

**REQUEST BY THAILAND UNDER THE PROVISIONS
OF ARTICLE 5.3 OF THE AGREEMENT ON
TRADE-RELATED INVESTMENT MEASURES**

The following communication, dated 2 May 2000, has been received from the Permanent Mission of Thailand.

The Government of Thailand, pursuant to Article 5.3 of the Agreement on Trade-Related Investment Measures (TRIMs Agreement), requests an extension of the five-year transition period referred to in Article 5.2 of the TRIMs Agreement of the measure herein specified.

Notified TRIMs

In its communication dated 30 March 1995, appears as document G/TRIMS/N/1/THA/1, Thailand notified the following categories of TRIMs pursuant to Article 5.1 of the TRIMs Agreement:

1. Local content requirement for domestically assembled motor vehicles and engines for automobile and motorcycle, and,
2. Local content requirement for the manufacture of milk and dairy products.

Request for Extension

Coverage

This request for extension covers one category of the above-notified TRIMs, namely, the local content requirement for the manufacture of milk and dairy products.

Period of extension requested

until 31 December 2004

Basis

In 1995, Thailand notified the WTO Committee on Trade-Related Investment Measures of certain investment laws and regulations that were related to trade, as well as the products concerned. Since then, the Thai Government had taken necessary steps in ensuring progressive structural adjustment by gradually bringing these measures into conformity with the WTO Agreement. As a result, local-content requirements for the assembly of motor vehicles and engines had been abolished as of 1 January 2000. However, Thailand is experiencing particular difficulties in eliminating the measure regarding local-content requirement for the manufacture of milk and dairy products, taking into account its development, financial and trade needs.

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A number of factors, both external and internal, have affected Thailand's transitional process for the elimination of TRIMs as notified. During the transition period, Thailand had gone through the worst crisis in its history, severely setting back its economic and development goals. The Asian Financial Crisis, which started in Thailand in 1997, resulted in a setback, creating difficulties in implementing appropriate structural adjustment for the sector concerned within the time frame envisaged in the TRIMs Agreement. Furthermore, the resulting impact on domestic factors, such as rising unemployment and the need to rely on agriculture sector to help absorb and cushion the impact from the crisis inevitably prevented the government from being able to eliminate the measure as scheduled. This is particularly so as Thailand is an agrarian-based society.

Over the past decade, dairy farming offered a much-needed alternative for small-scale rural farmers in Thailand as a means of livelihood. Under the present condition in which trade-distortive practices continue to be employed in agriculture trade, locally-produced raw milk by Thai farmers has to compete against imports, whether like or directly-competitive products, including those which benefit from export subsidies. Under the present condition, elimination of the measure would leave local farmers vulnerable as it would have detrimental impact on their livelihood, the implication of which could further undermine social stability and the development efforts of the country.

The request for extension of this measure is without any intent or purpose to impede or diminish market access opportunities for agricultural products of particular interest of some Members. The implementation of market access commitments via tariff quota administration, in particular for dairy products, provides concrete evidence that Thailand's domestic market for agriculture continues to be progressively liberalized in accordance with the objective the WTO Agreement.

Lastly, notwithstanding the severity of the crisis and despite having to operate under such unfavourable conditions, it should be noted that Thailand has successfully demonstrated its commitments in keeping with the obligations regarding the elimination of other trade-related investment measures with respect to the automotive industry. This underscores Thailand's unwavering commitment to implement its obligations under the TRIMs Agreement in good faith. Such meaningful and significant progress should be duly recognized, while acknowledging Thailand's continuing efforts in working towards successful elimination of the remaining measure.

This request for an extension of the remaining trade-related investment measure is thus based on the need for more time to effectively carry out structural adjustment in order that Thailand can ultimately bring the sector fully into line with the commitments under the TRIMs Agreement. It is hoped that sympathetic and positive consideration from all Members concerned shall be given to this request accordingly.
