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TRADE POLICY REVIEW BODY

Review of Thailand

TPRB's Evaluation

The Trade Policy Review Body of the World Trade Organization (WTO) conducted its review of Thailand's trade policies on 19 and 20 December 1995. The text of the Chairman's concluding remarks is attached as a summary of the salient points which emerged during the two-day discussion.

The review enables the TPRB to conduct a collective examination of the full range of trade policies and practices of each WTO member country at regular periodic intervals to monitor significant trends and developments which may have an impact on the global trading system.

The review is based on two reports which are prepared respectively by the WTO Secretariat and the government under review and which cover all aspects of the country's trade policies, including: its domestic laws and regulations; the institutional framework; bilateral, regional and other preferential agreements; the wider economic needs and the external environment.

A record of the discussions and the Chairman's summing-up, together with these two reports, will be published in due course as the complete trade policy review of Thailand and will be available from the WTO Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21.

Since December 1989, the following reports have been completed: Argentina (1992), Australia (1989 & 1994), Austria (1992), Bangladesh (1992), Bolivia (1993), Brazil (1992), Cameroon (1995), Canada (1990, 1992 & 1994), Chile (1991), Colombia (1990), Costa Rica (1995), Côte d'Ivoire (1995), Egypt (1992), the European Communities (1991, 1993 & 1995), Finland (1992), Ghana (1992), Hong Kong (1990 & 1994), Hungary (1991), Iceland (1994), India (1993), Indonesia (1991 and 1994), Israel (1994), Japan (1990, 1992 and 1995), Kenya (1993), Korea, Rep. of (1992), Macau (1994), Malaysia (1993), Mexico (1993), Morocco (1989), New Zealand (1990), Nigeria (1991), Norway (1991), Pakistan (1995), Peru (1994), the Philippines (1993), Poland (1993), Romania (1992), Senegal (1994), Singapore (1992), Slovak Republic (1995), South Africa (1993), Sri Lanka (1995), Sweden (1990 & 1994), Switzerland (1991), Thailand (1991 & 1995), Tunisia (1994), Turkey (1994), the United States (1989, 1992 & 1994), Uganda (1995), Uruguay (1992) and Zimbabwe (1994).

REVIEW OF THE TRADE POLICIES AND PRACTICES OF THAILAND

Concluding remarks by the Chairman of the Trade Policy Review Body

This meeting of the Trade Policy Review Body has now completed the second review of Thailand's trade policies and practices. These remarks, which are made on my own responsibility, summarize the main points of the discussion. They are not intended to substitute for the collective evaluation and appreciation of Thailand's trade policies and practices. Details of the discussion will be reflected in the minutes of the meeting.

The discussion developed under three main themes: the economic environment; the trade régime; and sectoral policies.

The economic environment

Thailand's rapid economic growth was the background to all discussions. Members remarked on the positive contribution prudent macro-economic policies and a high domestic savings rate had made to the growth of investment and the facilitation of trade liberalization. Inflation, although recently rising, had been kept at low levels; the complex system of business taxes had been replaced by a value-added tax, and infrastructural constraints were gradually being remedied.

Thailand's consistently high economic growth rates since the previous review were also recognized as directly linked to its outward-oriented policies. The shift to a more neutral incentive structure of trade and investment incentives was commended. However, some members noted the adverse effects on competitiveness of rapidly rising wages; this pressure might be alleviated by more rapid market opening. In this connection, limits on most foreign equity participation and on foreign land ownership were seen as remaining constraints.

Members observed that Thailand's current account deficits had been more than covered by capital inflows; however, some concern was expressed over the potential adverse implications of continued deficits for the pace of liberalization and some external vulnerability.

Members commended Thailand's strong support for ASEAN's policy of "open regionalism"; however, as Thailand's tariffs seemed to be higher than the ASEAN average, some concern was expressed over possible trade and investment diversion. Thailand was also asked whether preferential tariff reductions under AFTA would be notified to the WTO under Article XXIV.

In reply, the representative of Thailand said that he expected the savings rate to further improve over the medium term. This would help sustain the current rate of investment and in turn help economic growth. He added that the current account deficit also partly reflected both imports for private investment to upgrade domestic productive capacity and the recent rapid trade liberalization, some of which went beyond the commitments Thailand had made under the WTO. Thailand would continue with its outward-oriented strategy of equalizing incentives between export and domestic sectors, thus enhancing efficiency. In this respect, limitations on foreign direct investment were not inconsistent with any Thai commitments under the WTO. However, Thailand had embarked upon an effort to revise its relevant legislation with a view to liberalizing the investment regime.

With respect to ASEAN, the representative of Thailand noted that the AFTA regional co-operation scheme had been notified under the Enabling Clause; Thailand retained its rights under

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the Clause. At a recent ASEAN summit in Bangkok, it had been agreed to expand AFTA's coverage and to bring forward the target date for its completion by five years to 2003. ASEAN had also entered into an agreement on cooperation in services and TRIPS, which was designed to complement liberalization and intellectual property protection agreed in the WTO. A point was made by one delegation concerning the notification of AFTA under Article XXIV.

The trade régime

Thailand was commended for the progress made in implementing its Uruguay Round commitments, including the tariffication of agricultural products. However, Thailand had not fully achieved a one-third reduction in bound industrial tariff levels and, in many cases, currently applied tariffs were already below final bound rates.

Members also noted that Thailand's tariff retained peaks and escalation in certain sectors. They stressed the need for further streamlining and more rapid liberalization. Thailand was requested to publish a consolidated schedule of applied tariffs.

The importance of predictability and transparency in such areas as tax concessions, duty drawbacks and trade-related investment measures was emphasized; one member urged the removal of tariff concessions and exemptions. Some members, asserting that customs valuation continued to be applied in an arbitrary manner, urged full implementation of the relevant WTO Agreement and sought information on the progress of the government committee appointed to study customs valuation.

It was recognized that Thailand had made good progress in reducing the scope of import licensing. Remaining prohibitions on some items were nevertheless noted. Concern was expressed over the continued use of import surcharges and the scope of State trading. Members queried the need for the policy change in June 1995 imposing certain countertrade requirements as a means of reducing the current account imbalance.

There were questions concerning the transparency of government procurement and the preferences granted to Thai goods and services (with the exception of construction) and to State-trading agencies; Thailand was urged to become a member of the Agreement on Government Procurement. Some members stated that standards regulations applied to imports of foods and pharmaceuticals were expensive and time-consuming and asked Thailand to confirm that domestic rules and practices were in conformity with those of the International Office of Epizootics and the International Convention on Plant Protection. A member asked when new Thai legislation on competition policy would come into effect and what the scope of the legislation would be.

Members praised Thailand's efforts to strengthen its legal framework for intellectual property, and hoped that the new legislation and the establishment of an intellectual property court would improve enforcement. Pipeline protection for pharmaceuticals was an ongoing concern.

In reply, the representative of Thailand said that Thailand's tariff restructuring was in line with the internationalization of its economy; average rates had fallen substantially and tariff escalation had declined. Thailand had made substantial tariff concessions under the Uruguay Round followed by unilateral reductions. All changes in tariffs were required by law to be published in the Royal Gazette and compilations were available on request to the Ministry of Finance, while planned reductions under AFTA were available in publication form.

Thailand was in the process of bringing its customs valuation practices into line with the WTO Agreement by 1997, two years ahead of its Uruguay Round commitments.

Remaining conditional import prohibitions and non-automatic import licensing were justified under the infant-industry provisions of Article XVIII and under Article XX of the GATT. On TRIMS, the representative of Thailand noted that Thailand was eligible for a five-year transition period but had already started the process leading to conformity with WTO obligations by phasing out the local content requirements on eight products; all other such requirements would be eliminated by end 1999.

Countertrade was supplementary to normal trade practice; procedures were clean and transparent and applied to imports over Baht 500 million.

Government procurement was normally made through tenders by the Ministry concerned; purchasing methods and procedures were under review with a view to streamlining. International competitive bidding applied to projects over Baht 1 million. Thailand would consider membership of the Government Procurement Agreement in due course.

The new Business Competition Act, covering the promotion of free and fair competition, prevention of monopolies and protection of small and medium-sized business and new market entrants, should come into force by the end of 1996. It should prohibit such practices as price fixing, cartels, business boycotts, restrictions on output, market allocation and exclusive dealing.

Thailand no longer imposed BOI-related anti-dumping surcharges; new anti-dumping regulations were reviewed in December 1995 by the WTO Committee.

Thailand was in the process of drafting legislation on protection of plant varieties, to take effect under the ten-year grace period provided in the TRIPS Agreement. Patent protection was available for agricultural chemical products. Compulsory licensing conditions for pharmaceutical products were laid down in the Patent Act and related Ministerial regulations. Details were given of protection under copyright and patent provisions. Enforcement of intellectual property rights should be facilitated with the creation of the Intellectual Property Court, with new rules. At present, preliminary measures were available through court injunctions.

Sectoral policies

Members pointed out that tariff peaks of over 200 per cent were applied to some tariffed agricultural products, while the tariff average for the sector was significantly higher than in others. They sought clarification of Thailand's tariff bindings in agriculture. The apparent tendency for increased government assistance to agriculture, in the face of declining inter-sectoral competitiveness, should be carefully scrutinized. Members welcomed Thailand's statement that no export subsidies were applied, but expressed concern over the potential effects of subsidized export credits.

In industry, members observed that the automotive sector remained protected, and noted that automobiles were not included in the most recent tariff reductions programme. Import surcharges had been eliminated, but largely replaced by new excise taxes. Tariff peaks on textiles shielded elements of the industry from international competition.

Thailand appeared to be taking a cautious and restrictive approach to opening market access for services. Limits on foreign equity holdings were regarded as excessively strict for areas such as banking and insurance. The commitment not to impose new discriminatory measures on foreign financial institutions was welcomed. Thailand was asked to provide details of liberalization measures in the area of basic telecommunications, and urged to participate fully in the ongoing telecommunications and maritime transport negotiations.

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Members welcomed indications that Thailand was considering the liberalization of accounting, engineering and consultancy services. They regarded the current Alien Business Law as a serious constraint to services trade and investment, and urged that, as part of the expected revisions to the Law, advantages presently extended only to the United States be extended to other trading partners. Some members urged that Thailand take greater advantage of the foreign skilled labour available in the region.

In reply, the representative of Thailand said that all agricultural tariffs were bound; the few unbound items in HS chapters 1-24 were regarded as falling in the fisheries sector. Automobiles were the only imported industrial item not fully in line with the new tariff structure, although rates had fallen sharply and imports had grown rapidly.

In the area of services, Thailand thought its Schedule appropriate in the light of its own stage of development and in comparison to other partners at the same level. Foreign equity participation limits were the result of negotiations and were in full compliance with GATS Article XX. Thailand's m.f.n. exemption in financial services was in conformity with its rights under GATS and the Second Annex on Financial Services. The m.f.n. exemption for the Treaty of Amity with the United States would be reviewed in the Council for Trade in Services in about four years. Thailand was very likely to participate as a full member in the negotiations on basic telecommunications.

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