

Why Thailand?

Summary

Area: 513,120 sq. km

Population: 68.8 million

Population growth rate (change): 0.2%

Population density: 133 people per sq. km

Urban population: 50.4%

Capital city: Bangkok (Krung Thep), population: 8.25 million (2016)

Official language: Thai

Currency: Thai Baht (THB)

Nominal GDP: US \$395.3 billion

Real annual GDP Growth: 2.8%

GDP per capita: US \$5,742.4

Annual inflation rate: -0.9%

Unemployment rate: 0.9%

General government gross debt: 43.1% of GDP

Fiscal balance: 0.3% of GDP

Current account balance: 7.8% of GDP

Current account balance: US \$31 billion

Exports of goods to UK: US \$2,636 million

Imports of goods from UK: US \$1,289 million

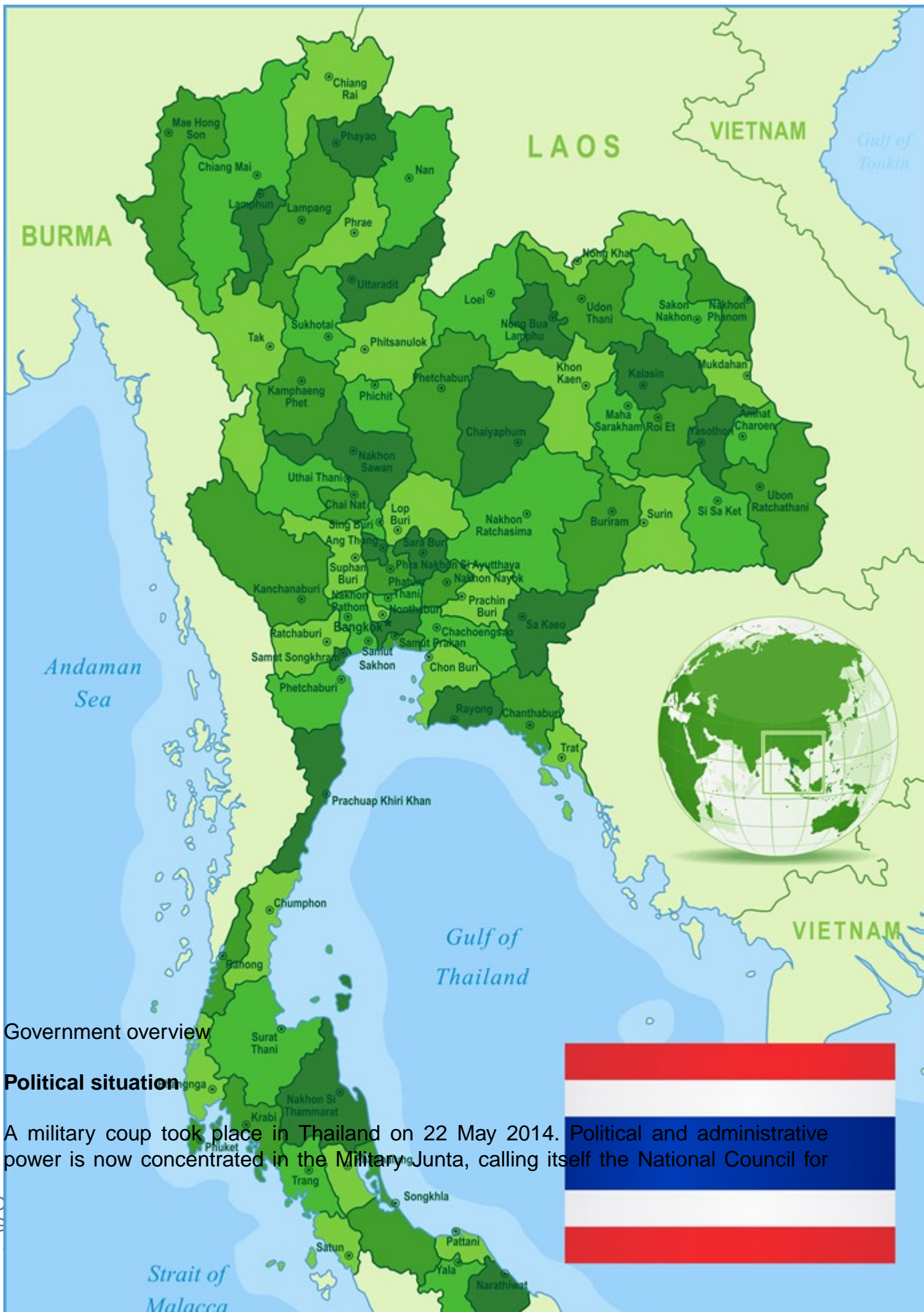
Inward direct investment flow: US \$12.6 billion

Exports + imports as share of GDP: 126.9%

[Source: mostly FCO Economics Unit (Latest update, Apr 2016)]

Geography

Located in south-east Asia and just 15 degrees north of the equator, Thailand, covering an area of nearly 514,000 sq. km (200,000 sq. miles), is almost equal in size to Spain. It is bordered by Myanmar (Burma), Cambodia, the Lao People's Democratic Republic (Laos) and Malaysia, and comprises almost 2,500 km of coastline on the Gulf of Thailand and the Andaman sea. Thailand stretches 1,650 km from north to south, and 780 km at its widest point from east to west and has a tropical climate, with temperatures ranging from 19 to 38° C (66-100° F). Monsoon rains fall predominately between May and July, with cooler, drier weather between November and March. The north of the country, along the Myanmar border, consists of high mountains, which extend south and westwards down the Kra Isthmus of the Malay Peninsular to the border with Malaysia. The east of the country, mainly hilly and along the Mekong River, borders with Cambodia and Laos. The central plain of the country is a lowland area drained by various river systems, which feed into the delta at the head of the Bay of Bangkok. This region is often called the "rice bowl" of Thailand, being the most fertile area of the country. After the Bangkok Metropolitan Region, this region enjoys the highest per-capita income in the country.



Government overview

Political situation

A military coup took place in Thailand on 22 May 2014. Political and administrative power is now concentrated in the Military Junta, calling itself the National Council for



Peace and Order (NCPO). In September 2015 The National Reform Council rejected a draft new constitution. The NCPO produced a new version which was approved by over 60% of voters in August 2016, although elections are unlikely to take place until at least 2017. Supporters of the new document say it will restore stability, but critics say it will entrench military control. Voters also supported a second measure on the ballot, proposing that the appointed senate should be involved in selecting a prime minister. According to the election commission, turnout was around 55% – well below its target figure of 80%.

Martial law that had been imposed since just before the coup was lifted in April 2015. However, Article 44 of the interim constitution gives the head of the NCPO, General Prayuth Chan-o-cha, wide ranging powers to enforce law and order. Political gatherings are banned, and freedom of assembly and expression remain restricted. We advise you keep up to date with the FCO travel advice, monitor the local media, stay in touch with your travel company if you have one and avoid demonstrations.

Since January 2004, there have been almost daily attacks in the four southernmost provinces of Thailand. These include arson, bombings and shootings. Targets have included civilians and members of the security forces, government offices, tourist hotels, discotheques and bars, shops, marketplaces, supermarkets, schools, transport infrastructure and trains. Over 5000 people have been killed and several thousand more injured. No British nationals have been killed in these attacks, but some foreign citizens have been killed and injured.

Martial law remains in place in the provinces of Pattani, Yala, Narathiwat, the Sadao district of Songkhla Province and some border areas, and we advise against all but essential travel to them.

More information on political risk, including political demonstrations, is available in FCO Travel Advice. See: www.gov.uk/foreign-travel-advice/thailand

Business and human rights

There are human rights concerns in relation to business and employment in Thailand. Trade unions are legal, although fairly inactive, and although workers have the right to strike, few exercise the right to do so. Trade Union activity remains largely muted. Farmers also have access to banks, although generally opt not to use them.

One area of concern, however, is the treatment of migrant workers. There are an estimated 2.5 million migrant workers in Thailand. Over 2 million are thought to be from Burma and the majority are unregistered. Following the coup, many Cambodian migrant workers were expelled in June 2014, although some are being re-admitted with better administration of migrant procedures.

Most are employed in the construction, primary and fishing industries or as domestic help. The Thai Government runs a verification process for migrants, but uptake has

been low with the majority of migrants remaining illegal. As such they are denied access to healthcare or the minimum wage. There have been many reports of exploitation of illegal migrants and organised trafficking. Thailand has not ratified the 1951 Refugee Convention and lacks proper refugee and asylum laws. Refugees in Thailand are required to stay in camps.

[Source: FCO Overseas Business Risk/gov.uk]

Economic situation

Thailand is the world's 32nd largest economy and the second largest economy in the Association of Southeast Asian Nations (ASEAN), accounting for 17% of ASEAN Gross Domestic Product (GDP). The Thai economy grew by 3% in 2015 as it continued to battle a number of headwinds, including the slowdown of its principle export markets. However, 3% growth was an improvement on the poor 0.7% growth in 2014 caused by political instability, but still below trend. A key government priority is to kick-start the economy as the recovery is not as fast as hoped and proposed infrastructure spend is not coming through quickly.

The underlying macro-economic picture is relatively healthy. Public debt is moderate; the banking system is capitalised with no symptoms of an economic or banking crisis and the low oil price means positive balance of payments. The Thai Baht has been weakening in recent months following monetary policy changes in support of exporters and interest rates have been reduced to 1.5%. Unemployment remains very low at 0.9% and there are shortages of skilled labour in some sectors. Thailand has a labour force of around 39.5 million - 48% in services; 38% in agriculture and 14% in manufacturing. Population growth rate is low at 0.2% and Thailand is entering the phase of an aging society. Inflation hovering at 0-1%. Household debt (86% of GDP) affects some consumer spending.

The tourism sector, a major economic driver, continues to recover. In May 2015, tourism revenue increased by 38% year-on-year following 2.3 million tourist arrivals. In the first five months of 2015, the number of foreign tourist arrivals rose by 24% on a year earlier and generated 25% increase in tourism revenue, mainly due to Chinese and East Asian tourists. The country had a continued flow of inbound tourists in the latter half of the year. Tourism revenue from foreign tourists was around THB 1.4 trillion (£2 billion) in 2015. Tourism, which accounts for 17% of GDP, is therefore playing an important role in supporting the economy.

Public investment on mega-infrastructure projects (£45 billion spend planned from 2015-22) and government spending are also starting to improve. Half of the contracts for the government's road and water management projects have been signed and about THB 10 billion (£0.2 billion) worth of projects began construction in the second half of 2015.

Thailand is also making renewed efforts to attract foreign direct investment and move up the value chain. The new Board of Investment International Headquarters package offers good incentives and levels the playing field with Singapore and Hong Kong. The new Digital Economy strategy is also aimed at moving Thailand's economy into new higher value areas. Broadband, electronic transactions and 4G licences are all in the pipeline. Efforts are also being made to crack down on corruption.

Further reforms are necessary including reform of the Foreign Business Act and Customs practices; the need for better soft infrastructure (laws and education – education expenditure is 7.6% of GDP); improved logistics infrastructure (logistics cost are 18% of GDP compared to 9-12% for developed nations); R&D investment (investment in R&D is a mere 0.21% of GDP compared to 2-3% for developed nations) and enhanced skills, productivity and competitiveness.

Meanwhile, the May 2014 coup led to the suspension of the EU-Thai Free Trade Agreement negotiations. The EU has issued Thailand with a “yellow card” for Illegal, Unreported and Unregulated (IUU) fishing and Thailand remains at Tier 3 of the US “Trafficking in Persons” report.

[Source: FCO Overseas Business Risk/gov.uk]

According to the Thai Government's Ministry of Finance Fiscal Policy Office, the Thai economy in Q2/2016 reflected improving signs from the previous quarter, particularly domestic expenditures, which were supported from economic stimulus measures and accelerated government expenditures. However, external demand as shown by the export of goods showed a contraction. Meanwhile, supply-side indicators showed improving signs as the manufacturing sector showed a positive expansion and the tourism sector reflected by the number of inbound foreign tourists continued to expand.

See:

[www.fpo.go.th/FPO/member_profile/it-admin/upload/file/Eng-Monthly%20JUN&Q2-2016\(3\).pdf](http://www.fpo.go.th/FPO/member_profile/it-admin/upload/file/Eng-Monthly%20JUN&Q2-2016(3).pdf)

[Source: Thai Ministry of Finance]

Read the World Bank's more in-depth publication on the issues of doing business in Thailand “Doing Business 2016 – Measuring Regulatory Quality and Efficiency, Economy Profile 2016 Thailand”. See: www.doingbusiness.org/~media/giawb/doing%20business/documents/profiles/country/tha.pdf

See also the Bank of Thailand overview of the country's financial landscape: www.bot.or.th/English/FinancialInstitutions/FIStructure/Pages/default.aspx

Economic overview

Thailand is the second largest economy in the Association of Southeast Asian Nations (ASEAN), accounting for 17% of ASEAN Gross Domestic Product (GDP).

The UK is one of the leading European Union (EU) investors in Thailand with UK companies operating across the Thai economy. The rewards of doing business in Thailand can be considerable, but it takes time to develop the necessary business relationships.

UK investors include BG, Tesco (their largest overseas operation), HSBC, Standard Chartered, Triumph Motorcycles and Prudential.

Thailand is home to over 50,000 British residents.

Benefits to UK businesses exporting to Thailand include:

- growing affluent middle class
- well-developed infrastructure
- ranked in top 20% of countries listed in the World Bank's 'Ease of Doing Business Survey'. See: www.doingbusiness.org/data/exploreeconomies/thailand
- government's pro-investment policies
- hub for accessing opportunities in Greater Mekong sub-region, including Laos, Cambodia, Burma and southern China

Strengths of the Thai market include:

- 50% of the world's population within a five hour flight
- comprehensive infrastructure investment plan
- modern industrial estates and incentives available from the Thailand Board of Investment (BOI). See: www.boi.go.th/index.php?page=index&language=en

Contact a DIT (formerly UKTI) Thailand export adviser for a free consultation if you're interested in exporting to Thailand. See: www.greatbusiness.gov.uk/ukti

Contact UK Export Finance (UKEF) about trade finance and insurance cover for UK companies. See: www.gov.uk/government/organisations/uk-export-finance. You can also check the current UKEF cover position for Thailand at: www.gov.uk/guidance/country-cover-policy-and-indicators#thailand.

[Source: FCO Overseas Business Risk/gov.uk]

Growth potential

Economic growth

Thailand is the world's 29th largest economy with a GDP of US \$395 billion. GDP growth averaged 4.1% between 2000 and 2013, according to HSBC.

The Thai economy grew 3.5 to 4.6% in 2015, fuelled by the government's infrastructure investment plans.

Thai GDP is made up of:

- manufacturing – 44%
- communication and transport – 12%
- agriculture – 10%
- hotel and restaurant – 5%
- finance – 5%

ASEAN

The Association of South-East Asian Nations (ASEAN) is considerably larger than the EU and with 600 million residents is an increasingly important economic region.

It is predicted that the ASEAN economy will become the fourth largest single market by 2030. An additional 300 million residents from the region will also enter the middle class.

Free Trade Agreements (FTAs]

EU-Thailand negotiations for a FTA were postponed following the 22 May 2014 military intervention.

Thailand has entered into a number of bilateral and ASEAN Free Trade Agreements. Details are available from the Thai Department of Trade Negotiations. See: www.thaifta.com/english/dtn/ftarta.html

Trade between UK and Thailand

UK goods exports to Thailand were valued at £1.29 billion and services exports totalled £604 million in 2015.

Top UK goods exports to Thailand are:

- iron and steel
- road vehicles
- electrical machinery
- power generating machinery and equipment
- medicinal and pharmaceutical
- specialised machinery
- general industrial machinery
- non-metallic mineral manufactures
- photographic and optical goods
- beverages

In July 2016, the UK and Thailand Governments announced the launch of the Thai-UK Business Leadership Council. The purpose of the Council is to look for creative ways to encourage Thai and British businesses to build new and innovative partnerships, as well as encourage the governments of both countries to foster trade and investment in both markets. These objectives include:

- To actively promote trade and investment opportunities between the two countries
- To advise and support both governments in the creation of a business environment that helps companies to trade and invest, and that nurtures entrepreneurial endeavour
- To help identify potential business opportunities and partnerships in both countries, as well as to help identify business opportunities and other co-investment opportunities in third countries and multilateral business projects
- To encourage governments and businesses to create a culture that rewards innovation, creativity and experimentation

The inaugural meeting of the Council was held on 3rd October 2016 in Thailand.

Thailand world ranking

In addition:

- In 2015 Thailand was ranked 76th out of 168 countries in Transparency International's latest corruption perception index (the UK ranked 10th): www.transparency.org/cpi2015/#map-container
- Thailand is ranked 49th out of 189 in the World Bank's 2015 Ease of Doing Business index (the UK ranked 6th): www.doingbusiness.org/rankings
- The World Economic Forum's Global Competitiveness report 2016-17 ranks Thailand 34th out of 138 (the UK is ranked 7th): www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf

Contact a DIT (formerly UKTI) export adviser at: www.greatbusiness.gov.uk/ukti/ for a free consultation if you are interested in exporting to Thailand.

Contact UK Export Finance (UKEF) about trade finance and insurance cover for UK companies. You can also check the current UKEF cover position for Thailand. See: www.gov.uk/guidance/country-cover-policy-and-indicators#thailand

[Source: Department for International Trade (DIT)/gov.uk]

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