A 25-YEAR OUTLOOK: DUTCH INVESTMENTS AMID FLUCTUATIONS IN THE THAI ECONOMY

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The Dutch-Thai trade relations can be traced as far back as the 1600s, when the VOC voyagers first arrived in Ayutthaya. Bilateral trade agreements emerged after WWII paving way for Dutch businesses in Thailand. Major Dutch names from various industries were already present in the Thai market from the 1930s; from the first KLM flights to Bangkok, Unilever’s ‘Breeze’ detergents, Jacobs Douwe Egberts’ renowned ‘Moccona’ coffee, to ING Bank’s major-shareholding position in ‘TMB Bank PCL’. In the eyes of the Netherlands-Thai Chamber of Commerce, the past 25 years has been an interesting period; witnessing the Dutch investment surge during the economic boom, the thrills of the 1997 Tom Yum Kung crisis, and the ever-rising role of Dutch SMEs in the past decade.

Against the backdrop of the 1984 baht devaluation, Thai exports and FDI inflows soared with an average GDP growth of 13% a year (up to 16.4% in 1995 in US Dollar terms). By then, a number of Dutch companies had already been active in Thailand for some decades. Long-established Dutch multinationals such as Akzo Nobel, Shell, Unilever, Philips, KLM, Jacobs Douwe Egberts, Royal Haskoning, Friesland Campina, and Siam Makro were at the very heart of the founding of the NTCC in 1991.

1997-2001: ‘TOM YUM KUNG’ HITS
Amid massive current account deficits, currency speculations, and the real estate bubble, the Thai government was forced to float the baht in July 1997. The economy collapsed with the baht’s devaluation from 25 THB to 56 THB against US Dollars, the SET Index hitting rock bottom at 207.31 in 1998, and unemployment rates quadrupling. Despite these situations, Dutch companies did not shy away from their investments in the Kingdom.
In point of fact, foreign equity investment from the Netherlands continued to grow after 1997 and reached its 10-year peak in 1999 at 202.7 million US$. The sudden drop of Dutch investments in 2002 was possible caused by the early 2000s recession following the 9-11 events. On top of Dutch investor’s confidence, the Dutch government initiated the Program for Cooperation with Emerging Markets (PSOM; now the PSI) in Thailand to support Dutch investments by providing grants to explore market opportunities and invest in the country. The program fostered solid foundation of many Dutch companies in the manufacturing and agricultural sector.

2002-2009: ECONOMIC RECOVERY AND FUELING DUTCH SMEs
Half a decade following the financial crisis, the Thai economy regained momentum with GDP growth improved up to 7.1% annually, the IMF debt repaid in July 2003, and export-driven policies revamped. Thai exports to the Netherlands grew on average by 15% yearly; similar figures also show up in Dutch imports to Thailand. During this period, special policy attention is given to Thai SMEs with the First SME Promotion Master Plan rolled out. By the end of 2006, SMEs contributed up to 40% of the Thai GDP. A number of Dutch SMEs entered the market and many had become successful in their respective industries throughout Thailand. Among them, NTCC members Recreational Bangkok Biking, a trend-setter in the tourism industry with their unseen bike tours; Take Me Home Tomatoes (D.A.T.T.), high-end tomato growers and marketers based in Chiang Mai; Stamex Technology, key player in engineering services for the starch industry; UpTBB, leading exporter and manufacturer of metal signage and countless others.

2010-PRESENT: POLITICAL-ECONOMIC ROLLERCOASTER
The past few years have been challenging years for Thailand both in terms of internal affairs and global economic slowdowns; from ongoing protests, the 2011 floods, the 2014 military

### Net flow foreign equity investment from the Netherlands to Thailand

![Graph showing net flow foreign equity investment from the Netherlands to Thailand](image)
“During my times in the Netherlands Embassy Bangkok as the “Dutch Agricultural Counsellor” in 2000-2005, we saw a growing eagerness in developing cooperation between Thai and Dutch companies (mainly SMEs). This was visible through the considerable number of joint projects partly funded by the Dutch Government (Senter), with the majority being agriculture-related. This is not surprising due to the fact that both our countries have an economy with strong agricultural basis, where SMEs play an important role. A well negotiated Free Trade Agreement may facilitate a further growing cooperation between Thai and Dutch SMEs in the field of agriculture. This requires, however, the involvement of SME (organisations) during negotiations.”

Max Slingenberg
Dutch Agricultural Counsellor 2000-2005
Netherlands Embassy Bangkok
coup, to sluggish demands from major export markets. With the EU-Thailand FTA at pause for further negotiation rounds, the momentum for exports to the European Union has dropped. On the bright side, Dutch investment projects have been continuously supported by the Board of Investment (BOI). Some 40 projects are approved every year from various industries – agriculture, minerals and ceramics, textiles, machinery, chemicals, and services. Frequent diplomatic visits from both sides were made in recent years including reciprocal visits of the Thai Minister of Science & Technology and Dutch Minister of Environment in 2013, followed by the Special Envoy of the Thai Prime Minister in 2014. Since 2010, the Netherlands remains Thailand’s largest EU investor and currently represents 27% of FDI inflows to Thailand from the European Union. Not to mention in the recent year, Corbion Purac’s 3.5-billion baht investment in the expansion of its poly-actic-acid polymerization plant in Rayong in Rayong.

**NTCC’s Thoughts for the Future**

Since the NTCC was founded a quarter of a century ago, we have been proud to be part of the journey enriching Dutch businesses in Thailand; multinational CEOs to SME founders and forward-minded entrepreneurs alike. Despite bumps along the road; from the 1990s economic boom, the devastating 1997 financial crisis, to political turmoil; Dutch businesses remain solid in their confidence in Thailand. They all, through exchange in expertise and innovation, contribute to a richer business landscape for the Thai economy. We look forward to the next 25 years of challenges as opportunities will arise for existing and future Dutch entrepreneurs, who will continue to change the game in Thailand.