise Agency (RVO) at www.rvo.nl/Thailand.

‘NL Exporteert’ is a free app designed for entrepreneurs with international ambitions. It provides information on events, the do’s and don’ts of doing business, economic data and financing possibilities. Available in the App Store (iOS) or via Google Play.

Other relevant contacts
- Netherlands honorary consulate in Phuket: dutchhcp@gmail.com
- Netherlands Enterprise Agency (RVO): www.rvo.nl
- The Netherlands-Thai Chamber of Commerce (NTCC): www.ntccthailand.org
- MKB Thailand: www.mkbthailand.com

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