

# WORLD TRADE ORGANIZATION

G/SCM/N/95/THA  
G/SCM/N/99/THA  
23 July 2003  
(03-3947)

Committee on Subsidies  
and Countervailing Measures

Original: English

## SUBSIDIES

New and Full Notification Pursuant to Article XVI:1  
of the GATT 1994 and Article 25 of the Agreement  
on Subsidies and Countervailing Measures<sup>1</sup>

Extension Under SCM Article 27.4 of the Transition Period for the  
Elimination of Export Subsidies Pursuant to the Procedures  
in Document G/SCM/39

## THAILAND

The following communication, dated 11 July 2003, has been received from the Permanent Mission of Thailand.

Thailand is pleased to inform the SCM Committee that two of Thailand's subsidy programmes, notified herein as item III: Packing Credit Facility and item IV: Direct Packing Credit Facility, have been terminated since 31 December 2002 in accordance with Article 27.4 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement). Also pursuant to SCM Agreement Article 27.4, Thailand has commenced the phase-out of item V: Export Market Diversification Promotion Programme.

Moreover, Thailand has commenced its elimination of export subsidies receiving an extension under SCM Agreement Article 27.4 of the transition period under Article 27.2(b), in compliance with G/SCM/101 and G/SCM/102. As notified in G/SCM/101/Suppl.1 and G/SCM/101/Suppl.2, as of 1 January 2003 Thailand has eliminated the export requirement for the Export Processing Zone, which is notified herein as part of item VIII: Industrial Estate Authority of Thailand. Regarding the current status of the legislative amendment of the IEAT Act as per the workplan submitted to the SCM Committee in G/SCM/101/Suppl. 1, the Cabinet is currently considering the bill and will soon propose it to the Office of the Council of State for verification (Number 5).

In addition, as notified by Thailand via various documents such as G/SCM/N/71/THA, G/SCM/N/71/THA/Suppl.1, G/SCM/Q3/THA/7, G/SCM/Q3/THA/10, G/SCM/Q3/THA/17, G/SCM/Q3/THA/20, and G/SCM/Q3/THA/23, as well as via several consultations between Thailand and the SCM Committee and members thereof, Thailand has satisfied the standstill requirement and has commenced the phase-out and elimination requirements contained in G/SCM/102 for the Board of

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<sup>1</sup> This notification, in particular the relevant sections of items I and VIII, also satisfies the annual transparency and notification provisions contained in G/SCM/101 and G/SCM/102.

Investment Programme, details of which are notified herein as part of item I: Investment Promotion Incentives.

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### **I. INVESTMENT PROMOTION INCENTIVES**

#### **1. Title of the subsidy programme**

Investment Promotion Incentives

#### **2. Period covered by the notification**

1 January–31 December 2002

#### **3. Policy objective and/or purpose of the subsidy**

Investment promotion incentives aim at promoting the establishment of industries in Thailand to accelerate the country's industrialization process and encourage regional development. During recent years, investment incentives have been geared towards decentralization to address the on-going development disparities between the urban and rural areas in accordance with the Thai Government's policy theme of regional development.

#### **4. Background and authority for the subsidy**

The legal basis of the investment promotion incentives is the Investment Promotion Act (1977) amended in 1991 and 2001. The responsible authority is the Office of the Board of Investment (BOI).

G/SCM/102: Decision of 19 December 2002, grants Board of Investment projects with an export requirement an extension under SCM Agreement Article 27.4 of the transition period under Article 27.2(b). For details concerning the operation of these projects and other details as required in G/SCM/102, see G/SCM/Q3/THA/1 to G/SCM/Q3/THA/23, as well as the responses below to question 7: Amount of the subsidy and question 8: Duration of the subsidy and/or any time limit attached to it.

## 5. Form of the subsidy

Tax concessions such as exemption/reduction of corporate income tax, exemption/reduction of import duties on machinery, reduction of import duties on raw materials, and special deduction of certain expenditures.

The new investment promotion policy, effective since 1 August 2000, has abolished the export and local content requirements to comply with WTO obligations.

## 6. To whom and how the subsidy is provided

### General

A wide range of activities covering primary, secondary, and tertiary sectors are eligible for investment promotion incentives. The scheme is not specific to any particular sector. Moreover, companies in every province in Thailand can have access to the investment promotion incentives. The Board of Investment has established the criteria in granting tax incentives, which are generally based on the location of the investments. The entire country is divided into 3 zones as follows:

- Zone 1: Bangkok and vicinities (Samut Prakan, Samut Sakhon, Pathum Thani, Nonthaburi, and Nakhon Pathom)
- Zone 2: Samut Songkram, Ratchaburi, Kanchanaburi, Suphanburi, Ang Thong, Ayutthaya, Saraburi, Nakhon Nayok, Chachoengsao, Chonburi, Rayong and Phuket
- Zone 3: The remaining 58 provinces (the least developed area of which per capita income is below 85 per cent of the national average)

Zone 1 is granted the least incentives whereas Zone 3, the most disadvantaged and least developed area, is granted the maximum incentives. Since September 2002, most activities eligible for investment promotion may be located in any zone except certain activities that are required to be located in industrial estates or zones for environmental safety reasons.

### Factory Relocation

In order to further encourage decentralization, the Board of Investment also provides incentives for the relocation of existing factories to other regions. The following criteria are applied:

1. The operation must relocate from Zone 1 to Zone 2 or from Zone 1 or Zone 2 to Zone 3.
2. The operation must relocate to an industrial estate or promoted industrial zone.
3. The existing operation must be closed down and the operation at the relocated location must start within 2 years after receiving the promotion certificate.

The following incentives are granted:

1. For relocation to Zone 2: Corporate income tax exemption for 5 years.<sup>2</sup>

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<sup>2</sup> Provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard within 2 years from start-up date of its new plant, otherwise the corporate income tax exemption will be reduced by 1 year.

2. For relocation to 40 provinces in Zone 3: Corporate income tax exemption for 8 years<sup>2</sup>; 50% reduction of corporate income tax for 5 year after the exemption period; and double deduction from taxable income of water, electricity, and transportation costs for 10 years<sup>3</sup>.
3. For relocation to 18 provinces which are the least developed and most disadvantaged in Zone 3: Corporate income tax exemption for 8 years<sup>2</sup>; 50% reduction of corporate income tax for 5 years after the exemption period; double deduction from taxable income of water, electricity, and transportation costs for 10 years<sup>3</sup>; and deduction from net profit of 25% of cost of installation or construction of infrastructure facilities for 10 years starting from the date of first sales.

## **7. Amount of the subsidy**

There is no specific budget earmarked for investment promotion incentives. The information on the subsidy per unit therefore cannot be provided. No statistics on corporate income tax exemption and reduction are available.

Pursuant to Thailand's obligations under Article 27.4 of the SCM Agreement and the standstill requirement in G/SCM/102, the Board of Investment has eliminated the export requirement for projects applying for investment promotion incentives since 1 August 2000. Therefore, no export subsidies have been granted to new operators applying for such incentives since then.<sup>4</sup> Furthermore, Thailand has progressively phased-out BOI projects with an export requirement approved prior to 1 August 2000, which as notified in December 2002 totaled 532 projects, until as of 1 June 2003 only 158 projects remain.<sup>5</sup> Details relating to these remaining 158 projects can be found in G/SCM/Q3/THA/23, which Thailand recently submitted to the SCM Committee on 10 June 2003. Details relating to projects phased-out throughout the year 2002 and the operation of these projects in general can be found in G/SCM/Q3/THA/1 to G/SCM/Q3/THA/20. In accordance with G/SCM/102, none of these projects have been modified so as to make them more favorable regarding scope, coverage, and intensity of benefits relative to the level of benefits that existed as indicated in G/SCM/N/74, G/SCM/N/71/THA, G/SCM/Q3/THA/1 to G/SCM/Q3/THA/17 and suppl.1.

## **8. Duration of the subsidy and/or any time limit attached to it**

The duration of the Investment Promotion Incentives programme is indeterminate. However, the incentives granted to each investment are subject to certain time limits.

Regarding investment projects receiving an extension under G/SCM/102, as previously mentioned in G/SCM/Q3/THA/20 and G/SCM/Q3/THA/23, the BOI has formed a working group to study the elimination of the export requirement for the 77 projects currently scheduled to expire beyond the year 2005.

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<sup>3</sup> Starting from the date of first revenue derived from promoted activity.

<sup>4</sup> See, e.g., G/SCM/Q3/THA/17.

<sup>5</sup> See G/SCM/Q3/THA/17, G/SCM/Q3/THA/20, and G/SCM/Q3/THA/23.

## 9. Statistical data permitting an assessment of the trade effects of the subsidy

Statistics on Start-up of Investment Projects Granted Promotion Status by the Board of Investment

Year	Number of Investment Projects	Total Investment Volume (billion baht)
1998	740	294.6
1999	526	205.3
2000	625	304.9
2001	611	267.9
2002	626	203.7

**Source:** Office of the Board of Investment, Office of the Prime Minister, Thai Government

## II. CREDIT REFINANCING SCHEMES

### 1. Title of the subsidy programme

Credit Refinancing Schemes

### 2. Period covered by the notification

1 January–31 December 2002

### 3. Policy objective and/or purpose of the subsidy

To provide financial assistance to priority sectors and projects through refinancing schemes.

### 4. Background and authority for the subsidy

The legal basis of this scheme is the Royal Decree Regulating the Affairs of the Bank of Thailand B.E.2485, Section 12(4). The responsible authority is the Bank of Thailand (BOT).

### 5. Form of the subsidy

Loan

### 6. To whom and how the subsidy is provided

All of the refinancing schemes in 2002 remain unchanged from the year 2001. However, on 11 January 2002, the temporary reduction of interest rate charged to financial institutions in compliance with the BOT regulation arising from Small and Medium Enterprises or SMEs (B.E. 2543) and SMEs which are classified as non-performing loans (NPL) but have business potential approved by the BOT from 3% per annum to 2% per annum since 12 January 2001 was ended. Then, the interest rate charged to those projects was raised to 3% per annum, which is the same rate as was previously applied.

**7. Amount of the subsidy**

At the end of 2002, outstanding loans under the BOT financial assistance through financial institutions were 6,715.18 million baht. Details are as follows:

Schemes	Outstanding as of 31 December 2002 (Million Baht)	Interest rate	
		Charged by the BOT (% p.a.)	Charged by the financial institutions (% p.a.)
Industry	89.04	5.0	MLR-1
Small and Medium Enterprises	6,251.95	3.0	MLR-1
Livestock raising and aqua-culture	370.59	3.0	MLR-2.75
Rural development	0.00	3.0	MLR-2.75
Investment in Zone 3	3.60	3.0	MOR/MLR-2
<b>TOTAL</b>	<b>6,715.18</b>		

**8. Duration of the subsidy and/or any time limit attached to it**

The BOT will provide financial assistance to each enterprise for a maximum of 3 years.

**9. Statistical data permitting an assessment of the trade effects of the subsidy**

Not determined

**III. PACKING CREDIT FACILITY****1. Title of the subsidy programme**

Packing Credit Facility

**2. Period covered by the notification**

1 January–31 December 2002

**3. Policy objective and/or purpose of the subsidy**

To encourage commercial banks to provide export financing for exporters. The initial purpose of the programme was to encourage the financing of commodity exports.

**4. Background and authority for the subsidy**

Packing credit facility is an export-financing scheme provided by the Bank of Thailand (BOT) with co-financing from commercial banks. The BOT provided funding, while the Export-Import Bank of Thailand (EXIM Bank) allocated funds to commercial banks and supervised the utilization of the facility. Under this facility, commercial banks obtain funds, provided by the BOT through EXIM Bank, at a concessionary interest rate on the condition that commercial banks co-

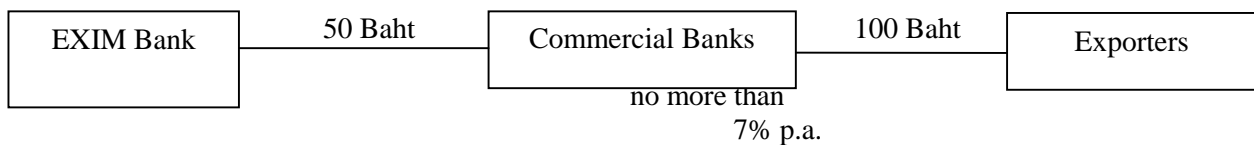
finance the other half in order to on-lend to exporters and export-oriented manufacturers. The facility is provided for both pre-shipment and post-shipment financing.

## 5. Form of the subsidy

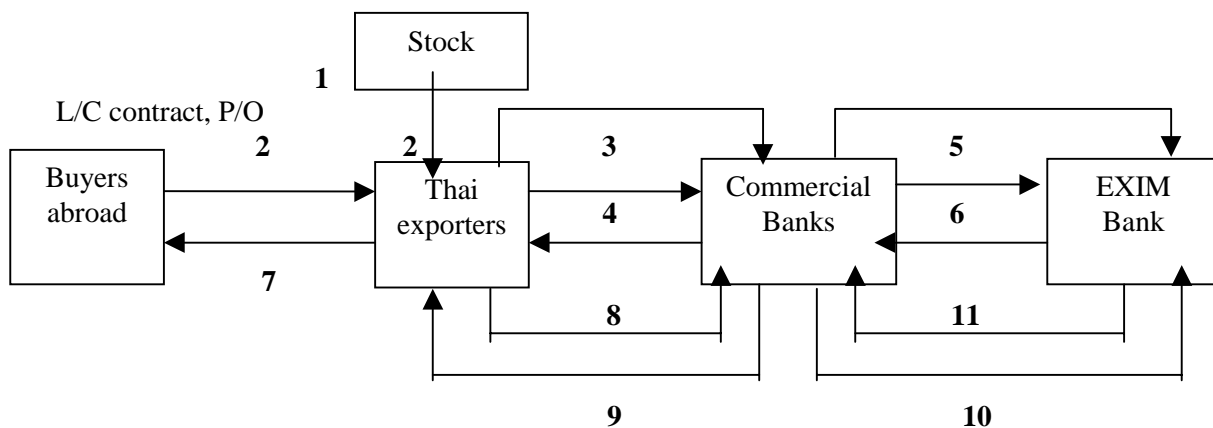
Loan

## 6. To whom and how the subsidy is provided

EXIM Bank financed, from the BOT's fund, one half of the total credit granted. Commercial banks co-financed the other half and on-lent to exporters.



The mechanism is as follows:



1. Exporters apply for Packing Credit line at commercial banks.
2. Exporters receive purchasing documents from overseas or have stock in possession or have usance export bills.
3. Exporters issue promissory notes to commercial banks.
4. Commercial banks grant the loan to exporters with interest rates of no more than 7 per cent p.a.
5. Commercial banks issue promissory notes to EXIM Bank with the amount of up to 50 per cent of promissory notes issued by exporters (as stated in 3).
6. EXIM Bank disburses the fund to commercial banks.
7. Exporters ship out their merchandise.
8. Exporters bring export documents to commercial banks for negotiation.
9. Commercial banks negotiate export bills, discharge the exporters' promissory notes and give the remaining proceeds to exporters.
10. Commercial banks pay back for settlement of their corresponding promissory notes.
11. EXIM Bank discharges commercial banks' promissory notes.

## **7. Amount of the subsidy**

The BOT extended the packing credit line of 10 billion baht in 2002 for which the commercial banks co-finance the other half. The BOT charged EXIM Bank at 2 per cent p.a., while EXIM Bank channeled funds to commercial banks at 3 per cent p.a. Commercial banks co-financed and on-lent to exporters at an interest rate of not more than 7 per cent p.a..

## **8. Duration of the subsidy and/or any time limit attached to it**

In accordance with Thailand's obligations under SCM Agreement Article 27.2, the Packing Credit Facility has been terminated since 31 December 2002.

## **9. Statistical data permitting an assessment of the trade effects of the subsidy**

(Unit: Billion Baht)

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Total packing credit financing disbursed	115.4	134.3		31.9
Total BOT financing*	57.7	67.2	29.6	16.0
Credit outstanding at year-end	8.8	6.8	6.7	0

**Note:** \* These figures were roughly calculated based on the assumption that commercial banks co-financed 50 per cent of the total credit on-lent to exporters.

## **IV. DIRECT PACKING CREDIT FACILITY**

### **1. Title of the subsidy programme**

Direct Packing Credit Facility

### **2. Period covered by the notification**

1 January–31 December 2002

### **3. Policy objective and/or purpose of the subsidy**

- To encourage fuller utilization of the packing credit fund.
- To provide liquidity to the export sector

### **4. Background and authority for the subsidy**

In early 1998, Thailand faced a severe liquidity shortage and most commercial banks slowed down their lending, including the co-financing under the Packing Credit Facility. Utilization of packing credit fund remained around 20 billion baht in January 1998 compared to the available fund of 33 billion baht. The packing credit fund remained under-utilized despite badly needed export financing because commercial banks had limited funds to co-finance. In addition, they faced constraints due to NPLs and inadequate capital.

In order to alleviate the credit crunch in export financing and to encourage fuller utilization of the idle packing credit fund provided by the Bank of Thailand (BOT), EXIM Bank requested authorization to directly lend to exporters under the packing credit scheme. In 1998, the BOT



approved the credit line of 5 billion baht for EXIM Bank's Direct Packing Credit Facility to on-lend under the same terms and conditions as commercial banks under the Packing Credit Facility.

**5. Form of the subsidy**

Loan

**6. To whom and how the subsidy is provided**

With the BOT's fund, EXIM Bank co-financed 50 per cent of the total credit granted and on-lent to exporters.

Regarding such co-financing, EXIM Bank operated under the same regulations and work procedure as commercial banks under the Packing Credit Facility. Functions in the part of commercial banks were carried out by the Banking Department of EXIM Bank, while the Packing Credit Department of the EXIM Bank was responsible for the documentation and the settlement with the BOT.

**7. Amount of the subsidy**

In 2002, the BOT allocated a line of 7 billion baht for EXIM Bank's direct packing credit facility, for which EXIM Bank co-financed the other half. Of the 7-billion-baht credit line, 2 billion baht was allocated to the Export Market Diversification Promotion Programme (see item V: Export Market Diversification Promotion Programme).

The BOT lent to EXIM Bank at 3 per cent, while the EXIM Bank co-financed one half and on-lent to exporters at an interest rate of not more than 7 per cent.

**8. Duration of the subsidy and/or any time limit attached to it**

In accordance with Thailand's obligations under SCM Agreement Article 27.2, the Direct Packing Credit Facility has been terminated since 31 December 2002.

**9. Statistical data permitting an assessment of the trade effects of the subsidy**

- Total financing disbursed in 2002	26.8	billion baht
- Total Bank of Thailand's financing disbursed	13.4	billion baht
- Credit outstanding at the end of 2002	0	billion baht

**V. EXPORT MARKET DIVERSIFICATION PROMOTION PROGRAMME**

**1. Title of the subsidy programme**

Export Market Diversification Promotion Programme

**2. Period covered by the notification**

1 January–31 December 2002

### **3. Policy objective and/or purpose of the subsidy**

To promote exports to 141 targeted countries in 8 regions consisting of Indochina (4), Middle East (14), Africa (53), Latin America (31), Eastern Europe (27), South Asia (8), East Asia (2) and the South Pacific Islands (2).

### **4. Background and authority for the subsidy**

In early 1999, in order to stimulate export growth in the aftermath of the Asian financial crisis, the Ministry of Commerce launched the Export Market Diversification Promotion Programme to encourage diversification of Thai exports to new or potential markets, with EXIM Bank's participation in financial measures.

Under this programme, EXIM Bank rebated interest to exporters who utilized the Packing Credit Facility (at the commercial banks) or the Direct Packing Credit Facility (at EXIM Bank). Such interest rebate was capped at a maximum of 5 per cent and applicable for the incremental export value over the previous year's level to that particular export market. The Ministry of Commerce allocated the 750 million baht fund from the International Trade Promotion Fund to EXIM Bank for 5 years to facilitate this programme.

To comply with Thailand's obligations under Article 27.4 of the SCM Agreement, Thailand has commenced its phase-out of the Export Market Diversification Promotion Programme by reducing the amount of funds available thereunder since the year 2000. Please refer to the below response to question 7: Amount of the Subsidy, for more details.

### **5. Form of the subsidy**

Interest rebate

### **6. To whom and how the subsidy is provided**

- 6.1 Exporters who have Packing Credit lines with commercial banks, or have Direct Packing Credit lines with EXIM Bank, complete and submit the Export Declaration for Interest Rebate Form when applying for credits.
- 6.2 Exporters are required to include the clause "Export Market Diversification Promotion Programme" in documents accompanying the promissory notes used as collateral for credits.
- 6.3 Once exporters have shipped their products and have been paid by foreign buyers, they are required to submit copies of the bill of lading, Export Entry Form, invoice, and proof of foreign currency remittance together with an Interest Rebate Request Form within 60 days from the due date of the last promissory note issued under such export.
- 6.4 EXIM Bank checks all relevant details and cross-checks with the Ministry of Commerce, in particular the incremental export value to such market over the previous year's level. If all details are valid, EXIM Bank pays the rebate to the exporters.

**7. Amount of the subsidy**

To comply with Article 27.4 of the SCM Agreement, Thailand has already commenced its phase-out of the Export Market Diversification Promotion Programme by decreasing the amount of funds available thereunder. Initially, when this programme commenced in 1999, the Ministry of Commerce provided to EXIM Bank an annual fund of 150 million baht for 5 consecutive years, totaling 750 million baht for interest rebate under this programme. However, in the year 2000, the Ministry of Commerce reduced the initial allocation of 150 million baht per year by 100 million baht. Therefore, for each year since then, including for the year 2002, no more than 50 million baht has been allocated by the Ministry of Commerce to EXIM Bank for the disbursement of the rebate.

**8. Duration of the subsidy and/or any time limit attached to it**

Date of Commencement:	14 June 1999
Date of Termination:	31 December 2003, pursuant to Article 27.4 of the SCM Agreement

**9. Statistical data permitted an assessment of the trade effects of the subsidy**

Interest rebates paid to exporters since June 1999 until December 2002 total 70.5 million baht or 9.4 per cent of the total funds initially provided by the Ministry of Commerce for this programme.

**VI. MERCHANT MARINE FINANCING****1. Title of the subsidy programme**

Merchant Marine Financing

**2. Period covered by the notification**

1 January–31 December 2002

**3. Policy objective and/or purpose of the subsidy**

- To alleviate the country's deficit on balance of trade & services
- To strengthen Thailand's merchant marine business

**4. Background and authority for the programme**

In 1995, the Thai Government took a serious look into the country's problem of current account deficit, and discovered that the neglected merchant marine business not only incurred revenue foregone but also brought about substantial outflow of freight and shipping expenses, not to mention the insufficiency of Thailand's shipping business.

As a result, EXIM Bank launched a financial service for the merchant marine business from its own funds in early 1996. Later, in September 1996, the government provided, through the Bank of Thailand (BOT), a credit line of 2 billion baht for merchant marine financing at the EXIM Bank. Then, in February 1998, a portion of 1 billion baht from the Structural Adjustment Loan (SAL) from the ADB World Bank Co-financing to the Thai Government was provided to EXIM Bank to on-lend under merchant marine financing together with Machinery Upgrading Financing (see item VII: Machinery Upgrading Financing).

In the meantime, EXIM Bank still provided financing from its own source of funds, especially to customers who did not qualify under the BOT's conditions, for example, ships aged over 20 years.

**5. Form of the subsidy**

Loan

**6. To whom and how the subsidy is provided**

EXIM Bank extended credit to entrepreneurs of merchant marine business to buy/renovate their ships, new or used ones.

Customers qualifying under the BOT's conditions could utilise the BOT's funds in baht denomination which offered interest rates of up to 5 per cent p.a. while the BOT charged EXIM Bank at 3 per cent p.a. EXIM Bank co-financed the other half with the BOT's funds in baht or US dollar denominations at the market interest rate.

From EXIM Bank's own funds, financing was provided in baht or US dollar denominations, both at the market interest rate, with more relaxed conditions.

As for the SAL fund, since the cost of fund was relatively high, i.e., above 6.38 per cent in US dollar lending, the fund was not commercially acceptable for customers.

Criteria for the BOT's fund for merchant marine financing:

- The company is registered in Thailand and has Thai ownership of more than 50 per cent of total registered capital.
- The main business involves international shipping.
- The financing is for the investment in new ships or the used ones with up to 20 years of age.
- This investment shall include the rehabilitation cost of the used ship.
- The financed ship must be registered in Thailand and fly the Thai flag.

The term of lending from the BOT's fund was up to 5 years, while that from EXIM Bank's funds was up to 7 years, depending on business conditions.

**7. Total amount of the subsidy**

- The BOT's fund totalled 1.0 billion baht
- SAL fund totalled 19.3 million US dollars (together with funds for Machinery Upgrading Facility)
- EXIM Bank's own source of funds was up to customers' demand for financing and funding availability.

**8. Duration of the subsidy and/or any time limit attached to it**

Date of Commencement:

EXIM Bank's facility	:	Early 1996.
BOT's fund	:	September 1996.
SAL fund	:	February 1998.

**9. Statistical data permitting an assessment of the trade effects of the subsidy**

(Unit: Billion baht)

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Total credit granted	3.89	3.82	3.37	2.58	3.10
Total BOT financing	1.43	1.19	1.17	0.92	0.36
Credit outstanding at year-end	3.43	3.61	3.48	2.67	2.87

**VII. MACHINERY UPGRADING FINANCING****1. Title of the subsidy programme**

Machinery Upgrading Financing

**2. Period covered by the notification**

1 January–31 December 2002

**3. Policy objective and/or purpose of the subsidy**

- To improve the productivity of Thai industrial operators
- To encourage the renovation/upgrading of the technology of production/quality of Thai products

**4. Background and authority for the subsidy**

The government deemed it necessary to improve the productivity of Thai industrial operators. Moreover, some industries faced the serious problem of outdated technology of production which brought about low quality of products.

EXIM Bank therefore introduced a financial service to facilitate the machinery upgrading of the operators. The Thai government later supported this policy through the provision of funds from the Bank of Thailand (BOT) to co-finance this facility with EXIM Bank. Then came the SAL fund to be mutually used in Machinery Upgrading Financing and Merchant Marine Financing (see above responses for item VI: Merchant Marine Financing).

**5. Form of the subsidy**

Loan

**6. To whom and how the subsidy is provided**

The EXIM Bank extended credit to operators whose plans to renovate/upgrade their machinery were approved by agencies authorized by the Ministry of Industry (MOI).

Operators eligible for the BOT's fund must meet the following criteria:

- Operators' renovation plans must have been approved by agencies authorized by MOI.

- The financing may be used to replace old machinery with new machinery, or to modify or further enhance the performance of existing machines or equipment in order to increase efficiency.
- Investments may also be related to energy conservation, or related to environment conservation, including the relocation of factories into industrial estates, etc.

In addition, targeted industries eligible for this facility were also clearly identified to cover the 13 industries<sup>6</sup> under the Industrial Restructuring Plan, with small-and-medium-scaled enterprises (SMEs) as the priority.

Operators meeting the BOT's criteria could utilize the BOT's fund in baht denomination by 50 per cent of total lending at an interest rate of not more than MLR-1 (MLR quoted by the 4 largest commercial banks). EXIM Bank co-financed the other half, in baht or US dollars, at EXIM Bank's prime rate plus up to 1.5 per cent p.a. for baht lending; or LIBOR plus up to 3.5 per cent p.a. for US dollar lending.

Apart from co-financing with the BOT's fund, EXIM Bank also provided machinery upgrading financing on its own, with more relaxed conditions, for instance, to finance investment in some kinds of machinery not included in the MOI's conditions. The lending interest rate of EXIM Bank stayed at EXIM Prime plus 1.5 per cent p.a. in baht lending, while US dollar lending is at the rate of up to LIBOR plus 3.5 per cent p.a. (EXIM Prime stayed at 6.75 per cent p.a. as of the end of 2002).

The term of lending for machinery upgrading was up to 5 years for the BOT's fund and up to 7 years for EXIM Bank's fund due to the repayment capability of operators.

## **7. Amount of the subsidy**

BOT's fund	0.44	billion baht
SAL fund	19.3	million US dollars (together with funds for Merchant Marine Financing)
EXIM Bank's own source of fund was subject to fund availability.		

## **8. Duration of the subsidy and/or any time limit attached to it**

Date of Commencement:

EXIM Bank's facility	:	Early 1997.
BOT's fund	:	May 1997.
SAL fund	:	February 1998.

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<sup>6</sup> The thirteen industries eligible under this program are as follows: (1) Food and animal food; (2) Textiles and articles of apparel and clothing accessories; (3) Footwear and parts and leather and bovine leather products; (4) Wood and wood sheets and houseware; (5) Pharmaceutical and chemical products; (6) Rubber and rubber products; (7) Plastic products; (8) Ceramic products and tableware and kitchenware of glass; (9) Electrical equipment and electronic appliances; (10) Motor cars, parts and accessories; (11) Precious stones and jewellery; (12) Iron or steel products; and (13) Petrochemical industry and its related

**9. Statistical data permitting an assessment of the trade effects of the subsidy**

(Unit: Billion baht)

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Total credit granted	0.67	0.81	0.74	0.56	0.50
Total BOT financing	0.09	0.55	0.15	0.12	0.27
Credit outstanding at year-end	0.37	0.62	0.63	0.40	0.49

**VIII. INDUSTRIAL ESTATE AUTHORITY OF THAILAND (IEAT)****1. Title of the subsidy programme**

Industrial Estate Authority of Thailand (IEAT)

**2. Period covered by the notification**

1 January–31 December 2002

**3. Policy objective and/or purpose of the subsidy**

- To procure suitable land for the establishment or expansion of industrial estates which include the General Industrial Zone and Export Processing Zone.
- To provide facilities for industrial operators in the industrial estates
- To promote and control industrial estates owned by the private sector or other government agencies

**4. Authority for the subsidy**

Industrial Estate Authority of Thailand (IEAT)

**5. Form of the subsidy**

Incentives cover the exemptions of payment of surcharge under the law on promotion of investment, import duties, value added tax and excise tax on machinery, equipment, tools and supplies including the components thereof which are essential for the production of goods or trading for export, as the case may be, and on materials to be used for construction, assembly or installation of factories or buildings and goods imported and taken into export processing zones by industrial operators and traders for export for use in the production of goods or trading for export.

**6. To whom and how the subsidy is provided**

Incentives are provided to the industrial operator who is permitted to engage in industrial activities in an industrial estate.

As of 1 January 2003, Thailand has eliminated the export requirement for the Export Processing Zone (EPZ), in accordance with G/SCM/101.<sup>7</sup> However, with regard to the operation of the EPZ throughout the year 2002, products, by products, and other items resulting from the production in the export processing zone for use or distribution in the Kingdom were subject to tariffs

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<sup>7</sup> See G/SCM/101/Suppl.1 and G/SCM/101/Suppl.2.

and duties according to their condition, price, and customs tariffs on the date of their removal from the EPZ. They were considered as imported into the Kingdom on the date of their removal from the EPZ according to Section 51, IEAT ACT B.E. 2522, which has been amended by Section 3, IEAT Act (second) B.E. 2534.

The criteria that an entity or enterprise had to meet in order to qualify to take part or locate in an industrial estate are stated in IEAT announcements No. 1/2531, No. 4/2535, No. 6/2535 and No. 2/2538 regarding standard, procedures, and conditions in the application for permission and the granting of permission to operate in industrial estates. As indicated in G/SCM/101/Suppl. 1 and G/SCM/101/Suppl. 2, IEAT announcements No. 1/2531 and No. 2/2538 have been amended by announcement No. 1/2546, thereby effectively eliminating the export requirement for the EPZ. Regarding the current status of the legislative amendment of the IEAT Act as per the workplan submitted to the SCM Committee in G/SCM/101/Suppl. 1, the Cabinet is currently considering the bill and will soon propose it to the Office of the Council of State for verification (No. 5 in the submitted workplan).

**7. Amount of the subsidy**

No specific budget provided

**8. Duration of the subsidy and/or any time limit attached to it**

Upon operation period.

**9. Statistical data permitting an assessment of the trade effects of the subsidy**

(Unit: Billion baht)

YEAR	IMPORT VALUE	EXPORT VALUE
1999	126.01	205.45
2000	115.51	208.43
2001	152.67	259.47
2002	171.00	296.01
<b>TOTAL</b>	<b>565.19</b>	<b>969.36</b>