

# U.S. Country Commercial Guides



## Thailand 2018

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## **Doing Business in Thailand**

### **Market Overview**

Thailand, the second largest economy in ASEAN after Indonesia, is an upper middle-income country with an open economy, a gross domestic product (GDP) of \$479 billion, and 3.9% growth in 2017.

Thailand is the 26th largest export destination for the United States. Among countries in Asia, Thailand ranks as the United States' 9th largest export destination after China, Japan, Hong Kong, South Korea, Singapore, Taiwan, India, and Malaysia. Two-way trade of goods and services in 2017 averaged \$42 billion, with \$31.2 billion in Thai exports to the U.S. and \$10.8 billion in U.S. exports to Thailand.

U.S. exports to Thailand increased by 3.8%, while U.S. imports from Thailand increased by 5.8% for the same period in 2017.

An export-dependent economy, Thailand exported a total of \$236 billion in 2017. The United States was Thailand's second largest export market (11.2%), led by China (12.4%) and followed by Japan (9.4%). The top ten export items were machinery including computers (17%), electrical equipment (14.4%), vehicles (12.1%), rubber (6.9%), gems (5.4%), plastics (5.4%), minerals (3.5%), meat and seafood preparations (2.7%), optical/technical/medical apparatus (2.4%), and cereals (2.3%).

Thailand is one of the world's most visited countries, and tourism is vital to the Thai economy; it contributed approximately 9.4% of the country's GDP in 2017. Tourism is expected to rise by 7.8% in 2018. Thailand recorded 35.4 million tourist arrivals in 2017, an 8.8% increase on the previous year. The nine main airports of Thailand served a record 129.2 million passengers (including 1 million Americans), up from 121.7 million recorded in 2016.

In 2017, the Thai economy grew by 3.9%, improving from 3.2% in 2016. Private consumption and total investment increased by 3.2% and 0.9% respectively. Export value grew by 9.7% while inflation averaged 0.7% and the current account remained in a surplus of 10.8% of GDP.

The Thai economy is projected to grow by 4.2% to 4.7% in 2018, mainly supported by the acceleration of world economic growth, the expansion of government expenditure, and the acceleration of public investment of key infrastructure projects.

To promote infrastructure development, Thailand has published the Eastern Economic Corridor (EEC) Act to support EEC development of integrate related infrastructure and utilities to connect land, sea, and air through high-speed rail links, ports, and airports. The EEC scheme covers 30 existing and new industrial zones, with expected investment of \$55 billion in 3 eastern provinces — Chachoengsao, Chon Buri, and Rayong. The EEC's targeted industries include next-generation cars, smart electronics, medical, wellness tourism, agriculture and biotechnology, food, robotics, aviation, biofuels, and digital technologies. Risk factors include the economic situations of trading partners, fluctuations of money markets, and uncertainty in international economic policies and international politics.

### **Market Challenges**

In May 2014, the Thai military suspended the constitution and took control of the government in a coup d'état. Reforms have been ongoing as a new constitution was drafted and a constitutional referendum secured approval in August 2016. The current administration has announced its intent to hold general elections in early 2019.. With slightly accelerated growth in 2017, Thailand's economy has remained stable despite its challenges over the past 3 years.

Thai industries face intense competition from both global and domestic suppliers of goods and services. Many domestic companies are family businesses that span generations and are now led by second and third generation businessmen and women who are highly educated and possess deep knowledge of their industries.

Thai consumers are price conscious and generally served by local suppliers and low-priced imports. U.S. exporters with products that are competitive for reasons other than price should work with a local partner to undertake an appropriate market entry strategy.

High tariffs in many sectors remain an impediment to market access. While Thailand's applied most favored nation (MFN) rate averaged 10.7% in 2014, ad valorem tariffs can be as high as 50 to 80% and the ad valorem equivalent of some specific tariffs (charged mostly on agricultural products) is even higher. About one-third of Thailand's MFN tariff schedule involves duties of less than 5%. Almost 30% of tariff lines are MFN duty free, including products such as chemicals, electronics, industrial machinery, and paper. Thailand has bound all tariffs on agricultural products in the WTO, but only approximately 70% of its tariff lines are on industrial products. The highest ad valorem tariff rates apply to imports competing with locally produced goods, such as automobiles and automotive parts, motorcycles, beef, pork, poultry, tea, tobacco, flowers, wine, beer and spirits, and textiles and apparel.

Despite the new Thai Public Procurement Act, that has been in effect since August 2017, corruption and lack of transparency in government procurements are major concerns for U.S. companies. Where corruption is suspected during the bidding process, government agencies and state enterprises reserve the right to accept or reject any or all bids at any time and may also modify the technical requirements. This allows considerable leeway for government agencies and state-owned enterprises to manage procurements, while denying bidders recourse to challenge procedures. There are frequent reports that the Thai government makes changes to technical requirements for this purpose during the course of procurements. Despite a Thai government commitment to transparency in government procurement, U.S. companies and the Thai media continue to report allegations of irregularities. Thailand is not party to the World Trade Organization Agreement on Government Procurement; it obtained observer status in June 2015.

Customs law in Thailand does not fulfill the standards established by The International Convention on the Simplification and Harmonization of Customs Procedures, otherwise known as "the Kyoto Convention." Major problem areas include Thailand's Customs Penalty Regime and Customs Valuation Procedures. The penalty for undervaluing imports into Thailand, even if done through negligence or by mistake, can result in a prison sentence of up to 10 years. The system is incentivized by the distribution of rewards from these penalty payments to customs officials involved in the investigation of each case. Additionally, the procedure for determining "Customs Value" remains opaque as the valuation methodologies, determined by Ministerial Regulations, are subject to frequent change. Confusion over the guidelines can lead to increased risk of misinterpretation and misapplication of goods valuation methods.

U.S. businesses operating in Thailand should be aware that the government recently amended its Civil Procedure Code to include class-action lawsuit provisions. This amendment increases the rule of law and consumer protection in Thailand, but it may leave some businesses at higher risk. This may result in higher insurance premiums, especially for small businesses.

The regulatory environment protecting intellectual property in Thailand is at times difficult to navigate. In recent years, Thai authorities have increased their efforts to improve intellectual property protection and the enforcement environment. There have been noticeable improvements in the patent and trademark registration process, and a significant reduction in counterfeit and pirated hard goods. These improvements were contributing factors in the U.S. Trade Representative's decision to move Thailand from the Special 301 Priority Watch List to Watch List, at the end of 2017. While counterfeiting of hard goods such as DVDs, CDs, and apparel has decreased, online counterfeiting and piracy remains a significant challenge. Enforcement of

intellectual property rights in the digital environment continues to be a challenge for stakeholders and Thai authorities.

More information regarding intellectual property rights challenges in Thailand can be found in Chapter Four under “Protecting your Intellectual Property Rights”.

### **Market Opportunities**

Thailand maintains an open, market-oriented economy, and encourages foreign direct investment as a means of promoting economic development, employment, and technology transfer. Thailand continues to be a prominent destination for foreign direct investment, and many U.S. multinational and small- and medium-sized companies alike have invested successfully in the country. Thailand continues to welcome investment from all countries and seeks to avoid dependence on any one country as a source of investment.

Thailand’s economic growth has created opportunities for U.S. companies in a number of infrastructure sectors including electrical power, telecommunications, and renewable energy. In the recent Thai government initiative for the Eastern Economic Corridor (EEC), industry clusters offer opportunities in the following industrial activities: biotechnology, advanced manufacturing, high value business services, and creative and digital industries.

Thai consumers are also creating new market opportunities for U.S. medical products, automotive accessories, agricultural equipment, chemicals, cosmetics, food supplements, outdoor recreation equipment, franchising, and educational services among others. Thailand continues to look for U.S. suppliers of aerospace and defense equipment, broadcast equipment, food processing, packaging equipment, and environmental technologies.

### **Market Entry Strategy**

Partnering with a local agent or distributor is the most effective way to enter the Thai market and reach potential Thai buyers. The agent or distributor can facilitate and expedite market entry with their extensive market knowledge and established distribution networks and relationships with key business and government officials. The Commercial Section at the U.S. Embassy in Bangkok provides a series of customized business development services to assist U.S. firms planning to enter or grow their presence in the market.

## **Political Environment**

### **Political Environment**

For more information on U.S. relations with Thailand, visit the following website updated by <http://www.State.gov/r/pa/ei/bgn/>



## **Selling US Products & Services**

### **Using an Agent to Sell US Products and Services**

Although Thai law does not require the use of local agents or distributors, it is one of the most efficient and effective ways to enter the market in Thailand. A key aspect of business culture in Thailand is interpersonal relationships which drive business development and transactions. Thailand based agents and distributors are accustomed to local business practices and requirements and as such they are well positioned to develop and execute business in the market. In addition, local agents and distributors typically manage regulatory affairs, acquire required import permits, manage custom clearance, and other logistics for U.S. exporters.

U.S. exporters must invest sufficient time and attention in selecting a qualified local partner and provide training for marketing and technical support. Frequent contact with local representatives is essential in order to cultivate a productive working relationship.

Some of the best ways to locate an agent or distributor in Thailand are to:

- Use the International Partner Search Service (IPS), Gold Key Service (GKS), or Video Gold Key Service available from the Commercial Section, U.S. Embassy Bangkok.
- Order an IPS report that provides a listing of Thai companies that have been interviewed and hand-selected by the Commercial Specialist responsible for your industry sector. These companies have examined your product literature and company profile and expressed significant interest in exploring a potential business relationship with your firm. You will receive a company profile and contact information for each Thai company that expresses interest in your product or services.
- Should you plan to visit Thailand following your receipt of the IPS report, we recommend utilizing our GKS. Under the GKS, a Commercial Specialist will arrange one-on-one meetings with each potential Thai representative, arrange hotel and transportation, and accompany you to meetings. If you are not in a position to travel to Thailand but wish to have face-to-face discussions with the Thai candidates, we can arrange “virtual” meetings by videoconference under our Video Gold Key Service. If you do not have access to videoconferencing equipment, you can go to the nearest U.S. Department of Commerce Export Assistance Center in the United States to use our video equipment. A searchable directory of these centers may be found at the following website: [U.S. Commercial Services Offices](#).
- If you travel to the region to execute one of our fee-based services, we strongly encourage you to consider undertaking a similar service in another market. Staff at your local Export Assistance Center can help facilitate a multi-market visit to the region.
- Participation in trade exhibitions in Thailand can also be an effective mean to test the market and locate serious agents or distributors in Thailand. Contact the Commercial Section at the U.S. Embassy in Thailand to learn more about regional trade events.

### **Establishing an Office**

The primary organizational structures for commercial enterprises are sole proprietorships, partnerships, limited liability companies, joint ventures, or foreign branch operations. The organizational structure is similar in nature to those found in the United States; however, limited liability companies are more often privately held rather than public corporations. The majority of foreign corporations operating in Thailand do so through private limited liability companies.

There are three major forms of partnership in Thailand:

- Unregistered ordinary partnership
- Registered ordinary partnership
- Limited partnership

As in the United States, each form of partnership has different levels of liability for partners and different tax consequences for the partners and partnerships. If a company chooses to be a formal organization, it may decide to form a private limited company or a public limited company. Generally, a private limited company is similar to a U.S. privately held corporation while the latter may offer shares to the public.

Thailand also offers the possibility of establishing a representative or a regional office for companies engaged in non-revenue generating activities. Typically these offices engage in market research and assessment, provide quality control and purchasing services to a head foreign office, or provide warranty support services for products sold by the company's head office to the Thai market.

In any process of establishing an office, individuals and companies are strongly advised to consult with legal or other professional advisors during the beginning stages of business planning to ensure compliance with all applicable laws and regulations and to ensure selection of the optimal business structure for their activities in Thailand. American firms should also ensure there are no restrictions on foreign entity participation in a particular sector, whether there are import licenses or other special licenses required and identify special incentives that may be available from Thai organizations such as the Board of Investment (BOI) and the Industrial Estate Authority (IEAT).

The U.S.-Thai Treaty of Amity and Economic Relations of 1833, commonly referred to as the Treaty of Amity, allows U.S. majority-owned businesses, incorporated either in the United States or in Thailand, to operate in almost identical fashion to Thai corporate entities. As a result, U.S. corporations may establish majority or wholly owned subsidiaries or branch offices in Thailand without the constraints that other foreign firms face from the Alien Business Law. However, there are still government restrictions in the following areas: communications, transport, banking, exploitation of land and natural resources, and the trade of domestic agricultural products. To register under the Treaty of Amity, a U.S. company should obtain documents from the Commercial Section at the U.S. Embassy in Bangkok, and file an application with the Department of Commercial Registration at the Thai Ministry of Commerce.

## **Franchising**

The franchise industry is still very popular among Thai investors and has been successful in the Thai market. There were 561 franchise concepts in 2017, representing 5% year-on-year growth in the last 12 months, according to the Thai Franchise Association report. The franchise revenue was \$5.9 billion in 2017; 95% of that was from local franchise businesses and the other 5% from international franchise businesses. It is expected that the number of international franchise brands will be increasing by 10% in the next 3 – 5 years due to interest by Thai businessmen in bringing more international brands into Thailand and diversifying their investment portfolios. Restaurants, quick service, and casual dining have the largest market share of about 23%, while food and beverage (including coffee shops) are second with about 22%. Education service franchises (including education and child development) come in third with approximately 18% of the share. Though international franchise systems are few in number, they control 60% of the total market value.

The United States is the leader among international franchises and controls 65% of the international market. The quality, standards, brands, and innovations offered by U.S. franchises are well known to potential Thai investors. However, franchising fees required by U.S. companies are perceived as very high, and start-ups require a huge capital investment.

Pioneers of American franchise brands include: KFC, McDonalds, Burger King, Carl's Junior, Starbucks, Swensen's, Au Bon Pain, Pizza Hut, Krispy Kreme, IHOP, Cinnabon, Baskin Robbins, A&W, Subway, Coffee Beans and Tea Leaf, 7 – Eleven, Outback Steak House, Sizzler, Domino's Pizza, Dunkin Donuts, and Anytime Fitness to name a few. American franchise brands face strong competition from Taiwanese, Japanese, and Korean franchises that have gained popularity among local consumers and account for the majority of new market entrants in recent years. There are approximately 30 Japanese restaurant brands currently in the market.

Potential demand for American food franchises exist among expatriates and tourists. Thailand's growing affluence and the increasing popularity of American products also enhance the growth potential for American franchises. In addition to offering products and services that are well liked by Thai consumers, identifying a strong local partner, with strong financial capabilities and experience in franchising, is a key factor.

### **Direct Marketing**

Direct marketing is an effective means to share information of products and services to consumers through a variety of media from both traditional and online channels, including online advertisements, email, websites, cell phones, television, catalogs, radio, and newspaper. As a result of mobile application development and online marketing, the marketers are able to connect and engage with potential consumers effectively. Online media has played an important role in direct marketing. Thai people on average spend at least 65 hours per week on a computer and over 31.5 hours per week on mobile phones. The Thai Direct Selling Association forecasts the direct sales business to expand by 5% annually. With a sales volume of \$2 billion and the number of individual direct sellers totaling 11 million, direct marketing is used widely in the sale of health care products, cosmetics, cleaning and household items, insurance (life and non-life), and electrical appliances. Major direct marketing companies from the United States include: Amway, Nu Skin, Herbal Life, Unicity Marketing, and Sun Rider International. Avon decided to exit Thailand's market at the end of 2016 as part of the company's global transformation plan. Despite the success of direct marketing in the Thai market, poor consumer protection laws and enforcement hinder growth potential in the market. Many problems still need to be solved, such as poor product quality, loss during delivery, refund policies, and protection of intellectual property rights.

Direct marketing and mail order sales have benefited from the use of individual credit cards in Thailand. Credit cards stretch the buying power of Thai consumers and facilitate retail sales through non-traditional means, such as mail order and electronic commerce. Leading the market in this sector is Citibank and American Express. Most major department stores in Thailand conduct direct marketing via mail order campaigns through their own networks of discount cardholders. Installment plan sales of household consumer goods and electrical appliances are gaining popularity among consumers, especially in rural areas.

TV home shopping continues to be popular in Thailand. More international operators of home shopping, mostly from South Korea, have entered the Thai market in joint ventures with local retail operators. Product quality is a major concern for most buyers. Thai consumers tend to order products online for convenience and because the product price is cheap.

### **Joint Ventures/Licensing**

Joint ventures (JVs) and licensing agreements are important market entry strategies for American exporters to Thailand. In many cases, the only way to overcome costly freight charges, high tariffs, and competition from cheaper local goods is via local production. Thailand's Civil and Commercial Code has a section on General Contracts, which broadly governs all contractual business relationships and transactions. Depending on the nature of the contract, the Public Companies Act and Alien Business Act include provisions pertaining to joint venture agreements which American firms should be aware of before signing with any Thai business partners. (Please note that any provision of the contract that is deemed to be contrary to public order or morality will be void). Joint venture partnerships with funding support, technology transfer, and training components are effective mechanisms to achieve success.

Many Thai firms are actively seeking U.S. joint venture partners that, in addition to much needed capital, can also bring technical, marketing, and management skills to the business relationship. In turn, Thai firms generally offer assets, such as valuable local vendor and government contacts and established business

relationships in the region. A number of U.S. companies have already entered into strategic joint-venture relationships with Thai partners in Indochina and China.

The Commercial Section at the U.S. Embassy in Bangkok can provide assistance to American firms seeking potential joint venture partners in Thailand through various business development services.

### **Selling to the Government**

U.S. exporters interested in selling to the Thai government have opportunities in key fields such as electrical power systems, renewable and alternative energy, petroleum refining and petrochemicals, telecommunications, transportation, information and communications technology, environmental technologies, health care, and commercial defense among others.

The key to successful bidding on Thai government contracts and supply tenders is to have a reputable local representative with good access to the procuring agency and knowledge of specific procurement requirements. Without this intermediary, it is very difficult to win a government project – procurement is decentralized among more than 200 government agencies and state enterprises. Representatives are accepted as legitimate players in the bidding process. Agents often provide an early "heads up" to U.S. firms when they hear of attractive tenders. Before tenders are issued, agents help to ensure a principal's product will meet the required tender specifications.

Companies bidding on government projects should note that training and after-sales services on all equipment purchases are important features considered in the review of all proposals. U.S. companies should plan to build additional training costs and expenses into the bid. American firms may find it more cost effective to send engineers or specialists to train bigger groups of employees at a plant or specialized government facility, such as a military installation.

A specific set of rules, commonly referred to as the "Prime Minister's Office's Procurement Regulations," governs public sector procurement. These regulations require non-discriminatory treatment and open competition be accorded to all potential bidders. However, the system is not entirely transparent. The Thai government is not a signatory to the WTO Agreement on Government Procurement. Some feel the Thai Government does not always provide a level playing field for foreign bidders. Generally, the procuring government agency provides preferential treatment to some foreign suppliers, and domestic suppliers who, under a "Buy Thai" policy, receive an automatic price advantage of 3-7% rate (depending on the product) in the initial bid round evaluations. International companies may bid without an agent if the government agency or state enterprise in charge of the project allows. If the project is funded by foreign loans, then it will be treated as an international bid. The "two envelope" system is commonly used, with technical evaluations of bids conducted separately from cost evaluations. In some instances, a Request for Information (RFI) or a Request for Conceptual Model (RCM) may be issued to solicit interests from potential bidders ahead of an official tender announcement. The procuring government agency reserves the right to accept or reject any or all bids at any time and is not bound to approve the lowest bid. The procuring government agency may also modify the technical requirements during the bidding process. This flexibility can prove frustrating to bidders. In the past, charges have been issued so that changes are made for special considerations.

In 2005, in an effort to encourage greater transparency, the Ministry of Finance announced regulations creating electronic auctions for government procurement. An e-auction works like a reverse auction, with the purchasing agency announcing it wants to buy certain goods or services, and prospective suppliers bid via the Internet. The lowest qualified bidder wins. An e-auction must be used on procurements greater than 2 million baht (approximately US \$58,000), but agencies are free to use e-auctions for lesser value procurements if they wish.

The status and powers of the National Counter-Corruption Commission (NCCC) have been enhanced, giving it independence from all branches of government. The members of the Commission sit on the NCCC for a term of nine years with no renewal and report to their own chairperson. Individuals holding high political positions, and

members of their immediate families, are now required to list their assets and liabilities prior to assuming and upon leaving office. It appears that there is an increasing will to enforce transparency in government procurements. However, the autonomy and transparency of the NCCC has not truly been tested; the appointment of individual commission members and accusations of conflicts of interest are still publicly questioned in the Thai media.

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to the “Project Financing” sub-section in “Trade & Project Financing” section below for more information.

### **Distribution & Sales Channels**

Distribution and sales of industrial goods in Thailand are normally conducted through two channels:

- U.S. exporter, to Thai importer, to Thai end-user
- U.S. exporter directly to Thai end-user

The selection of distribution and sales channels depends largely on the type of product and the end-user. Exporters of products that require after-sales service should have a Thai importer representing them locally. A local agent or distributor can respond more quickly to provide service and parts replacement. Accordingly, the end-user’s confidence will increase if there is a place where they can receive near immediate assistance any time a machine breaks down. Also, the end-user generally feels more comfortable dealing with a local agent or distributor since there are no language or distance barriers. The agent or distributor also facilitates customs procedures for end-users. It should be noted that, in general, only local agents, distributors, or manufacturers’ branch offices in Thailand are eligible to enter day-to-day bidding for routine government tenders. Please also see the sections in this chapter on “Selling Factors” and “Selling to the Government” for more detailed information about bidding on projects by international bidders.

For consumer goods, there are generally three distribution and sales channels:

- U.S. exporter, to Thai importer, to Thai retailer, to Thai end-user
- U.S. exporter, to Thai importer, to Thai wholesaler, retailer, and end-user
- U.S. exporter, to Thai retailer, to end-user

Perishable consumer goods tend to go through the first channel, which is the fastest. In this instance, importers tend to act as wholesalers at the same time. Non-perishable consumer goods normally go through the second or third channel. The second channel seems to be the most favored, especially with lower-priced items, since there are over 250,000 (mostly small) retail outlets in Thailand. Working through wholesalers will promote better market coverage.

### **Express Delivery**

In Thailand, there are thirteen major airports each with more than a million passengers arriving every year. These airports are operated by various organizations such as Airport of Thailand Public Company Limited (AOT), Department of Airports, Bangkok Airways, and the Royal Thai Navy. The major airport facilities serve both domestic and international flights. Suvarnabhumi International Airport, which is designated as the country’s main airport, has the capacity to serve 350,508 flights, accommodate 60 million passengers, and facilitate 1.4 million tons of freight a year.

In FY 2017, the number of aircraft movements for freight at the 9 major international airports reached 833,082 flights with 427,845 international flights and 405,237 domestic flights. The total freight and postal parcel volume amounted to 1,594,913 tons, including 1,482,131 tons of international freight and 112,782 tons of domestic freight.

Cost of Express Postal Service from Bangkok, Effective January 1, 2018

(Rates exclude special fee and fuel surcharge)

\* Excluding China (South)

Destination	10kg Box (41.5 x 34 x 27 cm)		Additional rate per kg above 10kg and up to 20kg		25kg Box (56 x 44 x 35 cm)		Additional rate per kg above 25kg and up to 44kg	
	Baht	US\$	Baht	US\$	Baht	US\$	Baht	US\$
Australia	4,039	130.29	195	6.29	5,994	193.35	195	6.29
China*	4,039	130.29	195	6.29	5,994	193.35	195	6.29
France	4,883	157.50	203	6.50	6,914	223.03	203	6.50
Hong Kong	2,944	94.96	158	5.09	4,528	146.06	158	5.09
India	4,733	152.68	195	6.29	6,684	215.61	195	6.29
Singapore	2,944	94.96	158	5.09	4,528	146.06	158	5.09
South Africa	7,941	256.16	448	14.45	12,425	400.80	448	14.45
UK	2,944	94.96	158	5.09	4,528	146.06	158	5.09
USA	5,004	161.41	207	6.67	7,083	228.48	207	6.67

(1US\$=31 Baht)

### Selling Factors & Techniques

Price, quality, and availability of service are the key selling factors in Thailand. In addition, relationships are also significant in selling products and services in Thailand, especially to the government. Therefore, U.S. suppliers are strongly encouraged to seek partnership with a local agent or distributor and provide training for marketing and the technical support staff as the basis for successful market entry and expansion in Thailand.

### eCommerce

#### Overview

The eCommerce market in Southeast Asia is one of the fastest-growing and most promising with its projection to grow to \$11 billion in 2025. According to the Electronic Transactions Development Agency, in 2017 the total eCommerce market in Thailand was estimated at \$2 billion. The total Thai eCommerce revenue is expected to reach \$3.5 billion in 2018. The driving factors arise from increased Internet and mobile phone use as well as improved logistics and e-payment systems. This creates heightened convenience and consumer confidence to shop online. In addition, the quality and reliability of online shopping services have improved significantly, and the acceptance of eCommerce has increased throughout the country.

Further, the Thai government focuses on its "Thailand 4.0" policy, which includes allocating a budget for the specific purpose of constructing a broadband network for all villages across the country. Having a nationwide broadband network will help bridge the digital divide and promote modern economic development through the eCommerce channel. Moreover, the government has a vision of creating the next generation of digital application platforms to accommodate and promote online activities including e-marketplace, e-payments, and e-

government. Eventually, the goal is for villagers to start doing eCommerce businesses for their local products and services.

#### Current Market Trends and Domestic eCommerce (B2C)

eCommerce platforms in Thailand are divided into three categories: business-to-business (B2B) transactions, business-to-consumer (B2C) transactions, and business-to-government (B2G) transactions. Among the three groups of transactions, B2B transactions are the largest and account for 55%, followed by B2C transactions at 29% and B2G transactions at 16% respectively.

According to the global marketing research firm, Nielsen, Thailand's online retail eCommerce market, excluding online travel, will reach \$3 billion by 2020, an increase of \$2 billion since 2015.

#### Cross-Border eCommerce

The eCommerce market in Thailand is currently the second largest in Southeast Asia and is expected to grow around 22% annually until 2020. With support from the Thai government, a "Digital Thailand" initiative, that started in 2016, has brought about a wave of opportunities for businesses across different industries to digitize their operations and services, especially for SMEs seeking to undergo digital transformation. As a result, cross-border market opportunities offer growth rates of approximately 25%, which is well above those found in most traditional retail markets. Cross-border B2C eCommerce is estimated to grow to \$1 trillion in 2020.

#### B2B eCommerce

B2B eCommerce in Thailand is also growing rapidly due to Internet development and mobile transformation. According to the Electronic Transaction Development Agency, the sectors using eCommerce platforms to increase their productivity include the food and service sector with 31%, followed by manufacturing at 16%, and retail and wholesale at 15%. Interestingly, demand for eCommerce services is coming not only from Bangkok but also from the other provinces, such as Nonthaburi and Chonburi.

#### eCommerce Services

Thailand's online retail commerce is driven by several factors including increased smart phone penetration and intense competition among eCommerce operators. The government's PromptPay service, which falls under the national e-payment scheme, is the key driver to stimulate eCommerce activities.

Over the last couple of years, many courier service companies started launching their eCommerce platforms in Thailand, bringing domestic end-to-end delivery to the market. Consequently, delivery costs for eCommerce products have sharply declined from \$1.3 per piece in 2015 to \$0.5 per piece in 2016 due to the fierce competition among logistic service providers.

#### eCommerce Intellectual Property Rights

Apart from other specific laws and regulations that require compliance by eCommerce businesses, intellectual property protection is another concern business owners should be aware of. Trademark registration in Thailand is determined on a first-to-file, first-in-right basis. New entrants should consider how to obtain trademark protection before introducing products or services to the Thai market.

For a company seeking patent registration of their business method in the eCommerce market, please note the Thai Patent Act currently does not grant patents to any computer programs nor to any type of business method. However, under certain conditions, computer programs, including technologies used to protect the company's information from unauthorized access or reproduction, are able to be protected automatically under the Thai copyright protection system. In addition, a company's trade secrets, such as processes, strategies, instruments or databases, could be protected by the Trade Secret Act (2002). Companies may wish to seek advice from local attorneys or IP consultants who are experts in Thai intellectual property law.

Besides protecting intellectual property rights, companies must run their business in compliance with the Computer Crime Act (Amended 2016). The law prohibits input of forged or false computer data or content that is likely to cause damage to others or to the public, including sending data or email that disturbs the recipient without a means to opt out. Service providers such as social media platforms and access providers will also be required to delete or otherwise prevent the availability of such content following government notification, or they will be subject to punishment for that content. At the request of relevant authorities, a court is able to order service providers to block or takedown a website that contains illegal content or content which is considered to be against public order.

In addition, the law requires service providers to store traffic data for a period of no less than 90 days from the date on which the data is input into a computer system and up to 2 years in special cases.

#### Popular eCommerce Sites

Thailand's mix of international and local eCommerce stores is indicative of Thai consumers wanting variety when it comes to online shopping. Global players such as Amazon, eBay, and Agoda continue to remain popular while WeLoveShopping and Pantipmarket, local C2C marketplaces and online communities, prove strong contenders that cater to local tastes.

[Pantip](#)

[Lazada](#)

[Lwn Shop](#)

[Tarad](#)

#### Online Payment

Growth of eCommerce can boost the use of e-Payment because it can make purchases of goods faster and more convenient. Thailand's online and mobile banking market could reach maturity within six years. This is largely driven by the national e-payment system and the significant growth in mobile broadband penetration. By 2021, over 85% of the population will go online via mobile phone, an increase of 31% currently.

With a heavy promotion of the national e-payment scheme, both government and private sectors have been encouraging stores and consumers to move away from cash and move towards e-Payment. According to the Thailand e-Payment Trade Association, cash transactions are expected to fall from 90% to 50% within the next couple of years.

#### Mobile eCommerce

Mobile commerce will continue to see strong growth in the coming years, especially among millennials who are comfortable using their smartphones to shop. Thailand is a regional leader in mobile commerce, as 52% of online transactions take place via mobile devices (only South Korea is higher with 58%).

According to the Thailand Marketing Research Society, 71% of smartphone users in Thailand shop online an average of twice a month, while 90% intend to shop online in the future. Thailand's smartphone penetration increased from 30% in 2015 to 34% in 2017. The rate is expected to reach 37% in 2018.

#### Digital Marketing and Social Media

Social e-commerce is highly influential among digital consumers, with more than 80% of digital consumers using social media options to search for products or connections with sellers. Thailand also leads the world in social e-commerce, according to the survey findings from PricewaterhouseCoopers (PwC) in 2016. In addition, 92% of online shoppers in Thailand use Facebook to research new products before making purchases.



Additionally, the national e-payment system will have a huge impact on social media commerce in Thailand. Thai shoppers are already high on the list of consumers who purchase directly through social media, according to the same PwC survey, which found that 51% of online consumers in Thailand have made purchases via social media.

According to the Electronic Transactions Development Agency, Thailand currently has around 51 million Internet users, 48 million Facebook users, 41 million LINE users, 13 million Instagram users, and 9 million Twitter users.

Thailand's online retail market is expected to reach \$10-15 billion by 2020, a significant increase from the \$2 billion in 2015. As for major holiday shopping, Thai people mainly shop online at the end of the year.

### **Trade Promotion & Advertising**

Advertising and trade promotion are important marketing tools in Thailand, especially for the sale of consumer goods, communications, and automobiles. The Thai media and entertainment industry has been transforming itself on a digital platform in order to raise brand awareness and establish customer engagement. The top ten industry groups that have spent heavily on digital media are autos, communications, banks, skincare, non-alcoholic beverages, dairy & dairy substitute products, cosmetics, household cleaners, real estate, and haircare.

The Digital Agency Association (Thailand) forecasted ad spending on digital media will likely reach more than \$450 million in 2018, an increase of 16% from last year due to intense competition in digital services. The digital ad spending in Thailand continues to grow because of changes in consumer lifestyle, business transformation, and the government's policy of cashless payment.

Facebook and YouTube remain powerful platforms having 33% and 17% of the shares respectively. Brands are expected to spend more on social media to increase brand awareness and user engagement. The other online platforms are search engines, social media (including Instagram), online videos (other than YouTube), Line, and Native Ads.

In 2017, over 83% of Thai consumers owned smartphones, and they used the internet, on average, 2.3 hours per day, which is 2 hours more than the previous 3 years. Traditional media such as TV, radio, and newspaper remained static or decreased during the same period.

Commercial promotions are an equally important marketing tool for both consumer and industrial products in Thailand. Consumer trade promotion in Thailand is frequently conducted by using gift premiums, discount coupons, or drawings for items such as package tours, cars, or electrical appliances. Consumer trade promotion events are frequently held in supermarkets and shopping malls. Exhibiting firms repeatedly take part in these events because the cost of attending is much lower than participating in a privately organized trade fair. The Department of Trade Promotion in Thailand frequently holds industry exhibitions to promote Thai exports to international buyer audiences during "trade days" and increases domestic awareness by staging "public days" at such fairs.

Industrial product promotion, on the other hand, varies from industry to industry. The two most efficient methods of promotion for industrial products are trade exhibitions and placement of advertisements in social media. Trade fairs with an industry focus serve as a screening tool since exhibitors can be certain they will have access to the appropriate group of customers. The Commercial Section at the U.S. Embassy in Bangkok maintains a list of suggested industry events staged in Thailand as well as U.S. Pavilions at local events and trade missions (listed in Chapter 9 of this Country Commercial Guide). This information is also published on the web in English at [Commercial Service Thailand](#) and in Thai at [BuyUSA-Thailand](#). It is advisable to localize all product literature and technical specifications when advertising in trade journals, participating in trade shows, or organizing technical seminars. Successful firms also arrange for their agents to receive specialized training at offices or factories in the United States.

## Pricing

The market in Thailand is open and very competitive. U.S. firms need to study factors such as the channels of distribution, necessary sales and promotional techniques, and the current pricing practices of key competitors. Standard credit payments apply in Thailand as well.

Importers of large equipment or machinery charge a commission of 5 – 10% and allow their customers to open a letter of credit themselves. Manufacturers or wholesalers normally receive a 5 – 10% profit margin. Retailers and distributors of local products require a 25 – 35% margin. There is also a 7% VAT charge on consumer goods.

Thai consumers are very price conscious. In fact, less than half of Thai consumers report buying based on brand-name recognition, and first time buyers often buy on price alone. Consumers are often offered free gifts or extra options with their purchases. In addition, midnight sales and one-off promotions have proven to be quite successful. Retailer's pricing depends on the product and the frequency of turnover. In general, the margin structure is as follows:

- Convenience Stores 18-20%
- Discount Stores 8-10%
- Department Stores 40%
- Manufacturers or Wholesalers 5-10%
- Distributors of Local Products 10-15%
- Direct sale of specialty products 60-80%
- Direct sale of general products 40% maximum
- Importers of large equipment or machinery 5-10%
- Importers of luxury products 60% minimum

## Sales Service/Customer Support

Training, post-sales service, reliable customer support, and the availability of spare parts are the most important factors cited by Thai customers in evaluating services related to their purchasing decisions. These factors are especially important when marketing industrial products. Buyers seek a quick turnaround time on their requests for technical assistance and expect such service to be provided by reliable suppliers. If a local branch cannot provide the service, suppliers should be able to acquire support from overseas branches. Spare parts should also be available in a timely manner.

Better support and post sales service have placed U.S. suppliers in a better position, relative to Asian competitors that provide lower priced products. Thai customers generally have high confidence in U.S. suppliers due to their well-trained service and support teams, availability of manuals, and willingness to modify product offerings. Some Thai buyers would rather invest in higher quality, more expensive products, in order to save expensive maintenance costs following warranty expirations.

Suppliers of products that have complicated technologies should hire and train a team of highly qualified and experienced technical people as well as provide technical training to their customers. It may also be advisable to set up a customer help desk. High-end Thai customers usually consider quality, service, and price when purchasing products. A well-trained, post sales service team can increase the possibility of repeat orders from satisfied customers. In addition, Thai customers appreciate receiving periodic technical updates and information from their suppliers. Often, engineers or specialists are sent by U.S. firms to stay for extended periods in Thailand to conduct larger scale training for large employee groups who will operate new equipment.

Since sending engineers and technicians for training or customer service can be costly for local end users, it is advisable for U.S. suppliers to appoint a qualified partner who can provide customers with quality services in the Bangkok area and elsewhere. Major suppliers note that competitive pressures and slim margins have led them to

place a high priority on service and support in order to retain existing customers and gain new ones. Positive word of mouth from customers can increase the supplier's reputation and sales volume. Conversely, bad service can severely hamper a company's chance for increasing sales in the Thai market.

### **Protection and Enforcement of Intellectual Property Rights (IPR) in Thailand**

The intellectual property (IP) environment in Thailand has continued to improve in recent years. In December 2017, the United States Trade Representative (USTR) moved Thailand from the Special 301 Priority Watch List (PWL) to the Watch List (WL) after the out-of-cycle review conducted by USTR. Thailand remains on the WL in 2018.

While there have been noticeable improvement in official enforcement efforts, and there are no Thai markets listed in the 2017 USTR Notorious Markets Reports (released in January 2018), many concerns with IPR protection and enforcement still remain. Online and mobile piracy continues to increase and physical goods piracy and counterfeiting on a commercial scale remain problematic. The United States continues to urge Thailand to impose sentences that would deter more potential offenders.

U.S. IP right owners should consider obtaining IPR protection in Thailand before introducing their products or services to the Thai market. Companies may wish to require non-disclosure agreements to be signed, or seek advice from local attorneys or consult with experts in Thai IP law before disclosing their technologies to local partners. The Department of Intellectual Property (DIP) oversees Thailand's IP system. U.S. IPR owners may register IP rights in Thailand for trademarks, patents, designs, layout-design of integrated circuits, and geographical indications. An address for service in Thailand and a local agent or attorney is generally required when filing IP applications at DIP.

As a member of the World Trade Organization (WTO) and World Intellectual Property Organization (WIPO), Thailand generally complies with international intellectual property standards established by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Thailand is also a party to the Patent Cooperation Treaty (PCT) and the Madrid Agreement Concerning the International Registration of Marks (known as the Madrid System). Patent and trademark applicants may use these international systems for filing international patent and trademark applications when requesting protection in Thailand.

Copyrights are protected in Thailand without any registration requirement. However, formal recordation of copyrights at the DIP's Copyright Office is recommended as it would be useful as evidence of ownership in the event of a dispute. A copyright notice should also be affixed to the copyrighted work.

Trade secrets, such as data, formulas, or other confidential information used in business, may be protected in Thailand if the owner provides appropriate measures to maintain the secrecy.

IPR owners need to be aware if their products and services are being counterfeited. IPR related disputes can be complex. Therefore, if a legal action is necessary, IPR owners are strongly recommended to seek advice from local lawyers who are experts in IP laws and litigation.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Thailand or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)

- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

Resource: In any foreign market companies should consider several general principles for effective protection of their intellectual property. For a background on this, please click the link to our article on [Protecting Intellectual Property](#) and [Corruption](#).

IP Attaché For ASEAN and Southeast Asia

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## **Due Diligence**

American buyers and investors considering any ventures in Thailand should be cautious and conduct due diligence in their research before entering into legal agreements. A number of local companies lack transparency in their accounting practices. The Commercial Section at the U.S. Embassy in Bangkok offers their International Company Profile (ICP) due diligence service that provides basic background information on Thai firms such as: overview of business operations, list of key management personnel, customer references, business operating conditions, and financial statements. U.S. companies can also obtain financial background on Thai firms registered with the Thai Ministry of Commerce. More information on these services is available on the website under "[Services for U.S. Companies](#)".

For more in-depth information, U.S. exporters and investors are advised to hire professional service providers, such as accountancy companies, lawyers, asset appraisers, and other experts to check bona fides of the company to which they want to sell, extend credit, or form a joint partnership with. A number of leading American accounting and consulting companies with expertise in due diligence are active in Thailand.

American firms may also need to check with government agencies that have information on firms listed in the Stock Exchange of Thailand (SET) for their listing status. Organizations worth checking for this type of information are the Stock Exchange of Thailand and the Securities and Exchange Commission (SEC). Each has their own data bank which includes mandatory information that all listed firms must report on a quarterly or annual basis. For information related to other non-listed companies or privately owned firms, the Department of Business Development at the Ministry of Commerce should be contacted.

## **Local Professional Services**

The Foreign Working Act of 2008 requires all foreigners working in Thailand to obtain work permits prior to employment in Thailand. In addition, permit holders must have prior permission to change their occupation or place of work. Change of employer location, or the residential address of the permit holder, must be properly endorsed in the work permit by the labor authorities. The Foreign Working Act does not prevent a foreigner from engaging in work in more than one field or for more than one employer.

A Royal Decree in 1973 listed 39 occupations and professions that are prohibited to foreigners. This list has been amended on several occasions by subsequent Royal Decrees, with the latest amendment in 2005.

Select the link for more information regarding the guidelines and the general agreement on trade in services and other international agreements on the [practice of foreign professionals in Thailand](#).

## **Principal Business Associations**

### [The American Chamber of Commerce in Thailand \(AMCHAM\)](#)

AMCHAM Thailand has a membership of over 650 organizations and over 2500 professionals. Its membership includes companies, non-profit organizations, and individuals. AMCHAM member companies have invested over \$50 billion in Thailand and provide more than 250,000 local jobs. AMCHAM has over 25 committees that cover the wide spectrum of commercial and industrial business activities, as well as the Chamber's social and charitable functions. Each committee serves as a forum for discussing common interests and common issues, as well as for taking initiative and action.

### [The US-ASEAN Business Council \(USABC\)](#)

The USABC is a leading advocacy organization for U.S. corporations operating within the Association of Southeast Asian Nations (ASEAN), serving as a key voice of the U.S. private sector in promoting mutually beneficial trade and investment relationships between the U.S. and Southeast Asia. The Council represents over 150 of the largest U.S. corporations.

### [The Federation of Thai Industries \(FTI\)](#)

The FTI, established in 1967, is a private sector organization that brings together industrial leaders to promote Thailand's socio-economic development. The main objectives of FTI are to represent Thai manufacturers at both national and international levels, to help promote and develop industrial enterprises, to work with the government in setting up national policies, and to offer consulting services to members.

### [The Thai Chamber of Commerce and Board of Trade of Thailand](#)

The Thai Chamber of Commerce acts as a primary organization for providing recommendations to develop the economy for the government and related authorities. In addition, the Thai Chamber of Commerce is also a representative of the Thai private sector in facilitating cooperation with governmental and private institutions in foreign countries.

### [International Chamber of Commerce \(ICC\)- Thailand](#)

ICC Thailand is an ICC-sanctioned national committee. This national organization is comprised of leading companies and business associations in Thailand. ICC Thailand has three main activities – rule setting, dispute resolution, and policy advocacy.

## **Limitations on Selling US Products and Services**

According to the Foreign Business Act (FBA) of 1999, certain types of business activities are reserved for Thai nationals only. Foreign investment in those businesses must be comprised of less than 50% of the share capital unless specially permitted or otherwise exempt.

The following lists, attached as annexes to the FBA, detail restricted businesses for foreigners:

List 1: The following list contains activities prohibited to non-nationals, including:

- Newspaper or radio broadcasting stations and radio and television station businesses
- Rice farming and growing plantations or crops
- Livestock farming
- Forestry and timber processing from a natural forest
- Fishing in Thai territorial waters and specific economic zones
- Extraction of Thai medicinal herbs

- Trading and auctioning of antique objects or objects of historical value from Thailand
- Making or casting of Buddha images and monk alms bowls
- Land trading

List 2: The following list contains activities related to national safety or security, or those which affect arts and culture, tradition, folk handicrafts, or natural resources and the environment. Among other things, they include:

- The production, sale, and maintenance of firearms and armaments.
- Domestic transportation by land, water, and air.
- Trading of Thai antiques or art objects.
- Mining, including rock blasting and rock crushing.
- Timber processing for production of furniture and utensils.

Remark: A foreign majority-owned company can engage in List 2 activities if Thai nationals or legal persons hold not less than 40% of the total shares, and the number of Thai directors is not less than two-fifths of the total number of directors.

Exceptions exist for companies that receive the following:

- Permission from the Minister of Commerce with approval by the Cabinet (if there is a reasonable cause, the Minister, with the approval of the Cabinet, may reduce the Thai shareholding requirement, which cannot be less than 25% of the total shares).
- Investment promotion from the Board of Investment
- Authorization by the Industrial Estate Authority of Thailand
- Permission under a treaty to which Thailand is bound

List 3: The following list contains activities in which there are economic protections for Thai nationals. Among other things, they include:

- Accounting, legal, architectural, or engineering services
- Retail and wholesale
- Advertising businesses
- Hotels
- Guided touring
- Selling food or beverages
- Any kind of service business

There are exceptions to List 3 that exist for companies that receive the following:

- Permission from the Director-General of the Department of Business Development at the Ministry of Commerce, with approval by the Foreign Business Committee, on obtaining a Foreign Business License.
- Investment promotion from the Board of Investment or from the Industrial Estate Authority of Thailand, on obtaining a Foreign Business Certificate from the Director-General of the Department of Business Development at the Ministry of Commerce.
- Protection under a treaty or obligation to which Thailand is bound, including the U.S. Treaty of Amity and Economic Relations (please see below for further information on the U.S. Treaty of Amity and Economic Relations); the Thai-Australia Free Trade Agreement (TAFTA); Japan-Thailand Economic Partnership Agreement (JTEPA); and ASEAN Framework Agreement on Services (AFAS). Each of these agreements and treaties allow companies to obtain a Foreign Business Certificate from the Director-General of the Department of Business Development at the Ministry of Commerce.

Further restrictions on foreign ownership in specific sectors, such as telecommunications, banking, and insurance are regulated in specific laws pertaining to these sectors, such as the Telecommunications Business Act (2006), the Financial Institution Business Act (2008), the Life Insurance Act (1992), and the Non-Life Insurance Act (1992).

The U.S.-Thai Treaty of Amity and Economic Relations of 1833:

Commonly referred to as the “Treaty of Amity,” the U.S.-Thai Treaty of Amity and Economic Relations of 1833 creates a special economic relationship between the U.S. and the Kingdom of Thailand that gives special rights and benefits to U.S. citizens who wish to establish their businesses in Thailand. The Treaty of Amity was amended in 1966 and provides two major benefits:

- American companies are permitted to be a majority shareholder or to wholly own its company or branch office in Thailand.
- American companies receive national treatment, meaning U.S. firms may engage in business on the same basis as Thai companies and are exempt from most of the restrictions on foreign investment imposed by the Alien Business Law of 1972.

Despite the Treaty of Amity, there are still certain restrictions on U.S. investment. Those restrictions are as follows:

- Owning land
- Engaging in inland transportation and communication industries
- Engaging in fiduciary functions
- Engaging in banking involving depository functions
- Engaging in domestic trade in indigenous agricultural products
- Exploiting land or other natural resources

The Commercial Section at the U.S. Embassy in Bangkok is responsible for issuing a certification letter to confirm the applicant is qualified to apply for protection under the [Treaty of Amity and Economic Relations of 1833](#). The applicant must first obtain documents verifying that the company has been registered in compliance with Thai Law. Upon receipt of the required documents, the Commercial Section will then certify to the Thai Department of Commercial Registration in the Ministry of Commerce that the applicant is seeking to register an American-owned and managed company, or that the applicant is an American citizen and is therefore entitled to national treatment under the provisions of the Treaty. For more information on how to apply for protection under the Treaty of Amity, please e-mail: [office.bangkok@trade.gov](mailto:office.bangkok@trade.gov).

### Web Resources

- [U.S. Embassy Commercial Section for U.S. Companies \(US & FCS\)](#)
- [American Chamber of Commerce \(AMCHAM\), Thailand](#)
- [Ministry of Finance, Thailand](#)
- [Ministry of Commerce, Thailand](#)
- [Department of Intellectual Property \(DIP\)](#)
- [Thailand Board of Investment \(BOI\)](#)
- [Stock Exchange Thailand \(SET\)](#)
- [The Securities and Exchange Commission \(SEC\)](#)
- [Royal Thai Police \(RTP\)](#)

- [Department of Business Development \(DBD\), Ministry of Commerce, Thailand](#)
- [Thai Customs, Ministry of Finance](#)
- [The Revenue Department, Ministry of Finance](#)



## Leading Sectors for US Exports & Investments

### Agricultural Sector

This is the leading industry sector for this country and includes a market overview and trade data.

#### Overview

Although agriculture accounts for only 8% of GDP, the sector employs over 30% of the country's labor force. Thailand is the world's largest exporter of rice, tapioca products, rubber, frozen shrimp, canned tuna, and canned pineapple. Combined, rice, cassava, rubber, sugar, corn, and palm oil account for around three-fourths of the market value of Thai agriculture.

In 2017, Thailand was both the 16th largest export market for U.S. agricultural products including seafood and forestry products, and the 16th largest supplier for U.S. agricultural imports. Despite high import tariffs and other non-tariff trade barriers, U.S. exports of agricultural and related agricultural products to Thailand increased by 17% in 2017 totaling \$1.96 billion. Bulk commodities made up 44% of all agricultural exports, followed by intermediate products with 32%, consumer-oriented products with 16%, and fish and forestry products with 6%.

Thailand implements high tariffs on agricultural imports with the bound tariff rate averaging 37.1% ad valorem. This presents a significant impediment for U.S. agricultural exports particularly for consumer-oriented products like dairy, meats, fruits, and packaged goods. Other U.S. competitors have lower tariffs than the United States due to free trade agreements with Thailand including Australia, New Zealand, Japan, and China. Non-tariff trade barriers include non-transparent tariff-rate-quota administration, arbitrary import permit controls, and food standards that are not harmonized with international standards.

U.S. imports of agricultural and related agricultural products from Thailand increased by 4% to \$3.96 billion in 2017. Consumer-oriented products accounted for 40% of these imports, followed by seafood products with 36%, bulk commodities with 20%, intermediate products with 3%, and forest products with 1%.

Table: Thailand's Agricultural Sector.

	2014	2015	2016	2017 (Estimated)
Total Local Production	41,395,000	36,345,000	34,391,000	37,986,000
Total Exports	40,871,000	37,637,000	37,403,000	42,580,000
Total Imports	14,779,000	14,544,000	14,938,000	15,847,000
Imports from the US	1,725,000	1,817,900	1,678,500	1,957,000
Total Market Size	15,303,000	13,252,000	11,926,000	11,253,000
Exchange Rates	32.24	34.0	35.04	33.69

Total Market Size = (total local production + imports) - exports in thousands of U.S. dollars.

#### Leading Sub-Sectors

Leading sub-sectors include textiles, wheat milling, soybean crushing, animal feed operations, hotels, restaurants, food retailers, and food processors.

#### Opportunities

Thailand is a good destination for U.S. agricultural exports due to its growing economy, increasing incomes, changing lifestyles, and vibrant tourism industry.

The best market prospects for the U.S. exporters includes soybeans, soybean meal, cotton, distilled dried grain solution (DDGS), proteins for animal feed, wheat, meat and meat products, dairy products, fresh fruits, dried fruits, nuts, starches, dehydrated potatoes, food additives, colorings, flavorings, juice concentrates, and other baking ingredients.

### **Resources Web**

U.S.-Thailand Agricultural Trade

BICO reports <https://apps.fas.usda.gov/gats/BicoReport.aspx?type=country>

Doing Business in Thailand (Agro-Food Products)

<https://th.usembassy.gov/business/getting-started-thailand/business-thailand-agro-food-products/>

Exporter Guide Report

[https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide Bangkok Thailand 1-19-2018.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide%20Bangkok%20Thailand%201-19-2018.pdf)

Food Service – Hotel, Restaurant, and Institutional Report

[https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Service%20-%20Hotel%20Restaurant%20Institutional Bangkok Thailand 1-22-2018.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Service%20-%20Hotel%20Restaurant%20Institutional%20Bangkok%20Thailand%201-22-2018.pdf)

Food Processing Ingredient Report

[https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients Bangkok Thailand 4-5-2018.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients%20Bangkok%20Thailand%204-5-2018.pdf)

Seafood Product Report

[https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Seafood%20Report Bangkok Thailand 5-8-2018.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Seafood%20Report%20Bangkok%20Thailand%205-8-2018.pdf)

### **Aviation**

This is a best prospect industry sector for this country and includes a market overview and trade data.

### **Overview**

Thailand relies on imported aerospace products and is a net-importer of aviation equipment, including aircraft, parts, maintenance services, and airport and ground support equipment. U.S. aviation equipment and technology are well received by Thai buyers.

Thailand's tourism industry contributed to the growth in air passenger traffic. According to the leading operator at Airports of Thailand (AOT), the airports managed by AOT handled 129.2 million passengers in 2017, an increase from 121.7 million in 2016. Additionally, there were 823,575 aircraft movements (takeoffs and landings) in 2017, an increase from 790,194 in 2016. Air cargo movements showed a significant upturn going from 1.45 million tons in 2016 to 1.60 million in 2017.

With the increase in the number of passengers, major Thai airlines are expanding their networks. This expansion is in line with the Thailand Department of Airports' (DOA) plan for airport expansions to enhance connectivity linking second-tier cities with the capital city and major tourist attractions. The Thai Government has a goal to expand by building 29 airports over the next decade. This will boost the number of tourists in 55 provinces nationwide.

Thailand is a major player in regional aircraft maintenance and manufacturing industries. Infrastructure facilities are in place for aircraft repair and engine overhaul services. The major airlines in the country, Thai Airways, Bangkok Airways, and Thai Lion Air have established Maintenance Repair and Overhaul (MRO) facilities, aiming to serve their own aircraft and those of other airlines that visit Thailand. MRO activities are very active in Thailand, creating demand for aircraft parts and technical services. Thai airlines and the aviation industry are open to opportunities for U.S. aircraft parts and aerospace equipment suppliers.

The Thai government aims to develop Thailand's aviation industry positioning itself as a MRO hub for the region. Thailand's Eastern Economic Corridor (EEC) development also includes aviation. The EEC is targeting a 7 billion US dollar investment in MROs and aviation related industries over the next 5 years in order to develop the U-Tapao airport and establish an "Aerotropolis", linking it with Suvarnabhumi and Don Mueang airports via high-speed rail. Other infrastructures complimenting the U-Tapao airport includes expressways and deep-sea ports.

	2016	2017	2018	2019 (Estimated)
Total Local Production	1,323,180	1,537,968	1,561,037	1,584,453
Total Exports	1,190,862	1,384,171	1,404,934	1,426,008
Total Imports	3,131,645	4,261,258	4,325,177	4,390,055
Imports from the US	1,014,002	2,169,121	2,201,658	2,234,683
Total Market Size	3,263,963	4,415,055	4,481,281	4,548,500
Exchange Rates	31	31	31	31

Total Market Size = (total local production + imports) - exports in thousands of U.S. dollars.

### Leading Sub-Sectors

- Aircraft and Parts (AIR)
- Airport and Ground Support Equipment (APG)
- Aviation Services (AVS)

### Opportunities

With the Thai government's plan to attract 10 million visitors to 55 provinces in 2018, 29 domestic airports will be expanding to accommodate more passengers. These airports include the second-tier cities such as Krabi, Khon Kaen, Surat Thani, Ubon Ratchathani, and Phitsanulok. Some airports are already undergoing expansions such as Mae Sot (Tak province) and Betong (Yala province) and both are targeted to be finished in 2019.

Moreover, the on-going expansion plan of the Royal Thai Navy-owned U-Tapao airport is underway. The Terms of Reference (TOR) and master plan for the development of the whole airport are being drafted and are expected to be completed in 2018. The estimated cost of the airport is \$6.45 billion under the Thai government's Public-Private-Partnership (PPP) program. The project will include runway, air-cargo facilities, an aviation training center, and an aircraft maintenance center. Once completed five years from now, the capacity at the airport will increase from 3 million passengers to 15 million.

The product demand includes airport construction equipment, ground support equipment, aircraft and parts, MRO services, training services for pilots and technicians, aviation safety advisory services, security equipment, passenger and baggage screening machines, and ground support vehicles.

#### Web Resources

##### [Ministry of Transport](#)

Ratchadamnoen Nok Ave., Bangkok 10100

Tel. 662-283-3091, 662-282-3713

Fax: 662-280-0801

##### [Civil Aviation Authority of Thailand \(CAAT\)](#)

333/105 7 Floor Lak Si Plaza, Khmapheng Phet 6 Rd.,

Talat Bang Khen, Lak Si, Bangkok 10210

Tel: 662 568-8800

Fax: 662 568-5544

##### [Department of Airports](#)

71 Soi Ngarm Duplee, Tung Mahamek

Yannawa, Bangkok 10210

Tel: 662 287-0320-9

Fax: 662 286-3373

##### [Aeronautical Radio of Thailand Ltd. \(Aerothai\)](#)

102 Ngamduplee, Rama IV Road

Tungmahamek, Sathorn, Bangkok 10120

Tel: 662 287-3531-41

Fax: 662 287-3131

##### [Airports of Thailand Public Co., Ltd. \(AOT\)](#)

171 Vibhavadi Rangsit Road

Don Muang, Bangkok 10210

Tel: 662 535 1192

Fax: 662 531 4061

#### **Defense and Security**

This is a best prospect industry sector for this country and includes a market overview and trade data.

##### Overview

The Thai military and defense agencies set the agenda for the National Security Strategy, which primarily focuses on purchases of military equipment to modernize and upgrade military capability. Demand for military and defense equipment from the United States is expected to increase following the two visits of senior Thai military government officials to the United States in late 2017 and early 2018.

The nature of security threats in Thailand include potential political unrest, occasional border disputes, domestic terrorist and separatist group activities in the southern border provinces, natural disasters, human smuggling, and illicit drug trafficking.

The budget appropriations for the Thai military have continued to increase every year in an effort to maintain combat readiness, neutralize the regional arms race among ASEAN, and upgrade the country's armed forces. The U.S. has been one of the most prominent sources of defense equipment for the country.

For 2018, Thai government will allocate 1.35% of the country's GDP to defense, which is approximately \$7 billion. An estimated 49% of the defense budget is assigned to the Royal Thai Army, another 20% is given to the Royal Thai Navy, and 18% is for the Royal Thai Air Force. The remaining funds are distributed to the Office of the Permanent Secretary and Defense Technology Institute (DTI) for research and development work.

	2016	2017	2018	2019 (Estimated)
Defense Budget	5,852.08	6,032.16	7,010.07	7,290.47
Gross Domestic Product (GDP)	381,284.01	425,037.14	518,267.74	538,998.45
Defense Budget in% to GDP	1.53%	1.42%	1.35%	1.49%
Annual Increase	4.00%	3.08%	16.21%	24.58%

Scale: In millions of U.S. dollars

#### Leading Sub-Sectors

- Security and Safety Equipment (SEC)
- Airport and Ground Support Equipment (APG)
- Aircraft and Parts (AIR)
- Aviation Services (AVS)

#### Opportunities

Government and military expenditures drive the Thai defense and equipment market and have increased budgets since 2014. The factors that drive defense expenditures are threat levels, equipment maintenance, replacement, and overhaul requirements.

Last year, the Thai Ministry of Defense introduced 9 military reform and restructuring plan for 2017-2026. The plan emphasizes research and development along with focus on purchases of munitions, weapons, high technology electronic devices, and telecommunication systems. To increase military capabilities, the Thai military will invest and develop more defense technology and defense intelligent systems. For example, the Common Operation Picture (COP), the Network Centric Operation (NCO), and the Message Text Format (MTF) will focus on the procurement of helicopters, armored vehicles, and frigates to counter southern insurgency and strengthen its current military units.

In addition, the Thai government plans to develop the domestic defense industry to reduce the country's dependence on imports, promote technology transfer, and strengthen national security.

#### Web Resources

[Ministry of Defense](#)

Foreign Affairs Division, Office of Policy and Planning,

Tel: 662-225-7414, Fax: 662-226-1839

### [Royal Thai Armed Force Headquarters](#)

Office of Policy and Plans, Directorate of Joint Operations,

Tel: 662-575-6203, Fax: 662-575-6067

### [Royal Thai Army](#)

Policy and Plans Division

Directorate of Logistics

Tel: 662-297-7424, Fax: 662-297-7420

### [Defense Technology Institute \(DTI\), Ministry of Defense,](#)

The Kingdom of Thailand

47/433, 4th Floor - Office of the Permanent Secretary of Defence Building. Changwattana Road., Pakkred, Nonthaburi 11120

Tel: +66 (0) 2980 6612-15, Fax: +66 (0) 2980 6688

## **Education Services**

This is a best prospect industry sector for this country and includes a market overview and trade data.

### **Overview**

The Thai government has focused heavily on increasing the Kingdom's capacity to educate its students to support foreign investments, especially in the aerospace and high technology industries. The government published the guideline for foreign schools and universities to establish campuses in the Eastern Economic Corridor (EEC) area and allow education experts or teachers from abroad to work in the EEC zone, which are Chachoengsao, Chon Buri, and Rayong provinces. This guideline eliminates legal barriers that slow progress in education and promotes higher education, research, and innovation in Thailand. In 2017, King Mongkut's Institute of Technology Ladkrabang announced a collaboration with Carnegie Mellon University to set up a research center in Thailand in accordance with government policy.

With the rapidly increasing demand for English language education in Thailand, the country has experienced a huge growth in the number of international schools. Key factors driving this demand are the rising middle-class and Thailand's increasing economic and political ties with the western world. As a result, there is a significant increase in the number of Thai children who study abroad at an early age.

A similar trend occurs among high school students who are interested in studying abroad and learning English. Both private and public high schools now offer students the option to study in an English Program. The graduates from these schools are good candidates for further education in the United States because of their advanced foreign language skills and familiarity with the western education system. The United States is still one of the top destinations for Thais wanting to study higher education abroad because of its reputation for strong academic programs.

Further, demand to study for an undergraduate degree abroad has grown over time. According to the Open-Door data of the Institute of International Education in 2017, more than half of the 6,893 Thai students studying in the U.S. are enrolled in higher education's programs. Thai students in the U.S. were comprised of 41% undergraduates, 38% post-graduates, 13% Optional Practical Training students, and 9% short term non-degree program students (one-year exchange students and English as a Second Language (ESL) students). Many Thai students are self-funded and enroll at universities that offer ESL and English-intensive programs with the intention of increasing their proficiency before studying academic programs.

## **Leading Sub-Sectors**

- Business Administration, Graduate and Undergraduate Degrees
- 4-6 week Summer Language Training and Cultural Programs
- One-year Exchange Program for High School
- Two-year Community College
- Boarding Schools for Secondary Education

## **Opportunities**

Students looking to enter undergraduate and graduate programs often choose a pathway program to learn more about Western culture and immerse themselves in an English language environment with native speakers prior to enrolling in their intended study program to ease the transition into a new social environment. The top five States in the United States for hosting international students are California, New York, Texas, Massachusetts, and Illinois. The most popular academic programs are Business Administration, Computer Information, Engineering, and Mass Communication.

In addition, a growing demand exists for qualified pilots and aviation industry specialists in Thailand. Currently Thailand has the capacity to produce around 2,000 personnel in the aviation industry and a few hundred pilots a year; however this would not be adequate for future demand for pilots and technicians in the aviation sector. The Thai government aims to position the country as a major aviation maintenance, repair, and overhaul (MRO) hub in the region. There are opportunities for U.S. firms that could provide specialized education materials or services in these technical areas.

Another niche for potential growth is exchange programs for Thai high school students. Currently, Canada, New Zealand and Australia are the major destinations for Thai high school students studying abroad. School fees in these countries are more competitive than the cost of schools in the United States and United Kingdom. Moreover, most of the schools in Canada, New Zealand and Australia work with study abroad agencies to promote their institutions, while most of the schools in the United States do not.

## **Web Resources**

[Office of the Civil Service Commission\(OCSC\)](#)

[Department of Consular Affairs, Ministry of Foreign Affairs.](#)

## **Trade Shows**

The U.S. Education Roadshow 2018

Dates: November 7 – 14, 2018

Location: Royal Paragon Hall, Bangkok, Thailand

Description: International high school visits and International Education Fairs in Bangkok and Chiang Mai, Thailand

### **OCSC International Education Expo 2018**

Dates: November, 10 – 11, 2018

Location: Royal Paragon Hall, Bangkok, Thailand

Description: International Education Fairs

## **Medical Equipment**

This is a best prospect industry sector for this country and includes a market overview and trade data.

## Overview

Thailand's medical device market is expected to grow 8.5 – 10% per year. First, there is an increasing number of patients that have heart disease, strokes, cancer, and diabetes because of the aging population. Second, there is an increasing number of foreign patients, both medical tourists and expatriates. Third, hospital groups have built new facilities allowing for new players to enter into the market. Thailand ranked as the world's 17th exporter of medical devices (mostly single-use devices) and the world's 32nd importer of medical devices.

Medical tourists coming to Thailand accounted for 38% of such visitors to Asia, and the country's medical tourism is growing over 10% each year. Foreigners contributed 30% of the private hospital's revenue in 2017. This may be primarily due to cultural heritage, state-of-the-art medical facilities, personalized hospitality, and reasonable medical costs. Private hospitals are equipped with the latest medical facilities, and patients do not have to wait to obtain treatment. As of June 2018, Thailand has 64 hospitals and healthcare institutions certified by the Joint Commission International (JCI). Healthcare in Singapore costs three times, and Malaysia twice as much as Thailand.

Popular healthcare services among medical tourists include cosmetic surgery, dentistry, cardiovascular disease treatment, and orthopedics. Medical tourists from the Middle East, such as the United Arab Emirates, generally purchase services such as cardiac catheterization, angiocardiograms, other cardiovascular procedures, and gastric bypasses. Conversely, medical tourists from North America and Europe visited Thailand only for minor elective procedures, such as cosmetic surgery.

Thailand's medical device market was estimated at \$1.242 billion in 2017. In 2017, imports of medical devices were approximately \$931 million, and U.S. medical devices led the imported market (23% of the imported products), followed by China, Japan, and Germany respectively. Local manufacturers of medical devices are mostly single-use devices such as disposable test kits, syringes, surgical gloves, and catheters. Over 80% of domestic production is exported.

	2016	2017	2018 (Estimated)	2019 (Estimated)
Total Local Production	1,038	1,142	1,256	1,382
Total Exports	831	873	960	1,056
Total Imports	1,052	931	1,024	1,126
Imports from the US	255	214.1	235.5	259
Total Market Size	1,259	1,200	1,320	1,452
Exchange Rates	31	31	31	31

Total Market Size = (total local production + imports) - exports in thousands of U.S. dollars.

### Leading Sub-Sectors

- Cardiovascular devices
- Clinical diagnostic devices
- Dental devices
- Dermatological devices
- Electro-diagnostic devices



- Neurological & surgical devices
- Ophthalmic devices and instruments
- Orthopedic and fracture devices
- Rehabilitation equipment
- Therapeutic respiration devices
- Ultrasound and x-ray devices

## **Opportunities**

The market growth in the next few years will be driven by the expansion of hospitals and new players into the market. Existing hospitals are expanding their networks and facilities to meet the growing demand of medical devices and medical treatment. Bangkok Dusit Medical Services Plc (BDMS) will develop a wellness clinic located in Bangkok it purchased for \$308 million. Additionally, BDMS opened a trauma center worth \$14.3 million. The Thonburi Hospital Group will build a medical center which provides a range of medical treatments with international standards. Vibhavadi Hospital plans to open five hospitals over the next five years and plans to spend more than \$26 million on the five projects.

New players are making their way into the market. Rangsit University, a privately-owned university, plans to open the RSU International Hospital in 2020. Leading real estate company, Pruksa Holdings, will build a hospital in Bangkok. Charoen Pokphand (CP), KPN Group and TCC Group are interested in hospital development as well.

## **Web Resources**

### **Medical Device Control Division**

[Food and Drug Administration, Ministry of Public Health](#)

[Thai Medical Device Technology Industry Association](#)

### **Upcoming Medical Devices Trade Shows:**

InterCare Asia 2018 (International Expo for Elderly Care and Wellness)

Date: 12-14 July, 2018

Website: <http://intercare-asia.com/>

Medical Devices ASEAN (MDA) 2018

Date: 11-13 July, 2018

Website: <https://medicaldevicesasean.com/>

Medical Fair Thailand 2019

Date: 11-13 September, 2019

Website: <https://www.medicalfair-thailand.com/>

## **Personal Care and Beauty Products**

This is a best prospect industry sector for this country and includes a market overview and trade data.

### **Overview**

Thailand's beauty and personal care products market was valued at approximately \$4.7 billion in 2017, a 7.8% increase over 2016. Skincare products were valued at \$2.2 billion (47% of the market). Hair products were valued

at \$846 million (18% of the market). Makeup products were valued at 658 million (14% of the market). Personal hygiene products were valued at \$752 million (16% of the market).

Attention among consumers shopping for beauty and personal care is shifting through multi-brand beauty stores, which are offering mass to high-end products in one shop. With the entrance of Sephora Thailand in 2014 and its online store in 2016, there are many local multi-brand beauty stores which have a significant impact in Thailand by offering over 100,000 SKU products at competitive prices.

Skin care registered a healthy annual growth of 8.7% in 2017. There is a demand for skin care with natural ingredients. Thailand is entering an aging society and demand is rising for anti-aging products in various styles with low-to-premium positioning. Facial care accounted for 84%, whereas body care was about 16%.

Hair care products increased 6.7% in 2017. Consumers are showing interest in natural and organic hair care due to the health and wellness trends. Demand for hair care is becoming increasingly heterogeneous. As a result, the number of hair care suppliers is also on the rise, including traditional hair care providers, hair coating, and specific hair treatments in various textures of oil, serum, and leave-on.

Makeup products grew 7.6%. There is a growing focus on a more natural beauty trends among Thai consumers. Color cosmetics with multiple benefits are desirable for consumers.

Among ASEAN countries, Thailand leads as an original equipment manufacturer (OEM) for international cosmetic brands. Thai OEM cosmetic manufacturers can produce premium quality products. According to the Thai Cosmetic Cluster, there are 762 cosmetic manufacturing plants (520 are SMEs). Most cosmetic ingredients are imported. Local manufacturers regard the U.S. and European countries (especially Germany, Italy, and Switzerland) as leaders in producing innovative, active ingredients for cosmetics, followed by Japan and South Korea, respectively.

	2016	2017	2018 (Estimated)	2019 (Estimated)
Total Local Production	4,864	5,041	5,545	6,099
Total Exports	1,877	2,064	1,473	1,621
Total Imports	944	999	1,098	1,209
Imports from the US	174	190	209	230
Total Market Size	4,365	4,700	5,170	5,687
Exchange Rates	31	31	31	31

Total Market Size = (total local production + imports) - exports in thousands of U.S. dollars.

### Leading Sub-Sectors

- Anti-aging and whitening skin care
- Color cosmetics with multi-benefits
- Men's grooming
- Sun care
- Baby and child-specific products
- Natural and organic beauty and personal care products.

### Opportunities

Due to increasing awareness of health and wellness among consumers in Thailand, there is a healthy demand for natural and herbal personal care and beauty products.

Anti-aging and skin whitening products in both higher and lower ends of the quality spectrum continue to have a strong presence in the Thai market. The use of anti-aging products has become common among both male and female consumers.

Men's grooming is expected to become increasingly dynamic. Factors such as social acceptance of men's grooming will maintain the demand for the products. Skin care and hair care are the biggest categories in men's grooming.

Southeast Asia, including Thailand, Malaysia, Indonesia, Vietnam and Singapore, will be the largest consumer of cosmetic chemicals in the near future. Thailand currently imports approximately 20% of personal care ingredients from the U.S.

### **Web Resources**

Upcoming Trade Shows in Bangkok:

Beyond Beauty ASEAN-Bangkok

September 20-22, 2018

<https://www.beyondbeautyasean.com/en/home.html>

in-cosmetics Asia 2018 (cosmetic and personal care ingredients)

October 30- November 1, 2018

<http://asia.in-cosmetics.com/>

ASEAN Beauty 2019

Tentative date: May 2019

<http://www.aseanbeautyshow.com/en-us/>.

### **Telecommunications**

This is a best prospect industry sector for this country and includes a market overview and trade data.

#### Overview

Thailand is transforming itself into a digital economy and the government has a vision to maximize digital technologies in all areas of its society and economy. Therefore, growth in the information, communications, and technology (ICT) sector will be stimulated by the government's plans to create a digital economy, which is officially named the 3rd ICT Master Plan, and the National Digital Economy Policy and Plan (2016-2020). The government's comprehensive ICT Policy Framework 2020 also involves a number of development strategies and goals, including universal broadband, a competent ICT workforce, a competitive ICT industry, digital government, ICT to make the country more competitive, ICT to improve society, and ICT for the environment.

In December 2015, the Cabinet set aside \$571 million for the Ministry to build a national broadband infrastructure to provide affordable Internet to 70,000 villages (93% of total villages) nationwide. The 30 megabits per second (Mbps) broadband Internet speed for villages is in line with a five-year master plan to develop the country's hard infrastructure, aiming to boost the minimum standard for broadband speed nationwide. In the National Broadband project, the government plans to bring low cost broadband access to every village in Thailand by the end of 2018. The government envisions this development will enable Small Medium Enterprises (SMEs) to leverage ICT solutions and platforms to make their businesses competitive by improving their productivity and

efficiency. The Thai government aims to create 10,000 registered community e-commerce units by the end of fiscal year 2018 and increase the number to 25,000 by 2020.

The Ministry of Digital Economy and Society also plans to build a regional Internet gateway by adding more submarine cable lines to accommodate growing usage and also become an Internet connectivity hub in ASEAN by 2020. This project value is estimated at \$143 million.

Investing in the country's submarine cable lines, connecting from Thailand to India and Hong Kong, will attract more Internet traffic from the Greater Mekong sub region which is currently servicing 270 million people. This project (the so-called Asia Pacific Gateway or APG) extends 10,900 kilometers and uses technology to expand bandwidth where speed of data transmission will be at a speed of 54 terabit per second (Tbps) and the capacity of bandwidth will be higher than all systems recently used in Thailand. Currently, Thailand has only 7 submarine cable lines, owned and operated by state enterprise CAT Telecom, compared to Singapore's 20 submarine cable lines and Malaysia's 12.

Late in 2015, two auctions for the 4G spectrum took place for two licenses of 15 megahertz of bandwidth each on the 1800 MHz spectrum and another two of 10 MHz of bandwidth each on the 900 MHz spectrum. AIS and True Move each won a license on the 1800 MHz and 900 MHz spectra to provide 4G services. Consequently, the bidding added huge costs for mobile operators in 2016 and fueled market competition. Eventually, the Thai mobile telecom sector will continue with three companies dominating the market in the medium term.

According to the National Broadcast and Telecommunication Commissions (NBTC), the Thai government is expected to deploy 5G service by 2020 and this will increase mobile broadband penetration by 133% in the next couple years, which would lead to a cumulative Gross Domestic Product (GDP) increase of \$23 billion by 2020.

The best prospects include cloud computing, telecommunications infrastructure, network management, security equipment and solutions, mobility, and the Internet of things (IoT).

	2015	2016	2017	2018 (Estimated)
Total Local Production	2,366	2,490	2,638	3,096
Total Exports	1,183	1,245	1,319	1,548
Total Imports	4,731	4,981	5,277	6,191
Imports from the US	236	249	263	309
Total Market Size	5,914	6,226	6,596	7,739
Exchange Rates	34.29	35.28	34	34

Total Market Size = (total local production + imports) - exports in millions of U.S. dollars.

### Leading Sub-Sectors

- Internet of Things (IoT)
- Mobile Security and Solutions
- Cloud Computing
- Telecommunication Infrastructure
- Network Management

### Opportunities

Thailand endeavors to become ASEAN's digital infrastructure hub by 2020, as well as seeking to implement the government's "Thailand 4.0" policy. As a result, the telecommunication business is a significant driver for these

national projects. For example, broadband connectivity will be spread out across the country by 2018, both in big cities and in over 75,000 villages. This plan will create rising demand for online services, the IoT and innovation applications like smart vehicles and transport infrastructure, remote healthcare, and robotics as the country transforms itself into a digital society.

#### **Web Resources**

Ministry of Information and Communications Technology

[www.mict.go.th](http://www.mict.go.th)

Office of The National Broadcasting and Telecommunications Commission

[www.nbtc.go.th](http://www.nbtc.go.th)

## Customs, Regulations & Standards

### Trade Barriers

Thailand is not a signatory to the WTO Agreement on Government Procurement. As such, high tariffs in certain sectors remain an impediment to market access. Nontariff barriers such as licensing requirements and localization barriers impede commerce. Price controls and excise taxes, based on an exceedingly complex tax structure, also negatively impact international trade.

Sanitary and Phytosanitary (SPS) measures continue to be a source of concern for the United States. SPS Standards for certain agricultural products are applied arbitrarily and without prior notification.

For detailed information on trade barriers, please consult the 2018 National Trade Estimate Report, which can be found on the [United States Trade Representative website](#).

### Import Tariff

Thailand's average applied Most Favored Nation (MFN) tariff rate was 10.7% ad valorem in 2014. Approximately one-third of Thailand's MFN tariff schedule involves duties of less than 5%, and 30% of tariff lines are MFN duty free, including chemicals, electronics, industrial machinery, and paper. Thailand has bound all tariffs on agricultural products in the WTO, but only around 70% of its tariff lines on industrial products are bound.

Thailand has bound its agricultural tariffs at an average of 39.9% ad valorem, compared with its average applied MFN tariff on agricultural products of 22%. MFN duties on imported processed food products range from 30% to 50%, which limits the ability of U.S. exporters of such products to compete in the Thai market. Tariffs on meats, fresh fruits (including citrus fruit and table grapes) and vegetables, fresh cheese, and pulses (such as dry peas, lentils, and chickpeas) are similarly high.

Thailand's average bound tariff for non-agricultural products is approximately 25.5%. Thailand levies high tariffs on goods such as: 80% on motor vehicles, 60% on motorcycles and certain clothing products, 54% to 60% on distilled spirits, and 30% on certain articles of plastic and restaurant equipment. Further, the country charges tariffs of 10% to 30% on certain audiovisual products, and applies a 10% tariff on most pharmaceutical products, including products on the World Health Organization list of essential medicines.

Thailand maintains the same list of tariff-rate-quota (TRQ) from its commitments under WTO agreement on agriculture since 2004. Thailand imposes domestic purchase requirements for several tariff-rate quota products, including nonfat dry milk, soybeans, soybean meal, and fresh potatoes.

### Import Requirements & Documentation

Import licenses are required for 26 categories of items, down from 42 categories in 1995-1996. Licenses are required for the import of many raw materials, petroleum, industrial, textiles, pharmaceuticals, and agricultural products. Imports of goods not requiring licenses must comply with applicable regulations of concerned agencies, including, in some cases, extra fees and certificate of origin requirements.

Additionally, several products are subjected to import control:

- Importation of processed foods, medical devices, pharmaceuticals, vitamins, and cosmetics require licensing from the Food and Drug Administration, Ministry of Public Health.
- Importation of tungsten oxide, tin ores, and metallic tin in quantity exceeding two kilograms require permission from the Department of Mineral Resources, Ministry of Industry.
- Importation of arms, ammunition, or explosive devices requires licensing from the Ministry of Interior.
- Importation of antiques or objects of art, whether registered or not, require permission from the Fine Arts Department, Ministry of Education.

General customs clearing procedures for both imports and exports in Thailand require the submission of a Customs' export entry form or import entry form. The form should be accompanied by standard shipping documents, which include: commercial invoice, packing list, bill of lading/airway bill, and letter of credit. Some products may require import/export license and/or authorization from relevant agencies. These include food products (processed or unprocessed), pharmaceuticals, medical devices, healthcare products, cosmetics, hazardous substances, animals, and some agricultural products. Thailand has already eliminated its requirement of a certificate of origin for information technology imports pursuant to the WTO Information Technology Agreement. The use of a freight forwarder to deal with import and export customs clearing in Thailand is highly recommended.

### **Labeling/Marking Requirements**

Labeling is required on all processed food, healthcare, and cosmetic products, imported or locally produced, by the Food and Drug Administration (FDA), Ministry of Public Health. Labels must be approved by the Thai Food and Drug Administration and affixed to imported food products. The label must bear the product name, description, net weight or volume and manufacturing/expiration dates. The label must also identify the manufacturer or importer/distributor's name and address, and the product/label registration number. All labels must be printed in Thai except for alcoholic beverages, medical and dental products.

More information can be found at the Thai Food and Food Administration website.

Imported agricultural products must have a label in Thai-language prior to marketing. Failure to affix the label will lead to product seizure by the Thai Food and Drug Administration. The Thai FDA requires pre-approval of labels for specifically controlled foods.

Food products imported into Thailand must display the following information:

- Name and brand of the product (both generic and trade)
- Registration number
- Name and address of the manufacturer
- Name and address of the importer
- Date of manufacturing and expiration
- Net weight and volume
- Any additives used
- Health and nutritional claims (if any)

Labels for alcoholic beverages must display the percentage of alcohol content. There must also be a health warning, printed in Thai, on the label or on a sticker, with specific government-approved wording. There are also regulatory requirements related to cosmetic labeling. Local agents or importers can help to register a product and ensure labelling requirements are met.

Agricultural products that need to receive label approval from the Thai Food and Drug Administration (TFDA) must present a certificate of food analysis issued by the government of the country of origin or any accredited private laboratory. This certificate should be issued not more than one year before the date of the label approval application. The result of this analysis must comply with the quality or standards specified in the Ministry of Public Health's ministerial notification. A copy of the ministerial notification can be obtained in English, free of charge, from the Food and Drug Administration, Ministry of Public Health, Royal Thai Government.

Five copies of the original label must be attached to the application, with one label attached to the product. More information can be found at the Thai Food and Drug Administration website.

## U.S. Export Controls

For information on the latest U.S. export and re-export regulations, please go to the [Bureau of Industry and Security website](#) and the Directorate of Defense Trade Control (DDTC) website: <https://www.pmddtc.state.gov/> for guidance.

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here: [Consolidate Screening List](#).

## Temporary Entry

As a member of the World Customs Organization, Thailand has been using A.T.A. Carnet. This treaty facilitates the duty exemption of goods temporarily imported for exhibitions, exposition meetings, training, seminars and international conferences. Imported goods used for free distribution (such as T-shirts, caps, scarves, and pens) or for exchange between attendees of international meetings (related to the development of economy, social and/or technology aspects) are exempt from duty. The goods should have a logo or symbol related to the meeting, and the value of goods should be relatively inexpensive. At present, the Thai Customs grants duty exemption on exhibition goods for use only at exhibition sites, for the repair of professional equipment, product samples, and scientific/technological equipment. If the goods are not re-exported within six months, duties and tax will then be levied. The entry of temporary imported goods and exhibit materials can be handled by freight forwarding companies for customs clearance and other required procedures. For further information, please see Temporary Entry of Goods and Exhibit Materials (on the last page) and visit the section on Customs Procedures at the Thai Customs Department website.

**WARRANTY AND NON-WARRANTY REPAIRS:** U.S. companies based in Thailand can be exempted from import duties for items which are brought into the country and which had left the country before. This is normally the case of repair and service products.

Goods imported for repairing means:

- Exported goods that were damaged then shipped back to the vendor for repair and re-exported to the same buyer.
- Exported goods not meeting required standards shipped back for repair by the vendor and re-exported to the same buyer.
- Goods sent to Thailand by a foreign customer for repair and then sent back to the customer;
- Any goods imported for repair and then sent back to any country.

There are two scenarios:

- Tax of the previous shipment has been reimbursed from the Customs Department. In case the company has applied and been reimbursed for tax from the transaction related to previous shipment, the local company must process a permit/certificate to allow re-entry of the goods. The permit application must be placed at the same port as the port of departure from previous outbound shipments. The authorities will check the record of the product to ensure that there has been no modification and changes to product attributes. The goods can stay in Thailand up to one year with the possibility of renewal for another year.
- If the exporter in Thailand did not apply for a tax reimbursement, the exporter can collect the goods. No special permit is required. The same time frame as the above case is allowed. Outbound re-shipment of products involves no duties.



## Prohibited & Restricted Imports

Imports of used motorcycles and parts, household refrigerators using CFCs, refurbished medical devices, gaming machines, and computer peripherals are prohibited.

## Customs Regulations

Thai Customs Department uses the value of imported goods, as specified by the importers and where the transaction value of the goods can be determined, to value the goods for import tax purposes. If the value of the goods is debated between parties, or where the price of the goods cannot be used as the basis of a customer's valuation, Thai Customs will then use the GATT Valuation System (GVS) to determine the value of the goods. Under the GVS, there are 6 methods in order of relevance to calculate the import duty. The price specified by the importer is not used as a reference.

- Method 1: Transaction Value of the Imported Goods
- Method 2: Transaction Value of Identical Goods
- Method 3: Transaction Value of Similar Goods
- Method 4: Deductive Value
- Method 5: Computed Value
- Method 6: Fall Back Value

Although the GVS has alleviated many valuation problems, there is some concern among importers regarding its implementation, particularly in intra-company transfers, discounted goods, and promotional items. Progress has been made in reforming payment procedures and broker licensing, but the process continues to be hampered by considerable paperwork and formalities and lack of coordination between customs and other import regulating agencies.

By nature, regulations at the Customs Department are subjected to frequent changes, which may be difficult for foreigners to observe and follow. It is highly advisable for foreign exporters to have reliable freight forwarding and Customs Clearing companies representing them in the goods clearing process and customs relations in Thailand. Detailed information on the customs regulations can be obtained from [the Customs Department's website](#).

In addition to import duties handled by the Customs Department, certain import items are also subject to excise tax. These include gasoline and products thereof, automobiles (less than 10 seats), electrical appliances, beverages, perfume and cosmetics, yachts and vessels for entertainment, lead crystal and other crystals, carpets and other floor covering materials, motorcycles, batteries, marble and granite, liquor, tobacco, and playing cards. Excise tax is also imposed on local products in the same categories as well as on certain entertainment service providers such as horse racing grounds/clubs and golf clubs.

Excise tax is calculated on CIF value plus import duty, special fees pursuant to the Investment Promotion Act and any other taxes or fees as prescribed by Royal Decree (Excluding VAT). Further information on excise taxes can be obtained from [the website of the Excise Department](#), Ministry of Finance. Import-export statistics and import tax rates can be accessed from the customs website at Thai Customs Department.

### [Thai Customs Department of Thailand](#)

Soonthornkosa Road, Klongtoey

Bangkok 10110

Tel: 662-667-6000, 667-7000, Call Center: 1164.

## Standards for Trade

### Overview

The main standards developing organization is the Thailand Industrial Standards Institute (TISI). TISI is a member of the International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC). TISI also participates in the International Accreditation Forum (IAF), the International Auditor and Training Certification Association (IATCA), and the International Laboratory Conference (ILAC). In Southeast Asia, TISI is a member of the ASEAN Consultative Committee for Standards and Quality (ACCSQ). TISI is also a member of the Standards and Conformance Subcommittee (SCSC) under the Asia Pacific Economic Cooperation (APEC) organization and represents Thailand in the Pacific Area Standards Congress (PASC). Thailand follows ISO guidelines to synchronize standards with its trade partners.

## **Standards**

The Thai Industrial Standards Institute (TISI) is the central national standards organization under the Ministry of Industry. TISI develops both mandatory and voluntary Thai Industrial Standards (TIS). TISI publishes a work program every six months with its plan for standards development for Thailand.

Please refer to the National Institute of Standards of Technology (NIST) and its web-based [Notify U.S.](#) Service.

Member countries of the World Trade Organization (WTO) are required under the Technical Barriers to Trade (TBT) Agreement to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect access to international markets.

## **Conformity Assessment**

The National Standardization Council (NSC) of Thailand is part of TISI that administers the accreditation system in Thailand. Through the process of the Thai accreditation system, the National Standardization Council gives formal recognition that a conformity assessment body is competent to carry out specific functions or tasks according to relevant international requirements.

TISI issues product certifications according to established Thai standards and is an accredited body for ISO and Hazard Analysis and Critical Control Points (HACCP) certifications in Thailand.

## **Testing, Inspection and Certification**

The Government of Thailand requires a compulsory certification of 120 products in 10 sectors including: agriculture, construction materials, consumer goods, electrical appliances and accessories, PVC pipe, medical, LPG gas containers, surface coatings, mechanical engineering and vehicles. Certification of other products is on a voluntary basis. Industrial products that have TISI certification are generally regarded as having high standards and good quality. TISI has certified more than 3,000 products on a voluntary basis. Thailand is part of the ASEAN Economic Community, and as such, Mutual Recognition Agreements (MRAs) become effective for compulsory standards of certain electrical products traded between Thailand, Malaysia, and Singapore. Eligible products for MRAs must meet the International Electrotechnical Commission (IEC) or its equivalent standards.

## **Accreditation**

The National Standardization Council (NSC) of Thailand is Thailand's official accreditation body:

National Standardization Council (NSC) of Thailand

Rama 6 Road, Ratchathewi, Bangkok, 10400 Thailand

Tel: 662-202-3486-7, 202-3413

Fax: 662-354-3313

All authorized laboratories are required to be accredited under the scope relevant to such products or product groups by the Thai Laboratory Accreditation Scheme (TLAS) or a laboratory accreditation body that has been approved by the International Product Standards Council (IPSC).

### **Publication of Technical Regulations**

Information can be obtained at TISI, official documents are only available in Thai.

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. ([www.nist.gov/notifyus](http://www.nist.gov/notifyus)) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

### **Contact Information**

Thai Industrial Standards Institute, Ministry of Industry

Rama IV Street, Ratchathewi, Bangkok 10400, Thailand

Tel: (662) 202-3300, 202-3509

E-mail: [thaistan@tisi.go.th](mailto:thaistan@tisi.go.th)

Commercial Section, U.S. Embassy Bangkok

Ms. Suttharud Liangwonnoporn – Commercial Assistant

E-mail: [Suttharud.Liangwonnoporn@trade.gov](mailto:Suttharud.Liangwonnoporn@trade.gov)

### **Trade Agreements**

In January 1992, Thailand signed the Framework Agreement on Enhancing ASEAN Economic Cooperation. The goal of this agreement was to establish an ASEAN Free Trade Agreement (AFTA). The countries now affected by AFTA are Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

In 2007, ASEAN leaders established the ASEAN Economic Community (AEC) with nearly all tariffs eliminated and a plan to further liberalize the service, capital, and labor sectors. Thailand, along with the other ASEAN members, is currently engaged in negotiations with China, Korea, Japan, Australia, New Zealand, and India to form a Regional Comprehensive Economic Partnership (RCEP) agreement.

Thailand currently has a Free Trade Agreement (FTA) with Australia, New Zealand, Japan, Peru, and Chile. Thailand is negotiating the details of the full FTAs with China, India, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), which currently comprises 7 countries: Bangladesh, Bhutan, India, Nepal, Myanmar, Sri Lanka and Thailand. In addition, Thailand initiated FTA negotiations with Pakistan and Turkey in 2015.

### **Licensing Requirements for Professional Services**

The Thai government requires companies doing business in specific industries to obtain license certificates. This includes import and export businesses and those selling food and/or alcoholic beverages. Licensing requirements vary depending on services provided.

For more information regarding the guidelines and the general agreement on trade in services and other international agreements on the practice of foreign professionals see the links below.

### **Web Resources**

- [Thai Customs, Ministry of Finance](#)
- [Thai Industrial Standards Institute \(TISI\)](#)
- [Ministry of Labor \(MOL\)](#)
- [Ministry of Foreign Affairs](#)
- [Ministry of Commerce, Thailand](#)
- [Department of Foreign Trade](#)
- [Department of Business Development \(DBD\), Ministry of Commerce, Thailand](#)

## Investment Climate Statement

### Executive Summary

Thailand, the second largest economy in ASEAN after Indonesia, is an upper middle-income country with pro-investment policies and well-developed infrastructure. Having ruled as an interim government since a May 2014 coup, the military government has postponed elections several times with the latest date set for February 2019. Despite the political uncertainty, Thailand continues to encourage foreign direct investment as a means of promoting economic development, employment, and technology transfer. In recent decades, Thailand has been a major destination for foreign direct investment, and hundreds of U.S. companies have invested in Thailand successfully. Thailand continues to welcome investment from all countries and seeks to avoid dependence on any one country as a source of investment.

The Foreign Business Act (FBA) governs most investment activity by non-Thai nationals. Many U.S. businesses also enjoy investment benefits through the U.S.-Thailand Treaty of Amity and Economic Relations, signed in 1833 and updated in 1966. The Treaty allows U.S. citizens, and U.S. majority-owned businesses incorporated in the United States or Thailand, to engage in business on the same basis as Thai companies (national treatment) and exempt them from most FBA restrictions on foreign investment, although some types of business are excluded under the Treaty. Notwithstanding their Treaty rights, many U.S. investors choose to form joint ventures with Thai partners who hold a majority stake in the company, leveraging their partner's knowledge of the Thai economy and local regulations.

The Thai government maintains a regulatory framework that broadly encourages investment though the process of rule-making and interpretation is not always transparent or predictable. Government policies generally do not restrict the free flow of financial resources to support product and factor markets, and credit is generally allocated on market terms rather than by directed lending.

The Board of Investment (BOI) is Thailand's principal investment promotion authority and offers business support and investment incentives uniformly to both qualified domestic and foreign investors through clearly articulated application procedures. Investment incentives include both tax and non-tax privileges.

The government launched the Eastern Economic Corridor (EEC) development plan in 2017, which is a part of the "Thailand 4.0" strategy introduced in 2016. Many of the planned projects could provide opportunity for investments in the targeted sectors, such as infrastructure, technology, processed foods, aviation, robotics, and medical/biotechnology.

*Table 1*

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	37/180	<a href="http://www.transparency.org/research/cpi/overview">http://www.transparency.org/research/cpi/overview</a>
World Bank's Doing Business Report "Ease of Doing Business"	2017	26/190	<a href="http://www.doingbusiness.org/rankings/">http://www.doingbusiness.org/rankings/</a>
Global Innovation Index	2017	51/127	<a href="https://www.globalinnovationindex.org/analysis-indicator">https://www.globalinnovationindex.org/analysis-indicator</a>
U.S. FDI in Partner Country (USD M USD , stock positions)	2016	USD 11,774	<a href="http://www.bea.gov/international/factsheet/">http://www.bea.gov/international/factsheet/</a>

World Bank GNI per capita	2016	USD 5,640	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>
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Openness To, and Restrictions Upon, Foreign Investment

### Policies Towards Foreign Direct Investment

Thailand continues to welcome investment from all countries and seeks to avoid dependence on any one country as a source of investment. Many companies are carefully considering market factors, including the country's declining competitiveness relative to other countries in the region, when making future investment decisions.

The FBA prescribes a wide range of business that may not be carried out by foreigners unless a relevant license has been obtained or an exemption applies. The term "foreigner" includes Thai registered companies where half or more of the capital is held by non-Thai individuals, foreign registered companies, and Thai registered companies which are themselves majority foreign-owned.

BOI, Thailand's investment promotion agency, assists Thai and foreign investors to start and conduct businesses in targeted economic sectors by offering both tax and non-tax incentives.

### Limits on Foreign Control and Right to Private Ownership and Establishment

There is no general prohibition against foreigners or domestic private entities, but various acts proscribe certain foreign-ownership restrictions, primarily in services such as banking, insurance, and telecommunications. The FBA details certain types of business activities reserved for Thai nationals. Foreign investment in those businesses must comprise less than 50 percent of share capital, unless specially permitted or otherwise exempt.

The following three lists, attached as FBA annexes, detail restricted businesses for foreigners:

*List 1.* This contains activities prohibited to non-nationals, including newspaper and radio broadcasting stations and businesses; rice and livestock farming; forestry and timber processing from a natural forest; fishery in Thai territorial waters and specific economic zones; extraction of Thai medicinal herbs; trading and auctioning of antique objects or objects of historical value from Thailand; making or casting of Buddha images and monk alms bowls; and land trading.

*List 2.* This contains activities related to national safety or security, and activities related to arts and culture, tradition, folk handicrafts, or natural resources and the environment. Restrictions apply to the production, sale and maintenance of firearms and armaments; domestic transportation by land, water, and air; trading of Thai antiques or art objects; mining, including rock blasting and rock crushing; and timber processing for production of furniture and utensils.

A foreign majority-owned company can engage in List 2 activities if Thai nationals or legal persons hold not less than 40 percent of the total shares and the number of Thai directors is not less than two-fifths of the total number of directors.

*List 3.* Restricted businesses in this list include accounting, legal, architectural, and engineering services; retail and wholesale; advertising businesses; hotels; guided touring; selling food or beverages; and other service-sector businesses.

Thailand does not maintain an investment screening mechanism, but investors could receive additional incentives/privileges if they invest in priority areas, such as high-technology industries.

The U.S. Commercial Service, U.S. Embassy Bangkok, is responsible for issuing a certification letter to confirm that the applicant is qualified to apply for protection under the Treaty of Amity. The applicant must first obtain documents verifying that the company has been registered in compliance with Thai Law. Upon receipt of the required documents, the U.S. Commercial Service office will then certify to the Foreign Administration Division, Department of Business Development, Ministry of Commerce (MOC) that the applicant is seeking to register an American-owned and managed company or that the applicant is an American citizen and is therefore entitled to national treatment under the provisions of the Treaty. For more information on how to apply for protection under the Treaty of Amity, please e-mail: [ktantisa@trade.gov](mailto:ktantisa@trade.gov).

### **Other Investment Policy Reviews**

The World Trade Organization conducted a Trade Policy Review of Thailand in November 2015. [https://www.wto.org/english/tratop\\_e/tpr\\_e/tp426\\_e.htm](https://www.wto.org/english/tratop_e/tpr_e/tp426_e.htm).

### **Business Facilitation**

The MOC's Department of Business Development (DBD) is generally responsible for business registration, which can be performed online or manually. The legal requirement for the process to be completed in Thai language has caused foreign entities to spend three to six months to complete the process as they typically need to hire a law firm or consulting firm to handle their applications. Firms engaging in production activities also need to register with the Ministry of Industry and the Ministry of Labor and Social Development.

To operate restricted businesses as defined by the FBA's List 2 and 3, non-Thai entities must obtain a foreign business license, approved by the Council of Ministers (Cabinet) and/or Director-General of the MOC's Department of Business Development, depending on the business category.

Effective June 9, 2017, the MOC removed certain business categories from FBA's Annex 3 list, such as regional office services and contractual services provided to government bodies and state-owned enterprises, which contributed to a 4.6 percent drop in foreign business permission requests. The MOC expects the number of applications to rise in 2018 due to Thailand's improved World Bank Ease of Doing Business ranking and Royal Thai Government (RTG) policies to attract more foreign investment.

American investors who wish to take majority shares or wholly own businesses under FBA's Annex 3 list may apply for protection under the U.S.-Thai Treaty of Amity.

Americans planning to invest in Thailand are advised to obtain qualified legal advice, especially considering Thai business regulations are governed predominantly by criminal, not civil, law. Foreigners are rarely jailed for improper business activities, but violation of business regulations can carry heavy criminal penalties. Thailand has an independent judiciary and government authorities are generally not permitted to interfere in the court system once a case is in process.

As of March 2018, the MOC's Department of Business Development has reportedly been working on additional FBA changes, particularly the clarification of the definition of "foreigner" to bring in line with international practices, and possible removal of certain service businesses from FBA's List 3. The DBD is expected to complete the review by May 2018.

A company is required to have registered capital of two million Thai baht per foreign employee in order to obtain work permits. Foreign employees must enter the country on a non-immigrant visa and then submit work permit applications directly to the Department of Labor. Application processing takes approximately one week. For more information on Thailand visas, please refer to <http://www.mfa.go.th/main/en/services/4908/15388-Non-Immigrant-Visa-%22B%22-for-Business-and.html>.

On February 1, 2018, the Thai government launched the Smart Visa program for foreigners with technology specializations in ten targeted industries. Foreigners would be granted a maximum four-year visa to work in Thailand without need for work permit and would enjoy relaxed immigration rules for their spouses and children. More information is available at [http://www.boi.go.th/newboi/index.php?page=detail\\_smart\\_visa&language=de](http://www.boi.go.th/newboi/index.php?page=detail_smart_visa&language=de).

Employment applications in Thailand often state a preferred applicant gender and age although Thailand's Constitution guarantees equality for all persons and prohibits discrimination on 12 specified grounds. Indigenous minorities, such as highlanders, forest dwellers and "sea gypsies" who often lack legal status work more than the general populace in agriculture, home work, and in self-employment micro businesses, which are not fully covered by labor and social security laws.

## **Outward Investment**

Thai companies are expanding and investing overseas, especially in neighboring ASEAN countries to take an advantage of lower cost of production; but also in the United States, Europe and Asia. A stronger domestic currency, rising cash holdings, and subdued domestic growth are helping to drive outward investment. Food, agro-industry, and chemical sectors account for the main share of outward flows. Thai corporate laws allow outbound investments in the form of an independent affiliate (foreign company), as a branch of the Thai legal entity, or by a financial investment abroad from a Thai company. BOI and the MOC's Department of International Trade Promotion (DITP) share responsibility for promoting outward investment, with BOI focused on outward investment in major countries and the DITP covering smaller markets.

## **Bilateral Investment Agreements and Taxation Treaties**

The 1966 iteration of the U.S.-Thai Treaty of Amity and Economic Relations allows U.S. citizens, and U.S. majority-owned businesses incorporated in the United States or Thailand, to engage in business on the same basis as Thai companies (national treatment). However, the FBA applies restrictions to U.S. investment in communications, transportation, exploitation of land and other natural resources, and domestic trade in agricultural products.

In October 2002, the United States and Thailand signed a bilateral Trade and Investment Framework Agreement (TIFA), which serves as a forum to discuss bilateral trade and investment issues such as intellectual property rights, customs, market-access barriers, and areas of mutual concern.

Thailand has Bilateral Investment Treaties with Argentina, Bahrain, Bangladesh, Belgium-Luxembourg Economic Union, Bulgaria, Cambodia, Canada, China, Croatia, Czech Republic, Egypt, Finland, Germany, Hong Kong, Hungary, India, Indonesia, Israel, Jordan, Democratic People's Republic of Korea, Republic of Korea, Lao People's Democratic Republic, Myanmar, Netherlands, Peru, Philippines, Poland, Romania, Russian Federation (signed, not in force), Slovenia, Sri Lanka, Sweden, Switzerland, Taiwan, Tajikistan (signed, not in force), Turkey, United Kingdom, Vietnam, and Zimbabwe (signed, not in force). Thailand is a member of the Regional Comprehensive Economic Partnership (RCEP), currently under negotiation.

Thailand belongs to the 10-member Association of Southeast Asian Nations (ASEAN), a regional economic bloc covering 600 million populations, which has a free trade agreement among member countries and with Australia, New Zealand, China, India, Korea, and Hong Kong (to be in effect on January 1, 2019). ASEAN has a comprehensive economic partnership with Japan and is pursuing FTA negotiations with the EU, Pakistan, and Canada.

Thailand and the United States established a bilateral tax treaty in 1996. Thailand signed the U.S.-Thailand Foreign Account Tax Compliance Act on March 4, 2016. The legislation, the Act on the Agreement between the Government of the United States of America and the Government of the Kingdom of Thailand to Improve International Tax Compliance and to Implement FATCA, BE 2560, went into effect in October 2017.



## Legal Regime

### Transparency of the Regulatory System

Since the May 2014 coup and installation of the military-led government and legislature, investors have noted a lack of transparency in the rule-making process across a broad range of sectors. Generally, the Council of Ministers, as an entity entrusted with executive power, has the authority to propose bills to the National Assembly for consideration and approval, then the bill will be signed by the King and published in the Government Gazette before being promulgated as an Act and having force of law.

There are many examples in the past three years of laws drafted in line ministries with little or no input from stakeholders, particularly international investors. In some cases, laws have been passed quickly through the “rubber stamp” legislature, or ministries have issued sudden notifications directed through the use of the Prime Minister’s authority under Article 44 of the interim constitution. Foreign investors have, on occasion, expressed frustration that draft regulations are not made public until they are finalized, and that comments they submit on draft regulations they do see are not taken into consideration. Non-governmental organizations are actively consulted by the government on policy related to pharmaceuticals, alcohol, infant formula, and meat imports, especially within the health sphere as well as intellectual property. In other areas, such as digital and cybersecurity laws, there have been instances in which public outcry over leaked government documents has led to withdrawal and review of proposed legislation.

U.S. businesses have repeatedly expressed concern about the lack of transparency of the Thai customs regime and the significant discretionary authority exercised by Customs Department officials. The U.S. government and private sector have expressed concern about the inconsistent application of Thailand’s transaction valuation methodology and repeated use of arbitrary values by the Customs Department. Thailand’s new Customs Act entered into force on November 13, 2017. The Act removes the Customs Department Director General’s authority and discretion to increase the Customs value of imports, and reduces the percentage of remuneration awarded to officials and non-officials from 55 percent to 40 percent of the sale price of seized goods (or of the fine amount). While a welcome development, reduction of this remuneration is insufficient to address the issue of personal incentives. Consistent and predictable enforcement of government regulations remains problematic for investment in Thailand.

Gratuity payments to civil servants responsible for regulatory oversight and enforcement remain a common practice. Firms that refuse to make such payments can be placed at a competitive disadvantage when compared to other firms in the same field.

The Royal Thai Government Gazette ([www.ratchakitcha.soc.go.th](http://www.ratchakitcha.soc.go.th)) is Thailand’s public journal of the country’s centralized online location of actual laws and regulation notifications.

### International Regulatory Considerations

While Thailand is a member of the WTO and notifies most draft technical regulations to the TBT Committee and the SPS Committee, the country does not always follow WTO or other international standard setting norms or guidance, preferring to set its own standards in many cases. In October 2015, the country ratified the WTO Trade Facilitation Agreement, which came into effect in February 2017.

### Legal System and Judicial Independence

Thailand has a civil code, commercial code, and a bankruptcy law. Monetary judgments are calculated at the market exchange rate. Decisions of foreign courts are not accepted or enforceable in Thai courts. Disputes such as the enforcement of property or contract rights have generally been resolved in Thai courts. Thailand has an independent judiciary that is generally effective in enforcing property and contractual rights. The legal process is slow in practice, and litigants or third parties sometimes affect judgments through extra-legal means.

There are three levels to the judicial system in Thailand: the Court of First Instance, which handles most matters at inception, the Court of Appeals, and the Supreme Court. There are specialized courts such as the Labor Court, Family Court, Tax Court, the Central Intellectual Property and International Trade Court, and the Bankruptcy Court.

The Specialized Appeal Courts handles appeals from specialized courts. The Supreme Court has discretion whether to take a case that has been decided by the Specialized Appeal Court. If the Supreme Court decides not to take up a case, the Specialized Appeal Court decision stands.

### **Laws and Regulations on Foreign Direct Investment**

The Foreign Business Act (FBA) governs most investment activity by non-Thai nationals. Foreign investment in most service sectors is limited to 49 percent ownership. Other key laws governing foreign investment are the Alien Employment Act (1978) and the Investment Promotion Act (1977). Many U.S. businesses enjoy investment benefits through the U.S.-Thailand Treaty of Amity and Economic Relations.

The 2007 Financial Institutions Business Act unified the legal framework and strengthened the Bank of Thailand's (the country's central bank) supervision and enforcement powers. The Act allows the Bank of Thailand to raise foreign ownership limits for existing local banks from 25 percent to 49 percent on a case-by-case basis. The Minister of Finance can authorize foreign ownership above 49 percent if recommended by the central bank. Details are available at: [https://www.bot.or.th/English/AboutBOT/LawsAndRegulations/SiteAssets/Law\\_E24\\_Institution\\_Sep2011.pdf](https://www.bot.or.th/English/AboutBOT/LawsAndRegulations/SiteAssets/Law_E24_Institution_Sep2011.pdf).

Apart from acquiring shares of existing local banks, foreign banks can enter the Thai banking system by obtaining new licenses (from the central bank and the Ministry of Finance). The 2008 Life Insurance Act and the 2008 Non-Life Insurance Act apply a 25 percent cap on foreign ownership of insurance companies and on foreign boards of directors. However, in January 2016 the Office of the Insurance Commission (OIC), the primary regulator, notified that any Thai insurance (both life and non-life) company wishing to have one or more foreigners holding more than 25 percent (but no more than 49 percent) of its total voting shares, or to have foreigners comprising more than a quarter (but less than half) of its total directors, may apply for OIC approval. Any foreign national wishing to hold more than 10 percent voting shares in an insurance company must seek OIC approval. With approval, a foreign national can acquire up to 49 percent of the voting shares.

Any foreign shareholder holding more than ten percent of the voting shares prior to the effective date of the notification is grandfathered in and may maintain their current shareholding, but must obtain OIC approval to increase shareholding. Finally, the Finance Minister, with OIC's recommendation, has discretion to permit greater than 49 percent foreign ownership and/or a majority of foreign directors, when the operation of the insurance company may cause loss to insured parties or to the public.

For information on Thailand's "One Start One Stop" investment center, please visit: <http://osos.boi.go.th>. Investors in Thailand can visit the physical office, located on the 18<sup>th</sup> floor of Chamchuri Square, on Rama 4/Phayathai Road in Bangkok.

### **Competition and Anti-Trust Laws**

In July 2017, Thailand enacted an updated version of the Trade Competition Act, which covers all business activities except state-owned enterprises exempted by law or government policies related to national security, public benefit, common interest and public utility, as well as cooperatives, agricultural and cooperative groups, government agencies, and other enterprises exempted by the law.

The Office of Trade Competition Commission (OTCC) is an independent agency and the main enforcer of the Trade Competition Act. The OTCC, comprised of seven members nominated by a selection committee and

endorsed by Cabinet approval, advises the government on the issuance of relevant regulations, ensures fair and free trade practices, investigates cases and complaints of unfair trade, and pursues criminal and disciplinary actions against those found guilty of unfair trade practices stipulated in the law. The law focuses on unlawful exercise of market dominance; mergers or collusions that could lead to monopoly, unfair competition and restricting competition; and unfair trade practices. Merger control thresholds and additional details will be provided in notifications and regulations to be issued later.

The Act broadens the definition of a business operator to include affiliates and group companies, and broadens the liability of directors and management to be subject to criminal and administrative sanction if their actions (or omissions) resulted in violation. The Act also provides more details of penalties for cases facing administrative court or criminal court actions. The amended Act has been noted as an improvement towards international standards.

The government has authority to control the price of specific products under the Price of Goods and Services Act. The MOC's Department of Internal Trade administers the law and interacts with affected companies, though the Committee on Prices of Goods and Services makes the final decision on products to add or remove from price controls. As of January 2018, the MOC increased the number of controlled commodities and services to 53 from 42 in the previous year. Aside from these controlled commodities, raising the prices of consumer products is prohibited without first notifying the Committee. The government uses its controlling stakes in major suppliers of products and services such as Thai Airways and PTT Public Company Limited to influence prices in the market. Thailand has extensive environmental-protection legislation, including the National Environmental Quality Act, the Hazardous Substances Act, and the Factories Act. Food purity and drug efficacy are controlled and regulated by the Thai Food and Drug Administration (with authority similar to its U.S. counterpart). The Ministry of Labor sets and administers labor and employment standards.

### **Expropriation and Compensation**

Private property can be expropriated for public purposes in accordance with Thai law, which provides for due process and compensation. This process is seldom used and has been principally confined to real estate owned by Thai nationals and needed for public works projects. In the past year, U.S. firms have not reported problems with property appropriation in Thailand.

### **Dispute Settlement**

#### *ICSID Convention and New York Convention*

Thailand is a signatory to the New York Convention, and enacted its own rules on conciliation and arbitration in the Arbitration Act of 2002. Thailand signed the Convention on the Settlement of Investment Disputes in 1985, but has not yet ratified the Convention.

#### *Investor-State Dispute Settlement*

There have been a couple of notable cases of investor-state disputes in the last fifteen years, but none involve U.S. companies. Currently, Thailand is engaged in a dispute with Australian firm Kingsgate Consolidated Limited after the RTG invoked a special power to shut down a gold mine in early 2017 due to reported environmental impacts and conflicts with locals. Kingsgate, a major shareholder of the operator of the disputed mine, claimed the RTG violated the Australia-Thailand FTA and commenced international arbitration proceedings against the country to recover losses incurred from the closure. The process is still continuing as of March 2018.

#### *International Commercial Arbitration and Foreign Courts*

Thailand's national Arbitration Act of 2002, modeled in part after the UNCITRAL Model law, governs domestic and international arbitration proceedings and states that "in cases where an arbitral award was made in a foreign country, the award shall be enforced by the competent court only if it is subject to an international convention, treaty, or agreement to which Thailand is a party." The Thai Arbitration Institute (TAI) of the Alternative Dispute Resolution Office, Office of the Judiciary, and the Office of the Arbitration Tribunal of the Board of Trade of Thailand provide arbitration services to proceedings held within Thailand. In 2017, new rules of TAI came into force with changes aimed to address weaknesses of conducting arbitration in Thailand, including the TAI's power to appoint arbitrators when any of the parties in dispute fails to do so and the setting up of the procedural duration of 180 days and the final awarding period of within 30 days of the closure of pleadings. Currently, a draft amendment of the Arbitration Act to allow foreign arbitrators to take part in cases involving foreign parties is being reviewed by the Council of State, after it was approved by the Cabinet. If endorsed, it will go before the legislature for deliberation before being put into effect. In addition, the semi-public Thailand Arbitration Center offers mediation and arbitration for civil and commercial disputes. Under very limited circumstances, a court can set aside an arbitration award. Thailand does not have a Bilateral Investment Treaty (BIT) or a Free Trade Agreement (FTA) with the United States.

### **Bankruptcy Regulations**

Thailand's bankruptcy law allows for corporate restructuring similar to U.S. Chapter 11, and does not criminalize bankruptcy. While bankruptcy is under consideration, creditors can request the following ex parte applications from the court: an examination by the receiver of all assets of the debtor and/or that the debtor attend questioning on the existence of assets; a requirement that the debtor provide satisfactory security to the court; and immediate seizure of the debtor's assets and/or evidence in order to prevent the loss of destruction of such items.

The law stipulates that all applications for repayment must be made within one month after the Court publishes the appointment of an official receiver. If a creditor eligible for repayment does not apply within this period, he forfeits his right to receive payment or the Court may cancel the order to reorganize the business. If any person opposes a filing, the receiver shall investigate the matter and approve, partially approve, or dismiss the application. Any objections to the orders issued by the receiver may be filed with the Court within 14 days after learning of the issued order.

National Credit Bureau of Thailand (NCB), merger of Thai Credit Bureau and Central Credit Information Services, serves the financial services industry with information on consumers and businesses. In June 2017, the World Bank's Doing Business Report placed Thailand 26<sup>th</sup> out of 190 countries on resolving insolvency. The report said that debtor may file for reorganization only when commencing insolvency proceedings. Under the insolvency framework in Thailand, a creditor is allowed to file for insolvency of the debtor.

### **Industrial Policies**

#### **Investment Incentives**

The Board of Investment (BOI) is Thailand's central investment promotion authority. BOI offers investment incentives uniformly to qualified domestic and foreign investors with clear application procedures. To upgrade the country's technological capacity, the BOI now gives more weight to the application on agriculture, food, digital, logistics, education, tourism, and services industries.

Two of the most significant privileges offered by the BOI for promoted projects are:

- Tax privileges, such as corporate income tax exemption, tariff exemption, reduction on import machinery and tariff exemption, or reduction on imported raw material.

- Nontax privileges, such as permission to own land, permission to bring foreign experts to work on the promoted projects, exemption on foreign ownership of companies, and exemption from work permits and visa rules.

Thailand's flagship investment zone called "Eastern Economic Corridor (EEC)," spanning the provinces of Chachengsao, Chonburi, and Rayong with a combined area of 5,128 square miles, will be built on the existing Eastern Seaboard industrial area that has been an investment destination for 30 years. The Thai government aims to establish the EEC as a primary investment and infrastructure hub in ASEAN, serving as a central gateway to East Asia and to South Asia. The EEC plans call for the creation of new, smart cities, a digital park, a data center, and new facilities for next generation automotive, aviation, robotics, and smart electronics.

The EEC Act provides investment incentives and privileges. Investors will be able to access long-term land leases of 99 years (with an initial lease of up to 50 years and a renewal of up to 49 years) and the PPP approval process will be shortened to three months. The BOI will offer up to 15 years corporate income tax exemption for strategic projects in the EEC. There will be a 17 percent maximum personal income tax for investors, managers, and experts who are employed by companies in target industries with headquarters and facilities situated in the EEC. Investment projects with a significant R&D, innovation, or human resource development component may be eligible for additional grants and incentives.

For more information, contact the Thai Board of Investment, 555 Vibhavadi-Rangsit Road, Chatuchak, Bangkok 10900. Tel: 0-2553-8111. Website: [www.boi.go.th](http://www.boi.go.th).

### **Foreign Trade Zones/Free Ports/Trade Facilitation**

The Industrial Estate Authority of Thailand (IEAT), a state-enterprise under the Ministry of Industry, established the first industrial estates in Thailand, including Laem Chabang Industrial Estate in Chonburi Province (eastern) and Map Ta Phut Industrial Estate in Rayong Province (eastern). Foreign-owned firms have the same investment opportunities as Thai entities, but the IEAT Act requires the IEAT Committee to consider and approve the amount of space/land that a foreign owned firm plans to buy or lease in industrial estates. In practice, there is no record of disapproval for requested land. Private developers are heavily involved in the development of these estates. The IEAT currently operates 9 estates, plus 39 more in conjunction with the private sector in 15 provinces nationwide. Private sector developers operate over 50 industrial estates, most of which have received promotion privileges from the Board of Investment.

The IEAT established 12 special IEAT Free Zones, reserved for the location of industries manufacturing for export only, to which businesses may import raw materials and export finished products free of duty (including value added tax). These zones are located within industrial estates, and many have customs facilities to speed processing. The free trade zones are located in Chonburi, Lampun, Pichit, Songkhla, Samut Prakarn, Bangkok (at Lad Krabang), Ayuddhya, and Chachoengsao. In addition to these zones, factories may apply for permission to establish a bonded warehouse within their premises to which raw materials, used exclusively in the production of products for export, may be imported duty free.

Thailand is focusing on improving trade and investment with neighboring countries, and is establishing Special Economic Zones (SEZs) in many provinces including Tak, Nong Khai, Mukdahan, Sa Kaeo, Trad, Narathiwat, Chiang Rai, Nakhon Phanom, and Kanchanaburi. Business sectors and industries that might benefit from incentives offered in the SEZs include logistics, warehouses near border areas, distribution, services, tourism, labor-intensive factories, and manufacturers using raw materials from neighboring countries.

### **Performance and Data Localization Requirements**

In 2017, Thailand passed into effect the Royal Decree on Foreign Worker Management, which replaces the Foreign Employment Act and the Royal Decree on the Management of Migrant Employment, to manage the

employment of foreigners, regardless of the industry, in a more systematic fashion. The new law provided a more clarified definition of “work” and increased as well as offered new penalties for various offences.

Thai law requires foreign workers to have a work permit issued by the Ministry of Labor in order to work legally in Thailand; Thai law also reserves 39 occupations for Thai workers and will not grant work permits for foreigners to engage in these occupations, including lawyers, architects, and civil engineers.

Generally, employers must hire four Thais for every one foreign employee. Foreign private sector employees require work permits, which are granted by the Ministry of Labor with consideration on whether the:

- Job could be done by a Thai employee;
- Foreigner is qualified for the job; and
- Job fits the present economic needs of the Kingdom.

Different requirements apply to companies promoted by the BOI, which typically result in greater flexibility and ease in obtaining work permits for foreign nationals.

Such schemes apply equally to senior management and boards of directors. According to the Foreign Business Act, if a foreigner is the managing partner or the manager, the company is subject to the restrictions applicable to foreign businesses and the Foreign Business License application.

While the employment of foreigners in some sectors are subject to foreign equity restrictions, exceptions from the restrictions of the Foreign Business Act can be granted as promotional privileges by BOI or IEAT, or, as a temporary measure, in the form of government approval issued by the Thai government.

Exceptions can also be provided based on international treaties Thailand to which Thailand is a party. U.S. companies or nationals under the Treaty of Amity and Economic Relations between Thailand and the United States (Treaty of Amity) can be eligible for “national treatment,” where, with some exceptions, they are treated in the same way as Thai nationals.

The RTG does not currently have any specific statutory law governing “forced localization” policy in which foreign investors must use domestic content in goods or technology, but it has encouraged such an approach through additional preference in procurement. While there are currently no requirements for foreign IT providers to turn over source code and/or provide access to surveillance, the RTG is drafting new laws and regulations on cybersecurity and personal data protection that may affect all businesses and consumers in Thailand. Thailand has implemented a requirement to have all debit transactions processed by a domestic debit card network using a proprietary chip. Regarding Thailand’s import permitting process for several agricultural products, such as soybean and milk, there are separate domestic absorption rate requirements to purchase local product at fixed prices.

## Protection of Property Rights

### Real Property

Property rights are guaranteed by the Constitution against being condemned or nationalized without fair compensation. Thai government policy generally does not permit foreigners to own land but there have been cases that official permissions were granted under certain laws or ministerial regulations for residential, business or even religious purposes. Lease is also allowed for foreigners as the governing Civil and Commercial Code does not distinguish this right between foreign and Thai nationals. Foreign ownership of condominiums and buildings is also permitted under certain and relevant laws. Secured interests in property, such as mortgage and pledge, are recognized and enforced. Under Thai law, unoccupied property legally owned by foreigners and Thais may be subject to adverse possession by squatters or people, who stay on that property

for at least 10 years. According to the World Bank's 2018 Doing Business report, Thailand's Registering Property ranking remained unchanged at 68 out of 190 countries.

### **Intellectual Property Rights**

Thailand's efforts to clampdown on widespread commercial IP counterfeiting and piracy have been enhanced by a strong political commitment to IPR enforcement by Prime Minister Prayut Chan-o-cha, as illustrated by the creation of the 12-agency Sub-Committee and the establishment of a 20-year IP Roadmap as well as close coordination among the country's Internal Security Operations Command, enforcement agencies and IP rights holders.

In late 2017, Thailand was upgraded from the USTR Special 301 Priority Watch List, where it had been placed since 2007, to the Watch List. Currently, there are no Thai markets on the USTR Notorious Markets Reports.

### **Patents and Trademarks**

Thailand's patent regime generally provides minimal protection for most inventions, with the examination of patent applications and the issuance of patents taking, on average, six to eight years in some technology sectors, and as high as 15-18 years for pharmaceutical patents. As of February 2018, there were around 18,000 patent applications pending for examination and granting, according to the Department of Intellectual Property (DIP). In order to resolve the backlog problem, DIP has increased hiring to achieve the staffing goal of 78 patent examiners and 20 trademark examiners. DIP aims to bring the trademark approval timeline down to nine months, from the current 10-14 months, by the end of 2018.

The RTG continues its drafting process for an amendment to the Patent Act that would streamline the patent registration process and implement its international obligations under the Amendment of the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) related to patent and public health, which it ratified in January 2016.

Starting in September 2017, rights owners can file for sound trademark registration, a development enabled by the amendment of Thailand's Trademark Act in July 2016. Thailand acceded to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (Madrid Protocol) in August 2017, and the agreement entered into effect in November 2017.

The RTG amended the Computer Crime Act in 2017 to list IPR infringement as a predicate offense under Section 20, enabling IP rights holders to file requests to either DIP or the Ministry of Digital Economy and Society for the deletion or disabling of access to IPR-infringing content or removal of such content from online computer systems.

### **Copyrights**

Thailand's copyright law, which took effect in March 1995, is currently undergoing the amendment process in relation to technological protection measures (TPMs), rights management information (RMI), and Internet service provider (ISP) liability to enhance the country's legal mechanism for the protection of copyrighted works and to prepare Thailand to the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT). The public consultation of the draft amendment was concluded in February 2018 and the draft amendment is being prepared for submission to the Cabinet to review and approve before it goes to the NLA for deliberation and, eventually, enactment.

### **Geographical Indications**

The Geographical Indications Act, which has been in force since April 2004, allows rights holders to seek protection for indications that identify a good as originating in the territory of a member or a region or locality in that territory, where a given quality, reputation, or other characteristic of the good is essentially attributable to its geographic origin. The existence of a similar previously registered trademark does not constitute grounds for refusal of a GI registration in Thailand. To date, only one U.S. geographical indication is protected by this Act.

## **IP Enforcement**

Thailand has provided ex officio authority for border enforcement officials with respect to in-transit goods; set enforcement benchmarks; began publishing enforcement statistics online monthly; and stepped up efforts to investigate IP cases. Thailand has a Court of Appeal for Specialized Cases, which hears appeals from the Central Intellectual Property and International Trade Court, including administrative appeals from DIP that already receive the first instance decision from the Central Intellectual Property and International Trade Court.

## **Financial Sector**

### **Capital Markets and Portfolio Investment**

The Thai government maintains a regulatory framework that broadly encourages and facilitates portfolio investment and largely avoids market-distorting support for specific sectors. The Stock Exchange of Thailand (SET) is the country's national stock market, which was set up under the Securities Exchange of Thailand Act B.E. 2535 (1992). There is sufficient liquidity in the markets to allow investors to enter and exit sizeable positions. Government policies generally do not restrict the free flow of financial resources to support product and factor markets. The Bank of Thailand, the country's central bank, has respected IMF Article VIII by refraining from restrictions on payments and transfers for current international transactions.

Credit is generally allocated on market terms rather than by "direct lending." Foreign investors are not restricted from borrowing on the local market. In theory, the private sector has access to a wide variety of credit instruments, ranging from fixed term lending to overdraft protection to bills of exchange and bonds. However, the private debt market is not well developed, and most corporate financing, whether for short-term working capital needs, trade financing, or project financing, requires borrowing from commercial banks or other financial institutions.

### **Money and Banking System**

In general, a commercial bank in Thailand provides services of accepting deposits from the public, granting credit, buying and selling of foreign currencies, buying and selling of bills of exchange, which includes discounting or re-discounting bills of exchange, accepting, and guaranteeing of bills of exchange. Furthermore, commercial banks also provide credit guarantees, payment, remittance and financial instrument for risk management such as interest rate derivatives and foreign exchange derivatives. Additional business to support capital market development, such debt and equity instruments, is allowed. A commercial bank may also provide other services that enhance its efficiency, such as bank assurance and e-banking.

Thailand's banking sector, with 14 domestic commercial banks, is healthy with low rates of non-performing loans (around 2.91 percent in December 2017) and a high ratio of capital funds/risk assets (capital adequacy) of 17.9 percent in December 2017. Thailand's largest commercial bank is Bangkok Bank, with assets totaling USD 87.5 billion as of December 2017. The combined assets of the five largest commercial banks totaled USD 380.7 billion, or 76.8 percent of the total assets of the Thai banking system.

Thailand's central bank is the Bank of Thailand (BOT), which is governed by an appointed Governor with a five-year term. The BOT prints and issues banknotes and other security documents, promotes monetary stability



and formulates monetary policies, manages the BOT's assets, provides banking facilities to the government, acts as the registrar of government bonds, and provides banking facilities for financial institutions.

There are currently 11 registered foreign bank branches and four foreign bank subsidiaries operating in Thailand. Foreign commercial banks can set up a branch in Thailand; Ministry of Finance issues licenses and Bank of Thailand issues advice. Foreign commercial bank branches are limited to three branches/ATMs and foreign commercial bank subsidiaries are limited to 20 branches and 20 off-premise ATMs per subsidiary. Foreign banks must maintain minimum capital funds of 125 million baht (USD 3.68 million at 2017 exchange rate) invested in government or state enterprise securities, or directly deposited in the Bank of Thailand. The number of expatriate management personnel is limited to six people at full branches, although the Thai authorities frequently grant exceptions on the basis of need. There are no records of loss among banks in the past three years.

Non-residents can open and maintain foreign currency accounts without deposit and withdrawal ceilings. Any deposits in the Thai Baht currency must be derived from one of the following sources: conversion of foreign currencies, payment of goods and services, or a capital transfers. Any withdrawals are permitted, except the withdrawal of funds for credit to another non-resident person or purchase of foreign currency involving an overdraft.

Since mid-2017, the Bank of Thailand started to approve Thai domestic banks' request to develop financial innovations based on blockchain technology but the system is being closely monitored under the Thai central bank's "Regulatory Sandbox guidelines."

Thailand's alternative financial services are cooperatives, micro saving groups, the state village funds, and loan sharks, which provide basic financial services to households, mostly in rural areas. These alternative financial services are also regulated by the government.

## **Foreign Exchange and Remittances**

### *Foreign Exchange Policies*

There are no limitations placed on foreign investors for converting, transferring, or repatriating funds associated with an investment; however, supporting documentation is required. Any person who brings Thai Baht currency or foreign currency in or out of Thailand with aggregate amount exceeding USD 15,000 or the equivalent must declare the amount at a Customs checkpoint. Investment funds are allowed to be freely converted into any currency.

The exchange rate is generally determined by a managed float system. The exchange rate movements have also been determined by market fundamentals; however, during the period of excessive capital inflows (i.e. exchange rate speculation), the central bank has stepped in to prevent extreme movements in the currency and to reduce the duration and extent of the exchange rate's deviation from the equilibrium.

### **Remittance Policies**

There are no time limitations on remittances. There are no limitations on the inflow or outflow of funds for remittances of profits or revenue for direct and portfolio investments.

### **Sovereign Wealth Funds**

Thailand currently does not have a sovereign wealth fund, and the Bank of Thailand is not pursuing the creation of such a fund. However, the International Monetary Fund (IMF) urged Thailand to create one due to its large accumulated foreign exchange reserves of USD 213 billion (as of March 2018).

## State-Owned Enterprises

Thailand's 56 state-owned enterprises (SOEs) have total assets of USD 385 billion and a combined net income of USD 5.5 billion. They employ around 270,000 people, or 0.7 percent of the Thai labor force. Thailand's SOEs operate primarily in service delivery, in particular the energy, telecommunications, transportation, and financial sectors. The full list of SOEs list is published under the website of the State Enterprise Policy Office under the Ministry of Finance: ([www.sepo.go.th](http://www.sepo.go.th)).

The government generally defines SOEs as special agencies established by law for a particular purpose that are 100 percent owned by the government (through the Ministry of Finance as a shareholder). Limited liability companies/public companies limited require 50 percent higher government ownership. Of the 56 total SOEs, 43 are wholly-owned and 13 are majority-owned. Twelve of these companies are limited liabilities. Five are publicly listed on the Stock Exchange of Thailand: Thai Airways International Public Company Limited, Airport of Thailand Public Company Limited, PTT Public Company Limited, MCOT Public Company Limited, and Krung Thai Bank Public Company Limited. By regulation, at least one-third of SOE boards must be comprised of independent directors.

Private enterprises can compete with SOEs under the same terms and conditions with respect to market share, products/services, and incentives in most sectors, but there are some exceptions, such as fixed line operations in the telecommunications sector.

According to officials at the State Enterprise Policy Committee (SEPO), SOEs adhere to the OECD Guidelines on corporate governance, including the state acting as an owner. The current guidelines are not yet sufficient to ensure a level playing field between SOEs and private sector enterprises, but the subcommittee of corporate governance has realized the importance of the issue, which is still under the process of consideration and review.

Generally, SOE senior management reports directly to a line minister and to SEPO. Corporate board seats are typically allocated to senior government officials or politically-affiliated individuals. The SEPO Committee tries to limit political interference in board appointments.

## Privatization Program

The 1999 State Enterprise Corporatization Act provides the framework for the conversion of SOEs into stock companies, and corporatization is viewed as an intermediate step toward eventual privatization. (Note: "Corporatization" describes the process by which an SOE adjusts its internal structure to resemble a publicly-traded enterprise; "privatization" means that a majority of the SOE's shares is sold to the public, and "partial privatization" refers to a situation in which less than half of a company's shares are sold to the public.) Foreign investors are allowed to participate in privatization, but restrictions are applied in certain sectors, regulated by the FBA and the Act on Standards Qualifications for Directors and Employees of State Enterprises of 1975 and its series of amendments. However, privatizations have been on hold since 2006 due to strong resistance from labor unions of the State Owned Enterprises.

The 15-member State Enterprises Policy Commission, or "superboard," oversees reform of the country's 56 SOEs. In March 2015, the superboard approved, in principle, the establishment of a holding firm to supervise 12 SOEs, which have been partially equitized and listed on the Stock Exchange of Thailand, while SEPO will be retained to supervise SOEs that have been established by specific laws, including the Electricity Generating Authority of Thailand, the Metropolitan Electricity Authority, and the Provincial Electricity Authority. As of 2018, the superboard is still in the process of pushing through a new law that would reform SOEs and ensure transparent management decisions; however, privatization is not part of this process.

## Responsible Business Conduct

In 2017, Prime Minister Prayut Chan-o-cha told participants of a seminar to promote the UN Guiding Principles on Business and Human Rights (UNGPs) that his administration is committed to the broader adoption of these codes through cooperation with the private sector and relevant groups to achieve a substantial change in the country's Responsible Business Conduct (RBC) practices. Thailand does not have a National Action Plan on RBC, nor does it maintain a National Contact Point (NCP) for OECD Guidelines for Multinational Enterprises. The RTG has taken measures through various ministries to encourage RBC through integrated sustainable business practices focused on respecting human rights, environmental protection, labor relations, and financial accountability.

The Ministry of Industry's Department of Industrial Works encourages the private sector to implement their Corporate Social Responsibility (CSR-DIW) standards to pave the way to meet ISO 26000 standards (an international standard on Social Responsibility), and also signed a memorandum of cooperation to move forward UNGPs in 2017. The memorandum was jointly signed by the National Human Rights Committee, the Ministry of Justice, the Ministry of Foreign Affairs, the Ministry of Commerce, Federation of Thai Industries, the Thai Bankers Association, the Thai Chamber of Commerce, and the Global Computing Network of Thailand.

There are several local NGOs that promote and monitor RBC and the majority operates freely, but a few face intimidation as a result of their work in monitoring civil rights issues.

In spite of these developments, there continue to be calls from international NGOs for the RTG and Thai companies with transboundary investment to act more on commitments to business and human rights for Thai investments abroad, with recommendations to establish measures to ensure respects for fundamental human rights and to promote investors' accountability.

## Corruption

Thailand has the legal framework and a range of institutions to counter corruption. The Organic Law on Counter Corruption criminalizes corrupt practices of public officials and corporations, including active and passive bribery of public officials. The anti-corruption laws extend to both family members of officials, and to political parties.

Thai laws include the concept of a 'jointly interested bidder' that constitutes a conflict of interest. A jointly interested bidder is a natural or juristic person who has an interest, directly or indirectly, in the business of another natural or juristic person who tenders bids for work for the same project. Thai Procurement Regulations prohibit collusion amongst bidders. If an examination confirms allegations or suspicions of collusion among bidders, the names of those applicants have to be removed from the list of competitors.

In December 2016, Thailand adopted its first national government procurement law, based on the UNCITRAL model laws and the WTO Agreement on Government Procurement. The law will apply to all government agencies, local authorities, and state-owned enterprises, and aims to improve transparency. Officials who violate the law will be subject to 1-10 years imprisonment and/or a fine of up to USD 11,000.

Since 2010, the Thai Institute of Directors (IOD) has built an anti-corruption coalition of Thailand's largest businesses. Coalition members sign the Collective Action Against Corruption Declaration and pledge to take tangible, measurable steps to proactively reduce corruption-related risks that are verified by third party certification. The Center for International Private Enterprise (CIPE) equipped IOD and its coalition partners with an array of tools for training and collective action, based on examples from CIPE's programs around the world.

The Anti-Corruption Organization of Thailand (ACT) was established in 2011 to pressure the government to create laws that can reduce levels of corruption. ACT has 51 member organizations drawn from the private,

public and academic sectors. Their signature program is the "integrity pact." Drafted by ACT and the Finance Ministry and based on a tool promoted by Transparency International, the pact forbids bribes from signatory members in bidding for government contracts. Member agencies and companies must adhere to strict transparency rules by disclosing bidding information--such as the terms of reference and the cost of the project--easily available to the public.

Thailand is a party to the UN Anti-Corruption Convention, but not the OECD Anti-Bribery Convention.

Thailand's Witness Protection Act offers protection to witnesses, including NGO's, who are eligible for special protection measures in anti-corruption cases. Witnesses may request police protection subject to the witness's consent.

Transparency International's Corruption Perceptions Index ranked Thailand 96 out of 180 countries in 2017 (1=best; 180=worst). According to some studies, a cultural propensity to forgive bribes as a normal part of doing business and to equate cash payments with finders' fees or consultants' charges, coupled with the low salaries of civil servants, encourages officials to accept illegal inducements. U.S. executives with experience in Thailand often advise new-to market companies that it is far easier to avoid corrupt transactions from the beginning than to stop such practices once a company has been identified as willing to operate in this fashion. American firms that comply with the strict guidelines of the Foreign Corrupt Practices Act (FCPA) are able to compete successfully in Thailand. U.S. businessmen say that publicly affirming the need to comply with the FCPA helps to shield their companies from pressure to pay bribes.

### Resources to Report Corruption

Contact at government agency or agencies are responsible for combating corruption:

International Office of the National Anti-Corruption Commission  
361 Nonthaburi Road, Thasaai District, Amphur Muang Nonthaburi 11000, Thailand  
Tel: +662-528-4800  
Email: [TACC@nacc.go.th](mailto:TACC@nacc.go.th)

Contact at "watchdog" organization:  
Dr. Secretary of Anti-Corruption Organization of Thailand  
44 Srijulsup Tower, 16<sup>th</sup> floor, Phatumwan, Bangkok 10330  
Tel: +662-613-8863  
Email: [mana2020@yahoo.com](mailto:mana2020@yahoo.com)

### Political and Security Environment

Since the May 2014 military coup, incidents of political violence have decreased. The coup followed seven months of anti-government protests and sporadic incidents of violence. Despite government efforts to promote political reconciliation, stark political divisions remain, as do continued restrictions on freedoms of assembly and speech. The deeply rooted political rifts, together with ongoing concerns about a slowing economy and delays in a return to elected government, could at some point potentially again lead to the reemergence of public protests and/or violence.

Violence related to an ongoing Malay-Muslim insurgency in Thailand's southernmost provinces continues. Efforts to end the ethno-nationalist insurgency, which, since 2004, has claimed almost 7,000 lives and caused over 12,000 mostly civilian injuries, have so far been unsuccessful. The government is currently engaged in

peace talks with an insurgent umbrella group, but the principal insurgent faction refuses to participate. Almost all attacks have occurred in the three southernmost provinces of the country.

### Labor Policies and Practices

In 2017, Thailand's formal labor force was 38.1 million, or more than 57 percent of the population. Reported unemployment rates are well below full employment, at 1.2 percent overall. Unemployment among youth (15-24 years old) is around 5.3 percent, while it is only 0.5 percent for adults over 25 years old. Well over half the labor force (55.6 percent) earns income in the informal sector, including through self-employment and family labor. However, the proportion of workers in the informal sector has gradually declined, from 62 percent as of 2013, as Thailand experienced a structural transformation from a low productivity agricultural economy to a higher productivity manufacturing and service oriented economy. Low fertility rates and an aging population contribute to projections that population growth will become negative by 2025. This demographic shift, combined with inadequate social welfare programs for elder care, is exacerbating labor shortages in many sectors, especially among low-skilled working aged women.

Manufacturing firms in Thailand consider the lack of skilled workers a top constraint for further investment and growth in Thailand. However, as the second-largest economy in ASEAN, Thailand has an agile business sector and a large cohort of educated individuals who could increase productivity in the future. Despite the advent of 15 years of universal, free education, Thailand continues to suffer from a skills mismatch that is impeding innovation and economic growth.

This labor shortage is among the chief factors that has attracted 2.5 million officially registered migrant workers to Thailand, plus an estimated 2.0 million more undocumented migrant workers. The majority of migrant workers are from Burma, Cambodia, and Lao PDR. In 2017, flows of documented migrant workers entered the country through formal work agreement, or "MOU", channels increased from 14 to 30 percent of documented foreign workers. However, about two-third of registered migrant workers in Thailand originally entered the country through unauthorized channels, often without any primary identity documents (passport or identification card) from their countries of origin. Undocumented migrant workers in Thailand remain vulnerable to intimidation, threats, and being cheated by employers, brokers, labor traffickers, and corrupt officials. In 2017, Thai government sought to strengthen penalties against the use of child labor and improperly documented foreign workers. Additional information on migrant workers issues and rights can be found in the U.S. Trafficking in Persons Report, as well as the Labor Rights section of the U.S. Human Rights report.

Companies receiving Board of Investment privileges for manufacturing may not hire non-Thai workers.

### OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) provides debt financing, political risk insurance, and private equity capital to support U.S. investors and their investments. It does so under a bilateral agreement with Thailand. OPIC can provide debt financing, in the form of direct loans and loan guarantees, of up to USD 350 million per project for business investments with U.S. private sector participation, covering sectors as diverse as tourism, transportation, manufacturing, franchising, power, infrastructure, and others. OPIC political risk insurance for currency inconvertibility, expropriation, and political violence for U.S. investments including equity, loans and loan guarantees, technical assistance, leases, and consigned inventory or equipment is also available for business investments in Thailand. In addition, OPIC supports five private equity funds that are eligible to invest in projects in Thailand. In all cases OPIC support is available only where sufficient or appropriate investment support is unavailable from local or other private sector financial institutions.

### Foreign Direct Investment and Foreign Portfolio Investment Statistics

*Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy*

Economic Data	Host Country Statistical Source		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (M USD)	2017	USD 455,238	2016	USD 407,026	<a href="http://www.worldbank.org/en/country">www.worldbank.org/en/country</a>
Foreign Direct Investment	Host Country Statistical Source		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
U.S. FDI in Partner Country (M USD, stock positions)	2017	USD 16,553	2016	USD 11,774	BEA data available at <a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a>
Host Country's FDI in the United States (M USD, stock positions)	2017	USD 7,617	2016	USD 4,058	BEA data available at <a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a>
Total Inbound Stock of FDI as % host GDP	N/A		2016	0.8%	World Bank data available at <a href="https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=TH">https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=TH</a>

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data						
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)						
Inward Direct Investment			Outward Direct Investment			
Total Inward	191,142	100%	Total Outward	86,196	100%	
Japan	70,717	37.0%	China, P.R.: Hong Kong	10,829	12.6%	
Singapore	27,527	14.4%	Cayman Islands	8,966	10.4%	
United States	14,006	7.3%	Singapore	7,052	8.2%	
China, P.R.: Hong Kong	11,011	5.8%	Mauritius	6,859	8.0%	
Netherlands	10,739	5.6%	British Virgin Islands	4360	5.1%	

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	46,959	100%	All Countries	21,664	100%	All Countries	25,294	100%
United States	6,607	14%	Luxembourg	5,692	26%	Japan	4,057	16%
Luxembourg	6,202	13%	United States	5,121	24%	China, P.R.: Mainland	2,756	11%
Japan	4,555	10%	Ireland	4,116	19%	China, P.R.: Hong Kong	2,120	8%

Ireland	4,260	9%	China, P.R.: Hong Kong	1,425	7%	UAE	2,026	8%
China, P.R.: Hong Kong	3,545	8%	Singapore	1,154	5%	Qatar	1,587	6%

The Thai government does not publish comparable data. Sources of portfolio investment are not tax havens.

#### Contact for More Information

U.S.  
Economic  
[BangkokEconSection@state.gov](mailto:BangkokEconSection@state.gov)

Embassy

Bangkok  
Section

## Trade & Project Financing

### Methods of Payment

U.S. firms that export to Thailand conduct business on a documentary basis and use various methods of financing and trade facilitation such as letters of credit (L/Cs), bank drafts and wire transfer trades. New-to-market exporters and infrequent exporters should require confirmed, irrevocable L/Cs when initiating relationships with new importers and distributors. Once the importer has established a good payment record and the U.S. firm is convinced of the importer's trustworthiness, it is advisable to provide more lenient terms.

### Banking Systems

There are 14 Thai Commercial Banks and 11 Foreign Bank Branches in Thailand. The public financial sector also includes several "specialized" government banks, namely the Government Savings Bank for small savings deposits, the Bank for Agriculture and Agricultural Cooperatives for farm credits, the Government Housing bank for middle and low-income housing mortgages, the Industrial Finance Corporation of Thailand for industrial development projects, and the Export Import Bank for importers and exporters.

The Bank of Thailand (BOT) focuses on strengthening the Thai financial system to serve the economy through fundamental technological improvement. The payment systems and infrastructure are critical to all businesses and economic activities. Many innovative financial platforms have been introduced to the market, which aim to facilitate online payments through mobile phone users. According to the BOT, Thailand has launched the regulatory system to support the development of new financial innovations and prevent financial tech companies from jeopardizing financial systems or the economy.

### Foreign Exchange Controls

Thailand uses a managed-float exchange rate regime by which the value of the baht is determined by market forces, allowing the currency to move in line with economic fundamentals. The Bank of Thailand regularly intervenes in the market to prevent excessive volatility and achieve economic policy targets that include preventing the baht from growing too strong or too weak against the currencies of Thailand's major trading partners. The Bank of Thailand prohibits baht-denominated lending to non-residents where there are no underlying trade or investment activities by the borrower in Thailand.

According to information from the Thailand Board of Investment, non-residents in transit may bring foreign currency and negotiable instruments into Thailand without limit. Nonresidents may also freely take out of the country all foreign currency they had brought in, without limit. Individuals in transit, however, may not take out Thai currency exceeding 50,000 baht per person, except for trips to countries bordering Thailand (Myanmar, Laos, Cambodia, Malaysia and Vietnam), where an amount of up to 500,000 baht is allowed. There is no restriction on the amount of Thai currency that may be brought into the country.

Regarding investors, there is no restriction on the import of foreign currency such as investment funds, offshore loans, and the like. Such foreign currency, however, must be sold or exchanged into Thai baht, or deposited in a foreign currency account with an authorized bank, within seven days from the date of receipt or entry into the country. An application form F.T. 3 or F.T. 4 must be submitted to an authorized bank for each transaction involving the sale, exchange or deposit of such foreign currency in an amount exceeding US\$5,000 or its equivalent. Repatriation of investment funds, dividends and profits as well as loan repayments and interest payments thereon, after settlements of all applicable taxes, may be made freely. Similarly, promissory notes and bills of exchange may be sent abroad without restriction.

### **US Banks & Local Correspondent Banks**

#### [JP Morgan Chase Bank](#)

20 North Sathorn Road, Bubhajit Building 100

Bangkok 10500

Tel: 662-684-2805

Fax: 662-684-2811

#### [Citibank NA](#)

Citibank Tower, 82 North Sathorn Road

Bangrak, Bangkok 10500

Tel: 662-639-2000, 662-232-2000

#### [Bank of Ayudhya PLC.](#)

1222 Rama III Road, Bang Pongphang

Yannawa, Bangkok 10120

Tel: 662-296-3000

#### [Bangkok Bank Public Co., Ltd.](#)

333 Silom Road, Bangrak

Bangkok 10500

Tel: 662-231-4333, 231-4665

#### [Kasikornbank PCL](#)

1 Thai Farmer Lane

Ratburana Road, Bangkok 10140

Tel: 662-470-1122, 662-470-1199

#### [Krung Thai Bank Public Co., Ltd.](#)



35 Sukhumvit Road, Klongtoey Nua

Wattana, Bangkok 10110

Tel: 662-255-2222

[Siam Commercial Bank Public Co., Ltd.](#)

9 Rachadapisek Road, Ladyao

Chatuchak, Bangkok 10900

Tel: 662-544-1111, 662-937-7777

### **Project Financing**

U.S. EXPORT-IMPORT BANK (EX-IM): The U.S. Ex-Im Bank established its Project Finance Division in June 1994. As developing nations turn away from sovereign-guaranteed borrowing, the Bank's project financing program will assist U.S. exporters to compete in new international growth industries such as the development of private power plants and other infrastructure projects. While such a financing structure has been used successfully in the past for oil and gas, mining, and power projects, the move toward "privatization" by sovereign entities has created new opportunities for U.S. exporters in telecommunication, transportation and other sectors.

The Ex-Im Bank offers short-, medium-, and long-term programs to support U.S. exports to Thailand. The Ex-Im Bank's short-term export credit insurance program will provide for the financing of exports of consumer goods, spare parts, raw materials (on terms up to 180 days) and bulk agricultural commodities and quasi-capital goods (on terms up to 360 days).

### **Multilateral Development Banks:**

U.S. TRADE AND DEVELOPMENT AGENCY (USTDA): The U.S. Trade and Development Agency helps companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. USTDA links U.S. businesses to export opportunities by funding project preparation and partnership building activities that develop sustainable infrastructure and foster economic growth in partner countries.

USTDA facilitates U.S. business participation in the preparation and execution of priority development projects. The Agency helps build the infrastructure for trade, match U.S. expertise with overseas development needs, and facilitate business partnerships between U.S. industry and emerging economies. These partnerships allow the Agency to target its investments toward projects that are most likely to be implemented using U.S. goods and services.

The Agency sponsors early-stage project preparation activities such as feasibility studies, technical assistance and pilot projects, which provide the analysis necessary for projects to reach financing and implementation.

USTDA also creates market access for U.S. companies, connecting them with key decision-makers in emerging economies by hosting conferences, workshops, trainings and reverse trade missions. The Agency's reverse trade missions bring overseas decision-makers to the United States to introduce them to the design, manufacture and operation of U.S. goods and services that can help advance their development goals.

Key areas of focus for USTDA in the region include promoting clean energy development and energy security, improving transportation and trade infrastructure and deploying ICT solutions. USTDA achieves an incredible rate of return on U.S. taxpayer dollars, generating \$95 of U.S. exports for every \$1 programmed. The Agency has generated over \$57.6 billion in U.S. exports since its inception, including over \$4.6 billion new exports identified in FY2017 alone.

USTDA's regional office, covering all of Southeast Asia, is located at the U.S. Embassy in Bangkok, Thailand. Key individuals overseeing USTDA's programs in Southeast Asia can be contacted either in the Washington, D.C.-area headquarters or in Bangkok.

In Thailand:

- Brandon Megorden, Regional Manager, [bmegorden@ustda.gov](mailto:bmegorden@ustda.gov)
- Rachaneekorn Sriswasdi, Deputy Regional Manager, [srachaneekorn@ustda.gov](mailto:srachaneekorn@ustda.gov)

In the United States:

- Verinda Fike, Regional Director, [vfike@ustda.gov](mailto:vfike@ustda.gov)
- David Ross, Country Manager, [dross@ustda.gov](mailto:dross@ustda.gov)

**OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS:** The Overseas Private Investment Corporation (OPIC) provides debt financing, political risk insurance, and private equity capital to support U.S. investors and their investments. It does so under a bilateral agreement with Thailand. OPIC can provide debt financing in the form of direct loans and loan guarantees of up to USD 350 million per project for business investments in Thailand, covering sectors as diverse as tourism, transportation, manufacturing, franchising, power, infrastructure, and others. OPIC political risk insurance for currency inconvertibility, expropriation, and political violence is also available for U.S. investments including equity, loans and loan guarantees, technical assistance, leases, and consigned inventory or equipment. In addition, OPIC supports five private equity funds that are eligible to invest in projects in Thailand. In all cases OPIC support is available only where sufficient or appropriate investment support is not available from local or other private sector financial institutions. As the Thai financial and insurance markets are quite developed, there is limited need for OPIC support.

### **Financing Web Resources**

- [Trade Finance Guide](#)
- [Export-Import Bank of the United States](#)
- [Country Limitation Schedule](#)
- [Overseas Private Investment Corporation\(OPIC\)](#)
- [U.S. Trade and Development Agency](#)
- [SBA's Office of International Trade](#)
- [USDA Commodity Credit Corporation](#)
- [Asian Development Bank](#)

## **Business Travel**

### **Business Customs**

Business relationships in Thailand are not as formal as those found in Japan, China, Korea or the Middle East, but neither are they as relaxed and impersonal as is common in the West. Many business relationships have their foundations in personal relationships developed within the social circles of family, friends, classmates and office colleagues. Although Thailand is a relatively open and friendly society, it is advisable to approach potential business contacts with a prior introduction or personal reference. Thais will be more receptive if you arrive with an introduction or letter from a known government official or business contact. The Commercial Section at the U.S. Embassy in Bangkok offers business matchmaking (Gold Key) services to help U.S. companies gain access to qualified potential partners in the Thai business community.

The Thai cultural values of patience, respect for status (such as age and authority) and not losing face are significant factors in business relationships as well. Thais feel great pride for their country and have deep respect for tradition. However, observance of traditional formalities may seem inconsistent with the tolerant, relaxed nature of living in Thailand. This can be confusing or frustrating to Westerners who are more informal and more time-conscious.

Respect for, and consideration of, one's elders, superiors and patrons is deeply rooted in the Thai cultural and social environments. Thais are very reluctant to hurt the feelings of others or to openly cause them dissatisfaction. Losing one's composure is losing face and losing respect in Thailand. It can be difficult for Westerners to be sure they have received accurate and complete answers to questions, or that they have received frank and open opinions.

#### **ETIQUETTE**

"Khun" is the Thai form of address for Mr., Mrs., and Ms.

The "wai" is a traditional gesture of greeting and respect in Thailand. Practice by placing your palms together in a prayer-like position.

Business cards are an indispensable part of making business contacts in Thailand. Bring lots of your own as a general form of introduction.

Remove shoes before entering a home or temple.

Touching someone on the head or pointing your feet to anything is considered by Thais to be very rude.

Thais hold the Royal Family in high esteem and you are expected to indicate the same in speech and action..

### **Travel Advisory**

American citizens may register on-line with the U.S. Embassy in Bangkok to obtain updated information on travel and security within Thailand by visiting the [U.S. Embassy Thailand website](#).

Useful information for travelers can also be found on the website of the Royal Thai Embassy in Washington D.C. at: [www.thaiembdc.org](http://www.thaiembdc.org) . Travelers visiting Thailand may also wish to review the [State Department Consular Information Sheet on Thailand](#).

### **Visa Requirements**

U.S. citizen tourists staying for fewer than 30 days do not require a visa, but must possess a passport valid for at least six months beyond the date of entry to Thailand. Thai Immigration officials may ask for an onward/return ticket, and airlines may ask for this information when booking or at check-in. The U.S. Embassy and Consulate are not able to intervene with Thai Immigration or the airlines regarding their regulations and policies. Persons

entering Thailand by air without a visa will be allowed to stay in Thailand for 30 days per visit. Persons entering Thailand by land without a visa will be allowed to stay in Thailand for 15 days per visit. Travelers must pay a Passenger Service Charge in Thai baht when departing from any of Thailand's international airports; this charge is included in the ticket price for flights from Bangkok's main airport, Suvarnabhumi International.

When a traveler enters the country, Thai Immigration stamps his or her passport with the date on which the traveler's authorized stay in Thailand will expire. Any traveler remaining in Thailand beyond this date without having received an official extension will be assessed an immediate cash fine when departing Thailand. Any foreigner found by police to be out of legal status prior to departure (during a Thai Immigration "sweep" through a guesthouse, for example) will be jailed, fined, and then deported at his or her own expense, and may be barred from re-entering Thailand.

In this regard, American citizens should be aware that private "visa extension services," even those advertising in major periodicals or located close to Immigration offices or police stations, are illegal. Unofficial or illegal visas obtained through illegal service providers can lead to an arrest at the border.

Thailand's Entry/Exit information is subject to change without notice. For further information on Thailand's entry/exit requirements, contact the Royal Thai Embassy, 1024 Wisconsin Avenue, N.W., Washington, D.C., 20007, telephone (202) 944-3600, or contact the Thai consulates in Chicago, Los Angeles, or New York City. Visit the [Embassy of Thailand website](#) for the most current visa information.

Suvarnabhumi International Airport is located 18 miles (30 kilometers) east of downtown Bangkok and is a thirty-minute drive to/from downtown Bangkok in light traffic. Traffic conditions may result in longer drive times. Information on the Suvarnabhumi Airport can be found at: <http://www.bangkokairportonline.com>.

See Entry, Exit & Visa Requirements at [State Department on Travelling to Thailand](#) for more information pertaining to dual nationality and the prevention of international child abduction. Please refer to our Customs Information page to learn more about customs regulations. The following are visa categories:

**NON-IMMIGRANT VISA:** Purpose of visit: Business, Conference, Research, Teaching, Mass Media or Missionary work (requires letter from your government, agency or organization sending you on your mission or from your counterpart in Thailand), Education (requires letter from educational institution in Thailand), Family Reunion (requires marriage or birth certificates), Settlement after retirement (requires proof of retirement and financial support), Maximum stay is 90 days.

**TOURIST VISA:** Purpose of visit: Tourism, Medical treatment at hospitals/medical facilities in Thailand. The maximum stay is 60 days.

**TRANSIT VISA:** Purpose of visit: Transit (requires proof of confirmed onward ticket to a third country), Sports or Crew (requires letter from organization concerned). Maximum stay is 30 days.

For more information travelers may contact:

Royal Thai Embassy, Consular Office

2300 Kalorama Road, N.W.

Washington, D.C. 20008

Tel. (202) 684-8493

Fax. (202) 459-9536

e-mail: [consular@thaiembdc.org](mailto:consular@thaiembdc.org)

Office Hours: Monday-Friday 9:00 a.m. – 12:30 p.m. and 2:00 – 5:00 p.m. (Walk-in Services: 9:00 a.m. – 12:00 p.m. only) U.S. Eastern Standard Time. Closed on Thai and U.S. official holidays.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links:

[State Department Visa Website](#)

[U.S. Embassy Consular Section](#)

## **Currency**

The Thai baht to the U.S. dollar is approximately 30 – 31 baht per 1 U.S. dollar. Upon arrival in Thailand, money exchange centers are available after clearing the customs checkpoint. The money exchanges are generally located immediately outside of baggage claim/customs at the international airports. There are ATM machines for direct withdrawals or for cash advances. Credit cards are widely used in major tourist locations.

## **Telecommunications/Electronics**

Thailand's telecommunication services meet international standards, especially in urban areas like Bangkok. There is an abundance of fixed lines for offices and residences. Thailand is rapidly developing an ICT industry which is estimated to reach \$20.5 billion in 2016 and accounting for 7% of the country's GDP.

The Bangkok metro area is served by two fixed line operators: The Telephone Organization of Thailand (TOT), a state enterprise, and True Corporation PLC (TRUE) a private company. Local calls are not timed and carry a fixed charge of 3 baht per call (from fixed line number to fixed line number).

Areas outside Bangkok are served by the TOT and a private company TT&T Public Co., Ltd. The fixed line network has a total capacity of over 8 million lines.

In terms of Thailand's communications network, currently, the country has 98 million mobile subscribers with 30% smart phone penetration rate. In addition, there are 35 million Internet users in Thailand. These figures are increasing daily, due to the widespread availability of broadband and wi-fi access in all provinces.

## **Transportation**

The business traveler has access to a range of ground transportation in Bangkok and major cities. Metered taxis are common and most hotels offer limousine services. Chauffeured cars can be rented for extended stays. For Bangkok, an extensive public bus network with both air-conditioned and non-air-conditioned vehicles serve all areas of the city.

In addition, Bangkok has two mass rail transit systems; the BTS and the MRTA. The BTS, known locally as Sky Train, is an elevated train network that opened in Bangkok's most congested business districts, including Silom and Sukhumvit. The MRTA is a subway system that runs between Hua Lamphong (Central Train Station) and Bang Sue.

For inter-city travel, public regular and air-conditioned buses are available. These buses run on a regular basis between Bangkok and provincial cities in Thailand. Three regional bus depots serve Eastern region destinations (Ekamai), Northern and North-Eastern region destinations (Mor Chit) and the Southern region (Sai Tai Mai).

Thailand has a road infrastructure with more than 390,026 kilometers, of which 384,176, or 98.5%, is concrete or asphalt paved, and 66,266 km forming a national highway network connecting each region of the country. The 4 major national highways connecting Bangkok and the rest of the country are Highway No 1 (North), Highway No 2 (North East), Highway No 3 (central), and Highway No 4 (South).

Inter-city rail services range from comfortable and efficient to primitive. The State Railway of Thailand operates 4,429 kms of rail networks with four main routes: Bangkok-north to Chiang Mai; northeast to Nongkhai and Ubon Rajathani; east to Prachinburi; and, south to the Thai-Malaysian border.

Thailand has a coastline of 3,219 km with over 4,000 km of waterways, with 8 international deep-sea ports in operation, with four private ports permitted to handle container cargo. The country's main commercial ports are Bangkok Port, Laem Chabang Port and Sriracha Harbor Deep Seaport.

Bangkok Port is the largest port in Thailand and can handle approximately 1.5 million TEU (equivalent of a 20-foot container) per year. The depth of the Chao Phraya River basin is 8.5 meters. Bangkok Port is located on the west side of the Chao Phraya River between km. +26.5 and km. +28.5 at the entrance to Prakanong Canal, Klongtoey District, Bangkok.

Laem Chabang can handle about 6.9 million TEU per year, and the port depth is 12 meters. Currently, four piers are handled by private companies. Laem Chabang Port is situated at Tungskhla Sub-District, Sriracha District and Banglamung Sub-District of Chon Buri Province. The port covers an area of around 2,536 acres (6,340 rais). Sriracha Harbour Deep Seaport was the first port in Thailand able to accommodate vessels up to 100,000 (tons deadweight). The location of Sriracha Harbour ensures that it is accessible and fully usable for 95% of the year.

Thailand currently has 38 commercial airports including seven international airports. The international airports are in Bangkok, Chiang Mai, Chiang Rai, Phuket, Hat Yai, Krabi, Samui, and U-Tapao. Two main airports are Suvarnabhumi and Don Mueang, and both are in Bangkok. Suvarnabhumi was opened in September 2006, and is the country's primary international airport with an initial passenger capacity of 45 million, and a cargo capacity of 3 million metric tons per year. In 2015, Suvarnabhumi Airport and Don Mueang International Airport handled 525,679 flights. A total number of 80,973,529 passengers passed through the two main airports.

Suvarnabhumi Airport has planned the development of phase 2 to support the expected increase in the number of passengers. This second phase incorporates a new satellite terminal that can handle 20 million passengers. Once the expansion is completed in 2020, Suvarnabhumi Airport is expected to lift the airport's capacity to 80 million passengers.

Thai Airways International is Thailand's national airline serving both domestic and inter-continental routes.

## **Language**

Thai is the national language. English is the next most commonly spoken language, and is especially prevalent among the business community in Bangkok. There are four distinct Thai language dialects in Thailand, with the Central Thai dialect being the first language of 75% of the population. Many Sino-Thai also speak Chinese dialects.

## **Health**

Excellent medical treatment is available in Bangkok, with good to adequate treatment available throughout the country. While the general level of health and nutrition is good, some tropical diseases are a problem. Hepatitis is endemic. The incidence of AIDS has leveled off due to educational awareness campaigns by the Royal Thai Government. However, Thailand is still considered a high-risk country, especially among prostitutes and intravenous drug users. Japanese encephalitis and malaria are a problem in rural border areas, but generally not in Bangkok, major cities, or major tourist destinations. Dengue fever outbreaks occur periodically throughout the country. Rabies is also a risk to consider due to the large number of abandoned animals roaming the streets.

Nearly all cases of avian influenza in Thailand and other countries have been associated with close contact with infected poultry. Thailand is among the best prepared countries in the region in terms of prevention and containment of an outbreak. For information about avian influenza please see the [State Department's Bureau of Consular Affairs Avian Flu Fact Sheet](#).

Doctors and hospitals often expect immediate cash payment for services, and U.S. medical insurance is not always valid outside the United States. Many hospitals in Bangkok and other major cities will accept standard credit cards. For additional useful health information, contact the International Travelers' Hotline at the Center of Disease Control at 800-232-4636 or 888-232-6348.

### **Local Time, Business Hours and Holidays**

The common professional workweek in Thailand is 40 hours per week consisting of five 8-hour days, Monday through Friday. Office hours in Bangkok vary to accommodate flextime travel through the city's notoriously heavy traffic. Common office hours are 8:00 a.m. to 5:00 p.m. Most business offices are closed on Saturdays and Sundays although most commercial establishments remain open. The Commercial Section at the U.S. Embassy in Bangkok is open 7:00 a.m. to 4:00 p.m., Monday through Friday. The office is closed during lunch from 12:00 noon to 1:00 p.m.

During the calendar year 2018, the following are the commercial holidays on which most business and government offices in Thailand will be closed:

<b>OFFICIAL HOLIDAYS 2018</b>			
<b>MONTH</b>	<b>DATE</b>	<b>DAY</b>	<b>OCCASION</b>
January	1	Monday	New Year's Day

January	2	Tuesday	New Year's Holiday
March	1	Thursday	Makha Bucha Day
April	6	Friday	Chakri Day
April	12-17	Thursday - Tuesday	Songkran Days (Thai New Year)
May	1	Tuesday	Labor Day
May	29	Tuesday	Visakha Bucha Day
July	30	Monday	H.M. King's Birthday (observed)
August	13	Monday	Mother's Day (observed)
October	15	Monday	The passing of King Bhumibol (observed)
October	23	Tuesday	Chulalongkorn Day
December	5	Wednesday	Father's Day
December	10	Monday	Constitution Day
December	31	Monday	New Year's Eve

### **Temporary Entry of Materials or Personal Belongings**

Thai Customs Department policy and procedures on temporary entry of goods for business practices and exhibitions are described below. Duty exemption is valid for temporary imported goods that will be re-exported within three or six months of the importation date depending on the entry purpose. Travelers entering or departing from Thailand are exempt from duty for spirituous liquor (one liter), cigarettes (two hundred), cigars or smoking tobacco (250 grams).

For more specific information on type of goods and steps of customs procedure, please visit the section on "Traveler Information" on the web site [www.customs.go.th](http://www.customs.go.th), or contact Commercial Section at the U.S. Embassy in Bangkok at Tel: (662) 205-5090.

### **Travel Related Web Resources**

[Royal Thai Embassy in Washington D.C.](#)

[State Department Consular Information Sheet on Thailand](#)

[State Department Visa Website](#)

[State Department Travel Visas](#)

[United States Visas](#)



[U.S. Embassy Bangkok](#)

[U.S. Embassy's Visa website](#)