

NOTIFICATION UNDER ARTICLE 5.1 OF THE AGREEMENT
ON TRADE-RELATED INVESTMENT MEASURES

Thailand

The following communication, dated 30 March 1995, has been received from the Permanent Mission of Thailand.

1. TRIMs that are currently applied by Thailand falls within the meaning of category 1(a) of the Illustrative List of Annex of the Agreement on TRIMs. These TRIMs are not general in nature as Ministers in charge have authorities under respective legislations concerned to determine product sectors upon which TRIMs are applicable.

2. TRIMs could be initiated under each of the following legislations.

2.1 Factory Act (B.E. 2535)

Section 32 of the Factory Act (B.E. 2535) empowers the Minister of Industry to determine, upon the approval of the Cabinet of Ministers, product items, quality, ratio of the raw materials, sources of raw materials, factors and/or the kinds of energy to be used in the production of certain finished goods. Up to the present administrative ruling in the form of Ministry's Announcements have been issued under this authority imposing only the local content requirement for domestically assembled motor vehicles, with the objectives of establishing and developing the domestic automotive parts industry in Thailand.

2.2 Investment Promotion Act (B.E. 2520)

Section 20 of the Investment Promotion Act (B.E. 2520) authorizes the Board of Investment to grant special investment incentives to industries and firms that agree to comply with certain production conditions. One of those conditions is for the firms to use the pre-determined proportions of locally produced raw materials in the production of certain product items. The types of raw materials or inputs and the percentages of local content requirement could be changed to encourage the establishment of different industries for economic development purposes.

3. Specific details of the nature, conditions, and list of products under TRIMs are provided in Attachment A, B1, B2 and B3.

4. Thailand intends to maintain the application of TRIMs during the five-year transitional period given under Article 5.2 of the Agreement on TRIMs.

5. Copies of the English version of the Factory Act B.E. 2535 and the Board of Investment Announcement No. 1/1993 and No. 2/1993 which contain details of current TRIMs will be maintained by the Secretariat for further reading by interested Members. Since official documents are only published in the Thai language, other notifications by the Ministry of Industry and Excise Department are only available in Thai and could be translated upon request by interested Members. The nature of the measures announced in these notifications, however, are sufficiently provided in the relevant parts of the Attachments.

6. TRIMs are applied by the Central Government of Thailand. The implementing agencies include Ministry of Industry, Office of the Board of Investment and the Excise Department.

Notifications under Article 5.1 of the TRIMs Agreement

Attachment A

Measure/Application	Criteria	Effective date	Reference	Remark
<p><u>General criteria for granting incentives</u></p> <p>Granting of another year of corporate income tax exemption contingent upon the use of domestic supplies</p> <p>Granting of another year of corporate income tax exemption contingent upon the use of domestic supplies</p>	<p>Another year of corporate income tax exemption shall be given if local agricultural products are used as major raw materials or domestic supplies used account for at least 50% of total production costs, excluding wages and salaries, interests, depreciation and public utilities service charges.</p> <p>(1) An additional year of corporate income tax exemption shall be given to projects in designated areas if local agricultural products are used as major raw materials or domestic supplies account for at least 60% of the total value of raw materials used.</p> <p>(2) An additional year of corporate income tax exemption shall be granted to projects located in investment promotion zones (67 designated provinces) if domestic agricultural products are used as major raw materials or domestic supplies used account for at least 50% of the total value of raw materials.</p>	<p>10 January 1983</p> <p>1 September 1987</p>	<p>Announcements (Board of Investment) No. 1/2526</p> <p>Announcements (Board of Investment) No. 2/2530 No. 3/2530 No. 4/2530</p>	<p>At present, these criteria are no longer applied, but projects approved during the period these criteria were in use are still subject to the TRIMs applied at that time.</p> <p>At present, these criteria are no longer applied, but projects approved during the period when these criteria were in use are still subject to the TRIMs applied at that time.</p>
<p>Granting of additional incentives contingent upon the use of domestic supplies</p>	<p>(1) Exemption on taxes on imported machinery shall be granted to projects in certain areas (Zone 2) if local agricultural products are used as major raw materials or domestic supplies account for at least 60% of the total value of raw materials used.</p> <p>(2) An additional year of corporate income tax shall be granted to projects located in Zone 2 if domestic agricultural products are used as major raw materials or domestic supplies account for at least 60% of the total value of raw materials used.</p>	<p>1 January 1989</p>	<p>Announcements (Board of Investment) No. 5/2531</p>	<p>At present, these criteria are no longer applied, but projects approved during the period when these criteria were in use are still subject to the TRIMs applied at that time.</p>

Measure/Application	Criteria	Effective date	Reference	Remark
	(3) An additional year of corporate income tax shall be granted to projects located in the investment promotion zone if the projects involve agro-based activities, or encourage the use of domestic agricultural products, or use domestic agricultural products as major raw materials, or domestic supplies account for at least 50% of the total value of raw materials used.			

Note: Zone 1 covers Bangkok, Samut Prakarn, Samut Sakhon, Sakorn Pathom, Nontaburi and Pathum Thani. Zone 2 covers Samut Songkhram, Raichaburi, Suphan Buri, Ang Thong, Ayutthaya, Saraburi, Nakhon Nayok, Chachengsao, Chon Buri and Maitapat Industrial Estate. The remaining 57 provinces are designated as Investment Promotion Zones.

Notifications under Article 5.1 of the TRIMs Agreement

Attachment B1

B1. The following TRIMs are applied to products that are compelled to use locally parts and components.

Measure/Application	Criteria	Effective date	Reference	Remark
<u>Local Content Requirement by product</u> Passenger cars	Not less than 54% of domestic auto-parts must be used.	18 January 1994	Notification of Ministry of Industry No. 1 (1994)	
Vans and other types of passenger cars	The use of domestic parts is imposed and the additional parts may be from overseas combinations of compulsory parts to be assembled should be done in this manner: <ul style="list-style-type: none"> - Not less than 40% of Chassis with engine are imported; - Not less than 45% of Chassis with engine and windshield are imported; - Not less than 50% of Chassis with engine and cap are imported. Local engines are parts may be used: <ul style="list-style-type: none"> - With the engine capacity higher than 1,000 cc; - With the engine capacity is not exceeding 1,350 cc is required to use since 1 July 1993; - With weight between 3,000 - 4,000 kilograms; - Seven local items are encouraged to use namely, radiator, silencer and exhaust pipes, battery, front-rear leaf, type and tube wheel, safety glass and front-rear drum brake. 	25 December 1979	Notification of Ministry of Industry	
Small vans and trucks		3 May 1991	Notification of Ministry of Industry	
Motorcycles	Not less than 70% of domestically produced parts must be used some of the locally made items.	19 July 1977	Notification of Ministry of Industry	

Measure/Application	Criteria	Effective date	Reference	Remark
Dairy product	Ministry of Agricultural and Cooperatives has the authority to certify that domestic raw milk has been purchased in proportion to any imported skimmed milk powder used to manufacture milk or milk products. The producers are required to buy powdered milk at least 50 tons of local raw milk per day in the first year of operation and to increase the purchase of raw milk at least 20 per cent per year.	27 June 1986	Notification of Ministry of Industry	

Note: Originals of all notifications of Ministry of Industry are in Thai.

Attachment B2

B2. The following products are subject to the local content requirement.

Measure/Application	Criteria	Effective date	Reference	Remark
Local Content Requirement by product				
Manufacture of milk and dairy products	Local fresh fluid milk must be used in proportions as set by the Board of Investment.	16 April 1986	Announcement (Board of Investment) No. S. 3/2529	
		29 June 1987	Announcement (Board of Investment) No. S. 11/2530	
		1 April 1993	Announcement (Board of Investment) No. S. 2/2536	
Coated aluminium sheets for printing	Only local aluminium sheets may be used.	16 December 1983	Announcement (Board of Investment)	**
TV picture tubes	Local raw materials and parts used must account for the following percentages of the total value of inputs used. Year 1: 5% Year 2: 15% Year 3: 30% Year 4 and year after: 35%	21 January 1987	Board resolution	**

Measure/Application	Criteria	Effective date	Reference	Remark
Engines for automobiles	<p>(1) Locally manufactured parts and components shall account for the following shares of the total parts and components used:</p> <p>Year 1: 20%</p> <p>Year 2: 30%</p> <p>Year 3: 40%</p> <p>Year 4: 50%</p> <p>Year 5: 50%</p> <p>Year 6: 60%</p> <p>Year 7: 70%</p> <p>(2) Certain parts are required to be locally manufactured. The manufacturing process of these compulsory parts must start from forging and casting.</p>	12 January 1987	Announcement (Office of the Board Investment) No. P. 1/2530 and Board resolution	
Engines for motorcycles	<p>(1) Locally manufactured parts and components shall account for the following shares of the total parts and components used:</p> <p>Year 1: 30%</p> <p>Year 2: 40%</p> <p>Year 3: 60%</p> <p>Year 4: 70%</p> <p>Year 5: 80%</p> <p>(2) Certain parts are required to be locally manufactured.</p>	30 April 1986	Announcement (Office of the Board of Investment) No. 2/2529	
Diesel engines for agriculture	<p>(1) Locally manufactured parts and components shall account for the following shares of the total parts and components used:</p> <p>Year 1: 20%</p> <p>Year 2: 40%</p> <p>Year 3: 60%</p> <p>Year 4: 80%</p> <p>(2) Certain specific parts are required to be locally manufactured.</p>	19 January 1978	Board resolution	
Multi-purpose benzene engines	<p>Locally manufactured parts and components shall account for the following shares of the total parts and components used:</p> <p>Year 1: 30%</p> <p>Year 2: 50%</p> <p>Year 3: 70%</p> <p>Year 4: 85%</p>	23 July 1986	Announcement (Office of the Board of Investment) No. P. 3/2529	

Measure/Application	Criteria	Effective date	Reference	Remark
Transformer	<p>(1) Locally produced parts must account for at least 80% of the total value of raw materials used.</p> <p>(2) As regards the production of power transformers, the minimum local content shall be 30% since the first year of operation.</p> <p>(3) Transformer producers must produce certain parts themselves.</p> <p>Locally produced parts and components shall account for the following shares of the total raw materials used:</p> <p>Year 1: 30% Year 2: 30% Year 3: 60% Year 4: 60% Year 5 and thereafter: 70%</p>	<p>12 September 1980</p> <p>25 June 1990</p>	<p>Announcement (Office of the Board of Investment) No. P. 3/2529</p> <p>Announcement (Office of the Board of Investment) No. P. 3/2529</p>	**
Gas pressure thermostat	<p>Locally produced parts and components shall account for the following shares of the total raw materials used:</p> <p>Year 1: 30% Year 2: 30% Year 3: 60% Year 4: 60% Year 5 and thereafter: 70%</p>	31 October 1968	Announcement (Board of Investment) No. S 15/2531	**
Polystyrene sheet and film	Only domestic raw materials shall be used.	27 June 1980	Announcement (Board of Investment) No. S/2523	
Transmission assembly	<p>Locally produced parts and components shall account for the following shares of the total raw materials used:</p> <p>Year 1: 20% Year 2: 35% Year 3: 50% Year 4: 65% Year 5: 80%</p>	21 January 1987	Board resolution	**
Compressors for air-conditioners	<p>Locally produced parts and components shall account for the following shares of the total raw materials used:</p> <p>Year 1: 60% Year 2: 60% Year 3: 80%</p>	25 February 1988	Announcement (Board of Investment) No. S. 5/2531	**

Measure/Application	Criteria	Effective date	Reference	Remark
Paper	Locally produced pulp and scrap paper shall account for at least 50% of the total volume of pulp and scrap paper used.	29 August 1984	Announcement (Board of Investment) No. S. 19/2531	**
Motorcycle assembly	(1) Production process shall start from the assembly of motorcycle frames and painting.	25 November 1988	Announcement (Board of Investment) No. S. 21/2527	**
	(2) The use of locally produced parts and engines shall be in accordance with the requirements set by the Ministry of Industry.	16 September 1993	Announcement (Board of Investment) No. .S. 1/2536	

Note:** These local content requirements have been abolished since 1 April 1993; however, projects approved under these criteria are still subject to these TRIMs.

Attachment B3

B3. The following TRIM is applied to products that are subject to excise tax exemption.

Measure/Application	Criteria	Effective date	Reference	Remark
Passenger cars and pick-up trucks with chassis and windshield	Not less than 60% of domestic parts and components must be used to any modification.	2 March 1994	Announcement (the Excise Department)	