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Opportunities for Thailand India trade & investment

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1. Introduction

Thailand is the second largest economy in ASEAN and has a long history of cultural and trading interaction with India, currently assisted by India's 'Act East' policy and Thailand's 'Act West' policy. Thailand and India are supporting the development of a new maritime route in the Andaman Sea which will almost halve the travel time and will contribute to the Thai government's objective to boost trade with India.

Thailand is transforming its economy by focusing on technology, innovation, and higher-value activities to move beyond its middle-income status. Despite having one of the strongest external accounts in the ASEAN region, the extent of Thailand's economic integration with India has been minimal, mostly driven by large Thai conglomerates although over 95 per cent of registered businesses in Thailand are SMEs. Since 2014, the government has supported SMEs in selected sectors to grow and develop and many of these may now be at a stage where they are considering international expansion. India provides an attractive option whether through international trade or investment.

For businesses that are ready for this step, it is important to consider the different types of opportunities such as exporting, importing, technology transfer, licensing, joint ventures, as well as inward and outward investment, in addition to the sectors that are historically more integrated with India and are considered priority sectors in government policy.

This factsheet provides an introduction to opportunities that are most relevant for international trade and investment but the PROFIT programme cautions that not all opportunities within the highlighted sectors will be successful, that not all successful opportunities will come from these sectors and that the opportunity and business do not have to belong to the same sector. So, if you are keen to consider internationalising your business please register and PROFIT will help you explore your opportunity further.

2. Level of Trade

2.1. Exports

Exports to India amounted to \$7.6 bn in 2018. Data from India's Ministry of Commerce and Industry shows that the top sectors for exports to India in 2019 from Thailand were plastics, electrical machinery, chemicals, precious stones and automotive parts¹. The 2018 ADB report looking at sectors that provide opportunities for economic integration between India and Thailand highlights that among these sectors only precious stones, plastic and electrical machinery are likely to benefit SME exports of Thai businesses².

The Standard Chartered Trade Opportunity Report believes that the top five export opportunities to export to India are iron & steel (including finished products), man-made fibres, optical, photographic & medical apparatus, man-made textile materials and transport & storage services³. It estimates that the export opportunities could be as high as \$1.2 billion. It sees particular promise for Thai businesses working in technology and automation.

2.2. Imports

Imports from India amounted to nearly \$5 bn in 2018. Data from the Indian Ministry for Commerce and Industry shows that for 2019 the top imports from India to Thailand were jewellery, chemicals, aquaculture and automotive and parts sectors. Top imports from around the world into Thailand in 2019 were electrical equipment including computers, petroleum products and precious stones and metals which together amounted to over 50 per cent of total imports. Automotive and chemicals were also among the top 10 imports.

The Trade Opportunity report sees even more potential for Indian businesses exporting to Thailand, estimating opportunities worth \$2.6 billion with the highest-potential sectors being IT, wholesale and retail trade, cotton thread and fabric, accommodation and food services and copper (including copper products). It sees particular promise for Indian firms to support Thai firms with IT. This could come about through more Indian firms establishing

¹ Ministry of Commerce and Industry of India. Trade Databank, Available at commerce-app.gov.in/eidb/, accessed on 22/11/2020.

² Asian Development Bank (2018), Internationalizing Thailand's Micro-Small and Medium-Sized Enterprises

³ Standard Chartered Trade Opportunity Report – see further reading

themselves in Thailand and then sourcing copper from India, displacing existing sources, rather than expanding the overall consumption.

3. Investment

Outward foreign direct investment (OFDI) has been central to the Thai government's agenda and has witnessed a significant development since 1980 when it was \$12 million, rising to total investment of \$6 billion globally in 2019. However, as with exports, most of the outward investments are made by large conglomerates and a very small amount is directed at the Indian market. Manufacturing is the most popular destination sector for FDI, in particular, in the food and beverages industries which received 50 per cent of OFDI in 2018. Other manufacturing industries such as electrical equipment and chemical products are also major destination sectors of OFDI. The Embassy of India in Bangkok suggests that the Indian market should be attractive to Thai investors, with big opportunities in infrastructure, tourism and retail trade⁴.

Investment inflows from India in 2018 amounted to \$92m. The Economic Times of India reports that in Thailand there are now around 40 Indian companies with total investment of \$2 billion in the areas of software, agricultural chemicals and electric car development⁵. Investment by Indian businesses in Thailand reached \$13m in 2018. The Government of Thailand is keen to encourage investment by Indian businesses. Its Thailand 4.0 initiative aims to upgrade existing sectors (automotive, electronics, medical and wellness tourism, agri-processing and biotechnology) and develop new sectors (automation, aviation, biofuels, digital economy and medical hubs)⁶. This highlights a considerable opportunity for Thai businesses in relation to technology transfer, licensing and other partnerships with Indian investors within the highlighted sectors.

⁴ See embassyofindiabangkok.gov.in

⁵ The Economic Times of India (2018). Thai Companies keen to invest \$3 billion in Indian infrastructure. See economictimes.indiatimes.com/news/economy/foreign-trade/thai-companies-keen-to-invest-3-billion-in-indian-infrastructure-projects/articleshow/63883025.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst, accessed 22/11/2020

⁶ Anuroj, B. The Positives of Indian-Thai investments. Available at indiaincgroup.com/the-positives-of-indian-thai-investments-india-global-business/ accessed on 22/11/2020

4. Government priorities

The Government of Thailand has adopted the 'Thailand 4.0' programme which promotes the potential of Thai businesses in shifting the economy from production based to service based by utilising innovative products and the digital system. Thailand 4.0 focuses on 10 targeted industries which can be divided into two segments: 'existing industrial sectors' by adding value through advanced technologies for next generation automotive, smart electronics, high-income tourism and medical tourism and food innovation and several 'new industrial sectors' (automation and robotics, aerospace, bio-energy and bio-chemicals, digital and medical and healthcare) to accelerate Thailand's future growth⁷. The National Competitive Enhancement Act for Targeted Industries (NCEA) was passed in 2017 to provide tax and non-tax benefits to the target sectors and established a \$295 million seed fund for research and development and innovation projects.

The Government of Thailand also promotes overseas investment as a national priority through the 'Thailand plus one' strategy which encourages investment in neighbouring countries to extend the supply chain network within the targeted sectors mentioned above. India has considerable potential to become a plus one country due to the high-level agreements reached with Thailand as a result of the 'Look West' Policy (1996) which aims to liberalise trade further between the two countries.

5. Conclusion

Based on the analysis above, several sectors offer promising prospects for SMEs considering international trade and investment in India.

The level of Thailand's exports in 2019 suggest that the sectors that appear to be interesting for SMEs wanting to export are precious stones, plastic and electrical machinery. Evidence from ADB suggests that exporting can lead to outward investment⁸. Exporters can build a consistent customer base and develop their understanding of the market which can often lead to investment- whether through a subsidiary or joint venture with an existing

7 Board of Investment of Thailand (2017). Thailand 4.0 Means Opportunity Thailand. Bangkok, Thailand: Thailand Investment Review.

8 Asian Development Bank (2018), op. cit.

business. Outward investment to India in food and beverages and chemical sectors might also prove successful given Thailand's historical trends.

The Thailand 4.0 model is guiding policy making towards further innovation and technological development in the existing the automotive, electronics, tourism and agri-processing sectors. Given that automotive parts, electronic machinery and agri-processing are in the current top six exports to India, SMEs already operating within these sectors have a greater opportunity to increase production and exports and perhaps in turn outward investment. These sectors are also generally labour-intensive and are well suited to the highly skilled and lower cost labour force in Thailand which also presents the opportunity for Thai businesses to seek Indian FDI or business partnerships. Given the current restrictions on travel for the tourism sector due to COVID, businesses within the tourism sector (including wellness and hospitality) are also likely to have the same opportunities as the sectors mentioned above once the pandemic subsides.

The precious stones and plastic sectors also present considerable opportunities for SME exports given the level of Thailand's exports in 2019. Since India's recognised strengths often stem from its IT and IT enabled services sector, it would be appropriate for Thai businesses to consider these sectors for imports and inward investment regardless of the sector of operation.

6. Further information

The Standard Chartered Trade Opportunity Report describes high potential export sectors for India and 10 trading partners including Vietnam and Thailand, see [av.sc.com/corp-en/content/docs/Standard-Chartered-Trade-Opportunity-Report.pdf](https://www.av.sc.com/corp-en/content/docs/Standard-Chartered-Trade-Opportunity-Report.pdf)

See startupinthailand.com/top-10-items-traded-between-thailand-and-india/ for a list of suggestions for specific market and trade opportunities.

Pugnatorius, international lawyers, have some information on both opportunities and how to invest at pugnatorius.com/india/

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