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Trade Policy Review Body  
12 & 14 November 2003

## TRADE POLICY REVIEW

### THAILAND

#### Minutes of Meeting

*Chairperson: H.E. Mrs. Mary Whelan (Ireland)*

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Note: Advance written questions by WTO Members and replies provided by the Government of Thailand are reproduced in document WT/TPR/M/123/Add.1 and will be available online at: [http://www.wto.org/english/tratop\\_e/tpr\\_e/tp\\_rep\\_e.htm](http://www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm).



## **I. INTRODUCTORY REMARKS BY THE CHAIRPERSON**

1. The fourth Trade Policy Review of Thailand was held on 12 and 14 November 2003. The Chairperson welcomed the delegation of Thailand, led by H.E. Ms. Puangrat Asavapisit, and the discussant, H.E. Mr. Seixas Corrêa (Brazil). As usual, the discussant would speak in his personal capacity and not as a representative of his country. In accordance with the established procedures, the discussant had made available, in advance, outlines of the main issues he intended to raise.

2. The Chairperson recalled the purpose of the Trade Policy Review Mechanism and the main elements of the procedures for the meeting. The report by the Government of Thailand was contained in document WT/TPR/G/123 and that of the WTO Secretariat in document WT/TPR/S/123; the main issues raised by the discussant were contained in document WT/TPR/D101. Copies of advance written questions, submitted by 13 delegations (Switzerland; United States; Canada; Norway; Chinese Taipei; Colombia; Hong Kong, China; New Zealand; Japan; European Union; China; Brazil; and Australia) had been transmitted to the delegation of Thailand. Replies to these and other questions raised on the first day of the meeting are reproduced at Annex.

3. The Chairperson had considered the reports prepared for the Review and was encouraged by the steady recovery in Thailand's economy since its previous Review in 1999. This recovery is partly due to the Government's own efforts involving macroeconomic policy measures, trade liberalization and structural reforms. But WTO Members had also played an important role in this recovery by keeping their markets open to Thai exports; indeed, exports had been one of main sources of growth during the period under review. As mentioned in the reports, further opening of the economy together with the continued pursuit of necessary structural reforms could help pave the way for the sustained growth of Thailand's economy in the future. On Thailand's trade policy regime, while it remained committed to the multilateral trading system and had supported strongly the Doha Development Round, it had nonetheless decided to expand the scope of its involvement in bilateral and regional agreements. She noted from the Government Report that these initiatives were intended to complement the multilateral trading system; she believed that Members would be interested in learning more about how the Government of Thailand hoped to accomplish this goal.

## II. OPENING STATEMENT BY THE REPRESENTATIVE OF THAILAND

4. The representative of Thailand stated that the Thai economy had moved into stagflation in 1998. The GDP growth had dropped from 5.9% in 1996 to -1.4% in 1997 and to -10.5% in 1998. Several economic indicators had hit a ten-year low, including export and import growth, net capital movement, domestic credit growth, and the 12-month fixed deposit interest rate. The supportive monetary and fiscal policies were partly responsible for the economic recovery in 1999-00. Both fiscal and monetary policies were eased to stimulate domestic demand and improve liquidity. The easing of economic policies coupled with favorable exports resulted in economic growth of 4.4% in 1999 and 4.5% in 2000.

5. In 2001, the economy had slowed, due notably to external shock. On the whole, the economy grew by 1.9%, led by the domestic demand expansion of 3.1%, which corresponded to a large public-sector deficit amounting to 3.5% of GDP in FY2001. This was because Thai exports in U.S. dollar terms contracted by 6.9% following a slowdown in the demand of Thailand's trading partners, in particular the United States and Japan.

6. In 2002, a number of government measures that had been introduced since 2001 bore fruit, assisted by a recovery in the external sector. The 5.2% economic growth was largely supported by the 4.4% growth in domestic demand, in line with the Government's policies and the financial sector restructuring. The recovery in the external sector was mainly attributed to the decline in net capital outflow that held up the baht against the U.S. dollar.

7. In the first half of 2003, the Thai economy remained strong despite a number of external shocks, particularly the U.S.-Iraq war and the outbreak of Severe Acute Respiratory Syndrome (SARS) in Asia. The impressive growth performance of the Thai economy was derived largely from the private sector, highlighted by private consumption, private investment, and exports.

8. For the first seven months of 2003, the export sector had shown robust performance. Exports increased by 18.1% to US\$44.6 billion, with computers and parts, garments, integrated circuits, and rice as major exports. Exports were forecast to grow by 10.58% in 2003. Imports were expected to reach US\$41.4 billion, a growth of 14.57%. Major imports into the country were electrical and industrial machinery, chemicals, and crude oil. The Thai economy was expected to grow by between 5% and 6%, with inflation between 1% and 2% in 2003.

9. Thailand's export destinations were concentrated in a few markets; the United States, the EU, Japan, and ASEAN made up almost 70% of the country's total export value. Exports to Thailand's secondary export markets, which constituted 14.5% of total exports, were likely to grow by 13.3%, with exports to Hong Kong, China rising 8.1%, Chinese Taipei 10%, South Korea 15%, Australia 16.5%, and Canada 20%. New export destinations, which represented 19.9% of the total export revenues, would also increase by 22.2%; the Indochina market could grow 19.9%, the Middle East 11%, South Africa 8.8%, South America 9%, Eastern Europe 9.7%, South Asia 9%, and China about 50%.

10. The Bank of Thailand formally adopted an inflation-targeting framework in May 2000 with the objective of ensuring transparency and efficiency. The use of monetary policy to maintain price stability fostered investment and sustainable growth. The Bank of Thailand chose to target core inflation, which excluded volatile raw food and energy prices, to move within the range of 0%-3.5%, which was consistent with inflation trend of Thailand's trading partners and the structure of the Thai economy.

11. In implementing monetary policy, the Bank of Thailand vested the Monetary Policy Committee (MPC), comprising the Governor, six Bank of Thailand executives and two advisers, with the power of setting the direction of monetary policy in order to maintain price stability. The MPC

was also responsible for adapting the inflation-targeting framework. Meanwhile, the system of managed float for the exchange rate coupled with inflation targeting worked well.

12. A Dual Track Development Strategy had been introduced to create more balanced growth and to lessen Thailand's relative exposure to adverse external shocks. It was a new alternative to replace the pre-crisis, low-value-added export model – the single-track East Asia Economic Model (EAEM) – which had been excessively dependent on FDI by multinational corporations (MNCs) and mass manufacturing. Such a dual-track option involved the simultaneous pursuit of certain types of mass manufacturing facilitated by FDI from MNCs, as well as the second track through the skill-driven small and medium enterprise model. The new paradigm aimed to lay a solid base for sustainable growth and stability by strengthening domestic activities and promoting linkages between the domestic economy and the world economy. Thailand remained open to foreign trade and investment and was ready to integrate itself into the world economy.

13. Thailand was supportive of a multilateral trading system and played a part in launching the Doha Development Agenda (DDA) that focused on the development dimension of trade, and greater market access with transparent and fairer rules.

14. With regard to investment, the Thai Government was committed to improving the overall investment environment. Thailand had sought to promote investment in high-value industries, namely agri-business, automobiles, fashion including textiles, leather and jewellery, and electronics.

15. The industrial sector grew 9% in the third quarter of 2002 compared with 6.8% in the second quarter. At present, the Government, through the Ministry of Industry, placed importance on the sectoral industrial development with specific strategies in each sector; for global industries, i.e. highly competitive industries in the world market such as food, fashion (jewellery and textiles), automotive, and electrical and electronics appliances, the specific strategy was to develop new products through R&D and create design, brand name, and country image; and for regional and domestic industries, i.e. fairly competitive industries in the world market such as agri-industry, chemicals, ceramics and glass, the strategy was to develop higher value-added in the value chain through R&D of Thai traditional knowledge, and technology transfer through linkage between large and small-scale industries and the cottage industry.

16. Trade policies of Thailand, a small and open economy, had been geared towards promoting exports by limiting export controls to a minimum. Thailand was restructuring tariff lines to further reduce applied tariff rates. At present, out of 5,505 tariff lines, Thailand applied tariff quotas to 23 agricultural products. The average applied tariff was 14.61% for WTO Members and 16.84% for non-members.

17. To increase its competitiveness, Thailand had initiated the restructuring of the tariff regime and customs procedures. Thailand's restructured tariff system, which should be completed by 2004, would have three primary tariff rates: 1% for raw materials, 5% for intermediate products, and 10% for finished articles.

18. Thailand had adopted the WTO Customs Valuation Agreement and thus the relevant rules under the Agreement were being applied. An electronic data interchange (EDI) system had been established by the Customs Department to reduce paper load.

19. To increase competitiveness, the Ministry of Agriculture and Cooperatives (MOAC) had undertaken research and development to apply the Good Agricultural Practice (GAP) method, i.e. the use of high yield crop varieties and proper fertilizers. In addition, the MOAC had set up the National Bureau of Agricultural Commodity and Food Standards (NBACFS), which was responsible for standardizing, inspecting, and certifying food and agricultural products. In the meantime, the MOAC had already set up the standard for 14 agricultural commodities, such as longan, orchid, Hom Mali

rice, lychee, and orange. With the efforts of agricultural development by the MOAC, the agriculture sector had been growing at an average rate of 3% annually. The agriculture sector would continue to play an important role as the main source of food supply and labour employment for the economy.

20. Investors' confidence had been boosted by the political strength and stability derived from policy continuity. The Government was continuing with economic and financial reforms necessary to increase the competitiveness of Thailand in the long term. The Alien Business Law of 1972 was superseded by the Foreign Business Act in 1999; the Act allowed more foreign participation in a wider range of activities such as brokerage services, wholesale and retail trade, construction, non-silk textile, garments, footwear industries, hotel, beverage production, and auction business. Both Thai and foreign companies were eligible, on a non-discriminatory basis, to apply for tax and non-tax incentives from the Government through the Office of the Board of Investment (BOI).

21. Thailand's key state enterprises, including those in key industries such as telecommunications, transportation, and public utilities, were being corporatized. At the same time, new business opportunities and improved human resources, resulting from the dual-track development policy, had greatly enhanced Thailand as an attractive foreign investment destination.

22. In the financial sector, banking and the capital market had been strengthened by all-encompassing regulatory and institutional reforms particularly in the spheres of prudential and corporate governance. The market value of the Stock Exchange of Thailand had increased three-fold, from US\$24 billion in 2001 to around US\$82 billion currently. Furthermore, the stock exchange index as of September 2003 had reached 660 points, up from 304 points in 2001, reflecting vibrant economic activities including investment in the secondary market.

23. The services sector had expanded continuously in recent years. The sector accounted for about 55% of GDP and about 40% of employment in 2002. However, the lack of methodological framework for statistical data collection was believed to have resulted in an underestimation of the contribution of services to the economy.

24. Although Thailand was a net importer of services, it had begun to exhibit a fair level of international competitiveness in certain sectors such as construction and related professional services, health services, and tourism services. Thailand also gave high priority to infrastructure services, i.e. financial, telecommunication, and transport services, as they were inputs to all business activities. Achieving efficiency in these sectors would greatly support the good functioning of the economy as a whole.

25. Precisely because of the existing gap between the current regulatory environment and business realities in the services sector, Thailand had been introducing regulatory reforms for several years. The effort had resulted in the introduction of new laws, as well as amendments to existing ones in order to catch up with developments in services. Liberalization was desirable only when the sector had in place an appropriate regulatory framework, a coherent package of legislation, and effective enforcement mechanisms. The introduction of the Telecommunications Business Act in November 2001, for example, allowed more competition in the previously tightly regulated market. The Act defined market access by types of telecommunications licence, licensing scheme, network interconnection, rights of way, tariff regulations, universal service obligation, and foreign participation. The National Telecommunications Commission, an independent body, was soon to be set up to regulate the telecommunications industry. In addition, the Extraordinary Committee (an *ad hoc* legislative body) was deliberating on the proposed amendment to increase the foreign equity limit from the current 25% to 49%.

26. Meanwhile further steps had been taken in liberalizing the financial services sector such as the relaxation of foreign equity participation in the securities segment.

27. Thailand recognized the importance of IP protection particularly in the area of copyright. It had dedicated considerable human and financial resources to eradicating the problem of piracy, both in the analog and digital means. The Thai authorities had introduced a package of legislation to protect IP rights. Thailand was stepping up its efforts to suppress IP piracy. Equipment used to duplicate copyrights was subject to import licensing. The number of confiscated pirated goods had risen to 2.3 million units in 2002. During the first six months of 2003, almost 4 million units of pirated goods were confiscated. The Royal Thai Police had also removed CD machines from 12 pirated CD factories to the police warehouse in order to eliminate further production and theft. Thailand was drafting a new law on optical disc manufacturing control, to prevent the infringement of software and other copyright works in form of optical media.

28. In an effort to increase the effectiveness and efficiency of the overall suppression of IPRs violation in Thailand, 13 government agencies had signed a Memorandum of Understanding on the Cooperation of Relevant Government Agencies regarding the Enforcement of Intellectual Property Rights. These agencies included the Royal Thai Police, the Office of Consumer Protection Board, the Customs Department, the Revenue Department, the Excise Department, the Department of Industrial Works, and the Department of Foreign Trade.

29. Public awareness remained one of the key challenges for long-term IP protection. Accordingly, Thailand had intensified its efforts to enhance awareness of the importance of IP protection. Since the end of the Uruguay Round, Thailand had revised and enacted several laws to comply with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Thus, the Thai Government had passed important legislation and amendments such as: the Copyright Act B.E. 2537 (1994); the Patent Act No. 3 B.E. 2542 (1999); the Protection of Plant Varieties Act B.E. 2542 (1999); the Trademark Act No. 2 B.E. 2543 (2000); the Protection of Layout Designs (Topographics) of Integrated Circuits Act B.E. 2543 (2000); the Trade Secret Act B.E. 2545 (2002); and the Geographical Indications Act B.E. 2546 (2003).

30. Thailand had been and would continue to be an active player in the multilateral trade negotiations. It had submitted a number of proposals in the areas of agriculture, rules, and DSU.

31. As an economy where agriculture played a significant role, Thailand attached great importance to the WTO's agriculture negotiations. The country was in favour of substantial improvement in market access, substantial reduction of domestic support, and elimination of export subsidies.

32. Thailand believed that bilateral/regional trade arrangements were complementary to the multilateral trade goals towards free trade. The average tariff on intra-ASEAN trade had been lowered to approximately 3%. Thai exports to ASEAN had increased at the rate of 20% per annum since 1992.

33. Thailand was firmly committed to effective implementation of AFTA. Currently, all product items (9,211) were under the CEPT scheme; tariff rates on those items were between 0% and 5%. Additionally, Thailand was committed to reducing 80% of all tariff lines down to 0% in 2007. After the completion of the CEPT scheme, Thailand was planning to work towards an ASEAN Economic Community (AEC) by 2020.

34. In 2003, Thailand had hosted the Asia Pacific Economic Cooperation (APEC) and would be actively supporting the advancement of the APEC's work, as the APEC continued to enhance the WTO process. The Meeting of APEC Leaders in October 2003 provided strong political impetus for progress in the DDA/WTO, significant particularly in light of the negotiating impasse resulting from the Fifth WTO Ministerial Meeting in Cancun in September 2003.

35. The Asia-Europe Meeting (ASEM) was officially established in 1996 in Bangkok. The principal goals of the ASEM were to establish a new and comprehensive partnership between Asia and Europe, to create favorable conditions for economic and social development of the two continents, and to maintain world peace and stability. The ASEM addressed three main pillars, i.e. politics, economics, and finance.

36. Towards enhancing sub-regional economic ties with countries to its west, including South Asian countries, Thailand had adopted a "Look West" Policy a decade ago. In 1997, the Declaration on the establishment of the Bangladesh-India-Sri Lanka-Thailand Economic Cooperation (BIST-EC) was launched in Bangkok. The membership was later extended to Myanmar. The BIMST-EC had been intended to serve as a crucial link between the nations of South Asia and South-East Asia.

37. Thailand was actively engaged in bilateral free-trade negotiations with many countries around the world, among which were Australia, India, Japan, Bahrain, People's Republic of China, Peru, and the United States. For Thailand, the multilateral trading system remained a priority. At the same time, regional cooperation was seen as an important instrument in complementing one another's strength and cushioning regional economies from external shocks. Thailand viewed free-trade agreements as a stepping stone towards free trade at the multilateral level as they allowed gradual increases in market access for FTA partners, while granting domestic industries time to adjust to the increased level of competition.

38. Evidence showed that the dual-track policy was working well for Thailand as a means to preempt any abrupt changes in future economic and trade policy directions. The Government would continue its government-assisted programmes at the grass-roots level. The efforts to strengthen the country and the region should not be construed as inward-looking policy; Thailand's remained open to foreign trade and investment. Thailand recognized that the country needed foreign investment and exports in order to thrive. In tandem with ongoing efforts to build an entrepreneurial class and strengthen the domestic economy, international trade policies would be implemented to help secure sustainable economic growth and improve the living standard of Thai people. Thailand was now working on all fronts – bilateral, regional and multilateral – to achieve meaningful market access for its goods and services.

39. The Government had also emphasized the enhancement of Thailand's competitiveness. A National Competitiveness Committee (NCC) had been established to develop strategies and implement measures to improve Thailand's competitiveness. As the country moved towards becoming a more knowledge-based economy, measures aimed at improving the education system, promoting innovation systems and R&D in firms, and investing in information communications technology (ICT) would be implemented. The Royal Thai Government would continue to pursue policies aimed at greater economic liberalization together with more sustained development at the grass-roots.



### III. STATEMENT BY THE DISCUSSANT

40. The discussant (Ambassador Seixas Corrêa) stated that following a period in which it had had one of the world's highest growth rates, in the 1980s and 1990s, Thailand had faced a severe crisis in 1997-98. Capital flight, the loss of foreign reserves and a large depreciation of the Thai baht had led to a severe recession. Real GDP had dropped 12%, unemployment had risen sharply, and the share of the population below the poverty line had also increased abruptly.

41. Thailand had responded to the crisis by carrying out a broad programme of economic reforms, including financial sector rehabilitation and trade and investment liberalization, which had helped to restore growth. To address the problems of corporate governance, Thailand had taken measures including enhanced accounting, disclosure, and auditing regulations.

42. As a result, during the period under the review (1999-03), Thailand's real GDP had grown by 4.4% in 1999, and 4.6% in 2000. Despite a slowdown in 2001, to 1.9%, GDP growth had picked up in 2002, when it reached 5.3%. At the same time, unemployment had fallen from 4.4% in 1998 to 2.4% in 2002. Since 2000, core inflation had remained within the target range.

43. The considerable surpluses of Thailand's current account, the substantial reduction of its total external debt – from 93.2% of GDP in 1998 to 47% in 2002 – and its increased international reserves (almost US\$40 billion) had contributed to reduce the external economic vulnerability of the country. However, public-sector debt remained high, largely as a result of the costs of financial restructuring and indebtedness of state-owned enterprises, including banks.

44. Thailand had liberalized its trade and investment regimes. Applied tariffs had been reduced since 1999 – despite the still high incidence of non-*ad valorem* duties and non-tariff barriers – and measures had been taken to improve customs procedures and to attract foreign direct investment. FDI, however, had not reached the pre-crisis level, which undoubtedly reflected global trends as much as the specificity of the Thai situation.

45. Overall economic prospects for Thailand looked positive. The Ministry of Finance projected growth of approximately 5% for 2003, propelled by domestic demand and exports. However, the sustainability of Thailand's economic recovery depended on continued macroeconomic stability and structural reforms, particularly fiscal consolidation and public debt management; these would contribute to restore the corporate and financial sectors affected by debt and non-performing loans left after the crisis.

46. The discussant asked what measures the Thai Government considered to be the most crucial for the continuance and sustainability of Thailand's economic recovery, and what had been the influence of external factors on Thailand's efforts to reduce its external vulnerability. Non-performing loans, which had reached 45% of total loans during the crisis, significantly improved, to 15.7% in June 2003, although this still represented a high proportion. He asked to what extent this situation represented a drag on economic growth, and what was the scope for a definitive resolution for this problem. He also sought information on how Thailand had coped with the regional imbalances that had arisen as a result of different rates of growth and development within the country, especially between the Bangkok region and the North East

47. Trade policy had not changed much since Thailand's previous Trade Policy Review in 1999. The strengthening of the domestic economy and integration to the global economy were at the centre of the Government's dual-track development policy. A major objective of Thai trade policy consisted in export growth, including the diversification of markets and a move to higher valued products, with increasing participation of the private sector.

48. In order to achieve those objectives, Thailand had to rely on the multilateral trading system. As a competitive agricultural producer, it would have much to gain from reform in agricultural trade. It therefore had a strong stake in the successful conclusion of the Doha Round. It was an original member of the Association of South-East Asian Nations (ASEAN). Moreover, Thailand was seeking to negotiate a series of bilateral preferential trading agreements. The discussant asked how Thailand saw its regional and bilateral trade initiatives in relation to its commitment to the multilateral trading system. He wondered whether the foreign trade authorities, such as customs and sanitary authorities, were equipped to handle several different import regimes simultaneously.

49. Thailand's trade and investment policies had remained fairly liberal, with efforts made to facilitate trade and improve market access, particularly in customs valuation and foreign direct investment. Tariffs continued to be an important instrument, not only of fiscal but also of trade policy. Over a quarter of all tariff lines were unbound, which reduced predictability for Thailand's partners as well as for Thai businesses. Non-*ad valorem* duties still accounted for 23% of all Thai tariff lines.

50. In order to facilitate trade, Thailand had adopted the EDI (electronic data interchange) and had introduced an Internet-based customs declaration system. Two laws had been amended in order to implement the WTO Agreement on Customs Valuation.

51. Government procurement played a role in economic policy, with preferences accorded to domestic suppliers. Import licensing and other border measures seemed to have raised doubts in the Secretariat with regard to procedures and their motivation. The Secretariat report also suggested that there was a lack of transparency in Thailand's tax incentives, which damaged public accountability and governance. The discussant asked whether Thailand's liberalization effort had contributed to a more competitive domestic market; whether liberalization had led to a significant change in the structure of Thai exports; what were the remaining barriers to trade; and whether Thailand favoured specific sectors in using government procurement as an industrial policy instrument.

52. Regarding agriculture, some Thai trade policy features could still be improved upon, such as non-automatic import licensing, existence of a small number of tariff rate quotas and single desk export monopolies. As to support to farmers, he noted that Thai policies were mostly targeted to low-income and resource-poor producers.

53. The energy sector was still the domain of state-owned providers. Reform of the electricity supply industry was one of the Government's policy priorities.

54. Clothing was one of Thailand's main sources of industrial export revenue. Under the WTO Agreement on Textiles and Clothing (ATC), exports of textiles and clothing were restricted by quotas. Under-utilization of some quotas by Thailand might suggest low international competitiveness or the effect of preferential agreements between its competitors and the major importers.

55. Financial sector reform, contributing to a better stability and performance of the financial system, had been fundamental to Thailand's recovery after the 1997 crisis. Thailand had unilaterally reformed some services, allowing higher foreign equity limits in banking, which remained reluctant, however, to extend credit. Several government institutions had been formed to help rehabilitate the financial sector, like the Asset Management Corporation (TAMC), which had been created to manage non-performing loans. The discussant asked how a positive outcome in the Doha Round on agriculture, i.e. elimination of export subsidies and substantial reduction of domestic support, would affect Thailand's agricultural trade policy, particularly in relation to border measures. He asked the Thai delegation to provide any additional information with regard to plans for reforming the energy sector and, in particular, any role envisaged for foreign energy suppliers.

#### IV. STATEMENTS BY MEMBERS OF THE TRADE POLICY REVIEW BODY

56. Members noted and appreciated their close bilateral relations with Thailand, particularly in regard to trade and investment. Many Members indicated that their bilateral trade and investment relationship had been strengthened since Thailand's previous Review in 1999.

57. Members welcomed Thailand's economic recovery after the 1997 Asian financial crisis, and commended the Thai Government for sound macroeconomic policies and reform measures, while resisting protectionist pressures and reinforcing its outward-oriented trade and investment policies. Members hoped that Thailand would continue and enhance its efforts to liberalize its trade and investment regime.

58. Members appreciated Thailand's active participation in and strong support for the multilateral trade system including the Doha Development Agenda and various committees. Some Members congratulated Thailand for its successful hosting of the APEC meetings in 2003.

59. Members looked forward to receiving answers to their written questions from Thailand.

60. The representative of Japan noted that several preliminary talks had been held on an Economic Partnership Agreement between Thailand and Japan. Japan was following the progress of Thailand's FTA negotiations with other countries and WTO-consistency of these proposed FTAs.

61. He noted that there was a high degree of unpredictability in Thai tariffs because only about 70% of all tariffs were bound, and the bound rates were considerably in excess of the applied rates. Japan asked Thailand to increase the number of its bound tariff lines, and urged to bind tariffs on transport equipment through the current WTO negotiations.

62. Japan was concerned about the implementation of the Price of the Goods and Services Act and the Trade Competition Act, and the role that they played with the Central Commission on Price of Goods and Services. Japan hoped that these competition laws were implemented in a fair and predictable manner, and that the Commission fully carried out its responsibility to maintain a fair competition environment.

63. Japanese companies in Thailand suffered serious losses from imitated products. He appreciated that the Thai Government had taken various actions to promote and enforce the protection of intellectual property rights (IPRs), such as through monitoring and carrying out raids on illegal operations, and hoped that Thailand would continue such efforts to combat the infringement of IPRs.

64. The representative hoped that Thailand, as one of the major beneficiaries of the multilateral trading system, would maintain agricultural policies that were fair and fully transparent to other Members.

65. On services, the Foreign Business Act of Thailand labeled juridical persons having 50% or more foreign capital participation as a foreigner. The representative hoped that this situation would be rectified. As for financial services, he believed that the relaxation implemented in 1997 of the foreign equity limits was still effective; this enabled foreign commercial banks to own shares up to 100%. He also hoped that Thailand would continue to make efforts towards further liberalization in the area of insurance services.

66. The representative of Switzerland considered that the Thai Customs Administration had gained in transparency and efficiency. Adherence to the Kyoto Convention could further contribute to progress made so far. The fact that applied (adjusted) rates might be increased above WTO bound rates, and the apparent responsibility of the importer to request taxation at the lower WTO bound rate seemed confusing. He encouraged Thailand to look into the matter and remedy the complicated

mechanism. In addition, the reasons for imposing specific product surcharges and their WTO justification were not clear.

67. In some cases the conditions attached to import licensing appeared equivalent to quantitative restrictions. Overall, the system of import licensing tended to be opaque and complex. Notification of the relevant import licensing legislation would contribute to full transparency.

68. In the context of food safety and BSE, Thailand was going beyond the recommendations of the competent international health organization. He wondered about the justification of import prohibition in such cases, and requested further information on the use and requirement of health certificates.

69. The representative of the United States applauded Thailand's active role in promoting regional trade liberalization through APEC and the ASEAN Free Trade Area (AFTA). Thailand had been an enthusiastic supporter of the AFTA process, through which ASEAN members had phased out tariffs a year ahead of schedule. It had also been a strong advocate of ASEAN integration, which would serve to enhance the attractiveness of the countries in the region as destinations for trade and investment.

70. The United States and Thailand agreed in 2002 to enhance their trade relationship through the signing of a Trade and Investment Framework Agreement. The leaders of the two countries announced in October 2003 their intention to negotiate a bilateral free-trade agreement in accordance with the procedures specified by their respective legislatures.

71. Thailand had relatively high tariff rates, particularly on agricultural products; the representative looked forward to hearing what steps Thailand was considering in this area. She was also interested in hearing whether Thailand was planning to reduce the tariffs it had increased on several products, including autos, in the aftermath of the financial crisis. She urged Thailand to remove non-tariff barriers, including licensing, registration and other requirements, which were non-transparent, restrictive, and trade distorting.

72. She commended Thailand on the steps it had taken in 2002 to strengthen intellectual property protection and urged it to continue to make progress in this area. She believed further comprehensive, coordinated, and sustained efforts in this area were necessary, and was interested in any legislative, judicial or enforcement steps the Thai Government anticipated.

73. She also welcomed the steps that Thailand had made to improve its customs regime, and requested information on how the Government intended to implement the recent amendments to its customs laws and to the Customs Valuation Agreement.

74. She urged Thailand to end its involvement in promoting certain sectors, and asked for Thailand's comments on privatization under consideration. She also urged Thailand to eliminate remaining service-sector barriers, including in financial services, telecommunications, energy, transport, professional, and asked whether Thailand was considering accession to the Government Procurement Agreement.

75. The representative of Canada noted that more than 25% of Thailand's seven-digit tariff lines remained unbound. Canada was concerned that this situation could lead to a lack of transparency and also to uncertainty for traders and investors, and encouraged Thailand to consider the potential benefits of binding its remaining tariff lines.

76. There had been a general decline of average MFN tariffs since 1999, while there were high tariffs on some agricultural product, such as feed peas. Thai farmers would not be adversely affected by a decrease in tariffs on feed peas, which was not domestically produced. Rather, Thai farm-animal

producers would benefit from lower feed costs. He requested an explanation of why Thailand maintained the high tariff on feed peas and whether there were plans to reduce it.

77. He was interested in learning more about Thailand's Master Plan for Telecommunications Development. There appeared to be delays in the establishment of an independent regulator. He requested an update on the status of the selection process and a time-line for the establishment of the National Telecommunication Commission.

78. The representative of Norway hoped that Thailand would bind more of its customs tariffs on goods (including fish) to the corresponding applied rates. This would increase predictability. He believed that, based on Thailand's strong economic performance, the country would benefit from a reduction in duties for industrial products.

79. The general increase in the use of anti-dumping actions among Members, both in the number of actions taken and the number of countries resorting to the instrument, was of concern to Norway. The present anti-dumping rules contained weaknesses and some of the provisions lacked clarity that had led to abuses. Stricter rules for the use of anti-dumping instruments were therefore a main priority for Norway in the WTO negotiations and an objective shared by the FAN's group in which Norway and Thailand participated.

80. Thailand was apparently in the process of making key decisions on several regulatory issues that were vital for the future development of its telecommunications sector. He believed that Thailand would benefit from making the transition to a non-discriminatory and transparent regulatory regime for the telecommunication sector as soon as possible. Specifically, by abolishing limitations on foreign ownership and monopolist privileges, Thailand would create a better environment for attracting investments to the sector. This would also contribute to continued economic growth, stimulate increased competition, and thereby bring better and cheaper telecommunication services. He asked about the current timetable for the liberalization of the telecommunications market in Thailand and when the concession contracts for private operators would be converted into licences. He also requested information on the conditions and possible restriction on participation by foreign registered vessels in transports of cargoes owned or financed by government agencies.

81. The representative asked whether taxation measures that stimulated the use of Thai flag vessels had been removed, and requested information on bilateral agreements containing cargo-sharing clauses. He also requested information on the percentage limitations on foreign equity in companies that registered vessels under Thai flag and were engaged in domestic maritime transport.

82. The representative of Chinese Taipei was particularly concerned about Thailand's safeguard measures against steel imports, its high levels of tariff on processed food products, and the regulations applying to foreign banks operating in Thailand, and looked forward to responses to relevant written questions submitted.

83. The representative of Hong Kong, China stated that bilateral relations between Thailand and Hong Kong, China on investment would be further strengthened with the coming conclusion of the Thailand-Hong Kong Investment Protection and Promotion Agreement. He commended Thailand for implementing a series of tariff reductions since 1999. Nevertheless, there was room for Thailand to further improve its tariff regime. Tariff rates were still fairly high, with the average bound rate at 28.4% and average applied rate at 14.7%. About 47% of tariff lines were subject to applied tariffs above 10%. There were also wide gaps between the bound and the applied rates. Non-*ad valorem* tariffs, applied to about 23% of tariff lines, introduced some unpredictability to the tariff regime. Tariff escalation was significant in a number of sectors such as food products, textiles, leather products, wood products, and paper products. He encouraged Thailand to keep up its efforts in improving its tariff regime, particularly on these aspects.

84. Thailand imposed import restrictions on a number of products; some of these licensing or prohibition measures were applied for economic reasons, such as to protect infant and domestic industries. Furthermore, the Board of Investment could request the Ministry of Commerce to ban the import of goods that competed with those produced domestically. He considered that import licensing and prohibition measures should not be applied for protectionist purposes, and urged Thailand to review these measures with a view to liberalizing the restrictions concerned.

85. The representative of Indonesia, speaking on behalf of ASEAN noted that Thailand recorded a substantial trade surplus in services, whose share in GDP was 3.9% in 2002, due mainly to transportation and tourism. Few developing countries enjoyed a surplus in its services account. Thailand had unilaterally reformed various service sectors. There were greater FDI inflows and further liberalization. Foreign equity limits in the banking sector had been increased and there was greater private-sector involvement in the transport sector, including the envisaged sale of 23% of Thai Airways International. He also applauded steps taken by the Government of Thailand to abolish most local-content and export-performance requirements, including those attached to incentives for new investment. This signalled the more proactive approach the Government was taking towards industrial policy and the pursuit of improved competitiveness. Customs procedures had also been improved.

86. The representative of New Zealand welcomed Thailand's reforms in the financial sector, competition and investment environment, and corporate governance. While Thailand's dual-track policy was aimed at providing the highest standards of living possible to the people of Thailand, trade-distorting policies could pose a risk to sustainable development. He encouraged Thailand to ensure that resource allocation reflected the country's comparative advantage and delivered the best possible outcome to consumers.

87. He believed that one of the best means of alleviating poverty was through greater liberalization of world trade, particularly trade in agricultural products, which tended to dominate the production output of the world's poorest people. The resumption of negotiations under the DDA, and an ambitious outcome on agriculture in all three pillars of market access, domestic support, and export subsidies, could act as a significant catalyst for achieving further growth and development for many developing countries.

88. He considered that there was scope for the Thai economy to further realize its potential by extending reforms to all sectors of the economy, including agriculture, where tariffs remained disproportionately high.

89. In the area of regional trade agreements, Thailand was playing a pivotal role in the Asia region. New Zealand supported such agreements as important building blocks for a more open international trading system, and agreed that they could be an effective catalyst for liberalized trade, provided that they were consistent with WTO principles and were a complement, rather than a substitute, for the multilateral system and APEC's Bogor goals. He looked forward to beginning negotiations with Thailand on a closer economic partnership.

90. The representative also mentioned the usefulness of the Trade Policy Review Mechanism in promoting discussions with regard to regional integration, the relationship between openness and external shocks, and capital market supervision.

91. The representative of the European Union noted that the short-term challenges had been discussed during Thailand's last Trade Policy Review in 1999; most of these challenges had been dealt with. Thus, it seemed more appropriate to address in the current Review the medium and long-term challenges faced by Thailand.

92. The core of Thailand's current challenge was how to ensure growth and sustain the positive path of development in the long-term. Global, regional, and bilateral trade was important for achieving this goal. However, as long as a number of domestic policies remained as obstacles to trade, such further liberalization would only cast partial benefits. Consequently, Thailand should proceed with removing such obstacles while promoting systems and frameworks that could ensure benefits for the people of Thailand at large.

93. A number of sectors of the Thai economy would benefit from further liberalization. Thailand should also increase administrative capacity to ensure implementation of agreements and domestic reforms. A strong administration could ensure that reforms and regulations were carried out in the interest of Thailand at large and not individual companies affiliated with the administration.

94. Thailand would benefit greatly in the long run from further improving its external trade regime e.g. through greater tariff transparency, introduction of competition laws and simplification of investment laws. It was of considerable importance that Thailand respect its obligations to end export subsidies on industrial goods, in line with the SCM Agreement.

95. Thailand had been a great promoter of trade-liberalization; it had been strongly committed to do so in ASEAN, ASEM and APEC, and in its bilateral relationship with the EU. These bilateral and regional trade arrangements, compatible with the rules and obligations of the WTO, were an important tool for promoting trade also among developing countries; they would become beneficial for continuing growth and development in Thailand. However, they could not replace the benefits of global trade and the need for continuing liberalization in the context of the WTO in order to globally combat and alleviate poverty in all developing countries.

96. A number of issues in the Doha Development Agenda would be truly beneficial for Thailand. Agreements on government procurement and trade facilitation as well as investment and competition would be of great value to Thailand; agreements on government procurement and trade facilitation would help the government to strengthen its administrative capacity and ability to carry out its trade policy; agreements on investment and competition would, among many benefits, provide a global framework for Thailand for increasing foreign investment and for initiating work on competition policy, which was vital to ensure a strong market economy in the long run. Thailand would also benefit from liberalization for both industrial and non-industrial products as well as services.

97. A number of developing countries were substantially poorer than Thailand and were not on the same path of development. These countries might require greater preferences and assistance to adhere to or even to participate in global trade for a truly limited gain. He hoped that Thailand would do its utmost to ensure that least developed countries were given a fair chance to engage in global trade. In this regard, he was pleased that Thailand lately, together with other countries, had restated its wish to address the global needs of countries much less developed and in a much more difficult situation.

98. The representative of China welcomed Thailand's further abolition of licensing measures for some imports and exports, and streamlining and speeding up of its customs clearance procedures for certain products since its previous Review in 1999. Thailand was leading the negotiations on China-ASEAN Free-Trade Area, and the Governments of China and Thailand had agreed to establish a Joint Committee on Trade, Investment and Economic Cooperation at the level of Deputy Prime Minister.

99. The representative of Brazil commended Thailand's ambitious domestic reforms, specially the restructuring of its financial sector and the strengthening of the institutional framework.

100. The representative of Australia complimented Thailand on the early repayment in 2003 of its outstanding obligations to the International Monetary Fund (IMF) under the 1997 Stand-By Arrangement. Negotiations with Thailand on a bilateral free trade agreement, the Australia Thailand

Closer Economic Relations Free Trade Agreement, were concluded in October 2003. Australia would continue to work closely with Thailand in many international fora, including in APEC, the Cairns Group and the Global Sugar Alliance. Australia and Thailand shared a strong commitment to securing comprehensive agricultural trade reform. He hoped that the momentum generated by Thailand's economic reforms would be reflected in a willingness to embrace ambitious outcomes across all of the market access elements of the Doha mandate, especially services and non-agricultural market access.

101. The representative of Colombia noted his country's shared interest and concerns with Thailand in various areas of negotiation, especially in agriculture. The institutional restructure and measures targeted at improving Thailand's product competitiveness were moving forward. Advances had been made in reforming the tariff structure. He wished to know more about institutional experience in Thailand and the various regimes that had come out of different commitments at regional, bilateral and multilateral levels.

102. The representative of India was encouraged to note the successful stabilization of the economy following reforms. The Asian financial crisis of 1997 had posed an enormous challenge for the country: several economic indicators had reached their lowest levels in ten years, the GDP growth rate had dropped from 5.9% in 1996 to -0.5% in 1998. The dual-track approach, combining a renewed emphasis on strengthening the economic fundamentals and reinvigorating the social sectors, while simultaneously retaining the outward thrust of the economy, to benefit from competitive synergies globally, had led to quick economic recovery.

103. The Trade Agreement of 1968 currently provided a broad framework to govern the trade relations between the two countries. There was also a Joint Business Council (JBC), which provided a forum for the business communities of the two countries to maintain a continuous dialogue. They were also engaged in the process of creating a deeper bilateral trade agreement.

104. The representative of Argentina appreciated Thailand's continuous efforts for trade liberalization and facilitation, particularly with regard to customs valuation. However, it would be desirable for Thailand to further simplify tariffs, increase tariff bindings, reduce bound and MFN applied rates, and ensure greater transparency with regard to the import licensing regime. In regard to Thailand's plans to eliminate barriers to investment as well as local-content and export-performance requirements, he asked for comments from the Thai authorities.

105. Argentina shared Thailand's goal of achieving a multilateral trading system based on rules that guaranteed market access to promote economic development and employment, and, among others, efforts to liberalize agricultural trade and elimination of subsidies and domestic support. He hoped that these would not be replaced by new obstacles that might weaken WTO rules.

106. The representative of Hungary complimented the Thai Government for its commitment to openness and the structural reforms undertaken to facilitate foreign trade and the investment. In 2002, Hungarian exports to Thailand amounted to US\$28 million while Thai exports to Hungary were at US\$256 million; he hoped to decrease this imbalance and was interested in further liberalization of Thailand's import regime and in the decrease of MFN tariff rates, especially on agriculture, where there was relatively high tariff protection in selected foodstuffs. He asked for further information regarding the completion of the restructuring of the tariff system of Thailand, and the reasons for delay in its implementation.

107. The representative of the Czech Republic stated that Thailand's economic vulnerability to international factors had declined and Thailand's share in major export markets was relatively stable. However, the corporate and financial sectors were still burdened by debt and loans left after the crisis. Excess capacity in manufacturing remained as a result of over-investment in the past. Further opening of the economy would help to finish structural reforms and install macroeconomic stability.



108. Trade and investment liberalization was an important part of the Thailand Government's approach, aimed at strengthening the economy; it helped to improve competitiveness, promoted economic growth, and alleviated poverty. In complementing multilateral liberalization, Thailand as an APEC and AFTA member was engaged in regional trade liberalization and developed its bilateral trade agreements and free-trade area in the framework of regional trade links. Restrictions on foreign direct investment in some activities had been reduced and the investment regime of Thailand was viewed as generally liberal.

109. Thailand seemed ready to contribute to the process of further liberalization, covering also trade in agricultural products. This was a very encouraging sign, as the Thai tariff protection of selected agricultural products remained relatively high. On average, it was 25.7% and was much higher than the average applied tariff for non-agricultural imports.

110. As for some selected manufacturing sectors, Thailand had refrained from introducing new means of import protection. However, tariffs on certain industrial products had been increased. In the energy sector, monopoly of state-owned enterprises did not provide sufficient incentives for improvement of productivity.

111. The representative of the Slovak Republic stated that Thailand was committed to trade and investment liberalization as a means of improving competitiveness and thereby promoting sustainable economic growth and alleviating poverty; this was the best way to achieve these goals. While international factors would continue to influence Thailand's growth prospects, through export performance and capital inflows, the maintenance of fiscal discipline and further improvement in market access as well as progress in privatization and regulatory reforms were required if recovery was to continue.

112. The tariff remained the main instrument of Thailand's trade policy, with a relatively high level of protection. Thailand's MFN tariffs were high by regional standards, with the average MFN tariff rate at 27.2% for industrial goods and at 33.1% for agricultural products. The tariffs in agriculture presented a contrast between the Cairns Group liberalizing approach to agriculture trade and the relatively high tariff protection of selected foodstuffs. Furthermore, 26.1% of the tariffs were unbound, and the bound rates were often higher than applied rates; this could imply a high degree of unpredictability in tariffs. He wished to encourage Thailand to pursue a more liberal regime in this area.

113. Thailand's system of import licensing appeared to be cumbersome, and, in some cases, equivalent to quantitative restrictions. He asked whether import restrictions for economic purposes had had a positive impact on Thailand's development.

114. The representative of the Republic of Korea commended Thailand for its pursuit of its economic reform programme; the efforts by the Thai Government to reinforce the increasingly outward-oriented trade regime had been the key to the revival of growth after the 1997 Asian financial crisis.

115. Thailand maintained anti-dumping duties on six products from WTO members including the Republic of Korea. He hoped that Thailand would be cautious about using anti-dumping measures, given the damage to foreign exporters.

## **V. REPLIES BY THE REPRESENTATIVE OF THAILAND AND ADDITIONAL COMMENTS**

116. The replies by the representative of Thailand were divided into three main themes: economic environment, trade policies by measure, and sectoral issues. They were based on written responses, which were circulated to Members. Thailand would provide answers to any outstanding questions at a later date. Following the replies, the Chairperson opened the floor to TPRB members for further comments and questions.

### **(i) Economic environment**

117. The representative of Thailand stated that, regarding the influence of external factors on Thailand's policy initiatives, Thailand's policy had always been outward looking and such exposure had been one of the factors that had adversely affected the vulnerability of Thai economy. The 1997 financial crisis was the starting point that led to immense and long-term reforms in the financial sector in the areas of monetary policy, supervision of financial institutions, corporate governance, and internal risk-management.

118. Against the backdrop of higher level of competition in the world market and limited growth prospects in the latter part of the 1990s, Thailand's trade policy had shifted towards expanding its traditional markets and seeking new markets for Thailand's exports as well as improving its competitiveness.

119. Recently, the validity and effectiveness of the Thai Government's economic policies had been tested to the extreme by a series of international events that had severely hampered its efforts for recovery. The unfortunate and terrible 11 September incident followed by the Bali bombing had shaken investor confidence, and the subsequent outbreak of SARS and the Iraq War had further worsened the trade and investment environments in the region.

120. As a response to such events, the current administration had initiated several key policies aimed at rejuvenating domestic demand to offset global economic slowdown, which also had affected the local economies. Most crucial for continued and sustained economic growth was the Dual Track Development Policy, in which domestic-led growth, focusing on tackling poverty, rural development, and strengthening grass-roots local economy, was coupled with an open-trade regime.

121. As such, Thailand's effort to limit the exposure to adverse external forces could be reinforced by the Asian Bond Market Development Initiative to promote stable and efficient financial markets within the region.

122. Equally important was the country's continued active engagement in the multilateral trading forum. Therefore the reinvigoration of the Doha Round negotiations was on top of the policy agenda.

123. On the concept of domestic-led growth, the dual-track policy actually promoted coexistence of social objectives and capital management, thus aiming to enhance Thailand's comparative advantages in the advanced sector and, at the same time, strengthening and improving economic livelihood of rural and resource-poor producers.

124. Initiatives within the dual-track policy aimed at distributing the benefits of economic development to the rural areas included: the "One Tambon One Product" (OTOP) (a Tambon was a rural community bigger than a village); revolving village funds; farmers' debt moratorium; and suspension of interest payments for a period of three years for small-scale farmers and the like.

125. It was these encompassing measures that would create new entrepreneurial activities in the rural areas and thus narrow the income distribution gap between urban and rural areas, particularly in

the North-East region of Thailand. The take-up of the village funds was large in the North-East where almost two thirds of the poor lived. It was very encouraging to see that the poverty headcount in the North-East fell from 28.1% to 17.9% between 2000 and 2002.

126. On public management, the Public Debt Management Office (PDMO) was established in 1999 to ensure a coherent management of public debt. The Office was tasked to formulate an overall policy on public debt management, oversee and manage risks, issue and manage debt instruments, and set up an information database for public debt management.

127. The Public Debt Management Office would seek loans in response to government policy and manage public debt based on borrowing cost minimization within an acceptable risk profile. The Office also attempted to promote not only the efficiency of fund-raising and competitiveness of the country in the international capital market but also acceptance of the country's credit rating.

128. Thailand's economic expansion, as evidenced by a 5.3% GDP growth in 2002 and an expected growth for 2003 of around 5%-6%, continued, despite the existence of remaining non-performing loans (NPLs) within the system. Furthermore, financial institutions had already returned to profitability since 2001. The majority of remaining NPLs within the system was already in the court process. However, the court process remained slow due to such factors as: insufficient resources within the courts to adjudicate the high number of cases; and the ability of debtors, under the foreclosure law, to delay the foreclosure procedure by rejecting the appraised value of their collateral. As a response to the latter, the relevant authorities were in the process of amending key laws and regulations in order to speed up the foreclosure process by allowing the debtor to reject the appraisal value only once.

129. In terms of non-performing assets (NPAs), the authorities were in the process of deliberating ways in which the state-owned Asset Management Corporation (AMC) could purchase assets from commercial banks and other AMCs, thereby further lessening the NPA burden of financial institutions.

130. The discussant commended Thailand's position as a role model for developing countries faced with a similar situation in respect of how to implement policies for stabilization and further development as well as harmonization. He asked for Thailand's view on the question of FDI flows, which had also been an important element in any development and in a stabilization process. He asked whether Thailand believed that the multilateral framework for investment that had been discussed in the WTO would be an important tool for this?

131. The representative of Thailand replied to the discussant that the country participated quite actively in the discussion related to investment in the working group on investments. What was very important to developing countries was that there needed to be a balance between calculations for the host countries and for the investors. If such balance existed, it would be a help for developing countries.

## **(ii) Trade policies by measure**

132. The representative of Thailand stated that although Thailand's priority was to push towards progress in the multilateral trading negotiations, FTAs could be an effective catalyst for free trade as well as an essential building block for the multilateral trading system. In this manner, Thailand actively sought to ensure that the FTA arrangements were consistent with WTO provisions so as to benefit the WTO process and Members as a whole. Thailand ensured that in formulating these FTA negotiations, the principle of "substantially all trade" stipulated in the relevant provisions of the WTO Agreements would be adhered to. All goods were to be included in the negotiations, with few exceptions.

133. In the long run, trade liberalization had changed the structure of Thai exports in that it increased the percentage share of industrial exports in total exports at the expense of agricultural exports. Perhaps trade liberalization in the past had been focused on industrial products rather than on agricultural products in a meaningful way. She hoped that agricultural trade liberalization under the DDA would be substantial enough to catch up with that in industrial sector; she also hoped that the conclusion of the DDA would help Thailand to concentrate on the production and exportation of products in which it had comparative advantage, and import more products in which it lacked such advantage, for example, soya bean, wheat, dairy products, and meat. Another interesting development through trade liberalization was that the proportion of the services sector to the GDP had increased markedly and particularly those in which Thailand possessed comparative advantage, such as tourism, transportation, and newly developed healthcare services. She was hopeful that the implementation of the DDA might result in higher percentages of agricultural and services exports in Thailand's total exports.

134. With regard to the issue of the Thai authorities' capacity in handling several import regimes simultaneously, it had to be admitted that a certain degree of difficulty could be experienced by the relevant agencies in implementing various regimes due to lack of skill and experience, especially during the first year of implementation. This included insufficient infrastructure in terms of hardware and software. However, over time, with technical and financial assistance, Thailand could successfully overcome these structural obstacles and inadequate institutional capacity. The issue of an increasingly harmonized SPS regime, coupled with 0% tariff with Thailand's FTA partners, could with time simplify and alleviate institutional capacity concerns for both sanitary and customs valuation authorities.

135. On customs procedures, Thailand had made every effort to ensure that not only regulations the passed under the Thai legal infrastructure but also the practical implementation of those regulations were carried out in an effective manner, consistent with its commitments under the WTO.

136. With regard to tariff bindings, Thailand supported 100% tariff binding on industrial products under the DDA negotiations. The average high tariff rates on Thai agricultural products were necessary to ensure the level playing field as the major developed countries were still hesitant to eliminate their export subsidies and trade-distorting domestic supports. The agreement on substantial agricultural trade reforms under DDA would definitely make it possible for Thailand to substantially improve its market access for agricultural imports.

137. With respect to non-*ad valorem* duties, Thailand supported the conversion of all non-*ad valorem* into *ad valorem* duties for all products, both agricultural and non-agricultural. She wished to point out that the change of HS 1996 to HS 2002 had produced the unintended effects of increasing the proportion of tariff lines with non-*ad valorem* duties to the total, while in reality, it had not increased the utilization of non-*ad valorem* rates of duty.

138. Thailand aimed to use export licensing as a means to protect its environment and scarce natural resources, and not as a tool to prohibit trade.

139. As an export-oriented economy Thailand's policy was to limit measures affecting exports to a minimum. However, it had to maintain certain export-related measures in order to monitor the flow of certain strategic goods, as well as to protect its exhaustible natural resources.

140. On government procurement, public sector reform in 2002 had resulted in major changes to government structure and responsibilities. As a result, responsibilities for government procurement had been transferred to the Ministry of Finance, which planned to develop a Public Procurement Management Master Plan be considered within 2003 by the Government. This would be used as a framework to improve government procurement as a whole, including improvements in transparency

and open effective competition, the concept of value for money, accountability and due process, as well as non-discrimination.

141. On IPR, Thailand realized the importance of making progress in eradicating the problem of piracy as well as increasing public awareness in order to ensure sustainable success in intellectual property protection. For questions on legal, educative and enforcement arenas, as well as future plans for sustaining the momentum of the programmes, the representative invited Members to refer to Thailand's written answers for a more detailed explanation.

142. The discussant stated that Thailand was addressing in a very balanced way what had been the present tendency to see an ideal situation between the multilateral trading system and bilateral or regional trade agreements. As Members had experienced difficulties in effectively launching the Doha Round negotiations, this question was very much on the agenda; many countries were looking for arrangements or solutions in the regional sphere or bilaterally to energize their trade, while the Doha Development Agenda remained a sort of a question mark in terms of the original time table.

143. Multilateral and bilateral/regional systems were sometimes considered as alternatives. However, what the Thai Government was pursuing was to encourage them to be perceived complementary. They were mutually supportive because a multilateral system without a network of underlined trade agreements, both in the regional and bilateral spheres, would lack dynamism and would tend to be minimalist in many respects. A system where dynamism was generated by bilateral or regional trade blocks without an overarching multilateral trading structure would not necessarily lead to further trade liberalization but might even lead to certain protectionist attitudes and to trade conflicts. If there were trade conflicts in a context where the multilateral sphere was weakened, there would be less capacity for the settlement of disputes. A good balance between the multilateral and bilateral/regional systems was therefore necessary.

144. The representative of China requested clarifications on one question on SPS, and wished to exchange views bilaterally for a better understanding between the two countries.

145. The representative of the United States noted that some U.S. questions particularly on food product registration and requirement, were apparently not answered, and asked Thailand for clarification. She also had questions on the Customs Department's acceptance of the declared value in invoice as the transaction value, and under what circumstances this was not deemed acceptable. She requested further clarification on where Thailand deviated from the rule of transaction value.

146. The representative of Thailand stated that the questions raised by the United States were very detailed; the two countries' customs officials were having discussions and Thailand was ready to explain to the United States in detail to the extent possible.

### (iii) Sectoral issues

147. The representative of Thailand stated that agreement on substantial agricultural trade reform under the DDA would help Thailand improve measures not conducive to trade, as it would have less pressure to protect its uncompetitive products. With high trade distortions in world agricultural trade, Thailand could not be certain in which products it had or did not have comparative advantage. For the time being, Thailand was obliged to implement faithfully the existing Agreement on Agriculture.

148. Thailand had been and would be an active participant in services negotiations. Consequently, Thailand was committed to further liberalization in several services sectors.

149. The overall objective of Thailand's energy strategy was to integrate its four aspects: the Strategic Plan for Energy Efficiency; the Strategic Plan for Renewable Energy Development (New Options for Thailand); the Strategic Plan for Energy Security Enhancement; and the Strategic Plan

for Thailand to be the "regional energy centre", so as to strengthen the security of the national energy supply and to increase Thailand's competitiveness. Given Thailand's geographical advantage, existing large-scale domestic energy market and expertise in energy sector, existing energy capacity and infrastructure, and opportunities to expand energy trade to other countries within the region, Thailand had the opportunity and capacity to function as the regional energy centre. Being the regional energy centre would contribute to Thailand's access to energy supply and hence reduce the risk of supply disruptions. Some of the measures associated with this objective included:

- (a) Reviewing the taxation system and structure to eliminate duplication of tax collection and barriers to oil trading, and establishing the free zone (FZ) to facilitate overseas oil trading in line with international standards.
- (b) Developing the power transmission network, the natural gas pipeline network, and the networks for other energy types, including international cooperation and cooperation between public and private sectors, and government to government collaboration so as to create joint-ventures in natural resource development and efficient joint-utilization of energy infrastructure, especially in the power generation and distribution.
- (c) Developing the "strategic energy landbridge" in southern Thailand linking the oil production sources and oil transportation from the Middle East and South Asia to East Asia. The project involved the building up of an underground oil pipeline and the setting up of an oil stockpile depot system. This would require joint venture between oil consumers and producers such as Japan, Korea, People's Republic of China, and India, so as to strengthen regional energy security.
- (d) Optimizing the capacity of the existing energy infrastructure and promoting oil transportation via existing pipelines, connecting the north-northeast oil pipeline transmission systems, and supporting the intra-regional connection of transport modes, whether by land, by rail or by waterway, linking up to the southern part of People's Republic of China so as to expand the energy market to neighboring countries.
- (e) Encouraging integration/merger among domestic producers in order to create economies of scale in the petrochemical business.

## **VI. CONCLUDING REMARKS BY THE CHAIRPERSON**

150. This fourth Trade Policy Review of Thailand has undoubtedly contributed to a better understanding of recent developments in its trade and trade-related policies. Our discussion has been facilitated by the informative contribution of Ambassador Puangrat Asavapisit and her delegation as well as by the incisive comments of our discussant, Ambassador Seixas Corrêa.

151. Members noted Thailand's prudent macroeconomic policies, trade liberalization and structural reforms, including those in the financial and corporate sector, and encouraged the authorities to continue with this approach, which has contributed to the steady development of the economy since the previous Review in 1999.

152. Members commended Thailand on its active participation in the multilateral trading system, including its support for the Doha Development Agenda. Noting that Thailand has become more involved in bilateral/regional trade initiatives, some Members enquired about the likely impact of these arrangements. In this context, they asked how Thailand intends to deal with the added complexity that the resulting rules will entail for its trade regime and the compatibility of these arrangements with the multilateral trading system.

153. Members encouraged Thailand to continue reforms, including improvements in customs procedures and liberalization of foreign ownership restrictions. Members expressed concern about relatively high tariffs faced by their exports to Thailand, particularly in agriculture; they called for greater transparency in the tariff regime, reduced tariff rates and tariff escalation, and a narrower gap between bound and applied tariff rates. Members also encouraged Thailand to increase the transparency of its import licensing regime.

154. While noting various new laws and regulations on the protection of intellectual property rights, Members encouraged Thailand to continue its efforts to combat the infringement of these rights. Some Members sought clarification of developments concerning Thailand's regulatory regime for the telecommunications sector.

155. Members also sought clarification on other issues, notably: domestic regional imbalances; contingency measures; standards and SPS; government procurement; local-content requirements; export duties and controls; investment incentives; subsidies; privatization; competition policy; liberalization of trade in agriculture and fisheries products; and reform of the energy and various other services sectors.

156. Members expressed their appreciation of the oral and written responses to their questions as provided by the Thai delegation; they looked forward to receiving answers on any outstanding questions.

157. This brings us to the conclusion of our fourth Review of Thailand. The large number of advance questions, the many interventions and the high level of attendance indicate the important role that Thailand plays at the WTO. In this context, I would encourage Thailand to continue to strongly support, as it has up to now, the multilateral trading system.

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