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Committee on Subsidies
and Countervailing Measures

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SUBSIDIES

New and Full Notification Pursuant to Article XVI:1
of the GATT 1994 and Article 25 of the SCM Agreement

THAILAND

The following communication, dated 26 March 2001, has been received from the Permanent Mission of Thailand.

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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 2000-31 July 2000

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 encouraging 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 as one of the Thai Government's policy themes 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. The responsible authority is the Office of the Board of Investment (BOI)

5. Form of the subsidy

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

The Board of Investment has announced the removal of local content requirement contained in any investment promotion certificates for both existing and new projects. The announcement is effective from 1 January 2000.

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 sectors. Moreover, companies in every province in Thailand can have access to investment promotion incentives. The Board of Investment has established the criteria in granting tax incentives which are generally based on the locations of investments. The entire country is divided into the following 3 zones:

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, and Chonburi

Zone 3: the remaining provinces¹¹ (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. The Board of Investment may require certain activities to be located in zone 2 or 3 only in order to be eligible for investment promotion incentives.

¹ Plus the Laem Chabang Industrial Estate

Factory Relocation

In order to further encourage decentralization, the Board of Investment also provides incentives to existing factories which may or may not have been promoted, if they relocate from Zone 1 to Zone 2 or from Zone 1 or 2 to Zone 3. The following criteria are applied:

Factories facing environmental problems and required by the Ministry of Industry to relocate

1. The factory must be relocated to an industrial estate or promoted industrial zone.
2. The former factory must be closed down and all machinery must be moved to the new location. The new factory must be ready for operation within 2 years of receiving the promotion certificate.

Other types of factories

1. The existing operation must employ not fewer than 50 people.
2. Main production machinery must be moved to the new location, and the new factory must start operating within 2 years of receiving the promotion certificate.

The following incentives are granted:

1. For relocation to zone 2: corporate income tax exemption² for 3 years, extendible to 7 years if projects are relocated to industrial estates or promoted industrial zones.
2. Relocation to zone 3: 8-year corporate income tax exemption, 50 per cent reduction of corporate income tax for 5 years; double deduction, from taxable income, of water, electricity, and transportation costs for a period of 10 years; and deduction of up to 25 per cent of costs of installation or construction of infrastructure facilities.

Research and Development

With a view to upgrading the country's technological capabilities, the Board of Investment grants additional incentives to promoted projects which invest in research and development activities. Additional 3 years of corporate income tax exemption will be granted to promoted projects which invest in research and development activities. However, when combined with the existing corporate income tax exemption, the total period cannot exceed 8 years. This programme is not targeted to research and development in any particular sectors.

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. However, figures on import duty concessions (exemption and reduction of import duties on machinery and reduction of import duties on raw materials) are provided. These figures also include assistance given to disadvantaged region.

² Starting from the date when revenue is first derived from the relocated activities.

Import Duty Exemption and Reduction
Granted to BOI-Promoted Projects
(1 January–31 July 2000)

Unit : million baht

Machinery	
Exemption	3,701.39
Reduction	13.90
Raw Materials	
Reduction	92.41
Total	3,807.70

Source: Customs Department, Ministry of Finance, Thai Government

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

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

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

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

Year	Number of Investment Projects	Total Investment Volume (billion baht)
1996	611	230.3
1997	479	273.5
1998	740	294.6
1999	526	205.3
1 January 2000 to 31 July 2000	304	143.74

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

1. Title of the subsidy programme

Investment Promotion Incentives

2. Period covered by the notification

1 August 2000-31 December 2000

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 encouraging 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 as one of the Thai Government's policy themes 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. The responsible authority is the Office of the Board of Investment (BOI)

5. Form of the subsidy

Tax concessions such as exemption/reduction 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 which has become effective since 1 August 2000 lifts the export and local contents 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 sectors. Moreover, companies in every province in Thailand can have access to investment promotion incentives. The Board of Investment has established the criteria in granting tax incentives which are generally based on the locations of investments. The entire country is divided into the following 3 zones:

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, and Chonburi, Rayong, and Phuket.

Zone 3: the remaining 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. The Board of Investment may require certain activities to be located in zone 2 or 3 only in order to be eligible for investment promotion incentives.

Factory Relocation

In order to further encourage decentralization, the Board of Investment also provides incentives for the relocation of existing factories from Zone 1 to Zone 2 or from Zone 1 or 2 to Zone 3. The following criteria are applied:

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

The following incentives are granted:

1. For relocation to zone 2: corporate income tax exemption for 5 years.³
2. The relocation to 40 provinces in Zone 3: corporate income tax exemption for 8 years³; 50 per cent reduction of corporate income tax for 5 years after the exemption period; and double deduction from taxable income of water, electricity, and transportation costs for 10 years.⁴
3. For relocation to 18 provinces which are the least developed and most disadvantaged in Zone 3: corporate income tax exemption for 8 years³; 50 per cent 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 years⁴; and deduction from net profit of 25 per cent 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. However, figures on import duty concessions (exemption and reduction of import duties on machinery and reduction of import duties on raw materials) are provided. These figures also include assistance given to disadvantaged region.

Import Duty Exemption and Reduction
Granted to BOI-Promoted Projects
(1 August–31 December 2000)

Unit : million baht

Machinery	
Exemption	3,527.08
Reduction	68.53
Raw Materials	
Reduction	1,503.40
Total	5,099.01

Source: Customs Department, Ministry of Finance, Thai Government

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

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

³ Provided that such a project with capital investment of baht 10 million or more (excluding cost of land and working capital) obtained 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.

⁴ Starting from the date when revenue is first derived from the relocated activities.

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

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

Year	Number of Investment Projects	Total Investment Volume (billion baht)
1996	611	230.3
1997	479	273.5
1998	740	294.6
1999	526	205.3
1 January 2000 to 31 July 2000	304	143.74
1 August 2000 to 31 December 2000	321	161.12

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 2000–31 December 2000

3. Policy objective and/or purpose of the subsidy

To provide financial assistance to priority sectors⁵ 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

In April 2000, the BOT revoked the Regulation Governing the Purchase of Promissory Note Arising from the Small-scale Industries B.E. 2531 and announced the new Regulation Governing the Purchase of Promissory Note Arising from the Small and Medium Enterprises B.E. 2543. Under the new regulation, eligible SMEs are manufacturing industries, handicraft and household industries, services, wholesale and retail trades, and sub-contracting businesses.

⁵ Economic sectors deemed important to the development of the national economy and its sustainable growth.

Furthermore, the BOT has also temporarily provided working capital support for SMEs that are classified as non-performing loans (NPL), but still have business potential in order to support the debt restructuring policy of the Government and to stimulate economic recovery. This programme is to be effective from 26 July 2000 up to 7 April 2002. Such SMEs must have already signed debt-restructuring agreements with the financial institutions. Besides, their loans must be guaranteed by the Small Industry Credit Guarantee Corporation (SICGC) up to 75 per cent of non-collateral loans. The financial institutions are permitted by the BOT to charge SMEs at their Minimum Loan Rate (MLR) and the total loans provided for each SME must not exceed baht 20 million. Other criteria and conditions are in compliance with the BOT Regulation B.E. 2543 as mentioned before.

Whereas the financial assistance given to investors who obtained the investment promotion certificate in the provisional are (zone 3) was lifted up at the end of 2000.

7. Amount of the subsidy

At the end of 2000, the outstanding loans under the BOT financial assistance through the financial institutions totaled Baht 7,111.02 million as shown below.

Schemes	Outstanding as of 31 December 2000 (million Baht)	Interest rate	
		Charged by the BOT (%)	Charged by the Financial Institutions (%)
Industry	274.88	5.0	MLR-1
Small and Medium Enterprises	6,414.72	3.0	MLR-1
Livestock raising and aqua-culture	298.88	5.0	MLR-2.75
Rural development	0	3.0	MLR-2.75
Zone 3 investment	122.54	3.0	MOR/MLR-2
TOTAL	7,111.02		

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

- | | | | |
|----|------------------------------------|---|-------------------------------------|
| 1. | Industry |) | Date of Commencement: 1.10.98 |
| 2. | Small and Medium Enterprises |) | up to (not determined, depending on |
| 3. | Livestock raising and aqua-culture |) | the BOT policy |
| 4. | Rural development |) | |
| 5. | Investment in Zone 3 | | 15 October 1993-29 December 2000 |

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”

Packing credit facility is an export financing scheme provided by the Bank of Thailand with co-financing from commercial banks. Under this facility, commercial banks obtain fund, provided by the Bank of Thailand through the Export-Import Bank of Thailand (EXIM Bank), at the concessionary interest rate on 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.

2. Period covered by the notification

1 January 2000–31 December 2000

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

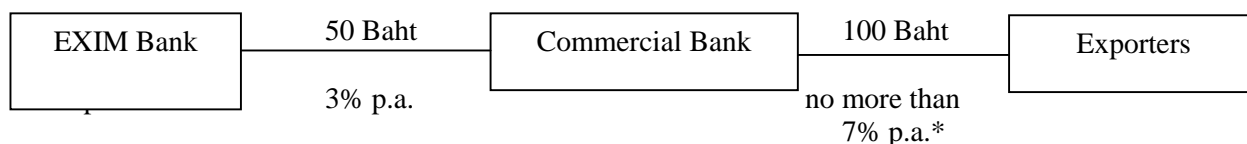
The Bank of Thailand provided the funding. EXIM Bank allocated fund to commercial banks and supervised the utilization of the facility.

5. Form of the subsidy

Loan

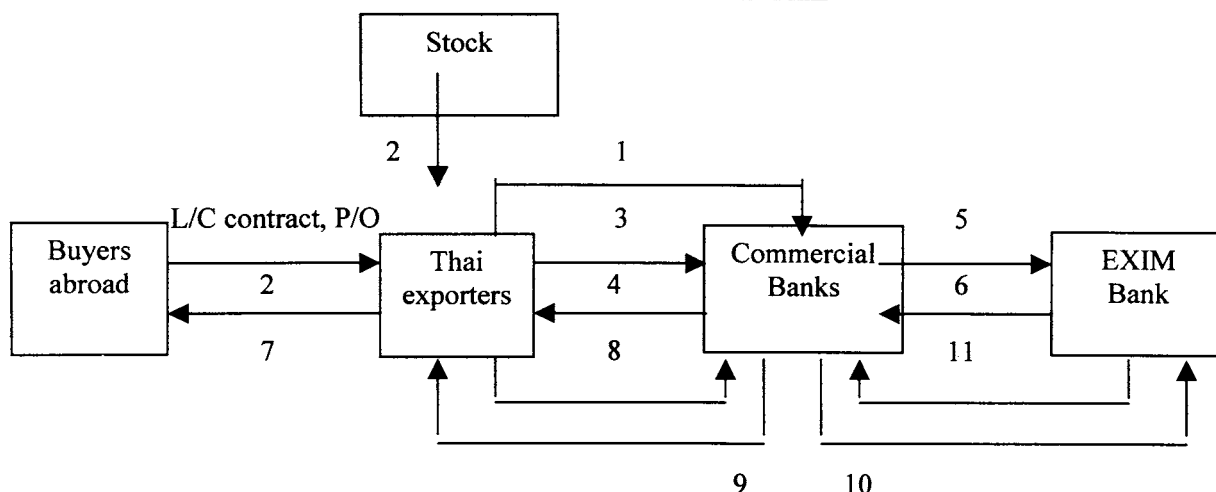
6. To whom and how the subsidy is provided

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



Note: * In 2000, EXIM Bank reduced interest rate charged to exporters from 8 per cent p.a. to 7 per cent p.a., in line with domestic interest rate.

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 rate 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

With very high liquidity, commercial bank's demand for fund from EXIM Bank dropped constantly as they lent to exporters out of their own money. Under this circumstances, the Bank of Thailand reduced the packing credit line from Baht 20 billion to Baht 10 million to which the commercial banks co-finance another half.

The relevant interest rate also dropped in accordance with domestic interest rates which hit historic low under LIBOR level. The Bank of Thailand charged EXIM Bank at 2 per cent p.a., while EXIM Bank channelled fund to commercial bank at 3 per cent p.a.. Commercial banks co-financed and on-lent to exporters at the interest rate not more than 7 per cent p.a. as of end 2000.

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

Date of Commencement : 1994

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

	(Baht Billion)					
	1995	1996	1997	1998	1999	2000
Total packing credit financing disbursed	182.0	178.0	170.4	179.9	115.4	134.3
Total BOT's financing	91.0	89.0	85.2	108.0	57.7*	67.2*
Credit outstanding at year-end	41.9	44.6	42.1	12.3	8.8	6.8

Note: * The figure was roughly calculated, based on the assumption that commercial banks co-financed 50 per cent of total credit on-lent to exporters.

IV. DIRECT PACKING CREDIT FACILITY1. Title of the subsidy programme

“Direct Packing Credit Facility”

2. Period covered by the notification

1 January 2000–31 December 2000

3. Policy objective and/or purpose of the subsidy

To encourage fuller utilization of the packing credit fund.
To provide liquidity to the exporter 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 stayed around Baht 20 billion in January 1998 compared to the available fund of Baht 33 billion. The packing credit fund remained under-utilized despite the badly needed export financing because commercial banks had limited fund to co-finance, as well as faced constraints on the NPLs and the capital adequacy basis.

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, EXIM Bank asked for EXIM's direct lending to exporters under the packing credit scheme. In 1998, the Bank of Thailand approved the credit line of Baht 5 billion for EXIM'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 Bank of Thailand's fund, EXIM Bank co-financed 50 per cent of the total credit granted and on-lent to exporters.

In such co-financing, EXIM Bank was obliged to 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 Banking Department of EXIM Bank, while the Packing Credit Department of EXIM Bank was responsible for the documentation and the settlement with the Bank of Thailand.

7. Amount of the subsidy

In 1999, the Bank of Thailand allocated a line of Baht 6 billion for EXIM Bank's direct packing credit facility, to which EXIM Bank co-financed another half. Out of Baht 6 billion credit line, Baht 2 billion was for Export Market Diversification Promotion Programme (Details are provided on page 12).

The Bank of Thailand lent to EXIM Bank at 3 per cent, while EXIM Bank co-financed one half and on-lent to exporters at the interest rate not more than 7 per cent as of end 2000.

8. Duration of the subsidy

Date of Commencement : 27 April 1998.

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

- Total financing disbursed in 2000*	25.8	billion baht
- Total Bank of Thailand's financing disbursed	12.9	billion baht
- Credit outstanding at end 2000	8.1	Billion baht

Note: * From the BOT's line of Baht 6 billion EXIM bank provided the credit line to exporters totally Baht 18.6 billion due to the fact that total utilization would scarcely be over 80 per cent at one moment. Of the approved credit line, total business turnover was Baht 25.8 billion in 2000.

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 2000

3. Policy objective and/or purpose of the subsidy

To promote export to the 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 Asia Crisis, the Ministry of Commerce launched the "export Market Diversification Promotion Programme" to encourage diversification of Thai export to new or potential markets. EXIM Bank participated in the financial measures.

Under this programme, the EXIM Bank would rebate interest to exporters who utilized the Packing Credit Facility (at the commercial banks) or Direct Packing Credit Facility (at EXIM Bank). Such interest rebate was capped at a maximum 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 Baht 750 million fund from the International Trade Promotion Fund to EXIM Bank for 5 years to facilitate this programme.

5. Form of the subsidy

Interest rebate

6. To whom and how the subsidy is provided

1. Exporters having Packing Credit lines with commercial banks or Direct Packing Credit lines with EXIM Bank complete and submit the Export Declaration for Interest Rebate Form when applying for credits.
2. Exporters are required to include a clause "Export Market Diversification Promotion Programme" in documents accompanying the promissory notes used as collateral for credits.
3. Having shipped out their products and paid by foreign buyers, exporters are required to submit copies of the bill of lading, Export Entry Form, invoice, proof of foreign currency remittance together with Interest Rebate Request Form within 60 days from the due date of the last promissory note issued under such export.
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

The Ministry of Commerce has provided EXIM Bank an annual fund of Baht 150 million for 5 consecutive years, totaling Baht 750 million for interest rebate under this programme. In 2000, the interest rebates paid to exporters were quite low; as a result, the Ministry of Commerce reduced the annual fund for EXIM Bank from Baht 150 million to Baht 50 million.

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

Date of Commencement : 14 June 1999
Date of Termination : December 2003

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

Interest rebates paid to exporters in 2000 totaled Baht 25 million

VI. MERCHANT MARINE FINANCING

1. Title of the subsidy programme

Merchant Marine Financing

2. Period covered by the notification

1 January–31 December 2000

3. Policy objective and/or purpose of the subsidy

To alleviate the country's deficit on balance of trade & services
To strengthen the merchant marine business of Thailand
To accommodate the export sector with good shipping facility.

4. Background and authority for the subsidy

Since 1995, the government took a serious look into the country's problem of current account deficit and, in the meantime, found out 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 fund in early 1996. Later, in September 1996, the government provided, through the Bank of Thailand, a credit line of Baht 2 billion for merchant marine financing at EXIM Bank. Then, in February 1998, a portion of Baht 1 billion 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 the machinery upgrading financing.

In the meantime, EXIM Bank still provided financing from its own source of fund simultaneously, especially to customers who were not qualified by the BOT's conditions, for example, when the financed ship 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 who were qualified by the BOT's conditions could utilize the BOT's fund in baht denomination which offered a low interest rate of up to 7 per cent p.a. while BOT charged EXIM Bank at 5 per cent p.a. EXIM Bank financed another half with the BOT's fund in baht or US dollar denomination at the market interest rate.

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

As for the SAL fund, since the cost of fund was relatively high, above 11 per cent in baht lending, the fund was not commercially acceptable for customers.

Criteria for Bank of Thailand's fund for merchant marine financing :

- The company is registered in Thailand and has Thai ownership more than 50 per cent of total registered capital.

- The main business involves international shipping.
- The financing is for the investment in new ship or the used one 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 flies Thai flag.

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

7. Amount of the subsidy

BOT's fund totalled Baht 2 billion
SAL fund totalled Baht 1 billion (together with machinery upgrading)
EXIM Bank's own source of fund 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 of permitting an assessment of the trade effects of the subsidy

	(billion baht)				
	1996	1997	1998	1999	2000
Total credit granted	0.98	2.42*	3.89	3.82	3.37
Total BOT's financing	0.07	0.76	1.43	1.19	1.17
Credit outstanding at year-end	0.64	2.77*	3.43	3.61	3.48

Note: * Credit outstanding exceeded credit line because of the exchange rate effect. Credit line was quoted at the proxy exchange rate of Baht 30 to a US dollar in 1997, while credit outstanding was quoted at the market exchange rate as of 30 December 1997.

VII. MACHINERY UPGRADING FINANCING

1. Title of the subsidy programme

Machinery Upgrading Financing

2. Period covered by the notification

1 January–31 December 2000

3. Policy objective and/or purpose of the subsidy

To strengthen the competitive edge of Thai exporters.

To encourage the renovation/upgrading of the technology of production/quality of products of Thai exports.

4. Background and authority for the subsidy

Thailand's export performance unexpectedly recorded the zero growth in 1996 after a decade of high growth. The government deemed it necessary to improve the competitive edge of Thai major export products, and an awareness arose that some export industries did face a serious problem of outdated technology of production which brought about low quality of products and incompetent prices.

EXIM Bank, therefore, introduced a financial service to facilitate the machinery upgrading of the export production. The government later supported by the provision of fund from the Bank of Thailand to co-finance with EXIM Bank in this facility. Then came the SAL fund to be mutually used in machinery upgrading and merchant marine financing.

5. Form of the subsidy

Loan

6. To whom and how the subsidy is provided

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

Exporters eligible for Bank of Thailand's fund must be qualified by the following criteria:

- The renovation plan had been approved by bodies authorized by MOI.
- The financing shall be used for new machinery investment in replacement of the old one.

Nevertheless in late 1999, in compliance with the MOI's policy, the criteria that the financing shall be used only for the replacement of the old machinery had been reviewed and the scope of Machinery Upgrading Facility was expanded to also cover the following activities:

- Investments to modify or further enhance the performance of the prevailing machines or equipment, in order to increase efficiency,
- Investments related to energy conservation,
- Investments related to environmental conservation, including the relocation of factories into industrial estates, etc.

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

Exporters qualified by the BOT's criteria could utilize BOT's fund in baht denomination by 50 per cent of totallending at an interest rate of not more than 4.5 per cent p.a. EXIM Bank co-financed the other half in baht or US dollar, at the rate of EXIM's prime rate plus up to 1.5 per cent for baht lending; or LIBOR plus up to 3.5 per cent p.a. for US dollar lending.

Apart from co-financing with BOT's fund, EXIM Bank also provided machinery upgrading financing on its own, with a more relaxed condition, for instance, to finance the investment in some particular kinds of machinery that were not included in MOI's conditions.

Lending interest rate of EXIM Bank stayed at EXIM Prime plus 1.5 per cent p.a. in baht lending, while US dollar lending at the rate up to LIBOR plus 3.5 per cent p.a. (EXIM Prime stayed at 7.5 per cent p.a. as of end 2000.)

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

7. Amount of the subsidy

BOT's fund Baht 1 billion
 SAL fund Baht 1 billion (together with merchant marine)
 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.

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

	(billion baht)			
	1997	1998	1999	2000
Total credit granted	0.33	0.67	0.81	p.74
Total BOT's financing	0.01	0.09	0.55	0.15
Credit outstanding at year-end	0.26	0.37	0.62	0.63

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 2000

3. Policy objective and/or purpose of the subsidy

To procure a suitable land for the establishment or expansion of industrial estate which includes the general industrial zone and export processing zone.

To provide facilities for industrial operators in the industrial estate.

To promote and control the industrial estate owned by private sector or other government agencies.

4. Authority for the subsidy

Industrial Estate Authority of Thailand (IEAT)

5. Form of the subsidy

Incentive cover the exemptions of payment of surcharge under the law on promotion of investment, import duty, value added tax and excise tax on machinery, equipment, tools and supplies including the component 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 the construction, assembly or installation of factory or building and goods imported and taken into an export processing zone by industrial operator and trader for export for use in the production of good or trading for export.

6. To whom and how subsidy is provided

Incentive is provided to the industrial operator who is permitted to engage in industrial activity in an industrial estate.

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 of permitting an assessment of the trade effects of the subsidy

YEAR	IMPORT VALUE (BAHT)	EXPORT VALUE (BAHT)
2538 (1995)	73,139,944,267	73,462,181,499
2539 (1996)	99,350,433,973	96,475,416,167
2540 (1997)	115,506,326,620	139,367,488,253
2541 (1998)	128,270,754,625	200,181,565,655
2542 (1999)	126,015,534,291	205,459,433,221
2543 (2000)	115,518,393,770	208,433,141,969
(TOTAL)	657,801,387,546	923,379,226,764