Thailand

RISK & COMPLIANCE REPORT

Date: March 2017

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Executive Summary - Thailand	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering assessment Not on EU White list equivalent jurisdictions Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering Corruption Index (Transparency International & W.G.I.)) World Governance Indicators (Average Score)

Major Investment Areas:

Agriculture - products:

rice, cassava (manioc), rubber, corn, sugarcane, coconuts, soybeans

Industries:

tourism, textiles and garments, agricultural processing, beverages, tobacco, cement, light manufacturing such as jewelry and electric appliances, computers and parts, integrated circuits, furniture, plastics, automobiles and automotive parts; world's second-largest tungsten producer and third-largest tin producer

Exports - commodities:

electronics, computer parts, automobiles and parts, electrical appliances, machinery and equipment, textiles and footwear, fishery products, rice, rubber

Exports - partners:

China 11.7%, Japan 10.2%, US 9.9%, Hong Kong 5.7%, Malaysia 5.4%, Indonesia 4.9%, Singapore 4.7%, Australia 4.3% (2012)

Imports - commodities:

capital goods, intermediate goods and raw materials, consumer goods, fuels

Imports - partners:

Japan 20%, China 14.9%, UAE 6.3%, Malaysia 5.3%, US 5.3% (2012)

Investment Restrictions:

Thailand continues to welcome investment from all countries and seeks to avoid dependence on any one country as a source of investment.

There are restrictions to foreign investment in the fields of communications, transport, banking, the exploitation of land or other natural resources, and domestic trade in agricultural products.

In general, non-Thai businesses and citizens are not permitted to own land in Thailand unless the land is on government-approved industrial estates. Under the 1999 amendment to the Land Code Act, foreigners who invest a minimum of 40 million Baht (approximately US$1.3 million) are permitted to buy up to 1,600 square meters of land for residential use with the permission of the Ministry of Interior.

Contents

Section 1 - Background

A unified Thai kingdom was established in the mid-14th century. Known as Siam until 1939, Thailand is the only Southeast Asian country never to have been taken over by a European power. A bloodless revolution in 1932 led to a constitutional monarchy. In alliance with Japan during World War II, Thailand became a US treaty ally in 1954 after sending troops to Korea and later fighting alongside the United States in Vietnam. Thailand since 2005 has experienced several rounds of political turmoil including a military coup in 2006 that ousted then Prime Minister THAKSIN Chinnawat, followed by large-scale street protests by competing political factions in 2008, 2009, and 2010. Demonstrations in 2010 culminated with clashes between security forces and pro-THAKSIN protesters, elements of which were armed, and resulted in at least 92 deaths and an estimated $1.5 billion in arson-related property losses. THAKSIN's youngest sister, YINGLAK Chinnawat, in 2011 led the Puea Thai Party to an electoral win and assumed control of the government. YINGLAK's leadership was almost immediately challenged by historic flooding in late 2011 that had large swathes of the country underwater and threatened to inundate Bangkok itself. Throughout 2012 the Puea Thai-led government struggled with the opposition Democrat Party to fulfill some of its main election promises, including constitutional reform and political reconciliation. Since January 2004, thousands have been killed and wounded in violence associated with the ethno-nationalist insurgency in Thailand's southern Malay-Muslim majority provinces.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Thailand is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 21 June 2013

The FATF welcomes Thailand's significant progress in improving its AML/CFT regime and notes that Thailand has established the legal and regulatory framework to meet its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in February 2010. Thailand is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Thailand will work with the APG as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation Report.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Thailand was undertaken by the Financial Action Task Force (FATF) in 2007. According to that Evaluation, Thailand was deemed Compliant for 2 and Largely Compliant for 4 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2007):

Thailand has introduced a number of measures in recent years to strengthen its Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework, particularly for CFT. The regime has resulted in a very large number of suspicious transaction reports (STRs), a large amount of assets being seized and contributed to the Thai government's objective of tackling drug crime. These achievements occurred despite outmoded legislation and other shortcomings identified in this assessment against the Financial Action Task Force (FATF) 40+ 9 Recommendations.

Thailand is susceptible to money laundering (ML) and terrorist financing (TF) because illicit proceeds are generated from drug trafficking, illegal gambling, theft, prostitution, human trafficking, illegal logging, corruption and from crime in bordering countries and because of a terrorist problem in its southern region. The illegal economy in Thailand has been estimated up to 13 percent of gross domestic product (GDP) and with ML predicate offenses estimated to generate illicit proceeds of up to 5 percent of GDP. In addition, the widespread use of cash and a large informal sector, estimated at up to 53 percent of GDP, provide many avenues for illicit proceeds to be laundered in Thailand.

This report identifies the strengths and weaknesses of the Thai AML/CFT framework and makes recommendations to bring it in line with the requirements of the FATF 40+9 Recommendations and to ensure that effective mechanisms are in place to implement and monitor Thailand's overall AML/CFT regime.

Thailand has a legal framework in the Anti-Money Laundering Act 1999 (AMLA) around which the core elements of its AML/CFT regime are established. The AMLA criminalizes ML by reference to eight predicate offenses, establishes the Anti-Money Laundering Office (AMLO) as Thailand's financial intelligence unit (FIU), imposes some customer due diligence (CDD) obligations on a wide range of financial institutions (FIs), requires these FIs to report transactions to the AMLO, and creates a civil process for the AMLO to seize criminal assets and have them vested in the state.

However, the AML/CFT regime is not fully in line with international standards and codes – there are weaknesses in the legal framework, the pursuit of ML cases, the coverage of institutions and in enforcement. The recommendations to improve the regime include the need to:

• amend the AMLA in order to: (i) properly criminalize ML so that it covers all serious domestic predicate offenses; (ii) impose the core AML/CFT obligations to all FIs that contain ML and TF risks; and (iii) clarify AML/CFT supervisory roles and give appropriate powers for conducting compliance examinations;

• strengthen enforcement when the AMLO and the financial regulators discover breaches of AML/CFT obligations;

• extend AML/CFT obligations to non-financial businesses and professions;

• properly pursue criminal investigations and prosecutions of ML and TF; and

• fully implement the UN Security Council Resolutions and properly criminalize FT.

The authorities are committed to bringing Thailand's AML/CFT regime up to international standards and they are supported in this endeavor by the management of the major FIs.

Extract from 2014 Asia Pacific Group on Money Laundering Yearly Typologies Report:

Emerging and continuing trends:

Identity theft-related fraud is increasingly a high threat.

US Department of State Money Laundering assessment (INCSR)

Thailand is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Thailand is a centrally located Southeast Asian country with porous borders. Thailand is vulnerable to money laundering within its own economy as well as to many categories of cross- border crime, including illicit narcotics, wildlife trafficking, and other contraband smuggling.

Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit consumer goods, and a center for the production and sale of fraudulent travel documents.

The proceeds of illegal gaming, official corruption, underground lotteries, and prostitution are laundered through the country's informal financial channels. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles.

Thailand continues to make progress in its AML regulatory framework, since its passage of the Anti-Money Laundering Act (No. 4) (AMLA No. 4) in 2013. Thailand is expected to soon add tax offenses as a predicate offense under the AMLA.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Funds from various illegal industries (drugs, contraband goods, and illegal remittances) are transported across Thailand's four land borders and through airports and seaports. There is no requirement to declare Thai currency brought into the country. Money launderers and traffickers use banks, non-bank financial institutions, and businesses to move the proceeds of narcotics trafficking and other criminal enterprises. Unlicensed or unregulated hawaladars serve Middle Eastern travelers in Thailand. Unregulated Thai and Chinese remittance systems are also prevalent. Smuggled items include cash, financial instruments, gold, jewelry, gems, protected wildlife species, drugs, and petroleum. The Anti-Money Laundering Office (AMLO), Thailand's FIU, is effective in fighting money laundering and can operate in conjunction with, or independently from, other law enforcement bodies. AMLO's focus is on civil asset seizure and forfeiture.

KEY AML LAWS AND REGULATIONS

The primary regulation in Thailand is AMLA, Section 22, which includes KYC and STR regulations. The Act requires financial institutions to keep customer identification and financial transaction data for five years from termination of relationship. Financial institutions must keep due diligence records for ten years. The Act also requires reporting of suspicious transactions. Thailand's draft Counter Proliferation Financing Act is expected to be enacted by late 2016. Tax offenses are also expected to be added as a predicate offense under the

AMLA.

Thailand is a member of the Egmont Group of FIUs, and this is its primary mechanism for sharing information with the United States and other countries. A bilateral records-exchange mechanism is not in place with the U.S. and is not under negotiation.

Thailand is a member of the APG.

AML DEFICIENCIES

Thailand continues to make progress in its AML legal/regulatory framework. AMLA No. 4 transferred all supervision of reporting entities to the AMLO. Since the revision to AMLA in 2015, AMLA No. 5, the law no longer requires AMLO to prove intent before an asset can be seized; simply being connected to narcotic activity allows a seizure.

Thailand is not subject to any U.S. or international sanctions. Operationally, Thailand's AML regime appears to be continuing its longstanding focus on civil asset seizure and forfeiture as well as criminal enforcement. Thailand has continued to use AMLO's authorities to seize assets in a number of suspected human trafficking cases. AMLA No. 5 eliminates the barriers to asset sharing and recovery in cases in which repatriating or sharing forfeited proceeds with a foreign jurisdiction is appropriate. Counter proliferation has been proposed as a predicate offense; that bill is awaiting final approval before becoming law.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Thailand's legal framework allows for international cooperation on criminal matters and extraditions. Thailand's AMLO is able to share information with or without MOUs with domestic or international partners and does so actively. AMLO can work independently as well as in parallel to, or as part of, law enforcement task forces. Thailand's primary difficulty in information sharing is with jurisdictions that require separate MOUs outside of the Egmont process. From January 1 through October 20, 2016, AMLO prosecuted 41 cases, and gained 19 convictions.

Current Weaknesses in Government Legislation (INCRS Comparative Tables):

According to the US State Department, Thailand conforms with regard to the government legislation required to combat money laundering and the terrorism of financing.

EU White list of Equivalent Jurisdictions

Thailand is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Thailand is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2017

Introduction

Thailand is a net importer of illicit narcotics, and trafficking and use of illicit drugs remains a significant problem. There were no significant quantities of opiates, methamphetamine, or other drugs cultivated or produced in Thailand in 2016. Various transnational criminal organizations continue to use Thailand as a final destination and transit country for illicit drugs destined for regional and international markets. The primary drugs of concern continue to be amphetamine-type stimulants (ATS), specifically methamphetamine, the use of which continues to increase. The widespread availability of methamphetamine is due to cross-border smuggling of the drug from neighboring Burma.

According to the United Nations Office on Drugs and Crime, the Thai government has not reported eradicating opium poppy since 2013. However, in 2016 the Thai Office of Narcotics Control Board (ONCB) reported that 469.9 kilograms (kg) of opium plants were seized. Following a significant drop in the volume of seized heroin and cocaine in 2015, heroin seizures rebounded during the first six months of 2016 and were on pace to surpass the previous year's total. Since 2014, Thailand has seen a slight decline in methamphetamine tablet (yaba) seizures, but has experienced a slight growth in crystal methamphetamine seizures.

Conclusion

The U.S. government enjoys a particularly close and collaborative relationship with Thai law enforcement. The United States has encouraged the Thai government to adopt laws and regulations more closely aligned with international standards. The United States will continue to assist the Thai government in its efforts to promote greater cooperation between its police and prosecutors, prevent corruption, and further advance regional cooperation.

US State Dept Trafficking in Persons Report 2014 (introduction):

Thailand is classified a Tier 3 country - A country whose governments does not comply with the Trafficking Victims Protection Act's minimum standards.

Thailand (Tier 3*) is a source, destination, and transit country for men, women, and children subjected to forced labor and sex trafficking. Victims from neighboring countries, as well as China, Vietnam, Russia, Uzbekistan, India, and Fiji, migrate willingly to Thailand to seek employment, often with the assistance of relatives and community members or through the use of informal recruitment and smuggling networks. There are an estimated two to three million migrant workers in Thailand, most of whom are from Burma. The majority of the trafficking victims within Thailand— tens of thousands of victims, by conservative estimates— are migrants from Thailand's neighboring countries who are forced, coerced, or defrauded into labor or exploited in the sex trade. A significant portion of labor trafficking victims within Thailand are exploited in commercial fishing, fishing-related industries, low-end garment production, factories, and domestic work; some victims are forced to beg on the streets.

There are reports of corrupt officials on both sides of the border who facilitate the smuggling of undocumented migrants between Thailand and neighboring countries including Laos, Burma, and Cambodia; many of these migrants subsequently become trafficking victims. Unidentified trafficking victims are among the large numbers of undocumented migrants deported to Laos, Burma, and Cambodia each year. Burmese, Cambodian, and Thai men are subjected to forced labor on Thai fishing boats that travel throughout Southeast Asia and beyond; some men remain at sea for up to several years, are paid very little, are expected to work 18 to 20 hours per day for seven days a week, or are threatened and physically beaten. A 2013 report found that approximately 17 percent of surveyed fishermen, who primarily worked on short haul vessels spending less than one month at sea, experienced forced labor conditions, often due to threats of financial penalty including not being fully remunerated for work already performed.

A 2010 assessment of the cumulative risk of labor trafficking among Burmese migrant workers in the seafood industry in Samut Sakhon found that 57 percent of the 430 workers surveyed experienced conditions of forced labor. As fishing is an unregulated industry region-wide, fishermen typically do not have written employment contracts with their employers. Reports during the year indicate this form of forced labor continues to be prevalent, and that increasing international scrutiny has led traffickers to use new methods, making their crimes more difficult to detect. Men from Thailand, Burma, and Cambodia are forced to work on Thai-flagged fishing boats in Thai and international waters and were rescued from countries including Malaysia, Indonesia, Vietnam, and Timor-Leste. The number of Cambodian victims rescued from Thai fishing vessels in countries around the world more than doubled in 2013. Cambodian and Burmese workers are increasingly unwilling to work in the Thai fishing industry due to dangerous and exploitative work conditions which make them more vulnerable to trafficking.

There continued to be reports that corrupt Thai civilian and military officials profited from the smuggling of Rohingya asylum seekers from Burma and Bangladesh (who transit through Thailand in order to reach Malaysia or Indonesia) and were complicit in their sale into forced labor on fishing vessels. Thai navy and marine officials allegedly diverted to Thailand boats carrying Rohingya asylum seekers en route to Malaysia and facilitated the transfer of some migrants to smugglers and brokers who sold some Rohingya into forced labor on fishing vessels. Additionally, there are media reports that some Thai police officials systematically removed Rohingya men from detention facilities in Thailand and sold them to smugglers and brokers; these smugglers and brokers allegedly transported the men to southern Thailand where some were forced to work as cooks and guards in camps, or were sold into forced labor on farms or in shipping companies. Traffickers (including labor brokers) who bring foreign victims into Thailand generally work as individuals or in unorganized groups, while those who exploit Thai victims abroad tend to be more organized. Labor brokers, largely unregulated and of both Thai and foreign nationalities, serve as intermediaries between job-seekers and employers; some facilitate or engage in human trafficking and collaborate with employers and at times with corrupt law enforcement officials.

Foreign migrants, members of ethnic minorities, and stateless persons in Thailand are at the greatest risk of being trafficked, and they experience various abuses that may indicate trafficking, including the withholding of travel documents, migrant registration cards, work permits, and wages. They may also experience illegal salary deductions by employers, physical and verbal abuse, and threats of deportation. Undocumented migrants are highly vulnerable to trafficking due to their lack of legal status, which often makes them fearful of reporting problems to government officials. Many migrant workers incur exorbitant debts, both in Thailand and in countries of origin, to obtain employment and may therefore be subjected to debt bondage. Members of ethnic minorities and stateless persons in Thailand face elevated risks of becoming trafficking victims. Highland men, women, and children in the northern areas of Thailand are particularly vulnerable to trafficking; UN research cites a lack of legal status as the primary causal factor of their exploitation. Some children from Thailand, Cambodia, and Burma are forced by their parents or brokers to sell flowers, beg, or work in domestic service in urban areas. Thai victims are recruited for employment opportunities abroad and deceived into incurring large debts to pay broker and recruitment fees, sometimes using family-owned land as collateral, making them vulnerable to exploitation at their destination. Thai nationals have been subjected to forced labor or sex trafficking in Australia, South Africa, and in countries in the Middle East, North America, Europe, and Asia. Some Thai men who migrate for low-skilled contract work and agricultural labor are subjected to conditions of forced labor and debt bondage.

The majority of Thai victims identified during the year were found in sex trafficking. Women and girls from Thailand, Laos, Vietnam, and Burma, including some who initially intentionally seek work in Thailand's extensive sex trade, are subjected to sex trafficking. Child sex trafficking, once known to occur in highly visible establishments, has become increasingly clandestine, occurring in massage parlors, bars, karaoke lounges, hotels, and private residences. Children who have false identity documents are exploited in the sex trade in karaoke or massage parlors. Local NGOs report an increasing use of social media to recruit women and children into sex trafficking. Victims are subjected to sex trafficking in venues that cater to local demand and in business establishments in Bangkok and Chiang Mai that cater to foreign tourists' demand for commercial sex. Thailand is a transit country for victims from North Korea, China, Vietnam, Pakistan, Bangladesh, and Burma subjected to sex trafficking or forced labor in countries such as Malaysia, Indonesia, Singapore, Russia, South Korea, the United States, and countries in Western Europe. There were reports that separatist groups in southern Thailand continued to recruit and use children to commit acts of arson or serve as scouts.

The Government of Thailand does not fully comply with the minimum standards for the elimination of trafficking. In the 2012 and 2013 TIP Reports, Thailand was granted consecutive waivers from an otherwise required downgrade to Tier 3 on the basis of a written plan to bring itself into compliance with the minimum standards for the elimination of trafficking. The Trafficking Victims Protection Act (TVPA) authorizes a maximum of two consecutive waivers. A waiver is no longer available to Thailand, which is therefore deemed not to be making significant efforts to comply with the minimum standards and is placed on Tier 3.

The Government of Thailand improved its anti-trafficking data collection. It reported convicting 225 traffickers under the 2008 anti-trafficking law and related statutes in 2013. Overall anti-trafficking law enforcement efforts remained insufficient compared with the size of the problem in Thailand, and corruption at all levels hampered the success of these efforts.

Despite frequent media and NGO reports documenting instances of forced labor and debt bondage among foreign migrants in Thailand's commercial sectors—including the fishing industry—the government demonstrated few efforts to address these trafficking crimes. It systematically failed to investigate, prosecute, and convict ship owners and captains for extracting forced labor from migrant workers, or officials who may be complicit in these crimes; the government convicted two brokers for facilitating forced labor on fishing vessels. The government did not make sufficient efforts to proactively identify trafficking victims among foreign migrants, who remained at risk of punishment for immigration violations. A critical shortage of available interpretation services across government agencies limited efforts to identify and protect foreign victims, and authorities identified fewer foreign labor trafficking victims than it did during the previous year. There were media reports in 2013 of trafficking-related complicity by Thai civilian and navy personnel in crimes involving the exploitation of Rohingya asylum seekers from Burma and Bangladesh. The Thai navy claimed that these reports were false and responded by filing criminal defamation charges against two journalists in Thailand for re-printing these reports. Impunity for pervasive trafficking-related corruption continued to impede progress in combating trafficking.

US State Dept Terrorism Report 2015

Overview: Thailand remains a productive counterterrorism partner, although the government continued to focus on domestic political challenges as its key security priority. As of late 2015, Thai security officials expressed moderate but growing concern about the threat to Thailand from the Islamic State of Iraq and the Levant (ISIL), following reports of fighters from neighboring Southeast Asian nations traveling to the Middle East. However, there is no confirmed evidence of Thai citizens joining ISIL, and no evidence of operational linkages between ethno-nationalist Malay Muslim insurgent groups in southern Thailand and ISIL or other international terrorist networks. The Thai Ministry of Foreign Affairs publicly condemned ISIL violence against civilians.

2015 Terrorist Incidents: On February 1, two pipe bombs exploded outside a popular shopping mall in Bangkok, and on March 7, a small grenade detonated at a courthouse in Bangkok. Both incidents resulted in no casualties. Following the incidents, Thai police detained four suspects, and claimed the attacks were politically motivated and intended to undermine the government.

On August 17, an explosion in Bangkok killed 20 and injured more than 120 at the Erawan Shrine, a downtown tourist destination popular with Thai and Chinese tourists. On August 18, a second explosion occurred near Saphan Taksin, a pier popular with tourists, but did not result in any damage or casualties. Thai authorities released surveillance camera footage showing two suspects leaving backpacks, believed to contain the explosives, at each location. Thai investigators later arrested two Chinese Uighur suspects. In early December, a Thai woman and a Turkish man were detained in Turkey in connection with the bombings and were awaiting extradition to Thailand. Thai authorities claimed the motive for the attacks was retaliation for the government crackdown on human trafficking, and have not charged any of the suspects with terrorism. It has been widely reported that the attacks were related to the July 2015 forced deportation of a group of Uighur migrants to China.

Legislation, Law Enforcement, and Border Security: Thailand incorporated terrorism offenses into its penal code in 2003, but most terrorism prosecutions fail to prove the necessary element of specific intent and therefore result in deportation or a conviction on less serious offenses.

Competing domestic priorities, political sensitivities, and resource constraints contributed to a less aggressive approach to counterterrorism efforts on the part of the Thai government. Thailand's law enforcement units demonstrated some capacity to detect, deter, and respond to terrorist incidents. Multiple entities – including the Royal Thai Police (RTP), Department of Special Investigations, and elements of the Thai military – have law enforcement responsibilities on counterterrorism cases. Interagency cooperation and coordination is sporadic, information sharing is limited, and the delineation of duties between law enforcement and military units with counterterrorism responsibilities was unclear. Biannual reshuffles of senior government and security officials hampered continuity in leadership.

Law enforcement officials with counterterrorism responsibilities received U.S. training through the Bangkok-based joint U.S.-Thai International Law Enforcement Academy (ILEA) and Department of State-funded training programs. Additionally, Antiterrorism Assistance (ATA) training programs were designed to enhance RTP capacity to combat terrorism.

Land borders are relatively porous. In June 2012, the Thai government removed the Personal Identification Secure Comparison and Evaluation System (PISCES) from eight major points of entry and installed an inferior, locally developed program. In early 2015, the Thai government also removed PISCES from Bangkok's Suvarnabhumi International Airport and replaced it with the same locally developed program. All passengers originating in Thailand traveling to or overflying the United States will continue to be vetted through the Secure Flight Program. Thailand has an active market in fraudulent documents. Information sharing with neighboring countries appeared limited.

Countering the Financing of Terrorism: Thailand belongs to the Asia-Pacific Group (APG), a Financial Action Task Force (FATF)-style regional body, and its Anti Money Laundering Office is a member of the Egmont Group. Thailand's Counterterrorist Financing Act, together with subordinate laws, came into effect in early 2013. In September 2015, the Anti-Money Laundering Office (AMLO) revised the CFT Act, amending its rules and procedures for notifications of designations in accordance with obligations under UN Security Council Resolutions. Thailand does not have a significant unregulated informal banking and money transfer system regarding terrorism financing activities. In cases where the Bank of Thailand has discovered unauthorized remittances, the Bank has coordinated with the RTP to arrest the perpetrators. AMLO in 2015 did not identify and freeze terrorist assets of any individuals and organizations listed under the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime, although it did freeze $3,079 in other terrorist assets.

Countering Violent Extremism: The Thai government's Internal Security Operations Command continued to organize outreach programs to ethnic Malay-Muslims in southern Thailand to counter radicalization and violent extremism. The government also works with Muslim leaders to promote the teaching of moderate Islam. NGOs continue to reach out to communities in the southern provinces to provide services, identify the underlying causes of the area's violence, and provide outlets for peaceful political expression.

International and Regional Cooperation: Thailand participated in international counterterrorism efforts, including through APEC, ASEAN, and the ASEAN Regional Forum. The government signed a ministerial-level ASEAN statement condemning the rise of violence committed by violent extremists in Iraq and Syria, and an East Asia Summit leaders' statement on ISIL's violence and brutality.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	35
World Governance Indicator – Control of Corruption	44

US State Department

Thailand has several laws to combat corruption. The independent National Anti- Corruption Commission (NACC) together with the Office of the Public Sector Anti-Corruption Commission (PACC), coordinates official efforts against corruption and hold broad investigatory authority. In addition to these two agencies, the Office of the Ombudsman, the Constitutional Court, the Election Commission, the Office of the Auditor General, and the National Human Rights Commission have anti-corruption responsibilities. In December 2003, Thailand became a signatory to the U.N. Convention Against Corruption ratifying the convention in March 2011. In April 2005, Thailand endorsed the ADB-OECD Anticorruption Action Plan for Asia and the Pacific, and assigned the Ministry of Justice to implement the Action Plan. The Office of Public Sector Anti- Corruption Commission, under the Ministry of Justice, was established to assist the NACC by investigating cases of lower ranking government officials.

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.

Recent Thai administrations have publicly stated their intention to improve transparency in the evaluation of bids and the awarding of contracts. In 2013, the Public-Private Partnership (PPP) Act passed, replacing the Public Participation in State Undertaking Act of 1992. Effective April 4, the PPP Act requires public projects over $1 billion to be awarded through a multi-agency committee instead of a single administrating agency, a practice which may help reduce corrupt practices. Despite recent improvements, both foreign and Thai companies continue to complain about irregularities in the Thai Customs Department. Increasing media scrutiny of public figures has raised political pressure to curtail favoritism and corruption. However, convictions against public officials on corruption-related charges are rare, and the legal system offers inadequate deterrence against corruption. According to the most recent Transparency International’s annual Corruption Perceptions Index, Thailand ranked 88th out of 176 countries in 2012, slipping from 80th a year earlier. Discussions with business people suggest that corruption and the level of kickbacks have increased over the past decade.

The press features frequent allegations of irregularities in public contracts, most notably over the use of public lands, procurement favoritism (e.g., revising requirements so that a preferred company wins over its competitors), and police complicity in a variety of illegal activities. In January 2010, the Thai press widely reported news of the U.S. Department of Justice indictment of a former Thai tourism minister accused of taking bribes from an American couple seeking to do business in Bangkok. In November 2011, the Permanent Secretary in the Ministry of Transportation resigned over allegations of corruption and bribery after large sums of cash were discovered in his home allegedly from transportation contract kickbacks. In 2012 the Deputy Prime Minister and Interior Minister resigned after it was determined that he was involved in an improper land deal. In 2013, the NACC implicated key members of the government, including the Prime Minister and former Commerce Minister, for corruption in management of the controversial rice pledging scheme.

In recent years, the private sector has attempted to take charge to fight corruption through education and advocacy. 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. 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. Member companies now represent over 15 percent of the Thai economy and more than 1 million employees.

Founded in 2011, the Anti-Corruption Organization of Thailand (ACT) was established with the intent to pressure the government to create laws that can reduce levels of corruption. ACT has 47 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 contacts. 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.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law. It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

Corruption and Government Transparency - Report by Global Security

Political Climate

In recent years, Thailand's political climate has been particularly marked by tensions that occasionally have turned violent, partly due to cases and accusations of corruption, as well as the issue of governmental legitimacy. In September 2006, the military overthrew the Thai government led by then-Prime Minister Thaksin Shinawatra, on the grounds of abuse of power and corruption. Thaksin's political party, the Thai Rak Thai (TRT), was subsequently dissolved and all leading party members were barred from political office for five years, while Thaksin fled the country to avoid being put on trial for corruption charges. In February 2010, the Supreme Court seized THB 46 billion (USD 1.44 billion) of Thaksin's assets, saying it was accrued through abuse of power. Thaksin continues to live in exile while a warrant on his arrest is still in force. In July 2011, Thaksin's sister Yingluck Shinawatra was elected the first female Prime Minister of Thailand. After the 2011 elections, several countries, such as Japan and Germany, lifted the ban that was imposed on her brother, and, according to a November 2011 article by Reuters, the Thai government has put forward proposals for an amnesty designed to allow Thaksin to return to Thailand without facing corruption charges. Yingluck Shinawatra is the leader of the populist Pheu Thai Party, which won enough seats in Parliament to form a one-party government, thus reducing the influence of the opposition Democratic Party, which had previously been in power.

The main source of corruption in Thailand is known as 'money politics', a term that refers to the flow of money within the political scene. This is confirmed by the Transparency International Global Corruption Barometer 2013, in which public officials and civil servants are perceived by Thai households to be among the most corrupt in Thailand. The report also notes that vote-buying and the purchasing of posts within the bureaucracy is common practice. The general view by the public on the government's anti-corruption measures is somewhat pessimistic, with 25% of household respondents viewing the government's efforts to fight corruption as ineffective. Moreover, 18% of the citizens surveyed reported paying a bribe in the past 12 months. According to a September 2011 article by Bangkok Post, an Abac Poll revealed that 64% of Thais see corruption as an acceptable behaviour if it benefits the country or themselves in one way or another. What is even more alarming is that 70% of the young population share the same opinion.

Thailand has seen some high-level officials brought to court and sentenced for corruption in recent years. Investigating the allegations of corruption in the Thaksin government brought to light many cases, as was reported by the National Anti-Corruption Commission (NACC), which took several of them to court in 2011. According to a July 2011 article by New Mandala, the years in which Thailand has witnessed high levels of corruption were during former PM Thaksin Shinawatra's reign, where his own businesses benefited from his privileged position in the country at the time. Nevertheless, the US Department of State 2013 notes that the prosecution of high-level officials for corruption still remains rare and that Thailand is lacking an adequate legal system to fight corruption in the higher echelons of the government. A September 2011 article by The Nation reports that a large number of Thais, the newly elected PM, politicians, and leading figures in the business sector joined in a rally against corruption in Thailand. The rally was led by the stock exchange in Thailand and 28 private organisations which had formed the Coalition Against Corruption. Prime Minister Yingluck Shinawatra vowed before the rally not to abuse power for her own benefit and to build social morals to prevent corruption. Corruption protests continued throughout 2012 and well into 2013. Protestors are demanding the Prime Minister and her administration step down, alleging that her government is corrupt and that former Prime Minister Thaksin is still interfering with Thai politics through the power of his sister, as reported by an August 2013 article by The Wall Street Journal. According to a news article published by Bangkok Post in August 2012, a survey conducted by the Research Centre at Bangkok University, Bangkok Poll, revealed a high number of concerns about possible corruption in the government's fiscal budget spending.

Business and Corruption

The global financial crisis, coupled with the effects of political tensions, has slowed economic growth in Thailand. While 2010 Thai economic figures show the country emerging from recession, businesses continue to worry about the political prospects of the country, causing foreign investors to divert their interest from Thailand, as reported in a February 2011 article by BBC News Business. Moreover, poorly enforced laws and unclear policies caused by political instability remain a source of frustration to the business sector. Khun Smith Jingkaojai, a former Morgan Stanley banker, explains in the April 2011 Business Report Thailand that political unrest lies behind the reasons why Thailand´s economy is unable to adequately engage itself in the capital markets. According to the World Economic Forum's Global Competitiveness Report 2013-2014, companies also consider corruption and government instability, as well as policy instability, to constitute a substantial barrier to doing business in Thailand. This is supported by the US Department of State 2013, which notes that bribery and facilitation payments are considered a normal part of doing business in Thailand. Nevertheless, the report also points out that companies that refrain from engaging in bribery from the start are still able to compete with success in Thailand. Bribery is particularly concentrated in a few government sectors in charge of large financial transactions: the Land Department, Tax and Customs Department, the Transport Department, and the Police Department.

Corruption is reportedly a significant problem in Thailand, both within the private and public sectors, but it is mainly found at the intersection between business and government, where illicit payments are widespread. According to the US Department of State 2013, bribes are considered a routine procedure for doing business in Thailand. Bribes are generally considered a 'fee' or 'consultants' charges' and is, therefore, considered a normal part of doing business. Those with political connections and administrative authority have been able to create possibilities for corruption, particularly with regard to securing monopolies, protecting against foreign competition, and giving protection to illegal companies. These practices secure the flow of money into politics and have resulted in a high degree of interconnectedness between the business sector and the political system, as reported by a 2012 research paper, Political De-development, corruption and governance in Thailand. The close personal connections between politicians, civil servants, and businesspeople, reach from the heights of the central government down to local government bodies. Generally, the board memberships of Thai corporations are still characterised by an emphasis on personal connections over professional competence. Despite civil servants being legally barred from serving on the boards of private companies, high-ranking bureaucrats are commonly found on the boards of Thai companies, which is indicative of Thailand's patronage system and its problems concerning law enforcement.

Public procurement is an area where the risk of corruption is particularly pronounced. The then National Counter Corruption Commission (now renamed National Anti-Corruption Commission) estimated that up to 30% of the government procurement budget vanishes due to corrupt practices. However, the US Department of State 2013 reports that the government has publicly pledged to improve transparency in the bidding process and in the awarding of contracts. The report further notes that recent crackdown on corrupt public officials has increased the pressure to curtail favouritism and corruption. Nonetheless, Deputy Secretary of the Ministry of Finance Saowanee states that 5% of a project´s value is often paid in kickbacks by private companies that are awarded contracts on state projects. She further states that businessmen working with the state claim that facilitation payments and corruption is common among the police, customs officials, and politicians. According to the Bertelsmann Foundation 2012, an antitrust policy was set out under the Trade Competition Act 1999 (TCA) to reduce monopolies. Despite the fact that the TCA is considered rather advanced, it is reported that several high-ranking individuals frequently receive exceptions from the Act. In order to maintain a fair and a competitive public procurement market, the competition law has to be further developed and enforcement improved. In order to best reduce the risk of extortion and demands for bribes in the procurement process, foreign investors considering bidding on public tenders are advised to use a specialised due diligence tool on public procurement. Moreover, companies are generally recommended to develop, implement, and strengthen integrity systems and to conduct extensive due diligence when considering and already doing business in Thailand.

Regulatory Environment

Thailand is generally considered to be a business-friendly economy and has for several years been able to offer favourable investment incentives to foreign companies, such as tax exemptions, especially if the investment includes new technology or is located in a less developed area, and good investment protection compared to many other countries in the region. Thailand has several bilateral free trade agreements, including agreements with Australia, New Zealand and Peru. Foreign investment in Thailand must adhere to the Foreign Business Act 1999 unless exempted by a bilateral treaty or agreement. The Foreign Business Act lists a number of sectors in which non-Thais are not allowed to invest. Foreign ownership is limited to 49% in most service sectors, but majority foreign ownership is permitted in the manufacturing sector. According to the US Department of State 2013, non-Thai companies and citizens are only allowed to own land in government-approved industrial estates. Consequently, many foreign companies opt for long-term land leases instead of buying land.

Enforcing a contract through the Thai judicial system is relatively inexpensive, but time-consuming. However, Thailand's business regulatory environment has, in general and in relation to other countries, significantly improved since 2007-2008, particularly in the areas of registering property, paying taxes, and trading across borders. Still, however, the World Economic Forum Global Competitiveness Report 2013-2014 describes the burden of government regulation and inefficient bureaucracy as a competitive disadvantage for doing business in Thailand. The enforcement of bankruptcy and reconstructing judgments has also been eased since 2004. A reform of the Civil Procedure Code on Execution of Judgments has limited debtors' use of frivolous appeals as a means to stop the enforcement of those judgments. Thailand´s 30 foreign chambers of commerce have criticised the heavy governmental bureaucracy, hinders effective reform initiatives. Criticism from the chambers is also directed towards the political instability of the country and the lack of executive power, which has made it impossible for the chambers representing thousands of companies to keep track of important governmental policy formulations. However, that criticism has only strengthened the resistance and entrenchment of Thai officials. The same criticisms have been adopted by Mrs Saowanee, Deputy Permanent Secretary in the Ministry of Finance. She declared that these were the dominant reasons why corruption persists.

According to the World Bank & IFC Doing Business 2013, starting a company in Thailand takes an average of four procedures and 29 days at a cost of 6.7% of GNI per capita, which is relatively easy and inexpensive compared to the East Asia & Pacific region's corresponding averages. Despite this relative ease, the US Department of State 2013 recommends that companies seek qualified legal advice when entering the Thai market because Thai business regulations are governed by criminal law rather than civil law. Furthermore, one should note that Thailand does not recognise decisions by foreign courts. As a means to remedy the inefficiencies of the court system, companies may set up their own arbitration agreements, according to the US Department of State 2013. Thailand has signed, but not ratified, the Washington Convention 1965. Thailand is also a member of the New York Convention 1958, and has enacted its own rules and procedures for conciliation and arbitration. Contact the Arbitration Institute under the Ministry of Justice for information on these rules and procedures. Access the Lexadin World Law Guide for a collection of legislation in Thailand.

Section 3 - Economy

With a well-developed infrastructure, a free-enterprise economy, generally pro-investment policies, and strong export industries, Thailand achieved steady growth due largely to industrial and agriculture exports - mostly electronics, agricultural commodities, automobiles and parts, and processed foods. Unemployment, at less than 1% of the labor force, stands as one of the lowest levels in the world, which puts upward pressure on wages in some industries. Thailand also attracts nearly 2.5 million migrant workers from neighboring countries. The Thai government in 2013 implemented a nation-wide 300 baht ($10) per day minimum wage policy and deployed new tax reforms designed to lower rates on middle-income earners. The Thai economy has weathered internal and external economic shocks in recent years. The global economic recession severely cut Thailand's exports, with most sectors experiencing double-digit drops. In late 2011 Thailand's recovery was interrupted by historic flooding in the industrial areas in Bangkok and its five surrounding provinces, crippling the manufacturing sector. The government approved flood mitigation projects worth $11.7 billion, which were started in 2012, to prevent similar economic damage, and an additional $75 billion for infrastructure over the following seven years. This was expected to lead to an economic upsurge but growth has remained slow, in part due to ongoing political unrest and resulting uncertainties. Spending on infrastructure will require re-approval once a new government is seated.

Agriculture - products:

rice, cassava (manioc), rubber, corn, sugarcane, coconuts, soybeans

Industries:

tourism, textiles and garments, agricultural processing, beverages, tobacco, cement, light manufacturing such as jewelry and electric appliances, computers and parts, integrated circuits, furniture, plastics, automobiles and automotive parts; world's second-largest tungsten producer and third-largest tin producer

Exports - commodities:

electronics, computer parts, automobiles and parts, electrical appliances, machinery and equipment, textiles and footwear, fishery products, rice, rubber

Exports - partners:

China 11.7%, Japan 10.2%, US 9.9%, Hong Kong 5.7%, Malaysia 5.4%, Indonesia 4.9%, Singapore 4.7%, Australia 4.3% (2012)

Imports - commodities:

capital goods, intermediate goods and raw materials, consumer goods, fuels

Imports - partners:

Japan 20%, China 14.9%, UAE 6.3%, Malaysia 5.3%, US 5.3% (2012)

Banking

In addition to more than 30 commercial banks, both foreign and domestic, the public financial sector 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.

In the years before the 1997-98 financial crisis, the Thai financial sector grew rapidly, but it was poorly regulated and mismanaged. However, with the cooperation of the IMF and other multilateral and bilateral donors, the government has done a lot of work to bring financial sector practices in line with international standards and to strengthen the operations and balance sheets of Thai banks. Accounting, auditing standards, and corporate governance have been upgraded. Also regulatory and corporate governance requirements for listed companies have been strengthened. In the banking sector, the Bank of Thailand, with multilateral and bilateral assistance, has improved its examination and supervision functions, and banks are required to meet BIS capitalization standards. As part of its efforts to create fewer, sounder financial institutions, The Bank of Thailand has required all finance companies and credit fanciers to either merge with another bank, convert to a retail or commercial bank, or close operations.

The Thai banking sector is profitable, strong, well-capitalized, and has sound risk management. In 2010, the banking system recorded ten consecutive years of profit. Major rating agencies have recently revised upward the outlook of the Thai banking sector. After peaking at 47 percent of total lending in May 1999 from the financial crisis, net non-performing loans slowly declined to stand at 2.28 percent of total loans in September 2010. Total assets of the country's largest six banks stood at 7.9 trillion Thai baht (approximately US$247 billion) or 82 percent of GDP as of October 2010.

Stock Exchange

In 2002, Thailand established the National Corporate Governance Committee (NCGC), chaired by the Prime Minister, to implement international-standard corporate governance policies. In conjunction with Thai Rating and Information Services Co., Ltd. (TRIS), the Stock Exchange of Thailand (SET) and the Thai Securities and Exchange Commission (SEC) began rating companies on their corporate governance practices.

Foreign investors are not restricted from borrowing on the local market, but there are a number of regulations that affect foreign portfolio investment. Thailand maintains regulatory maximum foreign ownership limits, and shares of listed companies are traded on both a domestic and alien (or foreign) board to enable authorities to track foreign ownership.

There are 3 distinct parts of the securities market: the equity market; the bond market; and the futures market. All are regulated and supervised by the SEC under the SEA and the Derivatives Act (DA).

Section 4 - Investment Climate

Executive Summary

Despite unresolved internal political tensions, Thailand continues to maintain an open, market-oriented economy and encourages 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 successfully invested in Thailand. Thailand continues to welcome investment from all countries and seeks to avoid dependence on any one country as a source of investment. Resolving Thailand's current political crisis peacefully will be critical to maintaining investor confidence. Economic impacts to tourism and retail businesses resulting from a political impasse extending over several months eroded growth expectations for 2014. Investors, however, remain cautiously confident that the Thai economy will retain its well-known resiliency and resume growth once the impasse is resolved. Government plans for $75 billion in infrastructure projects over a seven-year period, viewed as critical to maintaining Thailand's competitiveness in the region, were shelved in early 2014 and will require re-approval once a new government is seated.

Reforms implemented after the 1997-98 Asian Financial Crisis were designed to foster a more competitive and transparent climate for foreign investors. The Foreign Business Act (FBA) of 1999 continues to govern 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 (AER), originally signed in 1833. The Treaty allows U.S. citizens and businesses incorporated in the United States or in Thailand that are majority-owned by U.S. citizens to engage in business on the same basis as Thai companies (national treatment) and exempts them from most restrictions on foreign investment imposed by the Foreign Business Act, although some types of business remain excluded under the Treaty. Notwithstanding their Treaty rights, many Americans also 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 Board of Investment (BOI) is Thailand's central investment promotion authority and offers investment incentives uniformly to both qualified domestic and foreign investors through clearly articulated application procedures. Since Parliament dissolved in November 2103 and courts annulled February 2014 national elections, the BOI has been unable to issue new investment licenses due to an inability to appoint new Board members without legislative approval. BOI has been working with the Thai Government to find a legal mechanism to restart operations, and hopes to be able to renew issuing licenses even if the political impasse continues. Although a small number of U.S. companies have been affected, other foreign investors have been hit harder.

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 and inefficient practice. Firms that refuse to make such payments can be placed at a competitive disadvantage when compared to other firms in the same field. However, most observers believe that the overall trend toward transparency in regulatory enforcement is positive, especially for foreign-owned businesses.

The Thai government maintains a regulatory framework that broadly encourages investment and largely avoids market-distorting support for specific sectors. 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." Legal, regulatory, and accounting systems are largely transparent, with the Thai government investing considerable effort to bring these systems into line with international norms and achieving significant progress.

1. Openness To, and Restrictions Upon, Foreign Investment

Despite unresolved internal political tensions, Thailand continues to maintain an open, market-oriented economy and encourages 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. A peaceful resolution to Thailand's latest political crisis will be important to maintaining investor confidence. Economic impacts to tourism and retail businesses resulting from a political impasse extending over several months have eroded growth expectations for 2014. Investors, however, remain cautiously confident that the Thai economy will retain its well-known resiliency and resume growth once the impasse is resolved.

In the wake of the 1997-98 Asian Financial Crisis, Thailand embarked on an International Monetary Fund (IMF)-sponsored economic reform program designed to foster a more competitive and transparent climate for foreign investors. Legislation in 1999 established a new bankruptcy court, reformed bankruptcy, and foreclosure procedures, and allowed creditors to pursue payment from loan guarantors. Other 1999 reforms include amendments to the Land Code, Condominium Act, and the Property Leasing Act, all of which liberalized restrictions on property ownership by non-Thais. The Foreign Business Act (FBA) of 1999 continues to govern most investment activity by non-Thai nationals. The FBA opened some additional business sectors to foreign investment; however, foreign investment in most service sectors is limited to 49 percent ownership. Other key laws governing foreign investment are Alien Employment Act B.E. 2521 (1978) and Investment Promotion Act B.E. 2520 (1977).

Foreign companies are free to open and maintain bank accounts in foreign currency. However, Thailand retains to some extent its investment control, as under certain circumstances, foreign investors that are previously granted national treatment are subject to some reservations, in particular the service sector. From January 2012, the lower corporate tax rate was reduced temporarily under a Royal Decree from 30 percent to 23 percent for 2012 and to 20 percent for 2013 and 2014. Extending the tax cuts beyond 2014 requires action by Thailand's Parliament.

U.S. Investment:

Many U.S. businesses enjoy investment benefits through the U.S.-Thailand Treaty of Amity and Economic Relations (AER), originally signed in 1833. The 1966 iteration of the Treaty allows U.S. citizens and businesses incorporated in the U.S., or in Thailand that are majority-owned by U.S. citizens, to engage in business on the same basis as Thai companies (national treatment), exempting them from most restrictions on foreign investment imposed by the Foreign Business Act. Under the Treaty, American investment is restricted only in the fields of communications, transport, fiduciary functions, banking involving depository functions, the exploitation of land or other natural resources, and domestic trade in agricultural products. Prospective U.S.

investors who seek benefits from the Treaty must first verify their nationality by obtaining a certified letter from the U.S. Embassy in Bangkok. For the representative office and foreign branch, the process stops at the U.S. Embassy, but for the investor wishing to register in Thailand in the form of company limited, the investor must then present the Embassy's letter to the Ministry of Commerce, along with an application form for a business operation certificate. This process typically takes less than one month. Notwithstanding their Treaty rights, many Americans choose to form joint ventures with Thai partners, allowing the Thai side to hold the majority stake because of the advantages that come from familiarity with the Thai economy and local regulations.

Americans planning to invest in Thailand are advised to obtain qualified legal advice. Such advice is particularly important given the fact that Thai business regulations are governed predominantly by criminal, not civil law. While foreigners are rarely jailed for improper business activities, violation of Thai business regulations can carry heavy criminal penalties.

Banking:

Thailand has removed some barriers to foreign ownership of domestic financial institutions. Meanwhile the establishment of new branches of foreign banks is subject to licensing, but in practice, foreign banks' only channel to market access during the past decades is through acquisition of shares of existing small domestic banks, as there was no policy for giving out new banking licenses. The Financial Institutions Business Act, passed at the end of 2007, unified the legal framework and strengthened Bank of Thailand (the country's central bank) supervision and enforcement powers. The Act gave power to the Bank of Thailand to raise the foreign ownership limit in a local bank from 25 percent to 49 percent on a case-by-case basis. The Act also allows the Minister of Finance to authorize foreign ownership above 49 percent only if recommended by the central bank. In January 2009, the Ministry of Finance allowed Malaysia's CIMB Group to hold majority shares (around 93 percent) in BankThai, the country's ninth largest commercial bank, changing its name to CIMB Thai Bank Public Company Limited. In February 2010, the Ministry of Finance also granted Industrial and Commercial Bank of China (ICBC - the largest commercial bank in China) a waiver for the 49 percent foreign ownership limit to 97.24 percent in ACL Bank, Thailand's smallest commercial bank, renaming it as ICBC (Thai) Public Company Limited. The other two are Nakornthon Bank, with England's Standard Chartered Group, holding 99.87 percent ownership and the new name Standard Chartered Bank (Thai) Public Company Limited, and Bank of Asia with Singaporean United Overseas Bank as a majority holder (99.66 percent ownership), called UOB (Thai) Public Company Limited. The increase of foreign participation in the Thai banking system has improved competitiveness in the sector.

Thailand continues to implement the terms of its five-year (2010-2014) Financial Sector Master Plan Phase II (FSMP II) with the objective of comprehensive risk management, cost reduction, and enhancing competitiveness in the banking system with the planned opening up of new banking licenses in 2014. FSMP Phase I (2004-2008) concluded in 2008 with the focus on strengthening Thai banking sector through the policies of consolidation. The objective of implementation of the FSMP is to get the banking sector ready for a more open economy. To prepare for the new market entrants, the Ministry of Finance endorsed the Bank of Thailand's rules, procedures and conditions in June 2013 for the establishment of new foreign commercial bank 'subsidiaries," permitting new banks or representative offices, but not existing foreign bank full branches already in Thailand, to open up to 20 branches and 20 off-premise ATMs. Foreign commercial banks meeting the specified qualifications were required to submit applications to the Bank of Thailand between July and December 2013. While five new foreign subsidiary licenses are expected to be awarded and the Bank of Thailand has completed its evaluation and made recommendations of qualified candidates to the Ministry of Finance, final approval is still pending.

In 2012, the Bank of Thailand permitted foreign banks to upgrade existing full branches to 'subsidiaries,' by submitting a request to the central bank during 2012. Qualifying branches must maintain a capital adequacy ratio of no less than 12 percent, compared with a domestic minimum requirement of 8.5 percent, and non-performing loans must be kept under 3.5 percent. In addition, the converted subsidiary must have a minimum of $333 million in paid-up-capital. After the application window ended, the Bank of Thailand forwarded the qualified list to the Ministry of Finance, but approvals have not yet been announced and the program remains unimplemented.

As of December 2013, there were 30 commercial banks, including 14 locally incorporated commercial banks, one retail bank, 14 foreign bank branches, including three American banks (Citibank, Bank of America, and JP Morgan Chase), and one subsidiary operating in Thailand. There are also eight state banks or specialized financial institutions, two finance companies, three mortgage loan providers, 40 foreign bank representatives, 31 asset management companies, 10 credit card companies, and 26 personal loan companies. Beginning in March 2010, existing foreign bank branches have been permitted to request opening up to two additional branches in Thailand without having to meet additional capital requirements. Details of the FSMP II are available in English at: http://www.bot.or.th/. In addition, under the new Basel III capital framework starting on January 2013, foreign bank branches will be required to maintain a minimum total capital ratio of 8.5 percent, in line with Thai banks.

The Thai banking sector is profitable, strong, well-capitalized, and has sound risk management. In 2013, the banking system recorded US$7.0 billion in net profit, growing by 25.0 percent from the same period of the previous year. After peaking at 47 percent of total lending in May 1999 from the financial crisis, net non-performing loans slowly declined to stand at 1.0 percent of total loans in December 2013. Banks' capital position remained strong with Tier-1 ratio of the domestic banks registered at 12.6 percent and Capital Adequacy Ratio (BIS ratio) at 15.7 percent in December 2013. Total assets of the country's largest six banks stood at 11.5 trillion Thai baht (approximately US$375 billion) or roughly 97 percent of GDP as of December 2013.

Insurance:

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 directors of boards. However, the Office of the Insurance Commission (OIC) may, at its discretion, permit foreign equity ownership up to 49 percent, and foreign directorship up to 50 percent. Foreign ownership restrictions may be relaxed further in cases where the Minister of Finance, upon recommendation from the OIC, determines that financial problems at an insurance company may cause damage to the insured or the general public. The Acts also requires that limited liability and non-life insurance companies register as public companies, though listing on the Stock Exchange of Thailand is not a requirement.

Business Registration:

Any entity wishing to do business in Thailand must register with the Department of Business Development at the Ministry of Commerce, generally taking from three to six months to complete. Firms engaging in production activities need to register with the Ministries of Industry and Labor and Social Welfare. If the entity falls under the definition of non-Thai national as defined by the Foreign Business Act, it must obtain a 'foreign business license' (or a certificate for US investors as mentioned above.) The 'foreign business license' must be approved by the Council of Ministers (Cabinet) or Director-General of Department of Business Development at the Ministry of Commerce depending on the types of restricted businesses.

Work Permits:

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. Foreigners found to be working without work permits could be imprisoned up to five years and/or fined between 2,000 and 100,000 Thai baht (approximately US$60 to US$3,000). Exceptions to the requirement for a work permit include officially recognized diplomatic and consular delegations, representatives of member countries and officials of the United Nations and specialized institutions, personal servants working for the above persons, and those who are performing duties or missions otherwise exempted by the Royal Thai Government. Volunteer or charity work can be considered work under Thai law, requiring a work permit.

Factors that influence the granting of work permits include the degree of specialization required by the position, the size of the firm in terms of number of employees and registered capitalization, and the ratio of Thai nationals to foreigners employed by the firm. Foreigners working for the Thai government or working on projects promoted by the Board of Investment (BOI) usually have little difficulty obtaining work permits and typically receive their permits within seven days of application. Work permits in other areas are sometimes difficult to obtain. The duration of work permits is generally tied to the length of stay permitted by the person's visa.

U.S. citizens can enter Thailand without a visa for visits of up to thirty days. In order to apply for a work permit, a foreigner must enter Thailand on a non-immigrant visa (issued at Thai embassies and consulates) for a stay of three months or, for foreigners with well-defined work or business plans, for a stay of one year. Issuance of the three-month visa is usually completed within two or three days; the one-year visa requires approval from the Immigration Bureau of the Royal Thai Police in Bangkok. Upon obtaining a work permit, a holder of a three-month visa may apply for a one-year visa, which generally can be extended every year. Foreigners holding nonimmigrant visas who have lived in Thailand for at least three consecutive years may apply for permanent residence in Thailand if they meet strict criteria regarding investment or professional skills.

Land Ownership:

In general, non-Thai businesses and citizens are not permitted to own land in Thailand unless the land is on government-approved industrial estates. Under the 1999 amendment to the Land Code Act, foreigners who invest a minimum of 40 million Baht (approximately US$1.3 million) are permitted to buy up to 1,600 square meters of land for residential use with the permission of the Ministry of Interior. If the required land is not used as a residence within two years from the date of acquisition and registration, the Ministry has the power to dispose of the land. Petroleum concessionaires may own land necessary for their activities. Rather than purchasing, many foreign businesses instead sign long-term leases, and then construct buildings on the leased land. Under the 1999 Condominium Act, non-Thais were allowed to own up to 100 percent of a condominium building if they purchased the unit between April 28, 1999 and April 28, 2004. Under the newer Condominium Act of 2007, foreign ownership in a condominium building, when added together, must not exceed 49 percent of the total space of all units in the building, except for those purchased between 1999 and 2004.

Privatization:

With the aim of encouraging capital inflows and relieving resource constraints in many key sectors of the economy, the previous government of Thaksin Shinawatra embarked on a privatization program for state-owned economic enterprises and state monopolies. The interim government that followed the September 2006 coup as well as the former government of Abhisit Vejjajiva (Democrat party) considered privatization too controversial and put these plans on hold. Most privatization plans have remained on hold since. Other than the Petroleum Authority of Thailand (PTT), the Airport Authority of Thailand (later renamed Airports of Thailand (AOT) and the Mass Communication Organization of Thailand (MCOT), few significant privatizations have occurred. The 1999 State Enterprise Corporatization Act provides the framework for the conversion of state enterprises 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 a company's shares are sold to the public.) Foreign investors are allowed to participate in the privatization but certain restrictions are also applied in certain sectors, which mostly regulated by the Foreign Business Act of 1999 and the Act on Standards Qualifications for Directors and Employees of State Enterprises of 1975 and its series of amendments. The current State Enterprise Policy Office under the Ministry of Finance does not have the power to regulate all SOEs. Meanwhile, a draft comprehensive bill to set up a new regulatory and policy body to supervise all SOEs, including those that have been partially privatized, remains stalled.

International Rankings:

The following is a summary of Thailand's ranking in several international indexes.

Table 1: Rankings

Measure	**Year**	**Index/Ranking**
TI Corruption Index	2013	102 of 177
Heritage Economic Freedom	2014	72 of 177 (moderately free)
World Bank Doing Business Report, “Ease of Doing Business”	2013	18 of 189

Global Innovation Index	2013	57 of 142
World Bank GNI per capita	2012	USD 5,120

2. Conversion and Transfer Policies

All foreign exchange transactions must be conducted through commercial banks and authorized non-banks, namely money changers, money transfer agents, and companies that are granted foreign exchange licenses by the Minister of Finance. Inward remittances are free of controls. Repatriation of investment funds and repayment of overseas loans can be remitted freely but only upon submission of supporting documents to commercial banks, including evidence of sale or transfer in the case of investment funds and evidence of inward remittance supporting the loan agreement.

Thai nationals are subject to quantitative limits on the amount of foreign currency that can be remitted abroad without specific permission from the Bank of Thailand. The limits vary depending upon the purpose of the transaction, and range from US$100 million per annum for business investment or loans to subsidiaries, to US$1 million per annum for remittances to family members. The Bank of Thailand must approve the purchase of immovable assets or securities abroad, except the latest exemption mentioned above. The new regulation, however, also increases the limit of overseas fund remittances in foreign currencies up to US$1 million by Thai individual. In addition, the authorities relaxed the repatriation requirement for exporters with foreign currency receipts by extending the period in which such receipts must be brought into the country from within 120 days, to within 360 days and requiring that the foreign currencies be deposited or sold with financial institutions within another 360 days. In 2010, the repatriation requirement is exempted if the export proceeds are less than US$50,000. A person traveling to any of Thailand's border countries (and Vietnam) may take up to 500,000 Baht (US$16,600), and up to 50,000 Baht (US$1,660) for other countries, without prior authorization.

Commercial banks are authorized to undertake most routine foreign remittance transactions without prior approval from the Bank of Thailand. Non-residents can open and maintain foreign currency accounts without deposit and withdrawal ceilings with authorized banks in Thailand. Such accounts must use funds that originate abroad. If non-residents have underlying liabilities or transactions in Thailand, they can open and maintain Thai baht accounts under Non-resident Baht Accounts (NRBA) with authorized banks in the country; however, the combined outstanding of all NRBAs for each non-resident at the end of the day cannot exceed 300 million baht (approximately US$9 million). Since February 2008, the Bank of Thailand has segregated the NRBA into two types: Non-resident Baht Account for Securities (NRBS) for investment in securities and other financial instruments, and Non-resident Baht Account (NRBA) for general purposes. Funds under the two types of NRBA cannot be transferred to the other. The cap on NRBAs was introduced in October 2003 with the goal of limiting speculation on the Thai baht. All remittances exceeding US$10,000 for any purpose other than export must be reported to the Bank of Thailand.

In general, foreign currencies may be brought into Thailand and are not subject to quantitative limit. Any person who brings foreign currencies into or out of Thailand exceeding US$20,000 or the equivalent must declare the amount at a Customs checkpoint. Foreigners staying in Thailand for less than three months, as well as those working for foreign embassies and international organizations, are exempt from this requirement.

Due to the substantial appreciation of the Thai baht in 2010, the Ministry of Finance and the Bank of Thailand relaxed regulations on capital outflows. The changes included allowing Thai export companies to transfer funds from their foreign currency deposit accounts to counterparties in Thailand for payment of goods and services without exchanging into Thai baht, and increasing the foreign exchange transactions threshold amount for which a foreign exchange transaction form must be submitted from US$20,000 to US$50,000. The Ministry of Finance abolished the US$200 million per year limit of lending and direct investment of Thai companies to affiliated companies abroad, and relaxed the pre-approval requirement for all transactions of Thai companies' lending to non-affiliated companies abroad to only transactions above US$50 million per year. The government also increased the limit for purchase of immovable properties abroad from US$5 million per year to US$10 million per year; raised the outstanding balance limit of foreign currency accounts that are deposited with funds converted from Thai baht without future obligations with commercial banks in the country to US$500,000 for both companies and individuals; abolished a pre-approval requirement on unwinding of foreign exchange hedging transactions for goods and services; and relaxed regulations on corporate treasury centers on both lending, deposit and fund transfer activities.

In 2007, the Bank of Thailand and the Ministry of Finance doubled the ceiling on foreign currency deposited with financial institutions in the country from US$0.5 million to US$1 million for individuals and from US$50 million to US$100 million for juristic persons with future foreign exchange obligations within the following 12 months. The deposit ceiling applies only to foreign currencies that are borrowed from financial institutions, but if foreign currencies are earned (not borrowed), the deposit ceiling restriction is not applied.

3. Expropriation and Compensation

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

4. Dispute Settlement

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 through the Thai courts. Thailand has an independent judiciary that generally is effective in enforcing property and contractual rights. The legal process is slow in practice, however, and litigants or third parties sometimes affect judgments through extra-legal means.

In addition, companies may establish their own arbitration agreements. Thailand signed the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States in 1985, but has not yet ratified the Convention. Thailand is a member of the New York Convention and enacted its own rules on conciliation and arbitration in the Arbitration Act of 2002. The 2002 Arbitration Act adopted the principles under the United Nations Commission on International Trade Law (UNCITRAL). The Arbitration Office of the Ministry of Justice administers these procedures.

The Bankruptcy Act was amended in 1999 to provide Chapter 11-style protection to debtors, and to give debtors and creditors the option of negotiating a reorganization plan through the courts instead of forcing liquidation. The Act now allows creditors to extend additional loans to insolvent firms without losing the right to claim compensation during a future restructuring or liquidation process, but only if the new loan is intended to keep the firm in operation. Also in 1999, the Act was amended to facilitate the financial restructuring process. Higher minimum levels for individual and corporate bankruptcies were established, and the previous ten-year period of bankruptcy status was reduced to three years. The 1999 Bankruptcy Act also established a specialized court for bankruptcy cases. The Bankruptcy Courts are divided into the Central Bankruptcy Court which has jurisdiction throughout the Bangkok Metropolitan areas and the Regional Bankruptcy Courts.

In 2004, Parliament approved changes to the Bankruptcy Act including tightening the rules under which some debtors can emerge from bankruptcy status and streamlining the legal appeals process in bankruptcy and restructuring cases. In an effort to quicken the foreclosure process, amendments to the Civil Procedure Code on Execution of Judgments have limited appeal options available to debtors. Under the old regulations, debtors were free to appeal each action taken with respect to the execution of a bankruptcy judgment. Such appeals, often frivolous in nature, were one of the tactics debtors used to delay the foreclosure process. In June 2001, the Supreme Court set an important legal precedent by ruling in favor of implementing a creditor-backed corporate restructuring plan opposed by the former owner of the business in question. The Act was later amended in 2005 by granting the Bankruptcy Court the power to consider bankruptcy cases that involve criminal matters.

Individual cases can take months, or even years, to work their way through the legal system however, and many businesses have urged the government to speed up the bankruptcy procedure. In 2006, new procedural rules were established to accelerate the bankruptcy court proceedings by encouraging the use of electronic equipment and express mail in communications between courts. Under the new rules, provincial courts have the authority to issue search warrants and arrest warrants, and to imprison or release a defendant. Other amendments to the Bankruptcy Act are currently under consideration.

5. Performance Requirements and Investment Incentives

WTO TRIMS:

Thailand committed to implement all WTO agreements, including Trade-Related Investment Measures (TRIMS). In its latest Trade Policy Review in November 2011, the WTO noted, "Thailand did not take any new measures to restrict trade since the 2008 global financial crisis. Indeed, it has made some important improvements to trading conditions in some areas, such as its adoption of paperless import procedures and its intention to move to a single [customs] window. Furthermore, an appeals system has been introduced by the Customs Department to cover many aspects of import procedures. As a member of ASEAN, Thailand has adopted the Association's harmonized tariff nomenclature which has also helped facilitate trade by standardizing the customs codes used to identify products."

The report also said that Thailand has committed to liberalize the regulatory regime with legislation governing key sectors such as transport, distribution, and telecommunications under review. However, the report observed that there are some areas of Thailand's import and domestic policies that could hamper trading opportunities and impede its development, including agriculture policies such as domestic support and tariff quota administration, complex tariffs structure, technical barriers to trade and Sanitary Phyto Sanitary (SPS) measures, and intellectual property. The report also underlined that despite progress in the liberalization of trade in some service sectors, there remain concerns over foreign ownership and market access restrictions in financial services (particularly the insurance sector), telecommunications, maritime and professional services. The report noted that Thailand has yet to modify its General Agreement on Trade in Services (GATS) schedule following the negotiations on telecommunications in 1997.

Investment Incentives:

The Board of Investment (BOI), established by the Investment Promotion Act of 1977, is Thailand's central investment promotion authority. The BOI offers investment incentives uniformly to both qualified domestic and foreign investors with a clear articulation of the application procedures. Good governance is one of the key factors to manage and supervise the application for tax and duty privileges. Complete information on BOI's updated policies, programs, incentives, and application procedures can be found on the BOI web site at: www.boi.go.th.

In November 2009, BOI established the 'One Start One Stop Investment Center' as a centralized location to assist investors with the requirements of the various investment related government agencies. Staff at the Center provide guidance to investors on how to register a company, obtain BOI's investment promotion privileges, obtain a foreign business license, complete an environmental impact assessment, request permission to use land for industrial operations, obtain utilities, and other related investment issues. More information could be found on its web site at http://osos.boi.go.th/. BOI identifies eligible activities for its investment incentives (detailed below) covering hundreds of types of businesses. Generally, the most generous incentives are offered to those projects that bring new technology to Thailand and those that invest in less developed provinces. These projects are usually referred to by BOI as "priority activities."

There are two basic types of BOI incentives: tax-based (including tax holidays and tariff exemptions) and non-tax privileges (guarantees, special permissions, services, etc.). The minimum investment amount is 1 million baht (approximately $33,000), excluding the cost of land and working capital; however, small and medium industries in certain activities with minimum investment of 500,000 baht (approximately $16,700), excluding the cost of land and working capital, are also eligible for the incentives. Projects with an investment of 10 million Thai baht (approximately US$330,000) or more, excluding the cost of land and working capital, are typically required to obtain international standards certifications, such as International Standards Organization (ISO) 9000. BOI requires investors to submit evidence of compliance with the conditions of their approval in order to claim incentive benefits. BOI previously lifted all local content and export requirements.

Specific BOI incentives include:

- Tax incentives: exemptions or reductions of import duties on imported machinery; reductions of import duties on imported raw materials and components; exemptions from corporate income taxes for three to eight years; and, deductions from net income of infrastructure costs.

- Permissions: to bring in foreign nationals to undertake investment feasibility studies; to bring in foreign technicians and experts to work under promoted projects; to own land for carrying out promoted activities.

- Guarantees: against nationalization; against competition by new state enterprises; against state monopolization of the sale of products similar to those produced by promoted firms; against price controls; against tax-exempt import by government agencies or state enterprises of competitive products; and, of permission to export.

Tax incentives offer the greatest advantages, though their relative value has declined in recent years with the general reduction of import duties and elimination of the former business tax system. The Value Added Tax (VAT) Law, which eliminated the business tax exemption, has no provision for BOI to offer VAT exemptions or reductions. Investors must submit an application form along with supporting documentation to be considered for incentives. In most cases, BOI decides within 40-60 working days whether or not a project is eligible for investment privileges. BOI typically completes its review of applications for projects valued in excess of 750 million baht (approximately US$24 million) within 90 working days.

The maximum allowable debt-to-equity ratio is 3:1 for a newly established project, but expansion projects are considered on a case-by-case basis. With the exception of electronic and agricultural investments, regardless of overall investment size, projects must produce added value equal to at least 20 percent of sales revenue. For projects with investment capital more than 80 million baht (about US$2.7 million), excluding land and working capital, a feasibility study must be presented at the time of application. Adequate environmental protection systems must be installed for projects with a potential environmental threat.

State-enterprise projects are not eligible for BOI promotions, but concession projects (either Build Transfer Operate or Build Operate Transfer) by the private sector are eligible with some restrictions.

BOI's eligible activities for investment privileges are divided into seven categories. These seven categories cover hundreds of actual business activities. The complete list can be found at www.boi.go.th/english/about/eligible_activities.asp.

- Category 1: Agriculture and agricultural products;
- Category 2: Mining, ceramics and basic metals;
- Category 3: Light industry;
- Category 4: Metal products, machinery and transport equipment;
- Category 5: Electronic industry and electrical appliances;
- Category 6: Chemicals, paper, and plastics;
- Category 7: Services and public utilities.

Each year, BOI also selects certain business activities under the seven categories as priority investment activities. BOI traditionally gives maximum incentive packages to these priority investment activities and sometime regardless of locations. These activities have included agriculture and agro-industries; research and development; public utilities; infrastructure and basic services; biotechnology; alternative energy; manufacture of high technology products; and environmental protection and conservation.

Activities classified as priority activities are granted the following tax incentives:

- Exemption of import duties on machinery for all zones
- Eight-year corporate income tax exemption for all zones (subject to the corporate income tax exemption cap)
- Other relevant location-based incentives

As part of its policy to encourage investment throughout the country, BOI divides the country into three zones: Zone 1 (Bangkok and 5 surrounding provinces), Zone 2 (a grouping of 12 other provinces, mostly in the central region), and Zone 3 (the remaining 59 provinces with low income and less-developed infrastructure). BOI actively encourages investment in Zone 3, which includes the least developed provinces of Thailand, by offering maximum incentive packages. BOI also promotes the relocation of projects from Zone 1 to Zone 2 and Zone 3; however, in order to be eligible for new incentives, these projects must relocate to an industrial estate or a promoted industrial zone. More details are available on BOI's website.

Majority or total foreign ownership is permitted for BOI-approved investment projects in the manufacturing sector; however, for projects in agriculture, animal husbandry, fishery, mineral exploration and mining, and service businesses under Schedule One of the Foreign Business Act of 1999, Thai nationals must hold shares totaling not less than 51 percent of the registered capital.

In an attempt to revive the economies of the three southernmost provinces (Pattani, Yala, and Narathiwat), BOI launched a special package in mid-2007. The package includes maximum tax incentives, including eight-year corporate income tax holidays plus a 50 percent reduction on corporate income tax for the following five years, an exemption of import duties on machinery and raw materials, and deduction of infrastructure construction and installation cost up to 25 percent of capital investment. The applicable period for double deduction of public utilities and transportation costs was extended to 15 years. In 2009, BOI broadened the investment promotion scope to allow all types of eligible activities to apply for the promotion incentives in Pattani, Yala, and Narathiwat. In addition, the deadline for applications was extended to December 2012.

In June 2010, BOI signed a cooperation agreement with the Thai Ministry of Justice's Office of Public Sector Anti-Corruption Commission (PACC) to improve protection for foreign investors and entrepreneurs from corruption. Both agencies will increase information sharing and open new channels to receive complaints from investors affected by corruption by government officials.

In late 2011, severe flooding damaged 1,775 of BOI’s existing promoted companies worth a combined investment value of 624 billion baht (about US$21 billion) or roughly 9 percent of the total investment for the past ten years. The BOI issued the following measures to help minimize business disruptions:

- Affected factories are allowed to temporarily relocate elsewhere to continue their production for a period of six months with a possible extension period from the application submission date;

- Manufacturing processes can be allowed to be outsourced partially or wholly;
- Affected companies are allowed to export their machineries to be used for overseas production;
- BOI would cooperate with the Department of Employment and foreign Embassies to facilitate the use of Thai workers from the flood-affected companies at the overseas production facilities;
- BOI, Ministry of Labor and the Immigration Bureau would assist companies to bring in foreign experts and technicians to rehabilitate the factories;
- Duty-free importation of replacement machinery is allowed until the end of June 2012;
- Imported raw materials damaged by the flooding can be counted as part of the waste allowance without any tax burden.

6. Right to Private Ownership and Establishment

Private entities may establish and own business enterprises. The principal forms of business organization under Thai law are sole proprietorships, partnerships, limited companies, and public limited companies. In addition, branches of foreign corporations are recognized, and a "representative" or "liaison" office of a foreign company may receive special recognition. Regardless of the form of business organization, most businesses must apply for business registration. Establishment of a business in certain sectors by a foreign entity may be restricted by the Foreign Business Act. U.S. investors may benefit from the Treaty of Amity and Economic Relations (AER) as discussed above.

A Thai public limited company is similar to a corporation in the United States, and may be wholly owned by a foreigner unless the corporation is involved in a business activity reserved for Thai nationals. A public limited company is allowed to offer its shares to the public. Eight laws pertaining to individual industries limit foreign ownership of companies listed on the Stock Exchange of Thailand.

7. Protection of Property Rights

Property rights are guaranteed by the Constitution against condemnation or nationalization without fair compensation. Secured interests in property are recognized and enforced. Thailand has a civil law system under which all laws are embodied in statutes or codes promulgated by the government. This practice is in contrast to the common law system in many Western countries, where court interpretations of statutes serve as governing legal precedent. There is an independent judiciary that provides a forum for settlement of disputes. Agencies of the government, as parties to commercial contracts, may be sued in the courts, and cannot raise a defense of sovereign immunity. However, state property is not subject to execution. There are four basic codes: Civil and Commercial Code, Criminal Code, Civil Procedure Code, and Criminal Procedure Code. In adopting these codes early in the twentieth century, Thailand selected features of the two major Western legal systems (common law and civil law), and adapted to circumstances in Thailand provisions drawn from Great Britain, Germany, Switzerland, France, Japan, Italy, India, and other foreign systems. Decisions and rulings of the judiciary and civil service can have considerable force as precedents.

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.

Widespread counterfeiting and piracy continue to plague intellectual property rights owners in Thailand. Particular areas of concern include counterfeiting of pharmaceuticals, cosmetics, apparel, and accessories. Piracy rates are also high for motion pictures, music, business and entertainment software. The lack of sustained and coordinated enforcement, and, in particular, the failure to prosecute and penalize high level offenders, remains a substantial problem. The vast majority of criminal IP cases in Thailand are brought against retailers caught with relatively little infringing product. In addition to problems with counterfeiting and piracy, rights holders cite concerns about long delays in the patent process due to the large backlog of unexamined patent applications. Due to these concerns, Thailand has been on the Special 301 Priority Watch List since 2007 and on the Notorious Markets List. The government continues to develop measures to improve protection and enforcement of intellectual property rights.

Thailand amended its legal regime to comply with the WTO Agreement on Trade Related Aspects of Intellectual Property (TRIPs) in the mid-1990s, but questions remain about Thailand's implementation of obligations to protect pharmaceutical and agricultural test data from unfair commercial use, treatment of conflicting trademarks, and geographical indications. Since that time, Thailand has not kept pace with international intellectual property (IP) legal developments in areas such as broadcasting and digital copyright. Thailand is signatory to long-standing IP agreements such as the Berne and Paris Conventions, but not the World Intellectual Property Organization Copyright Treaty (WCT) or Performances and Phonograms Treaty (WPPT). Thailand acceded to the Patent Cooperation Treaty in 2009. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders: Peter N. Fowler, Regional Intellectual Property Attaché for Southeast Asia, U.S. Embassy Bangkok, Peter.Fowler@trade.gov. The American Chamber of Commerce in Thailand, http://www.amchamthailand.com.

8. Transparency of the Regulatory System

In 1999, Thailand enacted the Trade Competition Act together with the Price of Merchandises and Services Act to strengthen the government's ability to regulate market monopolies and price fixing. The Trade Competition Act applies to all business activities with the exception of state-owned enterprises, cooperatives, agricultural and cooperative groups, government agencies, and certain enterprises exempted by the law. The law established a Trade Competition Commission with the authority to place limitations on market share and revenues of firms with substantial control of individual market sectors, to block mergers, and other forms of business combinations, and to levy fines for price fixing and other proscribed activities. Since the law's implementation, several foreign motorcycle distributors were found guilty of violating the law by forcing sales agencies to sell only their brands.

The government continues to have the authority to control the price of specific products under the Price of Merchandises and Services Act. The Department of Internal Trade under the Ministry of Commerce administers this law and interacts with the affected companies although only the "Committee on Price of Merchandise and Service" make the final decision on what products to add or remove from price controls. As of January 2014, out of 43 controlled commodities and services, only sugar is subject to a price ceiling. Besides the 43 controlled commodities, practically any producer of consumer products is prohibited from raising prices without first notifying the Committee of its intention to do so. The government also uses its controlling stakes in major suppliers of products and services such as Thai Airways and PTT to influence prices in the market. Thailand has extensive legislation aimed at the protection of the environment, including the National Environmental Quality Act, the Hazardous Substances Act, and the Factories Act. Food purity and drug efficacy are controlled and regulated by a Food and Drug Administration with authority similar to its U.S. counterpart. Likewise, labor and employment standards are set and administered by the Ministry of Labor.

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 industries also have expressed concern about the inconsistent application of Thailand's transaction valuation methodology and repeated use of arbitrary values by the Customs Department. In August 2009, the Thai government proposed a series of reforms to its customs laws and procedures. Following the change in government in July 2011, amendments to address the penalty regime need to be resubmitted to the Cabinet before they can be sent to Parliament.

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. However, most observers believe that the overall trend toward transparency in regulatory enforcement is positive, especially for foreign-owned businesses.

9. Efficient Capital Markets and Portfolio Investment

The Thai government maintains a regulatory framework that broadly encourages investment and largely avoids market-distorting support for specific sectors. 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." Legal, regulatory, and accounting systems are largely transparent, despite significant problems in some areas. The Thai government has devoted considerable effort to bringing these systems into line with international norms, and important progress has been made. However, there is more to be done to implement the legal and regulatory changes, and the lack of skilled labor will limit overall progress in some areas, particularly auditing, for the foreseeable future.

In 2002, Thailand established the National Corporate Governance Committee (NCGC), chaired by the Prime Minister, to implement international-standard corporate governance policies. Thailand’s main equity market is the Stock Exchange of Thailand (SET) and a secondary market for small and medium-sized enterprises are trading on the Market for Alternative Investment (MAI). In 2013, local retail investors accounted for 57.1 percent of total trading volume, foreign investors for 21.7 percent, and proprietary trading for 12.6 percent, and local institutional investors for 8.5 percent. . In 2013, the market capitalization of the SET was US$374.1 billion or 96.6 percent of Thailand’s Gross Domestic Product (GDP). In conjunction with Thai Rating and Information Services Co., Ltd. (TRIS), the Stock Exchange of

Thailand (SET) and the Thai Securities and Exchange Commission (SEC) began rating companies on their corporate governance practices. Foreign investors are not restricted from borrowing on the local market, but there are a number of regulations that affect foreign portfolio investment. Thailand maintains regulatory maximum foreign ownership limits, and shares of listed companies are traded on both a domestic and alien (or foreign) board to enable authorities to track foreign ownership.

Limits on foreign ownership of Thai companies are perhaps most prominent in the financial sector. 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, private debt markets are not well-developed, and most corporate financing, whether for short-term working capital needs, trade financing, or project financing, is commercial bank or financial institution borrowing.

In addition to legal limits on foreign ownership in certain sectors, Thai firms employ defenses against foreign investment primarily through cross- and stable-shareholding arrangements. Such defenses against hostile takeovers are typically applied against all potential investors, rather than against foreign potential investors alone. Companies are permitted to specify limits on foreign ownership more strict than those established by the government. In general, limits on foreign ownership and participation in the Thai economy have eased since the Asian Financial Crisis in 1997-98.

10. Competition from State-Owned Enterprises

State-owned enterprises operate primarily in the utility, energy, telecommunications, banking, tobacco, agriculture and transportation sectors. At the end of 2012, Thailand's 55 state-owned enterprises (SOEs) had revenues of around 4.95 trillion Thai baht (approximately US$159.2 billion), employed approximately 278,192 people (0.7 percent of the Thai labor force), and accounted for approximately 43.5 percent of Gross Domestic Product (GDP). Of the SOEs' total revenue, around eighty percent comes from the energy sector.

Private enterprises are generally not allowed to compete with state-owned enterprises under the same terms and conditions with respect to access to markets, credit, and other business operations such as licenses and supplies, except in the banking sector. The government announced its intention to allow more private companies to compete with SOEs, in particular in the telecommunications, energy, and transport sectors. The government regularly allocates three to four percent of its annual budget expenditures to fund the SOEs. The government can temporarily provide short-term credit facilities, loan guarantees, or capital injections for troubled SOEs. This assistance usually focuses on those SOEs that have not been corporatized or are operating in loss. Corporate board seats are typically allocated to senior government officials or other politically-affiliated individuals. All SOEs are required by law to submit annual financial reports to the Office of the Auditor General. Publicly-listed state-owned enterprises, such as Thai Airways, are required to publish their financial reports. Currently, there are only 6 SOEs listed in the Stock Exchange of Thailand (SET), including Krung Thai Bank (1989 listed year), THAI Airways (1991), PTT (2001), AOT (2004), MCOT (2004) and PTTEP (1993), accounting for around 17 percent of the SET's total market capitalization. As for procurements, state-owned enterprises, like government agencies, reserve the right to accept or reject any or all bids at any time and may also modify the technical requirements during the bidding process, if, according to regulations, corruption is suspected. The latter provision allows considerable leeway to state-owned enterprises in managing procurements, while denying bidders recourse to challenge procedures. Allegations frequently surface that changes are made in procurements.

Thailand currently does not have a sovereign wealth fund. However, the Bank of Thailand is studying a plan to use its surplus foreign reserves to establish what would be called a New Opportunity Fund, aimed at increasing returns as a part of efforts to improve the central bank's balance sheet. The Bank estimates that such a fund could be up and running in 2015.

11. Corporate Social Responsibility

There is wide recognition and awareness of the value of corporate social responsibility (CSR) initiatives among Thai producers and consumers, but many companies still lack a full understanding of the generally accepted CSR principles such as the OECD Guidelines for Multinational Enterprises. CSR is most often identified as individual philanthropic projects or community service of companies, rather than as an overall corporate strategy aimed to improve the community in which the companies operate. Companies that pursue CSR are viewed favorably by the public.

Many business associations, including the American Chamber of Commerce, are actively supporting the development of CSR programs in Thailand. Since 2007, the American Chamber of Commerce Corporate Social Responsibility Excellence Awards have encouraged the expansion of CSR programs by identifying best practices of companies in Thailand. Many CSR programs incorporate the Embassy's Thai-U.S. Creative Partnership to work directly with local partner organizations on long-term projects training and promoting opportunities in innovative sectors, especially renewable energy, IT, and microfinance projects. The AMCHAM ACE program also tracks continuous improvement.

Both the Thai Chamber of Commerce (TCC) and the Federation of Thai Industries (FTI) have undertaken several CSR projects over the past years. The Joint Standing Committee on Commerce, Industry, and Banking of Thailand (JSCCIB) has also established a CSR committee that consolidates reports on activities from both TCC and FTI members.

12. Political Violence

After a period of relative political stability following 2011 elections, Thailand is again experiencing unrest and political division. Beginning in late 2013, anti-government protesters demanding the resignation of Prime Minister Yingluck Shinawatra and removal of her family's influence from Thai politics began a series of rallies, roadblocks, and protest marches focused mostly in Bangkok. Demonstrations resulted in clashes with police forces in early December, which, along with sporadic violent acts near protest areas, have resulted in dozens of deaths and hundreds of injuries. PM Yingluck dissolved parliament in December 2013 but protesters disrupted February 2, 2014 elections to the point that they were annulled in March 2014, leaving an uncertain way forward. Several corruption and legal charges threaten to remove PM Yingluck and her government. Protesters contend that she and her elder brother, former PM Thaksin Shinawatra, who was deposed in a 2006 coup, are corrupt while PM Yingluck insists her democratically elected government is legitimate and there should be new elections. The current unrest is the most significant since 2010, when pro-Thaksin opposition protesters opposed the then-government, which culminated in clashes with the army resulting in 91 deaths and an estimated $1.5 billion in arson-related property losses. Another important political problem for the Thai government is the ongoing political violence in Thailand's southern-most provinces (Yala, Narathiwat, and Pattani). Efforts to quell the ethno-nationalist insurgency, which has led to over 4,000 deaths since 2004, have not yet had much effect.

Thailand and Cambodia have disputed sections of their boundary which resulted in sporadic border clashes in 2008-2011. In November 2013, the International Court of Justice, at Cambodia's request, reinterpreted its 1962 ruling which had awarded the disputed Preah Vihear temple to Cambodia. The border has remained calm since the November ruling, which awarded some of the area in the vicinity of the temple to Cambodia, but not the entire piece claimed by that country. Thai-Cambodian tensions have subsided over the last year and both governments meet regularly to discuss border issues, including on overlapping claims in the Gulf of Thailand which contain hydrocarbon reserves.

13. Corruption

Thailand has several laws to combat corruption. The independent National Anti- Corruption Commission (NACC) together with the Office of the Public Sector Anti-Corruption Commission (PACC), coordinates official efforts against corruption and hold broad investigatory authority. In addition to these two agencies, the Office of the Ombudsman, the Constitutional Court, the Election Commission, the Office of the Auditor General, and the National Human Rights Commission have anti-corruption responsibilities. In December 2003, Thailand became a signatory to the U.N. Convention Against Corruption ratifying the convention in March 2011. In April 2005, Thailand endorsed the ADB-OECD Anticorruption Action Plan for Asia and the Pacific, and assigned the Ministry of Justice to implement the Action Plan. The Office of Public Sector Anti- Corruption Commission, under the Ministry of Justice, was established to assist the NACC by investigating cases of lower ranking government officials.

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.

Recent Thai administrations have publicly stated their intention to improve transparency in the evaluation of bids and the awarding of contracts. In 2013, the Public-Private Partnership (PPP) Act passed, replacing the Public Participation in State Undertaking Act of 1992. Effective April 4, the PPP Act requires public projects over $1 billion to be awarded through a multi-agency committee instead of a single administrating agency, a practice which may help reduce corrupt practices. Despite recent improvements, both foreign and Thai companies continue to complain about irregularities in the Thai Customs Department. Increasing media scrutiny of public figures has raised political pressure to curtail favoritism and corruption. However, convictions against public officials on corruption-related charges are rare, and the legal system offers inadequate deterrence against corruption. According to the most recent Transparency International's annual Corruption Perceptions Index, Thailand ranked 88th out of 176 countries in 2012, slipping from 80th a year earlier. Discussions with business people suggest that corruption and the level of kickbacks have increased over the past decade.

The press features frequent allegations of irregularities in public contracts, most notably over the use of public lands, procurement favoritism (e.g., revising requirements so that a preferred company wins over its competitors), and police complicity in a variety of illegal activities. In January 2010, the Thai press widely reported news of the U.S. Department of Justice indictment of a former Thai tourism minister accused of taking bribes from an American couple seeking to do business in Bangkok. In November 2011, the Permanent Secretary in the Ministry of Transportation resigned over allegations of corruption and bribery after large sums of cash were discovered in his home allegedly from transportation contract kickbacks. In 2012 the Deputy Prime Minister and Interior Minister resigned after it was determined that he was involved in an improper land deal. In 2013, the NACC implicated key members of the government, including the Prime Minister and former Commerce Minister, for corruption in management of the controversial rice pledging scheme.

In recent years, the private sector has attempted to take charge to fight corruption through education and advocacy. 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. 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. Member companies now represent over 15 percent of the Thai economy and more than 1 million employees.

Founded in 2011, the Anti-Corruption Organization of Thailand (ACT) was established with the intent to pressure the government to create laws that can reduce levels of corruption. ACT has 47 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 contacts. 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.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law. It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

14. Bilateral Investment Agreements

The 1966 iteration of the U.S.-Thai Treaty of Amity and Economic Relations (AER), discussed above, allows U.S. citizens and businesses incorporated in the U.S., or in Thailand that are majority-owned by U.S. citizens, to engage in business on the same basis as Thai nationals. Under the AER, Thailand is permitted to apply restrictions to American investment only in the fields of communications, transport, banking, the exploitation of land or other natural resources, and domestic trade in agricultural products.

In October 2002, the U.S. and Thailand signed a bilateral Trade and Investment Framework Agreement (TIFA). The TIFA establishes a Trade and Investment Council (TIC), which serves as a forum for discussion of bilateral trade and investment issues such as intellectual property rights, customs, investment, biotechnology, and other areas of mutual concern.

Thailand also has bilateral investment agreements with 39 countries, including China, India, Taiwan, S. Korea, United Kingdom, and members of the Association of Southeast Asian Nations (ASEAN). These agreements establish guidelines for expropriation compensation and the repatriation of capital, but do not include national treatment provisions. Thailand has had a bilateral tax treaty with the United States since 1996.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) provides political risk insurance, debt financing, and private equity capital to support U.S. investors and their investments. OPIC can provide 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. OPIC is currently insuring two U.S. organizations involved in humanitarian services and economic development in Thailand. OPIC debt financing in the form of direct loans and loan guarantees of up to $250 million per project are also available for business investments in Thailand, covering sectors as diverse as tourism, transportation, manufacturing, franchising, power, infrastructure, and others. In addition, OPIC supports eight private equity funds that are eligible to invest in projects in Thailand.

Thailand became a member of the Multilateral Investment Guarantee Agency (MIGA) in October 2000.

16. Labor

According to the National Statistical Office, the Thai labor force in 2013 reached 40.2 million workers out of a total population of 68.2 million. The official unemployment rate in 2013 averaged just 0.7% of the labor force, despite a significant daily minimum wage increase to 300 baht ($10) in 70 provinces effective January 2013 (minimum wage in the remaining 7 provinces, including Bangkok and 6 other high-income areas, increased to 300 baht in April 2012).

Due to a shortage of low skilled labor, Thailand has attracted migrant workers since the 1990s. Although one million Thais work outside Thailand, the country hosts approximately 2.5-3 million migrant workers, primarily from developing neighboring Burma, Laos, and Cambodia. As of October 2013, 1.2 million migrant workers are registered while roughly 1-2 million remain undocumented. While the Thai government has stated that documented migrant workers will be equally protected under Thai Labor Laws, in practice, there are reports that some migrant workers are still receiving wages lower than Thais and have limited access to workmen's compensation fund and training.

A survey done by the World Bank found that firms report acute shortages for technical skills, especially at the vocational school level as well as language and IT skills and soft skills such as leadership and creativity. This technical skill shortage is attributed in large part to a mismatch between market demands and educational preparation. The problem is likely to be exacerbated as Thailand enters a period of demographic aging, with an expected compound annual growth rate of the working age population at only 0.2% between 2010 and 2020. In December 2013, Thailand's Ministry of Labor survey reported a shortfall of 270,000 workers, particularly in the wholesale and retail sectors. Many multinational firms continue to bring in expatriate professionals because qualified local personnel are not available, even at high salaries. Finding, training, and retaining qualified employees to work in the manufacturing facilities being developed in industrial estates, such as those along the Eastern Seaboard, will continue to be a challenging government priority.

According to Ministry of Labor data for 2012, there are 1,411 labor unions operating in Thailand, 1,366 come from private enterprises and 45 come from state-owned enterprises. There are 569,174 unionized workers (roughly 1.4% of the labor force over the age of 15), 402,633 of which come from private enterprises and 166,541 of which come from state-owned enterprises. Thai law allows private sector workers to form and join trade unions of their choice without prior authorization, but enforcement of labor laws is inconsistent and Thai labor unions are generally weak. Noncitizen migrant workers, whether registered or illegally present, do not have the right to bargain and collect nor serve as union officials, but registered migrants may be members of unions organized and led by Thai citizens. The law restricts affiliations between state enterprise unions and private sector unions.

The labor relations climate is generally peaceful and formal strikes are infrequent. The Labor Protection Act, enacted in 1998, brought labor practices more in line with International Labor Organization (ILO) standards. The law cut the workweek to a maximum of forty-eight hours, with a limit on overtime of 36 hours per week payable at one and one-half times the hourly rate. Hazardous work may not exceed seven hours per day or forty hours per week. All employees are entitled to a vacation of six workdays per year, in addition to thirteen holidays traditionally observed in Thailand. Under the labor law, the employment of children under the age of fifteen is prohibited, and there are restrictions on the employment of children and youths between the ages of fifteen and eighteen. The Thai government amended the Labor Protection Act in 2008 to help promote standards for contract labor. The Act now requires an employer to provide benefits and welfare without discrimination to the contract laborers. The Act also extended protection for employees against sexual abuse and harassment in the workplace. In 2012, two regulations ("Ministerial Regulation on Domestic Work" and "Hazardous Child Labor Work List") were enacted that increased protection to domestic workers and child laborers. Under the new regulations, children under 15 and 18 are prohibited from working in the field of domestic work and fishing vessels. The new regulation on domestic workers will also give annual leave, holidays, and paid sick leave to domestic workers. However, it still fails to address how other issues will be handled, such as minimum wage, working hours, and maternity leave.

17. Foreign Trade Zones/Free Ports

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). The IEAT was established under the IEAT Act B.E. 2522 (1979). Foreign owned firms have the same investment opportunities as Thai entities, but the IEAT Act requires that the IEAT Committee has to consider and approve the amount of space for a foreign owned firm to buy or lease land in industrial estates. In practice, there is no record of disapproval for the requested amount of land. More recently, private developers have become 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.

In addition, the IEAT established 12 special IEAT Free Zones (renamed from export processing zones or free trade 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.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in Thailand

	Thailand's National Economic and Social Development Board (NESDB)		USG or international statistical source		USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Thailand Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2013	$401 billion	2012	$366 billion	http://www.worldbank.org/en/country
Foreign Direct Investment	Bank of Thailand		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in Thailand (*Millions U.S.*	2012	$17.0 billion	2012	$16.9 billion	(BEA) click selections to reach. • Bureau of Economic Analysis

Dollars, stock positions)					• Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Thailand's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	$3.8 billion	Not Available	Amount	[(BEA)]() click selections to reach • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP (***calculate)***	50.9%	2012	Amount	Insert (Year)	

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	178,003	100%	Total Outward	48,459	100%
Japan	56,026	31%	Singapore	6,354	13%
Singapore	32,263	18%	Cayman Islands	5,453	11%
United States	15,728	9%	China, P.R.: Hong Kong	4,618	10%
Netherlands	11,559	6%	China, P.R.: Mainland	4,107	8%
China, P.R.: Hong Kong	8,243	5%	Malaysia	2,222	5%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: http://cdis.imf.org/

TABLE 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
World	28,198	100%	World	7,549	100%	World	20,649	100%
Brazil	4,892	17%	Australia	1,868	25%	Brazil	4,886	24%
Korea, Republic of	3,100	11%	United States	1,733	23%	Korea, Republic of	3,084	15%
United States	2,633	9%	Luxembourg	1,031	14%	China, P.R.: Hong Kong	1,456	7%
Australia	2,327	8%	Switzerland	721	10%	United Arab Emirates	916	4%
China, P.R.: Hong Kong	1,909	7%	Singapore	551	7%	United States	900	4%

Source: http://cpis.imf.org/

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

civil law system with common law influences

International organization participation:

ADB, APEC, ARF, ASEAN, BIMSTEC, BIS, CD, CICA, CP, EAS, FAO, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, NAM, OAS (observer), OIC (observer), OIF (observer), OPCW, OSCE (partner), PCA, PIF (partner), UN, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNMOGIP, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Exchange control

Exchange control regulations are in place to govern the importation and repatriation of funds by residents and non-residents, and the import and export of goods. Subject to certain criteria and thresholds, forms are also required.

Treaty and non-treaty withholding tax rates

The schedule below is only intended to give a general outline of the rates of tax applicable to interest, dividend and royalty payments under Thailand's Double Tax Treaties. It is advisable to consult the relevant tax treaty for more detailed information. The table below sets out the lower of the treaty rate and the applicable domestic rate on dividend, interest and royalty payments.

Non-resident company	Dividends[1] (%)	Interest[2] (%)	Royalties[3] (%)
Non-treaty countries	10	15	15
Treaty countries			
Armenia	10	10/15	15
Australia	10	10/15	15
Austria	10	10/15	15
Bahrain	10	10/15	15
Bangladesh	10	10/15	15
Belgium	10	10/15	5/15
Bulgaria	10	10/15	5/15
Canada	10	10/15	5/15
Chile	10	10/15	10/15
China	10	10/15	15
Cyprus	10	10/15	5/10/15
Czech Republic	10	10/15	5/10/15
Denmark	10	10/15	5/15
Finland	10	10/15	15
France	10	3/10/15	5/15
Germany	10	10/15	5/15
Hong Kong	10	10/15	5/10/15
Hungary	10	10/15	15
India	10	10/15	15
Indonesia	10	10/15	15
Israel	10	10/15	5/15
Italy	10	10/15	5/15
Japan	10	10/15	15
Korea	10	10/15	15
Kuwait	10	10/15	15

Laos	10	10/15	15
Luxembourg	10	10/15	15
Malaysia	10	10/15	15
Mauritius	10	10/15	5/15
Nepal	10	10/15	15
Netherlands	10	10/15	5/15
New Zealand	10	10/15	10/15
Norway	10	10/15	5/10/15
Oman	10	10/15	15
Pakistan	10	10/15	10/15
Philippines	10	10/15	15
Poland	10	10/15	5/15
Romania	10	10/15	15
Russia	10	10	15
Seychelles	10	10/15	15
Singapore	10	10/15	15
Slovenia	10	10/15	10/15
South Africa	10	10/15	15
Spain	10	10/15	5/8/15
Sri Lanka	10	10/15	15
Sweden	10	10/15	15
Switzerland	10	10/15	5/10/15
Turkey	10	10/15	15
Ukraine	10	10/15	15
United Arab Emirates	10	10/15	15
United Kingdom	10	10/15	5/15
United States	10	10/15	5/8/15
Uzbekistan	10	10/15	15
Vietnam	10	10/15	15

1 The lower rate generally applies if certain conditions are met including having a specified minimum percentage of equity in the company paying the dividend.

2 The lower rate generally applies to interest for which a financial institution is beneficially entitled.

3 The lower rate generally applies to payments made as consideration for the right to use any copyright of literary, artistic or scientific work.

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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