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Will New Marijuana and Hemp Oil Regulations Boost Thailand's Economy?

In 2019, Thailand became the first country in Southeast Asia to legalize the use of medical marijuana – although several key restrictions remain in place. The government ban on marijuana plants and products that contain significant amounts of THC (the psychoactive compound that produces a high) remains in place, although other parts of the plant have since been approved for commercial use [*Note: Since December 2020, certain parts of the plants can be used for non-medical purposes.*] under certain conditions. Additional guidelines for hemp and cannabis seeds are expected to be announced later this year.

Marijuana and hemp plants are widely used in other countries for a variety of purposes that are unrelated to the recreational psychoactive narcotic effects produced by THC. The healing benefits of marijuana can be significant for people with certain medical conditions, or who are undergoing chemotherapy as part of their cancer treatment.

Hemp also has direct medical uses, though its durable fibers are also highly regarded for their use in textiles as well as for various industrial purposes. Hemp's multi-purpose seeds may be used as valuable components in certain foods, cosmetics, and other products. Other parts of the plant, such as the stem, stalk, and root, can likewise be put to good use in a variety of industries.

Thailand's partial decriminalization of these plants, therefore, opens up potentially lucrative new business opportunities for enterprising companies operating in related fields. However, the legal landscape for such activity remains restrictive in some areas, and murky in

July 2021

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others. Business success in Thailand’s new marijuana and hemp oil markets, therefore, depends not only on production and sales but also on having a nuanced understanding of the legal environment as well.

Thailand’s complex relationship with cannabis – past and present

For centuries, cannabis was used in Thailand as a form of traditional medicine, until it was [banned](#) in the 1930s due to international pressure. In 1979, Thailand’s Narcotics Act specifically designated cannabis as a Category 5 illegal substance. Under this act, the production, trade or possession of cannabis was considered a criminal act punishable by heavy fines and/or prison sentences.

This designation was amended in 2019 to provide exemptions for certain medical activities involving marijuana and hemp. A subsequent 2020 regulation removed some parts of the plants (THC ≤ 0.2%) from Category 5 classification. Certain parts of marijuana and hemp, as well as the use of these plants for non-medical reasons, remains illegal and subject to criminal punishment. As mentioned above, further revisions to the relevant laws are forthcoming, with the country’s Agriculture Department [planning to announce updated guidelines](#) soon.

Marijuana-related policies introduced in 2019 are unlikely to be reversed, however, and it is worth looking closely at how these regulations work in a business context.

Into the weeds

Medical cannabis licenses are currently available for seven groups, each of whom needs to follow detailed guidelines in order to obtain permission for the consumption, possession, research, or production and sale of cannabis. These [eligible groups](#) are identified as:

Governmental organizations (for teaching and conducting research)

Medical professionals

Universities (for medical or pharmaceutical study)

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Healthcare and Pharmaceuticals sector

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Community-based enterprises and agricultural cooperatives

International public transport operators

Medical patients who need cannabis for treatment

Other applicants as defined by ministerial regulations

Approval is not automatic for entities classified under any of the above groups; additional requirements are applicable in some cases, and licenses must be formally requested. So far, more than 2,000 licenses for distribution, cultivation, and extraction have been granted across Thailand.

It is worth emphasizing that private companies are notably absent from the list of groups approved to handle marijuana in Thailand. Yet this exclusion need not be the final word on the matter. Businesses may be able to include cannabis in their operations by doing so in cooperation with, and under the license of, an approved member of one of the authorized groups. Such arrangements are currently permitted only for companies registered under Thai law, with an office registered in Thailand, and with Thai nationals making up at least 51% of their partners, directors, or shareholders.

Although Thailand's drug laws remain conservative by global standards, and particularly when compared to those of the West, this more relaxed and accommodating stance puts Thailand at the forefront of marijuana liberalization within Southeast Asia. This more modern approach could lead to Thailand normalizing marijuana in medical treatment where appropriate, further establishing the country as a prominent medical hub.

A market ready to go sky high

This newly regulated cannabis market, including related products such as hemp oil, could bring lucrative new opportunities for farmers and manufacturers in Thailand.

As early as 2024, the country's cannabis market volume is projected to increase to [USD300 million or more](#), with additional related economic benefits valued at up to USD 2.5 billion according to some

estimates. Such figure is bound to be adjusted accordingly once the Thai Agriculture Department makes its regulatory announcement, but this highlights the economic impact that a family of plants with an unusually diverse range of potential uses can have.

With the cannabis market currently in its infancy, companies that act fast will naturally have an advantage over latecomers. Nevertheless, the risks are real: failure to abide by Thailand's drug laws, however, innocent one's intentions may be, could result in a loss of business license – or far worse.

Organizations looking to incorporate cannabis into their business models, therefore, need to do so with a clear understanding of all of the relevant regulations and take special care to stay on the right side of the law at all times.

As Thailand slowly modernizes its policies on cannabis, the government is certain to look closely at early adopters of its new regulations. Successes could potentially lead to further liberalization, while violations may cause officials to reverse course.

Kudun & Partners can help companies and investors get into the hemp industry, while remaining safely compliant with all regulations. Whether your organization aims to establish Thailand as a progressive medical hub by increasing the use of marijuana in the medical industry, or incorporate the use of non-THC cannabis into other sectors, contact us today. We'll be happy to guide you through this challenging – and changing – legal landscape.

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