

**Thailand – Chile
Joint Study on the
Feasibility of an FTA:**

A Final Report by Thailand

July 2006

Executive Summary

In October 2003 the Prime Minister of Thailand and the President of the Republic of Chile agreed to explore the feasibility of initiating a free trade area between the two countries. Following this decision, in November 2005 the Chilean Ministry of Foreign Affairs and Thailand's Ministry of Commerce established a Joint Study Group to undertake a study on the Feasibility of a Free Trade Area between Thailand and Chile. The Joint Study Group concluded its study in July 2006.

In the early 1990s, the Thai economy expanded at an annual growth rate of 9 percent, but the development process was abruptly slowed as a result of the 1997 Asian financial crisis. In order to revive the economy, Thailand began to pursue comprehensive reforms in all sectors of its economy to improve competitiveness, re-establish sustainable economic growth, and to alleviate poverty. All measures that have been adopted during the reform process reinforced Thailand's long-term commitment to trade and investment liberalization.

During the period of 1999 to 2005, Thailand's annual growth rate measured by GDP at 1988 prices ranged between 2.2 percent to 7.0 percent, indicating that the economy had successfully returned to its intended development course. Private sector investment increased year on year since 2000 while the growth rate in 2005 recorded a level of 11.2 percent. Likewise, public and private consumption in 2000 started to increase at higher rates with such expansion continuing through 2005 pushing growth rates up from 4.4 to 12.2 percent over the same period.

In continuing the outward-oriented tradition, Thailand continued to actively participate in the WTO multilateral negotiations and has joined hands with its partners in APEC to further enhance trade and economic cooperation aimed at strengthening trade relations across the region. Under the ASEAN framework, both Thailand and its ASEAN partners have jointly concluded a free trade agreement on trade in product goods with China. In 2005, ASEAN countries agreed to lift trade cooperation amongst them to the level of an ASEAN Economic Community in the near future.

Another regional free trade area is being negotiated among the BIMSTEC member countries which include Thailand, Bangladesh, India, Sri Lanka, Myanmar, Bhutan and Nepal. Bilaterally, Thailand has concluded and implemented FTAs with Australia and New Zealand and is currently negotiating FTAs with other trading partners which include Japan, United States, India, Peru, and EFTA.

Foreign trade has contributed significantly to the economic growth of Thailand. In 2000, exports of goods and services accounted for 66 percent of GDP (measured in current prices). In 2004, the contribution of exports of goods and services increased to 70 percent of GDP. Thailand's total exports (FOB) reached US\$ 110,883.2 millions in 2005 while total imports (CIF) reached US\$ 118,223.0 millions in the same year. Main exports were machinery (45.27 percent, including motor vehicles), manufactured products (16.51 percent, mostly electronics devices), food (11.37 percent) and chemicals (7.60 percent). Main imports were machinery (40.17 percent), manufactured goods (18.93 percent), mineral fuel and lubricant (17.65 percent) and chemicals (9.61 percent). A high proportion of imports have comprised raw materials, intermediate products and capital goods.

The majority of Thai exports in 2005 destined for Thailand's trading partners were as follows: ASEAN (21.76 percent), United States (15.38 percent), Japan (13.67 percent) and EU (12.89 percent). In the same year, most of the imports to Thailand were from the following trading partners: ASEAN (18.30 percent), United States (15.39 percent), Japan (13.67 percent) and EU (8.85 percent). It should be noted that over the past years, higher proportions of Thai exports were destined for emerging markets while the same pattern also appeared for imports.

Although the trade volume between Thailand and Chile during the past ten years was not high, dynamism of trade since 2003 could be detected. According to Thailand's Customs Services, Thai exports to Chile increased from US\$ 57.20 millions in 1998 to US\$108.60 millions in 2003 and continued to increase to US\$ 123.00 millions in 2005. On the import side, Thai imports from Chile increased from US\$ 64.10 millions in 1998 to US\$ 160.10 millions in 2005.

On the basis of the current trade relations, an FTA between Chile and Thailand would create a higher trade volume as the costs of imports fall. According to the feasibility study, the elimination of tariffs would certainly increase Thai exports to Chile. The estimated increase in exports would be US\$ 21.14 millions, or an increase of 16 percent from 2005. Meanwhile, Thailand would also import more from Chile by as much as US\$ 117.67 millions, or an increase of 73 percent from the base year.

The FTA and Economic Cooperation between Thailand and Chile would bring the peoples of both countries closer together. The private sectors of both countries will see greater potential to expand business and this will help to further boost trade relations. With this underlying assumption, the study has also attempted to estimate the potential growth of trade value of the goods not currently traded with Chile (non-traded goods). In this context, the increase in export of non-traded goods to Chile could range from US\$ 88.83 millions to US\$ 217.53 millions. By the same assumption and methodology, the increase in import of non-traded goods from Chile could range from US\$ 84.84 millions to US\$ 173.11 millions.

Liberalization of trade in services in certain sectors that are mutually agreed is also expected to increase the volume of trade in services as well. In evaluating the potential of service cooperation, the study found that the tourism sector, which includes such activities as spa, restaurants and eco-tourism, could be a starting point. Tourism will be a key sector in drawing consumers of the two countries closer together.

An FTA will also include investment promotion between the private sectors of the two countries. Investment will certainly help expand trade relations between Chile and Thailand as both countries want to import capital goods and raw materials from each other. Logistics is another area of cooperation that needs to be included. In transportation, cooperation in maritime transport would aim at shortening transportation time, minimizing the number of port calls and lowering the unit cost of transportation. Meanwhile, air transportation is also important due to the need to transport perishable goods and tourists between both countries. Distribution is another area of cooperation, while Fisheries cooperation should focus on investment and technical aspects. Cooperation in education and culture will also bring the peoples of the two countries closer.

In light of the above analysis, it should be recommended that Chile and Thailand pursue to expand bilateral trade relations. Both countries have high trade and investment potential and should enhance cooperation in order to bring Asia and Latin America closer.

CONTENTS

	Page a
Executive Summary	
1. INTRODUCTION	
1.1 Main Characteristics of the Thai Economies	1
1.1.1 Macroeconomic Features	1
(1) Development strategy	1
(2) Growth of GDP	2
(3) Price level	3
1.1.2 Trade Policy Regime: Formulation and Implementation	4
(1) General legal and institutional framework	4
(2) Trade policy objectives, and formulation of trade policy	5
(3) Main trade laws and regulations	6
1.1.3 Structure and Features of the Market	7
1.1.4 Banking System and Credit Policies	8
(1) Overview	8
(2) Banking regulations	8
(3) Insurance system	9
(4) Mutual Funds	10
(5) Government Pension Fund	10
(6) Provident Funds	11
1.1.5 Employment Policies, Law and Salaries	11
(1) Labour policy	11
(2) Labour relations	12
(3) Collective bargaining	13
(4) State enterprises	13
(5) The right to strike	13
(6) International commitment	13
(7) Role of government	14
1.1.6 Environment Policies and Laws	14
1.2 Trade	14
1.2.1 Composition of Trade in Goods	15
(1) Exports	15
(2) Imports	18
1.2.2 Origin and Destination of Trade in Goods	21
(1) Exports	21
(2) Imports	23
1.2.3 Services	26

	Page
1.2.4 Investment	27
1.3 FTAs signed by Thailand	27
1.3.1 ASEAN Free Trade Area	28
1.3.2 Thailand-China FTA under the ASEAN-China Free Trade Agreement	28
1.3.3 Thailand-Australia Bilateral FTA	29
1.3.4 Thailand-New Zealand Free Trade Agreement	30
2. ECONOMIC RELATION BETWEEN CHILE AND THAILAND	
2.1 Bilateral Trade in Goods	31
2.1.1 Exports	31
2.1.2 Imports	32
2.2 Bilateral Trade in Services	33
2.3 Bilateral Investments	33
3. TRADE AND INVESTMENT POLICIES AND SYSTEMS	
3.1 Introduction	34
3.2 Measures affecting trade in goods	34
3.2.1 Tariffs	34
3.2.2 Non-Tariff Measures	35
3.3 Foreign investment regime	42
3.3.1 Treatment of Foreign Investment	42
3.3.2 Special Investment Zone	44
3.3.3 Investment Agreement	44
3.4 Trade defense measures	45
3.4.1 Safeguards	45
3.4.2 Anti-Dumping Measures And Countervailing Duties	45
4. TRADE IN SERVICES	
4.1 Measures affecting trade in services	46
4.1.1 Value Added Tax	46
4.1.2 Cooperate Income Tax	47
4.1.3 Foreign Investment Regime in Services	48
4.1.4 Registration Requirement for Commerce via Electronic Media	51
4.1.5 Movement of Natural Persons	51
4.1.6 E-Commerce	52
4.2 International Commitments Related to Services	52

	Page
4.3 Profiles of Specific Sectors and Their Related Rules and Regulations	52
4.3.1 Tourism and Related Services	52
4.3.2 Spa Services	54
4.4 Movement of Business Persons	55
4.4.1 Regimes for Entry and Work	55
4.4.2 Evaluation of Movement Of Business Persons	58
5. AGRICULTURE AND FISHERIES	
5.1 Agriculture	58
5.1.1 General Background	58
5.1.2 Annual Crops	59
5.1.3 Natural Rubber	59
5.1.4 Oil Palms	59
5.1.5 Other Crops	59
5.1.6 Orchards	59
5.1.7 Orchids	60
5.1.8 Meat Production	60
5.2 Fisheries	60
6. TRANSPARENCY	
6.1 Transparency in Trade Practices	60
6.2 Transparency Related to Commitment in Free Trade Agreements	61
7. AREAS OF COOPERATION	
7.1 Logistics	61
7.1.1 Transportation	61
7.1.2 Distribution	61
7.2 Fisheries	62
7.3 Education and Culture	62
8. ANALYSIS AND EVALUATION OF THE IMPACT OF PREFERENTIAL LIBERALIZATION ON TRADE AND INVESTMENT BETWEEN CHILE AND THAILAND	
8.1 A Model to Estimate the Impact on the Imports of Thailand	63
8.2 A Model to Estimate the Impact on the Exports of Thailand	64
8.3 Conclusions from the Partial Equilibrium Model	65
8.3.1 The Models and Assumptions	65
8.3.2 Change in Thai Exports to Chile Due to Tariff Elimination	66

	Page
8.3.3 Change in Thai Imports from Chile Due to Tariff Elimination	69
8.3.4 Complementary Economies	72
8.4 Estimation of Potential Imports by Both Countries on Products That Has Not Been Traded Bilaterally	75
8.5 Bilateral Liberalization of Trade in Services	79
8.5.1 Analysis	79
8.5.2 Conclusion	82
8.6 Bilateral Liberalization of Investment	82
8.6.1 Analysis	82
8.6.2 Conclusion	84
8.7 Effects and Influence on Specific Sectors and Products	84
8.7.1 Agriculture	84
8.7.2 Fishery Products	88
8.7.3 Vehicles and Parts	90
8.7.4 Textiles and Clothing	92
8.7.5 Electrical Equipment and Parts	93
8.7.6 Plastic and Plastic Products	94

Tables

	Page
Table 1.1: Selected Macroeconomic Indicators, 1997-2005	3
Table 1.2: Consumer Price Index	4
Table 1.3: Producer Price Index	4
Table 1.4: Thailand's Foreign Trade (1996-2005)	15
Table 1.5: Product Composition of Exports of Thailand	16
Table 1.6: Percentage-Wise of Export Composition in Thailand's Foreign Trade	16
Table 1.7: Agricultural Products and Fishery (HS Chapter 1-24): Twenty Highest Export Value Items	17
Table 1.8: Selected Items of Fuel and Mineral-based Exports	17
Table 1.9: Manufacturing Products: Twenty Highest Export Value Items	18
Table 1.10: Product Composition of Imports of Thailand	18
Table 1.11: Percentage-Wise of Import Composition in Thailand's Foreign Trade	19
Table 1.12: Agriculture products and fishery: Twenty Highest Import Value Items	19
Table 1.13: Fuel and Mineral-based Products: Twenty Highest Import Value Items	20
Table 1.14: Manufacturing products: Twenty Highest Import Value Items	21
Table 1.15: Thailand's Balance of Trade of Selected Commodity Groups	21
Table 1.16: Thailand's Export Value by Continents	22
Table 1.17: First 22 Destinations of Thai Exports	23
Table 1.18: Importance of the First 22 Destinations of Thai Exports	24
Table 1.19: Thailand's Import Value by Continents	24
Table 1.20: Thailand's Import Proportion by Continents	25
Table 1.21: First 22 Sources of Thailand's Imports	25
Table 1.22: Importance of the First 22 Sources of Thailand's Imports	26
Table 2.1: Trade between Chile and Thailand	31
Table 2.2: Thailand's Exports to Chile: Selected Important Items	32
Table 2.3: Thailand's Imports from Chile: Selected Important Items	33
Table 3.1: Products Subject to Tariff Quotas	37
Table 4.1: Structure of Corporate Income Tax as of January 2206	47
Table 4.2: Business Activities Restricted for Foreign Investment	48
Table 8.1: Estimated Changes in Thai Exports to Chile in Response to Tariff Elimination	67

Tables

	Page
Table 8.2: Estimated Changes of Thailand's Imports from Chile in Response to Tariff Elimination in Thailand	70
Table 8.3: Shares of Complementary Products in Thailand and Chile Trade	73
Table 8.4: Thailand: Export Potentials of Products Which Had Not Been Exported To Chile	76
Table 8.5: Thailand: Import Potentials of Products Which Had Not Been Imported From Chile	78
Table 8.6: Thailand's International Trade in Services in 2001-2004	80
Table 8.7: Structure of Trade in Services in Thailand as Compared to Chile (Average of 2001-2004)	81
Table 8.8: Tourist Arrivals from Thailand, Chile and World, 2001-2005	82
Table 8.9: Net Foreign Direct Investment Flows	83
Table 8.10: Exports of Thai Rice and Rice Products to Chile during 2002-2005	85
Table 8.11: Market Shares of Thai Rice in Chilean Market	85
Table 8.12: Estimated Changes in Thai Rice Exports to Chile in Response to Tariff Elimination	85
Table 8.13: Exports of Thai Pineapple to Chile during 2002-2004	86
Table 8.14: Exports of Pineapples from Thailand to Chile: Prepared or Preserved Products	87
Table 8.15: Estimated Changes of Trade in Natural Rubber and Rubber Products between Chile and Thailand after an FTA	88
Table 8.16: Shares of Thai Fisheries Products in Chilean Markets during 2002-2005	89
Table 8.17: Exports of Thai Fisheries Products to Chile during 2002-2005	89
Table 8.18: Leading World's Exporters and Importers of Automotive Products, 2004	90
Table 8.19: Estimated Increases in Exports of Vehicles and Parts from Thailand To Chile after an FTA	92
Table 8.20: Thai Export Items in Textiles and Clothing that the Estimated Rates of Increase in Exports are Higher Than Fifty Percent After an FTA	93
Table 8.21: Thailand's and Chile's Trade of Principal Electrical Equipment and Parts	94
Table 8.22: Thailand Exports of Plastic and Plastic Products	95
Table 8.23: Estimated Changes of Exports of Plastic and Plastic Products to Chile after an FTA	95

Charts

	Page
Chart 1.1: Gross Domestic Product (1998 Prices)	2
Chart 1.2: CPI and Core Inflation Rate	3

1. INTRODUCTION

1.1 Main Characteristics of the Thai Economy

(i) Macroeconomic Features

(1) Development strategy

Thailand is a developing economy with relatively high degree of openness. Formerly, Thailand used to be an agricultural based economy. Starting from the early 1960s, industrialization has gradually transformed the agriculture-dependent economy into an economy with diversified manufacturing production. At the beginning of the industrialization process, import substitution was the main policy guiding the development process. However, at the end of the 1970s, Thailand had adopted export promotion strategy and exposed the economy to the world market. Since the 1990s, Thailand has moved up the value chain and produced such higher technology products as electrical machinery, mechanical appliances, and computer parts and components. In 2004, contribution of agricultural sector to the GDP was 10.07 percent while that of manufacturing sector was 34.50 percent.

At present, Thailand is committed to trade and investment liberalization as a mean to improve the competitiveness and thereby promoting sustainable economic growth and alleviating poverty. The Thai government has adopted the so-called "Dual Track" development strategy which aims at strengthening of the domestic economy and at the same time integrating Thailand into the global economy. Export expansion, diversification of the markets and moving into higher-valued products, is the major thrust of the trade policy.

The Dual Track policy was a social and economic citizen-centered approach designed to address the problems of two different constituencies in Thailand: the urban and business sectors on one hand; the poor and rural grassroots on the other. Conventional export-led development concentrated capital in urban areas while hoping that prosperity would somehow trickle down to the rural areas. The consequence of such development strategy is while the urban side developed and prospered, the rural side fell further behind. Under the Dual Track policy, the private sector will be encouraged to prosper efficiently in order to create one part of the country's wealth. The other part of the wealth must be created at the grassroots through a number of government-assisted programs, such as micro-credit facilities, small enterprise incentives and local product marketing support. It is hoped that to liberate the latent economic and social power in the grassroots communities and to start them on a path towards economic prosperity and sustainability, they could become more self-reliant, more innovative and more productive. It was also clear that revitalizing domestic demand would require participation of Thailand's traditional sectors: agriculture, rural households, and small and medium-sized enterprises (SMEs). With proper management, grassroots industries and SMEs could become Thailand's new growth engine. It is worth noting that grassroots activities are less dependent on imported technologies, materials and components, so there is less impact on trade and account balances. The policy will increase the competitiveness of the agricultural sector. But it will not change the agricultural trade policy of Thailand as the basis of the Dual Track approach is competition and price mechanism.

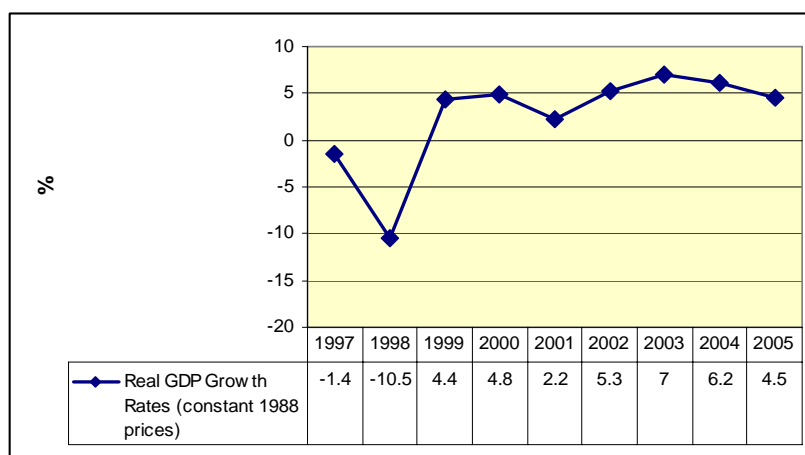
(2) Growth of GDP

Before the financial crisis in 1997, the Thai economy grew at a high rate. For instance, in 1994, 1995 and 1996, GDP growth rates were 9.0 percent, 9.2 percent and 5.9 percent, respectively. The growth became negative during 1997 and 1998. In 1999, the economy started to register positive growth again with a brief drop in 2001.

The slow down of Thai economy in 2001 was due mainly to the adverse impact of global economic slump on the external sector. GDP growth rate in 2001 was 1.8 percent – a decrease from 4.6 percent in 2000. Part of the contraction in foreign demand was partially offset by the domestic stimulus from the government sector and the measures to boost private spending. It took sometime before Thai Government had decided to change the macroeconomic policy to pull the economy out of the recession. The government turned to expansionary fiscal and monetary policies while the exchange rates depreciated continuously. As a result of exchange rate depreciation, international reserves soon came back to the level that was even higher than the pre-crisis level. Recent economic data have confirmed that Thailand's internal and external stabilities are well maintained

Since 1998, Thailand's balance of trade account has been in surplus. Thailand had pursued many economic reform programs to revive growth after the 1997 Asian financial crisis. Those measures involved banking reform, debt restructuring, social safety net support, tax incentives and tax reform, privatization of public enterprise and foreign ownership requirement. With comprehensive reforms, real GDP growth improved in 1999 and 2000, to over 4 percent (Chart 1.1). Nominal GDP per capita was US\$ 1,830 in 2001, and in 2002 real GDP was restored to its pre-crisis level (Table 1.1). Although real GDP growth slowed down in 2001 (1.9%), it rebounded to 5.3, 7.0, 6.1 percent in 2002, 2003 and 2004 respectively.

Chart 1.1: Growth Rates of Gross Domestic Product (1988 Prices)



It is worth noting that private investment in 2002 was driven mainly by domestic spending, especially private consumption on motor vehicles and other durables, encouraged by lower bank lending rates and rising consumer credit levels.

Preliminary data indicated that in 2005 Thai economy grew slower at the rate of 4.5 percent. External demand was moderate and the impact of natural disaster at the end of 2004 was the main reason for a decline in tourism in the Southern part of Thailand. Although the tourism had rebounded during the last part of 2005, it was not sufficient to compensate the downturn that occurred in the first half of the year.

Table 1.1: Selected Macroeconomic Indicators, 1997-2005

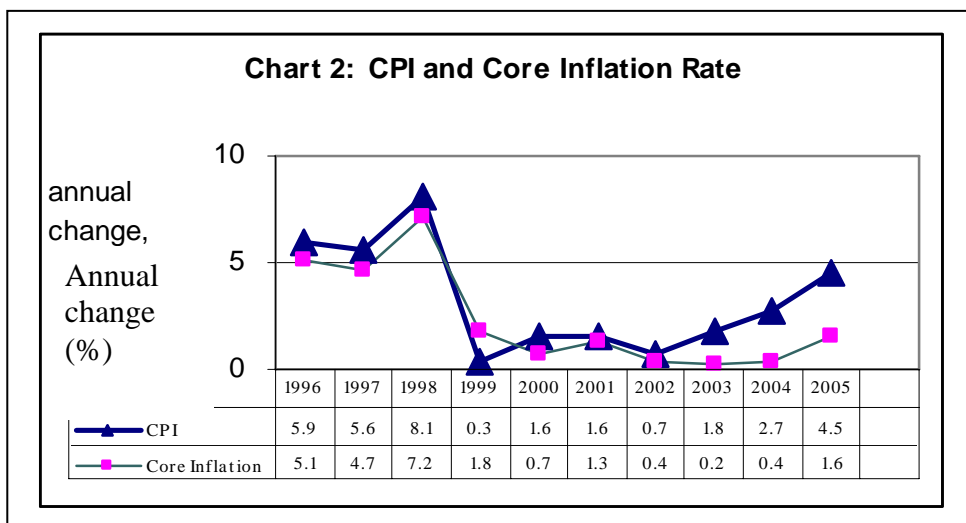
National accounts	1997	1998	1999	2000	2001	2002	2003	2004	2005
	(Percentage change in US\$, end period)								
Real GDP (constant 1988 prices)	-1.4	-10.5	4.4	4.8	2.2	5.3	7	6.2	4.5
Private consumption	-1.4	-11.5	4.3	4.9	3.7	4.7	6.4	5.9	4.4
Public consumption	-2.8	3.9	3.1	2.3	2.5	0.7	2.3	4.7	12.2
Private Investment	-30.4	-52.3	-3.3	16.8	4.9	13.4	17.7	16.3	11.2
Exports of Goods and Services	7.2	8.2	9	17.5	-4.2	12	7	9.6	4.4
Imports of Goods and Services	-11.3	-21.6	10.5	27.1	-5.5	13.7	8.5	13.5	9.3

Source: The NESDB, Thailand.

(3) Price level

In Thailand, inflation remained manageable since 1999, despite high oil prices lately. Inflation rates were 2.7 percent in 2004 and 4.5 percent in 2005. An increase in the inflation rate in 2005 was a result of the 4.5 percent increase in food and beverage prices and a 1.7 percent increase in non-food prices, especially the energy prices.

Core inflation which excludes raw food and energy items from the consumer price index basket rose by 0.4 percent, a slight increase from 0.2 percent in the previous year. The increase was still within the target inflation bracket of 0-3.5 percent. As most of the general price increase came from fresh food and energy, general inflation rate continued to differ from core inflation (Chart 1.2)



Remark: Figures show Percentage changes from the same period of the previous year

Inflation was moderate in Thailand despite the surge in fuel prices and the world's commodity prices. A number of factors were contributing to the situation:

(1) Thai government requested cooperation from business sector to delay price hikes. At the same time, competition in the market pressured producers to cap prices to maintain market shares.

(2) Residential rents, which accounted for 18 percent of the CPI basket, fell by 0.6 percent year-on-year.

(3) The baht appreciated from the average of 41.53 baht per US dollar in 2003 to 40.28 baht per US dollar in 2004 and 2005. As a result, the prices of imported items fell in baht terms.

Table 1.2: Consumer Price Index

Unit: Percentage change from the same period last year

Whole Kingdom	Weight (Percent)	2003	2004	2005	2006 Jan-March
Consumer Price Index	100	1.8	2.7	4.5	5.7
Food and beverages	38.5	3.6	4.5	5	4.7
Non-food and beverages	61.5	0.7	1.7	4.3	6.3
Core Consumer Price Index	75.3	0.2	0.4	1.6	2.6

Source: Bureau of Trade and Economic Indices, Ministry of Commerce

The Producer Price Index (PPI) increased by 9.2 percent in 2005, accelerating from the previous year increase of 6.7 percent. The acceleration in PPI was due to higher prices in all categories, namely, agricultural, mining, and manufactured products, which rose by 21.2, 17.4 and 7.2 percent, respectively. While agricultural prices rose with the increase in the prices of paddy and rubber due to strong external demand, manufactured product prices rose following the increase in the prices of petroleum products. In addition, chemical, metal, and mining products increased in line with the increase in the prices of crude oil, natural gas, and metal ore.

Table 1.3: Producer Price Index

Unit: Percentage change from the same period last year

Whole Kingdom	Weight (Percent)	2003	2004	2005	2006 Jan-March
Producer Price Index	100	4	6.7	9.2	8.7
Agricultural Products	9.5	10.8	14.9	21.2	20
Mining Products	2.4	5.8	12.8	17.4	23.2
Manufactured Products	88.1	2.8	5.4	7.2	6.5

Source: Bureau of Trade and Economic Indices, Ministry of Commerce

1.1.2 Trade Policy Regime: Formulation and Implementation

(1) General legal and institutional framework

The Constitution of 1997 (as well as the previous ones) defines Thailand as a unitary and democratic kingdom with a constitutional monarchy. For administrative purposes, the country has 77 provinces including Bangkok Metropolitan. Each Province comprises of Districts (Amphoe), Sub-districts (Tam Bon) and Villages (Mu Ban). A governor is appointed by the government to head each provincial administration.

Executive power is exercised by the Prime Minister who is elected among the Parliamentary Representatives for a term of four years. The Prime Minister appoints cabinet ministers.

Legislative power is exercised by the National Congress which comprises a House of Representatives and a Senate. The House of Representatives is composed of 500 members elected for a four-year term. The Senate is composed of 200 senators elected for a six-year term. Members of House of Representatives may be re-elected while member of Senate cannot hold two successive terms.

Judicial power is vested in Supreme Court of Justice, 9 regional courts of appeal and other courts established by law. Supreme Court Judges are appointed by the Judicial Committee. The Supreme Court appoints members of the lower courts.

As provided for in the 1997 Constitution, new independent institutions were established by 1999. They include the Constitution Court, the Election Commission, and the independent National Counter Corruption Commission. An Administrative Court was also created in the mid 2000 to adjudicate administrative disputes involving the Government.

The Constitution provides Thai citizen for the freedom to engage in free and fair competition of business activities subject to certain conditions set out by laws to protect consumers, urban planning, natural resources or environment, public safety. Monopoly is banned because it causes unfair competition. State enterprises are limited to certain necessary economic activities to protect national security or for the public interest. The Constitution also provides for increased government decentralization.

(1) Trade policy objectives and formulation of trade policy

Thailand's trade policy objectives are: (1) to maintain the continuity and sustainability of export growth through diversification of markets and promotion of high-valued products, (2) to undertake structural reforms to improve Thailand's efficiency and international competitiveness, (3) to strengthen the domestic economy while also to facilitate trade and investment to reduce its vulnerability to external shocks that may arise from globalization, and (4) to integrate Thailand into the global economy by increasing exports and by developing a world marketing network responsive to consumer needs.

In order to achieve the above objectives, the government is committed to support fair and free trade. Thailand has played an active role in creating and improving multilateral trade rules that ensure developing country interests. To complement and to accelerate the global trade liberalization effort in the multilateral forum, Thailand actively participates in regional free trade arrangement and has negotiated and signed free trade agreements with important trading partners. Thailand is one of the original members of ASEAN Free Trade Area (AFTA) as well as a member of APEC. In addition to AFTA, Thailand has signed and implemented three other free trade agreements with China, Australia, and New Zealand.

The decision to adopt trade policy will be made in the Cabinet of Ministers. But trade policy formulation will come from the initiatives of the Economic Ministers, namely Commerce, Industry, Agriculture and Cooperatives, Labour, Natural Resources, and Finance. The initiatives will be proposed to the Committee on International Economic Relations Policy

(CIERP), chaired by the Deputy Prime Minister overlooking economic development of the country. The Committee comprises Ministers for Commerce, Industry, Agriculture and Cooperatives, Foreign Affairs, Labour, Natural Resources, and Finance, with the Permanent Secretary for Commerce as the Secretariat. Negotiation issues and formation of negotiation teams must be discussed and approved by this Committee.

Another government body that plays an important role in the formation of economic policy is the National Economic and Social Development Board (NESDB). NESDB is responsible for preparing Thailand's five-year national economic and social development plans and monitoring the implementation. Currently, the Ninth Development Plan, from 2002 to 2006 reflects the guiding principle of "sufficiency economy" based on a "middle path" or balanced development. All government bodies are required to take into account the national plan when they propose policy initiatives.

In terms of trade negotiations, the Department of Trade Negotiations under the Ministry of Commerce is mainly responsible for bilateral, regional and multilateral trade negotiations. However, chief of the bilateral trade negotiation team could be officials from other government agencies. The Department consults with other government and non-government agencies both during pre- and post negotiation process. To formulate negotiation positions, it interacts closely with related agencies such as Fiscal Policy Office (Ministry of Finance), Office of Industrial Economics (Ministry of Industry), Ministry of Foreign Affairs, and Office of Agricultural Economics (Ministry of Agricultural and Co-operatives) as well as private sector bodies such as the Thai Chamber of Commerce, the Federation of Thai Industries, and the Thai Bankers' Association. These private bodies are represented on the Joint Standing Committee on Commerce, Industry and Banking (JSCCIB). The JSCCIB also formed the WTO Committee in 1999 aimed at facilitating the private sector's participation in multilateral negotiations in order to help enhance Thailand's competitiveness. Subsequent to the consultation process, negotiation plans, objectives and positions in all negotiation forums must be approved by the Committee on International Economic Relations Policy and the Cabinet.

(3) Main trade laws and regulations

Thailand is committed to strengthen trade and business laws and regulations to improve the commercial environment and encourage competition, efficiency and corporate governance. Important group of laws include:

a) Laws related to Intellectual Property Rights. In this group, many laws had been enacted to comply with the Agreement on Trade Related Aspects of Intellectual Property Rights of the WTO:

- (1) The Copyright Act which entered into force in 1999;
- (2) The Patent Act, which was amended in 1995 and came into force in September 1999;
- (3) Protection of Plant Varieties Act, which came into force in December 1999;
- (4) The Trademark Act of 1991, which was revised and entered into force in June 2000;
- (5) The Trade Secrets Act, which came into force in 2002

b) Laws related to competition. The laws in this group are the Price of Goods and Service Act and the Trade Competition Act. These are the main laws defining Thailand's competition policy and they came into force in 1999. The former is aimed at preventing price manipulation or other unfair business practices. The aim of the latter is to prohibit the

establishment of business enterprises that are deemed dominant from setting unfair prices, establishing unfair trading conditions, limiting supply, and intervening in other businesses without proper reason; conspiring and colluding in order to create “monopolistic” power or reduce competitions; any act that may restrict a person in Thailand from purchasing goods or services directly from business operators outside Thailand; and any act that has negative effects such as impairing or obstructing business operation of other businesses.

c) Laws related to customs. Two laws in this group are: the General Provision of the Custom Tariff Decree of 1987 and the Custom Act (No.7) of 2000. The laws were amended and entered into force in 2000 with a view to implementing the WTO Agreement on Customs Valuation.

d) Laws related to anti-dumping, subsidies and safeguards. In this group, the Anti-Dumping and Countervailing Act was introduced in 1999. Safeguards regulation was issued by the Ministry of Commerce based upon the legal framework of the Exportation and Importation of Goods Act of 1979.

e) Laws related to services and investment. Important laws in this group include Foreign Business Act of 1999, Alien Employment Act of 1978, Land Act of 1954 and Investment Promotion Act of 1991.

1.1.3 Structure and Features of the Market

Thailand has an open economy with a liberal trade and investment, and accords at least MFN treatment to all WTO Members with a simple average applied MFN rate of 11.98% in 2004. Under the Constitution of the Kingdom of Thailand of 1997, the Government must support a market-based economy, and regulate and ensures fair competition, consumer protection, and restriction on monopoly practices. The Price of Goods and Services Act of 1999 and the Trade Competition Act of 1999 are the main laws defining Thailand’s competition policy.

The Central Commission on Price of Goods and Services was established to enforce the Price of Goods and Services Act of 1999. Its responsibility is to prevent price manipulation or other unfair business practices, where these may affect consumers directly. Subject to Cabinet approval, the Commission has the power to designate and control any particular goods or services, or to introduce minimum prices or maximum selling prices for those goods and services, and to maintain prices at certain levels.

Under the Trade Competition Act, the Trade Competition Commission was established in November 1999 to carry out research, monitor competition conduct and implement competition regulations in Thailand. The Commission is chaired by the Minister of Commerce. Other commission members include the Permanent-Secretary of Commerce (vice chairperson), the Permanent-Secretary for Finance, and eight to twelve experts appointed by the Cabinet. The Director –General of the Department of Internal Trade is the Secretary-General of the Commission. The Trade Competition Commission is empowered to appoint subcommittees to conduct investigations and inquiries into anti- competitive practices. The Act does not allow the establishment of business enterprises that are dominant in the market and has the power to set unfair prices or to establish unfair trading conditions, to limit supply of goods, and to intervene in other businesses without proper reasons. Mergers that may create “monopolistic” power or reduce competition will require approval by the Trade Competition Commissions before they can be established.

The Trade Competition Commission has the authority to issue ordinance which require business operators to cease unfair business practices. Failure to abide by the provisions of the Trade Competition Act may result in jail terms of one to three years and/or a fine up to US\$ 150,000. An Appellate Committee appointed by the Cabinet in December 2000 is empowered to consider and decide on the appeals submitted by business operators. State enterprises (under the State Enterprise Law) and Cooperatives or enterprises which are operated by farmers (under the Agricultural Cooperatives Law) are exempted from the Act.

1.1.4 Banking System and Credit Policies

(1) Overview

The stability and performance of the financial system has improved since the 1997 Asian financial crisis. Financial sector reform following the 1997 financial crisis has been central to Thailand's recovery program. Institutions have been reorganized and more efficient risk management techniques have been introduced, profitability of financial institutions has begun to recover since 2002. Banks' balance sheets have been improving by the end of 2005 as their non-performing loans (NPLs) reduced to around 8.0 percent of the total loans. There was no publicly available target figure of NPLs.

The financial sector reform has been continuously implemented and the capital market development, with emphasis on good governance, is given a high level of priority. The Thai authorities have gradually deregulated the financial sector while enhancing supervisory controls, especially in banking, insurance, and fund management. The bank of Thailand supervises commercial banks, finance companies, and credit fanciers, while the Ministry of Finance is empowered to supervise specialized financial institutions such as Government Savings Bank, etc. The draft Financial Institutions Businesses Act, currently being considered by the Government, would give the Bank of Thailand sole responsibility for supervising financial institutions.

In the past, Thailand's economy was based on bank financing. In 1996, bank loans stood at US\$ 189.7 billion (4.8 trillion baht), higher than value of GDP in that year, while market capitalization and the value of domestic bonds were relatively lower valued at US\$ 101.17 and 20.52 billion respectively. At present, the size of bank based and capital market-based financing is well balanced following the significant increases in the size of the stock exchange and domestic bond market. The capital market for both stocks and bonds has become an increasingly important alternative financing source for the private sector.

(2) Banking regulations

The institution that supervises commercial banks is the Bank of Thailand. The government formed several agencies to help rehabilitate the financial sector. The Thai Asset Management Corporation (TAMC) established in 1997, purchased non-performing loans (NPLs) from commercial banks and managed. The Financial Institutions Development Fund (FIDF), established in 1985 to rehabilitate distressed institutions, was instrumental in taking over and recapitalizing and or restructuring troubled banks. It has also provided a blanket guarantee for depositors and non-subordinated creditors of every financial incorporated in Thailand. Since 1997, the authorities plan to establish the Deposit Insurance Agency (DIA) to operate a limited deposit insurance scheme when the economy and financial sector achieves sustainable growth and stability. Draft legislation establishing the DIA is being considered by the Ministry of Finance.

Locally incorporated commercial banks as well as foreign banks want to open branches in Thailand must be licensed by the Ministry of Finance. Licensing provisions are generally applied uniformly to domestic and foreign banks. Foreign banks must operate ATM at their branch, but may join the ATM network operated jointly by Thai banks. Foreign branches can offer the same normal commercial bank services as Thai banks, including connected, or incidental business, such as non-equity related investment banking, brokering and underwriting of fixed income securities, and many types of securities business, such as securities lending, funds management, and investment advisory services, provided they have securities licensee.

In 1997 the government relaxed foreign equity limits for ten years to allow foreign ownership or up to 100% from previously 25% in commercial banks, finance companies and credit fanciers. After ten years, foreign investors who increased their equity to over 49% will not have to sell their shares but with not be able to purchase additional shares. This measure led to substantial majority ownership of many Thai commercial banks

After the 1997 financial crisis, the Bank of Thailand has aligned its bank supervisory standards on asset valuation, loan review, loan classifications, provisioning against bad loans, and capital requirements, with BIS (Bank of International Settlement) standards. A minimum capital adequacy ratio of 8.5% was set for commercial banks in 1997. Measures have also been taken to enhance oversight and regulation of loan portfolios, including on large exposures, cross-holdings, and related-party lending. Risk-based bank monitoring, covering strategic, credit, liquidity, and operational risk assessments, is also applied, and on-site examinations are conducted using a rating system whereby institutions rated “one to three” are examined annually; those rated “four” are also closely monitored and subject to corrective action; and those rated “five” are subject to “intervention and permanent examination”. The Bank of Thailand has also taken various initiatives to strengthen corporate governance in addition to these required by the bank law. These include: a Financial Institution Director’ handbook issued in March 2002; a policy statement in December 2002 on the structure of commercial banks’ board of directors; implementation of “fit and proper” tests and qualification requirements for directors and managers of financial institutions; and minimum disclosure requirements.

(3) Insurance System

At the end of 2005, there were 100 insurance firms in total consisting 25 life insurers and 75 non-life insurers including one foreign branch of life insurance firm and three foreign branches of non-life insurers.

The government has a three-stage liberalization plan for insurance which began in 1997. At the first stage, foreign participation in a joint venture with local firm was allowed up to 25% of total equity. At the second stage, the limit of foreign equity participation would be raised to 49%. The proposed legislative amendments are now being considered at ministerial level. After the completion of the second stage liberalization, majority foreign equity participation would be allowed within ten years.

The Department of Insurance (DOI) under the Ministry of Commerce is in charge of supervising insurance firms. DOI required insurers to have re-insurance to cover their risks. Non-live insurers must not assume “risks of more than 10% of their capital funds”.

All insurance premiums are approved by the Insurance Commissioner. Life insurance premium of up to 50,000 Baht annually are tax deductible only for holders of policies issued by branches of companies incorporated abroad.

(4) Mutual Funds

Mutual Funds have been developed in Thailand since 1977. After the Securities and Exchange Act was enacted and came into force in 1992, The Securities and Exchange Commissioners (SEC) were established to regulate securities and investment management businesses, and also to supervise the capital market. At the end of 1995, SEC started issuing new licenses for mutual fund management companies. As at July 8, 2005, there were 18 mutual fund management firms in Thailand. Under the SEC Act, Investment management business (e.g. mutual fund management, private fund management, and venture capital management) are categorized as List 3 businesses under the Foreign Business Act (1999) which are closed to firms with majority foreign equity unless permitted by the Director-General of the Department of Business Development under the Ministry of Commerce.

Currently, there are ten types of mutual funds based on portfolio policy namely equity fund, General fixed income fund, Long-term fixed income fund, Short-term fixed income fund, Balanced fund, Flexible portfolio fund, Fund for funds, Warrant fund, Sector fund, and Money market fund. Besides the above mentioned types of mutual funds, new innovations keep coming out to meet specific needs of different investors. For example, Guarantee fund, unit trust holder is guaranteed (by a bank) to receive the principal or principal plans benefits in part or whole when unit trust dues; retirement mutual fund offers income tax exemption for investments up to B300,000 per year, foreign investment fund uses the money received from domestic unit trust sale to invest in foreign security markets; long term equity fund, the objective is to increase the position of the institution which intends to invest for long term purpose in the Security Exchange of Thailand and hence help stabilize the market; property fund, being invested in property with the purpose to earn rent.

As at Sember30, 2005, 18 managers offered shares of 626 different mutual funds in Thailand with B847.6 billion of assets invested in Thailand and abroad.

(5) Government Pension Fund

The Government Pension Fund (GPF) was established under the Government Pension Fund Act of 1996. The objectives are to ensure member benefits upon retirement, to encourage member saving consciousness, as well as to provide members other welfare and benefits. For the sole benefits of members who are government officials GPF invest in compliance with ministerial regulations.

In December the GPF had 1.5 million members with aggregate financial resources equaling approximately B 286.8 billion. During 2001-2005 GPF had averaged annual returns on the assets under management of 7.35% compared to the averaged inflation rates of 2.27% and the averaged bank deposit rates of 1.9%.

(6) Provident Funds

The first provident fund was created in Thailand in 1984. In 1987 the Provident Fund Act was enacted and came into force. After a decade, the Ministry of Finance which initially supervised the operation of provident fund, had proposed amendments on the Provident Fund Act and the Securities and Exchange Act to, transfer the responsibility of supervising provident fund to the Securities Exchange Commissioners at that time already supervised mutual funds and private funds. There were total 548 provident funds participated by 1.66 million members with aggregated net asset value of US\$ 8,590 million as at December 2005.

1.1.5 Employment Policies, Law and Salaries

In 2005, there are 36.20 million labor forces out of 62.42 populations in Thailand, of which 62 percent of them are employed in the non agricultural sector. Unemployment rate in Thailand was 4.2 percent in 1999, and it has fallen continuously to 1.7 percent in 2005.

(1) Labour policies

Thailand has attached great importance to the development of labour. Labour is recognized as a critical factor in economic development and social progress. Labour policy has been pursued to promote employment, skill development, labour protection, sound labour relations, and social security and to ensure the materialization of labour rights.

The Department and Ministry issues regulations clarifying and sometimes modifying the rights under the Labour Protection Act. The Department of Labour Protection and Welfare under the Ministry of Labour is in charged of administration of these rights. Thailand's labour laws include:

- Alien Employment Act of 1978
- Employment and Job Seeker Protection Act of 1985
- Skill Development Promotion Act of 2002
- Labour Relations Act of 1975
- Labour Protection Act of 1998
- State Enterprise Labour Relation Act of 2000
- Social Security Act of 1980
- Workmen's Compensation Act of 1994

Thai Labour Protection Act of 1998 is the principal law defining Thailand's employment policy. The law establishes the minimum rights of employees working in Thailand. It also covers working hours, overtime, holidays, sick leave, maternity leave, severance and other basic employee rights that by and large up to international standard. In addition to employment in industrial sector, the protection also expanded to home based workers and workers in agriculture sector.

The Ministerial Regulation of Minimum Wage Rate requires employer to pay not less than minimum wage rate which review by Wage Committee. The regulations apply to all business and rates depend largely on the location of the workplace. Minimum wage rate differs from province to province. The rates range from 140 to 184 baht per day or US\$ 3.5 to US\$ 4.6 per day. Work salaries for white collars depend on position and performance.

Under the 1998 labor protection law, minimum wage administration is decentralized. The purpose is to develop Thailand's wage structure and allow minimum wage in each province to reflect the cost in that area. Minimum wage administration is divided into 2 levels: national level and provincial level. At the national level, the minimum wage committee comprised of representative from the government, employees and employers will advise the cabinet on wage policy, restructuring of wage system, and suggest basic minimum wage¹. For the provincial level, the minimum wage committee by law will endorse provincial minimum wage sub-committees which have the same composition of members. The subcommittees have the responsibility of determining minimum wage in their respective provinces.

(2) Labour Relations

Labour Relations Bureau has the power and duties to develop labour relations system and state enterprise labour relations, to proceed in compliance with the relevant laws, and to formulate guidelines, measures and operational methods of the labour relations system and state enterprise labour relations in accordance with the Labour Relations Act of 1975, and the Act of on State Enterprise of 2000.

In Thailand, two systems of industrial relation are established: the industrial relation in the private sector and the industrial relation in the state enterprises. They are under the Act on Industrial Relation enacted in 1975 and the Act on State Enterprise Industrial Relations and Ministry's Guideline on the Promotion of Industrial Relations of 2000. The Acts specify the procedures on submission complaint, negotiation labour dispute, strike and lock up, employer and worker organizations, worker's committee, labour affairs committee, unfair action and the introduction of bilateral or multilateral systems to encourage the cooperation among employers, workers and government.

According to the Labour Relation Law, Labour Union and Employee Association must be registered at the Labour Protection and Welfare Department, and require a license to operate. An employee who is not Thai is entitled to be labour union's member in the enterprise. The Memorandum of understanding on Labour countersigned by the Thai Government and the Myanmar Government not a clause according to the Labour Relations Act of 1975, an employer is therefore unable to obstruct the freedom of association of migrant workers. If an employer fails to comply with the law, this action deems to be an offense as an unfair treatment.

The Labour Relations Act of 1975 prescribed that the establishment of labour union and the submission of demand aimed at requesting the amendment of conditions of employment are the rights of employees. The Ministry of Labour has therefore a policy to encourage and promote the relationships between employers and employees in accordance with a bipartite system. An unfair labour practice is entitled to exercise his/her right in accordance with the law. In addition, the Act is also entitled labour union's members to leave for participating in the union's activities, i.e. meeting or seminar organized by the government and participating in the negotiation for labour dispute settlement.

¹ Basic minimum wage means minimum amount of payment that is sufficient for employee to dwell in the society.

A trade union is an employers' organization set up according to the Labour Relations Act of 1975. Non-Thai workers do not have the rights to form or to be the committee member of any trade union. But they can be the union members.

(3) Collective Bargaining

At present, the main machinery of negotiation is the bipartite machinery. The bipartite mechanism created by either employees or employers is involved in negotiation of demands. If negotiation is not successful it will lead to procedure of conciliation. If it is still unsettled, it will go to arbitration or trade unions may go on strike or employer may resort to a lock-out to force the other party to agree. To prevent labour disputes, the Labour Relations Act of 1975 stipulated employers and workers right in respect of such demands.

(4) State Enterprises

Under the State Enterprise Labour Relation of 2000, the state enterprise union is entitled to organize state enterprise confederation and such confederation is able to be the member of labour council as provided by the Labour Relations Act of 1975. The State Enterprise Labour Relations Act of 2000 is different from the Labour Relations Act of 1975 on the ground that state enterprise is governmental enterprise aiming to facilitate the country and its people and there are many state enterprises undertaking about essential public services, where the relation between worker and government as well as protection are different from the private sector. The State Enterprise Labour Relation Act of 2000 aims to protect the rights of employment in the state enterprise sector whose status belong to the government differentiated to the private employer and employee basis.

(5) The Right to Strike

In general, employee in the private sector has the rights to strike. The services which are not allowed to strike under the Labour Relations Act of 1975 are in the area of public services where the stoppage of such services will affect the economy of the country or cause hardship to the public or endanger the national security.

The state enterprises and civil servants/workers are exempted from strike because they are considered in the status differ from the private employee.

(6) International Commitment

Thailand has not ratified the Convention No. 87 and No.98. The existing two laws: Labour Relations Act of 1975 and State Enterprise Labour Relations Act of 2000 are entitled to freely organize and collectively bargain by fair. However, The Ministry of labour does not neglect the conceptual consideration for ratifying the two conventions. If the two conventions have been considered to ratify, the civil servants will have the rights to form unions and conduct collective bargaining.

In the draft of Labour Relations Act of 2000, it has also determined the principles to protect the founder for forming trade unions. If they are dismissed during the time for forming trade unions, it will be deemed as the unfair labour practice. Although the Labour Relations Act of 1965 does not provide the above specific principle, the court jurisdiction has also set the principles to protect in the matter of such unfair labour practice.

(7) Role of government

Ministry of Labour is recognized as the proactive core organization in labour. The Role of Government through the administration for the development of skills and employability of labour force to support country competitiveness, with guaranteed social security and better quality of working lives. The missions are to promote and develop skills, increase knowledge and capacity building for employability. The Ministry also promotes and extends working opportunity for people, including protecting job-seekers, and provides labour protection with security and occupational safety and health. In addition, the Minister ensures secured living for workers and develops labour administration capacity. Besides, the Ministry is in charge of compliance legislation which has labour offices in every province.

1.1.6 Environment Policies and Laws

Thailand has a long term environment policy and plan which ranged from 1997 to 2016. Its main objectives are to have a comprehensive and integrated management of natural resources; to improve and conserve environment paralleling with economic and social development; and to ensure a sustainable development and improve the quality of life of Thai people. The plan sets measures for recoverable natural resources; it introduces measures to control pollution in water air and sound, garbage, and hazardous wastes; and it also outlines measures to improve and conserve environment in the future.

The first environmental law was promulgated in 1975 and amended in 1992. The Promotion and Conservation of Environment Law called for the establishment of the National Environment Committee to take the responsibility concerning environment matters. Many Ministerial Regulations entered into forces during 1992-1996, requiring that any project or activity initiated whether by government state enterprises or private sectors of which investment values exceeding 1.0 billion baht, must submit a report on the study of the impacts from such program. In October 2002, the Ministry of Natural Resources and Environment was established. This implies that the government envisions the importance of environment, and has strong commitment to help solve problems incurred from economic and social developments which have negative impacts on environment. Currently the authorities concerned are in the process of drafting the third five year plan (2007-2011), focusing on promotion and conservation of environment.

Since becoming a member of WTO, Thailand has participated in the international conventions concerning environment, and signed a number of agreements (for example, Montreal Protocol, Kyoto Protocol, and CITES).

1.2 Trade

During the past 10 years, Thailand's international merchandise trade has grown gradually since the monetary crisis in 1997. In 1998, export value reached its lowest level of US\$ 54,481 million but then started to rebound in 1999 and grew steadily onwards, except in 2001 when exports declined slightly. In 2005, exports reached US\$ 110,882 million level or an increase of 98 percent from 1996 level. Similar picture but perhaps less dramatic could be described for the import side. Imports reached the bottom level of US\$ 42,402 million level in 1998, then started to increase the following year and reached the level of US\$ 118,225 million. The growth rate from 1996 to 2005 was 63 percent.

During the stretch of more than 20 years before 1997, Thailand had experienced a balance of trade deficit every year. With the introduction of managed float exchange rate system in 1997, the economy seemed to adjust itself and Thailand had trade surplus every year during 1998 – 2004. However, because of the high imported energy costs imports outgrew exports in 2005, resulting in the trade deficit of US\$ 7,343 million. Whether or not trade deficit will become a thorn for the Thai economy is remained to be seen.

Table 1.4: Thailand's Foreign Trade (1996-2005)

Value Unit: US\$ Million

Indicators	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Exports (FOB)	55,941.4	58,328.6	54,490.1	58,463.4	69,624.2	65,183.2	68,156.3	80,040.0	96,531.0	110,883.2
Imports (CIF)	72,247.7	63,180.7	42,434.5	49,914.6	62,180.4	61,729.2	64,239.3	75,034.0	94,037.0	118,223.0
Trade Balance	(16,306.3)	(4,852.1)	12,055.6	8,548.8	7,443.8	3,454.0	3,917.0	5,006.0	2,494.0	(7,339.8)
Trade exchange	128,189.1	121,509.3	96,924.6	108,378.0	131,804.6	126,912.4	132,395.6	155,074.0	190,568.0	229,106.2
	Growth rate (% from the previous year)									
Exports	-1.38	4.27	-6.58	7.29	19.09	-6.38	4.56	17.44	20.60	14.87
Imports	2.16	-12.55	-32.84	17.63	24.57	-0.73	4.07	16.80	25.33	25.72
Trade exchange	0.59	-5.21	-20.23	11.82	21.62	-3.71	4.32	17.13	22.89	20.22

Source: Customs Department

1.2.1 Composition of Trade in Goods

(1) Exports

The value of trade in each group of goods has increased and the composition of trade has also changed since 1996. While food exports increased by 16.01 percent from 1996 to 2005, chemicals, machinery and manufactured goods exports increased by 449.97 percent, 136.08 percent, and 105.37 percent, respectively during the same period.

With different paces of expansion, the shares of these groups of merchandise changed in 2005. The share of food exports declined from 19.43 percent in 1996 to 11.37 percent in 2005. Meanwhile, the shares of chemicals exports increased from 2.74 to 7.60 percent, manufactured goods exports from 15.94 to 16.51 percent and machinery exports from 38.01 to 45.27 percent. The importance of trade in manufactured products has improved while that of agricultural goods has decreased.

To investigate in details, agricultural and fishery products are defined as products items under chapters 1 – 24 of the HS nomenclature. The value of agricultural and fishery products increased by 17.52 percent during the past 10 years. Among these items, rice has always been the most important export. In 2005, Thailand exported US\$ 1,969 million to the world markets. Other important agricultural exports included white crystal cane sugar, raw cane sugar, dog and cat food, preserved or prepared pineapples, manioc pellets and starch, other prepared or preserved vegetables and fruits. In addition to this, fishery products are among the important export items. Prepared or preserved tunas export increased from US\$ 557 million in 1996 to US\$ 1,137 million in 2005. Frozen shrimps and prawns, however, had reduced almost by half due to trade barriers created by the U.S. government. Table 1.7 shows exports' trend of high value agricultural and fishery exports during 1996 – 2005.

For fuel and mineral-based products, which are defined as product items under chapter 25-27 and 72-81, it was found that the value had increased by 285.78 percent. The total value of fuel and mineral-based products was US\$ 9,996.64 million. These items were semi-finished products produced from imported crude oils and other mineral-based raw materials. Specifically, most of these items were cement, iron and steel bars and rods, flat-rolled steel, door and window aluminum frame. These exports were mainly destined to developing countries in Asia.

Manufacturing products have been the most important exports. In this report, manufacturing products are defined as product items under chapters 28-71 and 82-96 (excluding chapter 93 which includes ammunition and arms). Export of manufacturing products increased by 107.76 percent during the past 10 years. Main export items included computers and parts, motor vehicles and parts, television, printed circuits, electronics raw materials and air conditioners. Table 1.9 shows exports' trend of high value manufacturing exports during 1996 – 2005.

Table 1.5: Product Composition of Exports of Thailand

Unit: Million of US Dollars

Type of products	1996	1997	1998	2003	2004	2005
Total Exports	55,941.4	58,328.6	54,490.1	80,040.0	96,531.0	110,883.2
Food	10,868.1	10,513.1	9,526.9	11,008.8	12,109.0	12,608.4
Beverages and tobacco	211.1	207.3	155.3	199.8	229.8	254.8
Crude materials	3,247.2	2,632.7	2,032.6	3,979.4	4,980.8	5,501.3
Mineral fuel and lubricant	876.0	1,265.0	764.3	1,986.4	3,076.4	4,570.1
Animal and vegetable oils and fats	13.6	69.1	53.1	155.7	211.5	163.2
Chemicals	1,533.2	2,157.3	2,152.5	4,816.0	6,598.0	8,432.3
Manufactured goods	8,916.4	9,024.1	8,366.2	12,672.4	15,689.1	18,311.5
Machinery	21,263.8	22,771.9	21,940.3	35,419.8	43,418.5	50,199.3
Miscellaneous manufactured goods	8,218.0	7,759.9	7,135.6	7,541.2	8,471.3	8,969.6
Miscellaneous other goods	691.3	1,731.2	2,212.5	2,129.0	1,585.5	1,680.8

Source: Department of Customs

Table 1.6: Percentage-Wise of Export Composition in Thailand's Foreign Trade

Commodity Group	1996	1997	1998	2003	2004	2005
Total Exports	100.00	100.00	100.00	100.00	100.00	100.00
Food	19.43	18.02	17.48	13.75	12.54	11.37
Beverages and tobacco	0.38	0.36	0.29	0.25	0.24	0.23
Crude materials	5.80	4.51	3.73	4.97	5.16	4.96
Mineral fuel and lubricant	1.57	2.17	1.40	2.48	3.19	4.12
Animal and vegetable oils and fats	0.02	0.12	0.10	0.19	0.22	0.15
Chemicals	2.74	3.70	3.95	6.02	6.84	7.60
Manufactured goods	15.94	15.47	15.35	15.83	16.25	16.51
Machinery	38.01	39.04	40.26	44.25	44.98	45.27
Miscellaneous manufactured goods	14.69	13.30	13.10	9.42	8.78	8.09
Miscellaneous other goods	1.24	2.97	4.06	2.66	1.64	1.52

Source: Computed from Table 1.5

With respect to the structure of trade, the proportion of agricultural and fishery exports to total exports reduced from 20.28 percent in 1996 to 12.02 percent in 2005. On the contrary, the proportion of manufacturing exports to total exports increased continuously from 73.94 percent in 1996 to 77.50 percent in 2005. In the same period, the proportion of fuel and mineral-based exports increased from 4.63 percent to 9.02 percent.

Table 1.7: Agriculture products and fishery (HS Chapter 1-24): Twenty Highest Value Exports

		Unit: Million US Dollars			
HS	DESCRIPTION	1996	1997	2004	2005
100630	Milled or Semi Milled Rice	1,812.64	1,870.73	2,370.68	1,969.55
160414	Tunas, Skipjack, Bonito Prepared Or Preserved	557.74	642.71	902.14	1,137.48
030613	Shrimps and Prawns, Frozen	1,677.21	1,488.32	783.22	909.81
160520	Shrimps and Prawns, Prepared Or Preserved	741.65	907.70	862.37	839.86
160232	Prepared Or Preserved Meat Gallus Domesticus	0.00	0.00	519.50	689.93
210690	Food Preparations, (e.g. Extracts, Essences Of Coffee)	190.87	168.89	305.02	421.44
170199	Crystal Cane Sugar (Other Than Raw Sugar)	480.60	453.03	458.40	362.66
230910	Dog Or Cat Food, Put Up For Retail Sale	222.77	220.03	301.26	336.78
170111	Raw Cane Sugar	791.27	563.69	348.16	335.46
030749	Cuttle Fish and Squid, Frozen, Dried, Salted Or In Brine	255.42	274.72	346.32	334.64
200820	Pineapples, Other Wise Prepared Or Preserved	265.22	197.16	302.62	330.37
071410	Manioc Pellets	490.07	387.26	374.53	319.35
100640	Broken Rice	154.92	170.29	272.95	283.93
110814	Manioc (Cassava) Starch	133.15	161.06	189.24	221.99
030490	Other Types Of Fish Meat, Excluding Their Fish Fillets, Frozen	110.12	147.54	135.76	178.04
160420	Prepared Or Preserved Fish, Minced	121.17	136.78	176.00	177.09
160239	Prepared Or Preserved Meat Of Ducks, Geese, Guinea Fowls	133.67	159.84	109.53	168.99
210390	Sauces and Preparation: Gourmet Powder, Fish Sauce etc.	59.52	69.71	125.90	148.86
030420	Fish Fillets, Frozen	109.69	95.68	149.44	148.06
190190	Malt Extract; Preparations Of Flour, Groats, Meal, Starch	13.04	10.62	113.24	127.47
230990	Other Preparations for Animal Feeding, (Not Dog Or Cat Food)	24.23	31.25	93.84	112.86
200949	Pineapple Juice, Of A Brix Value Exceeding 20	0.00	0.00	112.58	110.29
200899	Other Fruit (E.G. Rambutan, Lichee, Longan And Mango Etc.)	101.70	88.75	98.29	107.75
200590	Other Vegetables (Bamboo Shoots, Young Corn) Prepared/Preserved	125.18	115.66	96.49	107.20
160510	Crab, Prepared Or Preserved	40.57	46.14	98.46	104.15

Source: Department of Customs

Table 1.8: Selected Items of Fuel and Mineral-based Exports

		Unit: Million US Dollars					
HS	DESCRIPTION	1996	1997	1998	2003	2004	2005
See note	Petroleum Oils and Oils (all forms)	58.43	224.74	156.82	1,847.60	2,975.39	4,447.15
732690	Other Articles Of Iron Or Steel Wire	75.74	84.41	79.16	167.75	260.13	296.37
252310	Cement Clinkers	88.37	170.19	137.73	147.47	151.95	235.52
252329	Other Portland Cement (Excluding White Cement)	44.61	47.21	59.85	151.13	155.35	221.26
730890	Other Structures of Iron or Steel; Plates, Rods, Angles, Shapes	28.62	22.80	19.89	67.08	107.22	214.73
761010	Doors, Windows and Frames of Aluminum	94.05	82.31	65.78	132.49	175.25	200.34
800110	Unwrought Tin, Not Alloyed	29.93	45.79	60.98	47.71	116.36	190.62
740400	Copper Waste And Scrap	12.38	36.16	25.29	52.49	103.68	177.87
720839	Flat-Rolled Products of Iron or Non-Alloy Steel, thickness < 3mm.	0.00	0.00	0.00	21.65	49.21	169.99
761519	Table Kitchen, Household Articles and Parts, of Aluminum	0.00	0.00	0.00	88.06	98.67	134.88

Note: This item includes: HS 270900, 271011, 271019, 271119

Source: Department of Customs

Table 1.9: Manufacturing Products: Twenty Highest Value Items

Unit: Million US Dollars

HS	DESCRIPTION	1996	1997	2004	2005
847170	Storage Units Of Automatic Data Processing Machines, And Ckd Thereof	0.00	0.00	3,242.12	5,451.38
854229	Other Monolithic Integrated Circuits (Other Than Digital)	0.00	0.00	3,389.67	3,953.29
847330	Parts And Accessories Of The Machines Of Heading No. 84.71	2,989.03	4,252.00	3,539.47	3,123.09
870421	Motor Vehicles For The Transport Of Goods	167.02	458.44	1,943.63	2,307.51
400129	Natural Rubber, In Primary Forms Or In Plates, Sheets Or Strip	499.79	488.95	1,375.75	1,614.08
852812	Color Television Receivers	0.00	0.00	1,578.48	1,495.84
847160	Input Or Output Units, Of Automatics Data Processing Machines	0.00	0.00	1,878.80	1,407.21
400121	Smoked Sheets of natural rubber	1,666.13	1,089.45	1,306.70	1,307.78
870899	Other Parts And Accessories of The Motor Vehicles	37.07	47.14	760.27	1,278.96
853400	Printed Circuits	462.80	643.40	1,305.00	1,269.20
711319	Articles Of Jewellery And Parts Thereof, Of Other Precious Metal	682.45	704.04	813.76	1,184.38
847190	Other Automatic Data Processing Machines	0.00	0.00	73.77	1,150.75
841510	Air Conditioning Machines	357.84	358.56	1,088.34	1,127.28
880390	Other Parts (Other Than Propellers, Rotors, Under-Carriages, And Parts	3.81	4.41	1,029.30	1,007.21
870323	Other Motor Cars And Other Motor Vehicles	3.65	34.48	402.60	990.15
854221	Digital Monolithic Integrated Circuits	0.00	0.00	1,067.34	908.88
390740	Polycarbonates In Primary Forms.	0.57	0.94	600.66	889.05
400110	Natural Rubber Latex	343.50	273.76	713.80	759.83
870431	Motor Vehicles For The Transport Of Goods	16.49	65.30	562.48	637.31
710239	Non-Industrial Diamonds, Otherwise Worked	767.32	474.37	526.72	632.62

Source: Department of Customs

(2) Imports

The import side was much less spectacular. As expected, mineral fuel and lubricant imports grew by 236.32 percent during the 1996-2005 periods, due basically to higher prices of petroleum oils. The growth rates ranged from 9.97 percent for beverage and tobacco imports to 67.52 percent for chemicals exports.

The composition of imports has also changed but insignificantly. The only group that showed a marked change was mineral fuel and lubricant group for which the share increased from 8.59 percent in 1996 to 17.65 percent in 2005. (See Table 1.11)

Table 1.10: Product Composition of Imports of Thailand

Unit: Million US Dollars

Type of products	1996	1997	1998	2003	2004	2005
Total Imports	72,247.7	63,180.7	42,434.5	75,034.0	94,037.0	118,223.0
Food	2,234.2	2,101.7	1,754.9	2,440.4	2,874.4	3,323.0
Beverages and tobacco	279.9	212.1	147.7	235.9	276.7	307.8
Crude materials	3,676.8	3,262.4	2,115.5	3,447.2	4,076.8	4,412.0
Mineral fuel and lubricant	6,203.6	5,526.6	3,125.3	8,913.3	13,087.6	20,864.0
Animal and vegetable oils and fats	71.5	61.7	36.7	77.2	115.9	100.0
Chemicals	6,784.1	6,216.9	4,742.8	7,796.2	9,941.3	11,364.8
Manufactured goods	13,383.6	11,471.6	8,470.3	14,274.8	18,722.7	22,384.3
Machinery	35,298.2	30,683.2	19,535.1	33,585.6	39,326.3	47,493.7
Miscellaneous manufactured goods	1,994.1	1,872.5	1,265.4	2,098.5	2,503.6	3,011.3
Miscellaneous other goods	1,849.1	1,390.4	981.6	1,466.7	1,972.6	3,001.4
Gold	472.6	381.7	259.3	698.3	1,139.1	1,960.6

Source: Department of Customs

Table 1.11: Percentage-Wise of Import Composition in Thailand's Foreign Trade

Commodity Group	1996	1997	1998	2003	2004	2005
Total Imports	100.00	100.00	100.00	100.00	100.00	100.00
Food	3.09	3.33	4.14	3.25	3.06	2.81
Beverages and tobacco	0.39	0.34	0.35	0.31	0.29	0.26
Crude materials	5.09	5.16	4.99	4.59	4.34	3.73
Mineral fuel and lubricant	8.59	8.75	7.37	11.88	13.92	17.65
Animal and vegetable oils and fats	0.10	0.10	0.09	0.10	0.12	0.08
Chemicals	9.39	9.84	11.18	10.39	10.57	9.61
Manufactured goods	18.52	18.16	19.96	19.02	19.91	18.93
Machinery	48.86	48.56	46.04	44.76	41.82	40.17
Miscellaneous manufactured goods	2.76	2.96	2.98	2.80	2.66	2.55
Miscellaneous other goods	2.56	2.20	2.31	1.95	2.10	2.54

Source: Computed from Table 1.10

Table 1.12: Agriculture products and fishery: Twenty Highest Value Imports

Unit: Million US Dollars

HS	DESCRIPTION	1996	1997	2004	2005
030343	Skipjack Or Stripe-Bellied Bonito, Frozen	239.28	263.98	399.81	516.68
230400	Oil-Cake and Other Solid Residues, From Soybean	235.21	352.19	393.29	480.04
120100	Soya Beans	134.86	282.83	468.87	463.26
100190	Other Wheat (Excluding Durum Wheat) and Meslin	171.15	120.86	201.85	236.78
030379	Other Fish (Other than Salmonidae, Flat Fish, Tunas, Skipjack)	88.22	115.02	205.12	224.61
040210	Milk And Cream, In Powder or Other Solid Forms, Fat<1.5%	153.54	132.32	134.71	158.60
030342	Yellow fin Tunas, Frozen	67.34	90.20	82.81	134.62
210690	Other Food Preparations, (Extracts of Coffee, Tea)	54.07	54.75	104.84	126.20
230990	Other Preparations used in Animal Feeding, (Not Dog Or Cat Food)	83.88	79.27	91.44	119.37
220830	Whiskies	120.88	95.52	90.95	108.92
190190	Malt Extract; Preparations of Flour, Starch	22.84	20.49	77.25	103.31
240220	Cigarettes Containing Tobacco	32.66	24.33	92.30	95.67
030613	Shrimps and Prawns, Frozen	58.76	72.75	82.75	72.61
110710	Malt, Not Roasted	68.69	60.47	74.84	71.74
030341	Albacore or Long finned Tunas, Frozen	34.53	57.77	70.37	67.88
040221	Milk and Cream, In Powder, Fat> 1.5%	118.48	132.78	68.17	66.48
190110	Preparations For Infant Use, Of Flour	65.03	73.63	72.18	61.10
030749	Cuttle Fish and Squid, Frozen, Dried, Salted Or In Brine	60.64	57.22	52.00	56.56
080810	Apples, Fresh	84.65	61.52	50.17	50.64
030269	Other Fish (excluding Salmon., Flat Fish, Tunas, Skipjack and HS 30379)	1.13	7.06	41.34	41.03

Source: Department of Customs

To look into the details of the imports, the same definition which was used in analyzing exports would be used here. The weight of agricultural and fishery products in total imports was 4.36 percent in 1996 and 4.10 percent in 2005. For agricultural and fishery products, it is cleared from Table 1.12 that fishery products of different kinds, oil-cake, soy beans, wheat, powdered milk, malt were important imports for Thailand.

Import of fuel and mineral-based products showed a different picture. The proportion of fuel and mineral-based products in total exports increased from 19.97 percent in 1996 to 30.83 percent in 2005. Two basic reasons for this: (1) higher prices of oils and (2) greater demand in Thailand for raw materials. Main items include: petroleum oils, semi-finished products of iron or steel, natural gas, flat-rolled steel in coils, unwrought aluminum.

Table 1.13: Fuel and Mineral-based Products: Twenty Highest Value Imports

Unit: Million US Dollars

HS	DESCRIPTION	1996	1997	2004	2005
270900	Petroleum Oils And Oils Obtained From Bituminous Minerals, Crude	4,439.90	4,747.81	10,509.06	16,903.55
720712	Semi-Finished Products Of Iron Or Non-Alloy Steel, Of Rectangular	343.47	287.18	949.31	1,493.91
271121	Natural Gas, In Gaseous State	0.00	0.00	1,075.45	1,493.59
732690	Other Articles Of Iron Or Steel Wire	661.89	750.81	951.83	1,165.52
271019	Petroleum Oils (Not Crude, Not Light Oils)	0.00	0.00	382.61	1,145.78
740311	Cathodes And Sections Of Cathodes, Of Refined Copper, Unwrought	407.07	364.74	646.69	844.65
720711	Semi-Finished Products Of Iron Or Non-Alloy Steel, Including Square	560.06	461.61	812.59	711.82
271011	Petroleum Oils (Not Crude), Light Oils	0.00	0.00	693.96	703.31
721049	Flat-Rolled Products Of Iron/Non-Alloy Steel, Width => 600 Mm	169.59	179.40	348.97	672.23
720839	Flat-Rolled Products Of Iron Or Non-Alloy Steel, In Coils	0.00	0.00	383.78	453.81
760120	Unwrought Aluminum Alloyed	186.76	149.74	375.34	437.37
720449	Other Ferrous Waste And Scrap	197.83	141.56	483.96	403.68
720838	Flat-Rolled Products Of Iron /Non-Alloy Steel, Thickness => 3 Mm	0.00	0.00	280.76	364.47
760110	Unwrought Aluminum, Not Alloyed	217.83	203.69	319.59	322.93
761699	Other Articles Of Aluminum	0.00	0.00	268.88	313.18
721913	Flat-Rolled Products Of Stainless Steel, Thickness => 3 Mm In Coils	86.63	109.85	269.03	308.12
270112	Bituminous Coal, Not Agglomerated	137.73	109.26	206.72	278.94
720827	Flat-Rolled Products Of Iron / Non-Alloy Steel, Thickness=<= 3mm In Coils	0.00	0.00	115.84	263.66
720918	Flat-Rolled Products Of Iron / Non-Alloy Steel, Thickness=<= 0.5 Mm,In Coils	0.00	0.00	201.54	230.26
730410	Line Pipe Of A Kind Used For Oil Or Gas Pipelines, Of Iron Or Steel	16.92	28.00	158.01	223.01

Source: Department of Customs

The proportion of manufacturing products in the total imports was 73.56 percent in 1996 and 63.76 percent in 2005. Imports of manufacturing products were more diversified. Main items included computers and parts, integrated circuits, parts of motor vehicles, non-monetary gold, certain electronics devices, diamond for jewelry work, cotton for textiles industries.

It should be noted that in term of balance of trade, Thai economy has trade surplus in food, crude materials, animal and vegetable oils and miscellaneous manufactured goods. On the other hand, the economy tended to consume a large amount of fuel and mineral products. Trade deficit for this group of products occurred every year. The deficit in manufactured goods and machinery was explainable. Although Thailand produced a variety of

manufactured goods, it still needed parts of heavy machines, motor vehicles and high technology processing unit. In addition, capital goods were still in great demand in Thailand.

Table 1.14: Manufacturing products: Twenty Highest Value Imports

Unit: Million US Dollars

HS	DESCRIPTION	1996	1997	2004	2005
847330	Parts and Accessories of Automatic Data Processing Machines	2,201.91	2,578.26	3,143.14	3,694.68
854290	Parts of Electronic Integrated Circuits and Micro assembly	2,033.81	2,263.30	3,194.86	3,503.12
854229	Other Monolithic Integrated Circuits (Other Than Digital)	0.00	0.00	2,529.41	3,293.34
870899	Other Parts And Accessories of Motor Vehicles	1,584.48	877.15	1,900.47	1,986.06
710812	Non-Monetary Gold , In Unwrought Forms	385.45	274.04	971.90	1,776.87
852520	Transmission Apparatus For Radio-Telephony, Radio television broadcasting	366.75	349.51	1,220.38	1,497.18
392690	Other Articles of Plastics or Other Materials	618.80	594.09	884.33	943.82
853400	Printed Circuits	394.99	370.56	562.70	841.08
852320	Prepared Unrecorded Magnetic Discs for Sound Recording	211.42	161.25	4.25	779.12
853710	Boards, Panels, Consoles, for Electric Control	130.62	282.64	562.65	759.45
880240	Aero planes and Other Powered Aircraft (Other Than Helicopters)	490.04	895.26	211.27	752.17
710239	Non-Industrial Diamonds, Otherwise Worked	493.02	234.57	612.97	745.15
847989	Other Machines and Mechanical Appliances Having Individual Functions	728.12	678.36	668.95	681.31
520100	Cotton, Not Carded Or Combed	679.19	476.06	550.13	612.33
854011	Color Television Cathode-Ray Picture Tubes	808.46	841.51	789.31	601.02
854221	Digital Monolithic Integrated Circuits	0.00	0.00	525.15	575.77
850239	Other Generating Sets	0.00	0.00	57.20	562.56
854389	Other Electrical Machines and Apparatus	0.00	0.00	421.45	553.21
852390	Other Prepared Unrecorded Media, Excluding Magnetic Tapes	262.19	170.78	174.31	539.12

Source: Department of Customs

Table 1.15: Thailand's Balance of Trade of Selected Commodity Groups

Unit: Million US Dollars

Commodity Group	1996	1997	1998	2003	2004	2005
Food	8,633.9	8,411.4	7,772.0	8,568.4	9,234.6	9,285.4
Beverages and tobacco	-68.8	-4.8	7.7	-36.1	-46.9	-53.0
Crude materials	-429.6	-629.6	-82.8	532.2	904.0	1,089.3
Mineral fuel and lubricant	-5,327.6	-4,261.6	-2,361.0	-6,926.9	-10,011.1	-16,293.9
Animal and vegetable oils and fats	-57.8	7.4	16.4	78.5	95.6	63.1
Chemicals	-5,250.9	-4,059.6	-2,590.3	-2,980.1	-3,343.3	-2,932.5
Manufactured goods	-4,467.2	-2,447.4	-104.0	-1,602.4	-3,033.7	-4,072.8
Machinery	-14,034.4	-7,911.3	2,405.1	1,834.1	4,092.3	2,705.6
Miscellaneous manufactured goods	6,223.9	5,887.4	5,870.2	5,442.7	5,967.7	5,958.2
Miscellaneous other goods	-1,157.8	340.8	1,230.9	662.3	-387.1	-1,320.6
Balance of Trade (Exports - Imports)	-16,306.3	-4,852.1	12,055.6	5,006.0	2,494.0	-7,339.8

Note: Excluding re-exports and gold trade

Source: Computed from Table 1.5 and Table 1.10

1.2.2 Origin and Destination of Trade in Goods

(1) Exports

During 1996-2005, the geographical structure of Thailand's exports has changed insignificantly. In 2005, as in 1996, the main destination of the Thai exports was Asia. Exports rose from US\$ 32,019.3 million in 1996 to US\$ 67,374.3 million in 2005, or an increase of 110.42 percent over this 10 year period. Countries in ASEAN bought approximately 35.82 percent of these exports in the most recent year. North America and Europe were also important destinations. The growth rate of exports destined for North American Continent was 74.63 percent while the growth rate for European Continent was 63.98 percent. Although the values were many times less than exports to the above favorite continents, the growth rates had been impressive for exports to Australia, South America and Africa. The growth rates for exports to Australia, South America and Africa were 287.28 percent, 247.25 percent and 195.45 percent, respectively. For South American Continent, the main destinations in 2005 were MERCOSUR and Chile. The share of Thai exports to MERCOSUR was 72.26 percent of the total exports to South American Continent while the share to Chile was 13.32 percent.

Table 1.16: Thailand's Export Value by Continents

Unit: Million of US dollars

Continents	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Asia	32,019.3	32,294.8	26,925.9	29,908.5	37,329.7	35,204.5	37,857.3	46,575.2	57,237.3	67,374.3
-ASEAN	12,113.4	12,734.0	9,895.9	10,871.6	13,482.2	12,599.1	13,568.9	16,486.0	21,241.0	24,137.0
Europe	9,944.3	10,359.4	10,708.3	10,799.7	12,061.6	11,733.9	11,386.2	13,486.4	15,629.7	16,306.6
-EU 15	8,916.6	9,285.7	9,718.1	9,828.7	11,001.3	10,551.9	10,214.6	11,747.7	13,815.8	14,294.9
North America	10,916.0	12,293.3	13,313.9	13,840.3	16,289.5	14,662.9	15,067.8	15,184.4	17,342.3	19,062.9
South America	346.0	379.2	386.1	314.7	454.5	433.9	399.0	564.5	796.3	1,201.5
-MERCOSUR	281.2	334.7	321.7	252.8	368.3	329.4	284.8	456.6	604.7	868.2
Australia	1,002.9	1,108.5	1,165.5	1,544.2	1,889.1	1,604.1	1,905.4	2,515.2	2,906.0	3,884.1
Africa	974.5	1,005.2	1,083.8	1,185.4	1,305.9	1,508.1	1,470.2	1,608.3	2,509.9	2,879.2
World	55,941.4	58,328.6	54,490.1	58,463.4	69,624.2	65,183.2	68,156.3	80,040.0	96,531.0	110,883.2

Source: Department of Customs

In terms of trade partners, there were 22 large markets for Thai exports, each of which imported more than US\$ 1,000 million of Thai products in 2005. Exports to these 22 countries accounted for 84.4 percent of the total exports. The leader of this group was the United States and it was followed by Japan. In terms of export value, these two trading partners had always been the major markets for Thai exports since 1996. Notable change in the ranking pattern occurred in 2005 when China, which ranked six in 1996, had become the third major trading partner.

Although the values of exports to major destinations as described above were still significant, substantial changes in the share structure had developed in recent years. The share of exports to the United States market declined from 17.99 percent in 1996 to 15.39 percent in 2005. The shares of exports destined for Japan, Singapore, Hong Kong, United Kingdom, the Netherlands and Germany also declined; some had dropped significantly. Meanwhile, China, Malaysia, Australia had emerged as the major destinations for Thai exports as exports to these countries accounted for 8.28 percent, 5.16 percent and 2.87 percent of the total exports in 2005.

Table 1.17: First 22 Destinations of Thai Exports

Unit: Millions of US Dollars

Rank	Destination	1996	1998	2000	2002	2004	2005
	Total exports	55,941.4	54,490.1	69,624.2	68,156.3	96,531.0	110,883.2
1	USA	10,061.3	12,165.8	14,870.2	13,509.4	15,508.4	17,064.2
2	Japan	9,417.1	7,467.2	10,282.8	9,950.0	13,498.5	15,156.2
3	China	1,876.9	1,766.3	2,836.5	3,555.0	7,115.1	9,183.3
4	Singapore	6,781.4	4,698.6	6,065.8	5,552.7	7,027.2	7,500.3
5	Hong Kong	3,255.9	2,782.0	3,517.8	3,687.9	4,940.3	6,162.2
6	Malaysia	2,024.2	1,779.8	2,848.2	2,835.3	5,312.8	5,725.8
7	Indonesia	968.4	984.1	1,354.5	1,680.2	3,216.2	3,998.8
8	Australia	844.5	980.0	1,636.1	1,641.7	2,468.0	3,181.4
9	United Kingdom	1,846.0	2,121.0	2,384.9	2,393.1	3,031.1	2,811.1
10	Netherlands	1,799.5	2,179.8	2,271.0	1,891.7	2,597.3	2,763.9
11	Taiwan	1,428.1	1,742.6	2,443.9	1,969.4	2,608.4	2,713.3
12	Vietnam	581.2	591.3	847.4	948.0	1,877.0	2,368.8
13	Korea, South	1,017.6	625.7	1,277.4	1,398.2	1,859.0	2,260.8
14	Philippines	634.0	766.5	1,095.3	1,275.1	1,835.3	2,064.6
15	Germany	1,618.4	1,556.0	1,658.9	1,534.8	1,803.8	2,001.0
16	India	243.7	283.9	569.3	413.7	913.6	1,531.7
17	France	996.7	881.0	903.5	820.6	1,207.0	1,301.6
18	Belgium	801.9	776.0	1,142.6	1,358.8	1,192.6	1,288.2
19	Italy	573.2	702.1	847.2	701.8	1,340.1	1,256.7
20	UAE	693.3	549.8	588.6	717.3	968.2	1,183.6
21	Canada	601.5	616.3	787.1	807.4	1,060.8	1,039.2
22	Saudi Arabia	460.7	351.7	299.9	394.5	618.6	1,010.1

Source: Department of Customs

(2) Imports

On the import side, Thailand's major source of imports had been Asia as imports from this continent reached the level of US\$ 85,597 million, compared with US\$ 14,137.5 million from Europe. During the past 10 years imports from Asia grew at the rate of 95.88 percent while imports from Europe increased by 4.98 percent. The huge increase came mainly from the surge of imports from ASEAN and China. Imports from Australia also increased significantly at the rate of 119.62 percent whereas imports from North America shrank by 3.04 percent.

In terms of shares of total imports, imports from Asia account for 71.6 percent of the total imports in 2005 and therefore remained to be the leading source since 1996. Europe's share of imports dropped from 18.6 percent in 1996 to 12.6 percent in 2005 and North America's share declined from 13.7 percent to 8.5 percent during the same period. Regional integration program of ASEAN could be the main factor affecting the import source structure.

Table 1.18: Importance of the First 22 Destinations of Thai Exports

Unit: Percent of total exports

Rank	Destination	1996	1998	2000	2002	2004	2005
1	USA	17.99	22.33	21.36	19.82	16.07	15.39
2	Japan	16.83	13.70	14.77	14.60	13.98	13.67
3	China	3.36	3.24	4.07	5.22	7.37	8.28
4	Singapore	12.12	8.62	8.71	8.15	7.28	6.76
5	Hong Kong	5.82	5.11	5.05	5.41	5.12	5.56
6	Malaysia	3.62	3.27	4.09	4.16	5.50	5.16
7	Indonesia	1.73	1.81	1.95	2.47	3.33	3.61
8	Australia	1.51	1.80	2.35	2.41	2.56	2.87
9	United Kingdom	3.30	3.89	3.43	3.51	3.14	2.54
10	Netherlands	3.22	4.00	3.26	2.78	2.69	2.49
11	Taiwan	2.55	3.20	3.51	2.89	2.70	2.45
12	Vietnam	1.04	1.09	1.22	1.39	1.94	2.14
13	Korea, South	1.82	1.15	1.83	2.05	1.93	2.04
14	Philippines	1.13	1.41	1.57	1.87	1.90	1.86
15	Germany	2.89	2.86	2.38	2.25	1.87	1.80
16	India	0.44	0.52	0.82	0.61	0.95	1.38
17	France	1.78	1.62	1.30	1.20	1.25	1.17
18	Belgium	1.43	1.42	1.64	1.99	1.24	1.16
19	Italy	1.02	1.29	1.22	1.03	1.39	1.13
20	UAE	1.24	1.01	0.85	1.05	1.00	1.07
21	Canada	1.08	1.13	1.13	1.18	1.10	0.94
22	Saudi Arabia	0.82	0.65	0.43	0.58	0.64	0.91
	% of total	86.74	85.09	86.94	86.62	84.95	84.38

Source: Calculated from Table 1.17

Table 1.19: Thailand's Import Value by Continents

Unit: Million US dollars

Continents	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Asia	43,697.5	37,900.9	26,556.5	32,163.1	42,262.7	39,812.5	43,487.4	52,276.7	67,325.5	85,597.2
-ASEAN	9,639.6	8,127.6	6,401.1	7,906.4	10,346.1	10,010.4	10,818.3	12,489.2	15,835.4	21,634.1
Europe	13,465.7	11,057.6	6,195.6	7,183.2	7,920.0	9,294.0	8,933.5	9,418.2	11,818.1	14,137.5
-EU 15	10,885.9	8,895.7	5,281.0	5,858.5	6,323.7	7,570.3	7,038.8	7,503.7	9,073.9	10,465.6
North America	9,873.0	9,366.9	6,393.1	6,977.7	7,827.9	7,680.5	6,734.6	7,771.3	7,988.2	9,572.3
South America	1,053.0	935.5	440.8	605.4	668.0	864.3	835.9	1,231.9	1,450.5	1,751.9
-MERCOSUR	965.2	846.4	385.7	522.6	560.0	727.3	792.5	1,176.1	1,385.4	1,690.5
Australia	1,719.1	1,617.0	1,183.6	1,257.0	1,461.9	1,751.9	1,868.0	1,971.4	2,685.7	3,775.6
Africa	893.9	950.7	606.3	788.6	809.8	749.4	869.6	965.1	1,306.8	1,603.4
World	72,247.7	63,180.7	42,434.5	49,914.6	62,180.4	61,729.2	64,239.3	75,034.0	94,037.0	118,223.0

Source: Department of Customs

In terms of trading partners, the first 22 sources of Thailand's imports accounted for 87.3 percent of the total imports. The leading source has been Japan even before 1996 and Thailand imported US\$ 26,066.2 million of products originated from Japan in 2005. The second most important source was China. But it should be noted that China had become the second most important partner in 2005. In 1996, China was the eighth top source of imports but then emerged quickly as the popular source since 1999.

The share of imports from Japan had in fact decreased from 28.27 percent in 1996 to 22.05 percent in 2005. Meanwhile, the share of imports from China increased significantly from 2.70 percent to 9.44 percent during the same period. The shares of imports from the United States, Germany, Switzerland, United Kingdom and Italy also dropped. Many emerging countries in Asia had proven that products originated from these countries were not only workable but also cheaper than other sources.

Table 1.20: Thailand's Import Proportion by Continents

Unit: Percent of total imports

Continents	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Asia	60.5	60.0	62.6	64.4	68.0	64.5	67.7	69.7	71.6	72.4
-ASEAN	13.3	12.9	15.1	15.8	16.6	16.2	16.8	16.6	16.8	18.3
Europe	18.6	17.5	14.6	14.4	12.7	15.1	13.9	12.6	12.6	12.0
-EU 15	15.1	14.1	12.4	11.7	10.2	12.3	11.0	10.0	9.6	8.9
North America	13.7	14.8	15.1	14.0	12.6	12.4	10.5	10.4	8.5	8.1
South America	1.5	1.5	1.0	1.2	1.1	1.4	1.3	1.6	1.5	1.5
-MERCOSUR	1.3	1.3	0.9	1.0	0.9	1.2	1.2	1.6	1.5	1.4
Australia	2.4	2.6	2.8	2.5	2.4	2.8	2.9	2.6	2.9	3.2
Africa	1.2	1.5	1.4	1.6	1.3	1.2	1.4	1.3	1.4	1.4
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculated from Table 1.19

Table 1.21: First 22 Sources of Thailand's Imports

Unit: Millions of US Dollars.

Rank	Source	1996	1998	2000	2002	2004	2005
	Total imports	72,247.70	42,434.50	62,180.40	64,239.30	94,037.00	118,223.00
1	Japan	20,424.10	10,032.70	15,378.00	14,804.00	22,293.70	26,066.20
2	China	1,950.90	1,800.80	3,389.60	4,897.70	8,144.30	11,160.00
3	USA	9,026.00	5,958.50	7,316.60	6,147.30	7,206.40	8,684.10
4	Malaysia	3,601.70	2,171.00	3,359.10	3,618.70	5,527.90	8,101.10
5	UAE	778.2	712.3	1,775.50	1,418.90	3,693.10	5,700.00
6	Singapore	3,998.90	2,351.90	3,428.10	2,886.20	4,140.00	5,379.70
7	Taiwan	3,140.80	2,211.30	2,907.60	2,885.70	3,964.00	4,503.70
8	Saudi Arabia	618.5	533.9	1,165.40	1,216.60	2,315.10	4,047.30
9	Korea, South	2,680.40	1,477.80	2,173.40	2,509.20	3,575.90	3,875.20
10	Australia	1,399.60	885.9	1,164.40	1,493.90	2,197.60	3,253.10
11	Germany	3,650.60	1,803.80	1,954.10	2,443.60	2,829.70	3,203.20
12	Indonesia	938	884.2	1,292.40	1,547.60	2,311.20	3,134.70
13	Oman	1,050.50	1,091.80	963.5	1,194.80	1,453.90	2,419.80
14	Philippines	574.7	617	1,101.40	1,070.90	1,542.70	1,881.60
15	France	1,141.30	832	768.5	841.9	1,036.90	1,865.10
16	Myanmar	129.8	63.5	257.6	902.5	1,347.10	1,787.00

Table 1.21: (Continued)

Rank	Source	1996	1998	2000	2002	2004	2005
17	Russia	894.2	114.6	377.5	499.5	1,015.10	1,606.90
18	Hong Kong	852.8	756.1	887.1	904	1,326.10	1,504.90
19	Switzerland	953.6	538.9	695.6	676.4	842.4	1,320.20
20	United Kingdom	1,589.90	703.4	947.8	847.3	1,267.90	1,280.40
21	India	639.4	423.8	622.9	771.1	1,135.60	1,275.90
22	Italy	1,303.00	419.7	563.3	720.9	1,004.80	1,132.80

Source: Department of Customs

Table 1.22: Importance of the First 22 Sources of Thailand's Imports

Unit: Percent of total exports

Rank	Source of Imports	1996	1998	2000	2002	2004	2005
1	Japan	28.27	23.64	24.73	23.05	23.71	22.05
2	China	2.70	4.24	5.45	7.62	8.66	9.44
3	USA	12.49	14.04	11.77	9.57	7.66	7.35
4	Malaysia	4.99	5.12	5.40	5.63	5.88	6.85
5	UAE	1.08	1.68	2.86	2.21	3.93	4.82
6	Singapore	5.54	5.54	5.51	4.49	4.40	4.55
7	Taiwan	4.35	5.21	4.68	4.49	4.22	3.81
8	Saudi Arabia	0.86	1.26	1.87	1.89	2.46	3.42
9	Korea, South	3.71	3.48	3.50	3.91	3.80	3.28
10	Australia	1.94	2.09	1.87	2.33	2.34	2.75
11	Germany	5.05	4.25	3.14	3.80	3.01	2.71
12	Indonesia	1.30	2.08	2.08	2.41	2.46	2.65
13	Oman	1.45	2.57	1.55	1.86	1.55	2.05
14	Philippines	0.80	1.45	1.77	1.67	1.64	1.59
15	France	1.58	1.96	1.24	1.31	1.10	1.58
16	Myanmar	0.18	0.15	0.41	1.40	1.43	1.51
17	Russia	1.24	0.27	0.61	0.78	1.08	1.36
18	Hong Kong	1.18	1.78	1.43	1.41	1.41	1.27
19	Switzerland	1.32	1.27	1.12	1.05	0.90	1.12
20	United Kingdom	2.20	1.66	1.52	1.32	1.35	1.08
21	India	0.89	1.00	1.00	1.20	1.21	1.08
22	Italy	1.80	0.99	0.91	1.12	1.07	0.96
	% of total	84.90	85.74	84.41	84.53	85.26	87.28

Source: Calculated from Table 1.21

1.2.3 Services

In 1996, the proportion of services sector to GDP at market prices was 59.40 percent. This contribution reduced to 52.74 percent in 2004 because production in other sectors grew faster. During the past 10 years, the most important services sub-sector has been the wholesale and retail trade and repair services. The contribution of this sub-sector was 15.09 percent in 2004. Following the wholesale and retail trade was transportation, storage and communication sub-sector whose contribution to GDP was 7.64 percent in 2004. The other important sub-sector was hotels and restaurants. The contribution of this sub-sector was 5.14 percent.

Potentiality in international trade in services of an economy could be examined by using balance of payments figures. In this respect, Thailand had balance of payments surplus in services every year during the past 10 years. In 1996, the surplus was US\$ 4,425 million and had fluctuated somewhat to settle at US\$ 5,294 million in 2005. Such an indicator was not a perfect one to see the whole picture of services sector since it did left out many sub-sectors that were non-tradable. For Thailand, however, it could be said that the strength in international trade in services lied on travel and transportation. Contribution of both sub-sectors on the receipt side was 75.62 percent while the contribution was 50.57 percent on the payment side.

Thailand's commitment under the GATS covers all major service sectors except health. In general, foreign equity holding is limited at 49 percent for professional services, telecommunication services, certain construction, education, environmental, cultural, maritime and road transport services. In banking and financial services, foreign investors are allowed to hold up to 100 percent of equity in commercial banks, finance companies and credit fonciers. After ten years, foreign investors will not be allowed to purchase additional equity or participate in equity recapitalization of financial institutions unless their equity holding is less than 49 percent.

Any foreigner is allowed to own a piece of land no larger than 6.25 acres for habitation purpose. But this foreigner would have to invest at least 1 million US dollars and ministerial approval is sought. The land must be located in Bangkok or Pataya or in the housing zone of any municipality. Any foreigner can also own a condominium suit, subject to similar conditions as those of land ownership.

1.2.4 Investment

Thailand's foreign investment is subject to the Foreign Business Act 1999, administered by Ministry of Commerce. The Act restricts foreign majority participation in some business activities related to national security, the social and natural environment, and non-competitive businesses. However, since 1999 there has been a reduction in the number of FDI restrictions allowing foreign investors to hold more than fifty percent of the shares in a number of business sectors which were reserved only for Thai nationals, including accounting, legal, engineering, and architectural services, hotel, distribution services, brokerage and construction.

In 2004, the Thai Government has continued to improve its overall investment liberalization policy and to use its strategic location to attract foreign investment with the aim of becoming a premier investment destination in the region. The Board of Investment (BOI) is the government agency responsible for formulating investment policies and providing incentives and privileges for investment. In 2004, the Thai government has provided greater incentives to stimulate investment in particular industries: namely agro-industry, fashion, automotive, electronic and ICT equipment, and high value-added services such as the film industry, regional operating headquarters, long-stay health care services, call centers, and convention and exhibition businesses.

1.3 Introduction of FTAs signed by each party

By the end of 2005, five FTAs which Thailand had signed entered into force. The first one was ASEAN Free Trade Area or AFTA which was a regional FTA. The other four FTAs were trade agreements with Australia, New Zealand, India and China.

1.3.1 ASEAN Free Trade Area

In 1992, leaders of ASEAN member countries¹ agreed to establish ASEAN Free Trade Area. To liberalize trade in goods, ASEAN signed the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area. Under CEPT, ASEAN would have 5 lists of products:

(1) Inclusion List: IL. Tariffs of the products included in this list were subject to reduction to 0 – 5 percent. In 2005, tariff rates of more than 60 percent of the products in this list had reach 0 percent. For products in 9 priority sectors, namely agriculture, fishery, timber products, rubber products, textiles, motor vehicles, electronics, technology products and health products, tariffs of all items would be reduced to 0 percent by 2007. The rest would be reduced to 0 percent by 2010. New members will have longer time frame to liberalize.

(2) Temporary Exclusion List: TEL. The list contained products which member countries wanted to defer tariff reduction. For original members, all these products had been transferred into the IL since 1 January 1996. They will be subject to liberalization in accordance with the process of the IL. Only new members still maintained this list. By 2010, all products in this list will be liberalized.

(3) Sensitive List: SL. Liberalization of the products under this list started in 2003 for original members and would be completed by 2010. New members will have longer time frame to liberalize. The list contains unprocessed agricultural products. The liberalization target is to reduce tariffs to 0 to 5 percent, remove quantitative restrictions and other non-tariff barriers.

(4) General Exception List: GE. Products in this list will not be subject to tariff reduction for reasons of national security, protection of human, animal or plant life and health and articles of artistic, historic and archaeological value.

Rule of Origin in AFTA specifies that imported products which will enjoy trade preferences must satisfy one of the following criteria:

- 1) Wholly obtained in the exporting party,
- 2) No less than 40 percent of the content on accumulation basis originates from ASEAN member countries and the final transformation occurs in the exporting country,
- 3) For textiles and clothing products, substantial transformation process must result in change in tariff classification.

Thailand has firmly committed to the implementation of AFTA. Since 2003, Thailand has brought down tariffs of all products imported from ASEAN to 0 to 5 percent and 60 percent of these products have zero tariffs.

1.3.2 Thailand-China FTA under the ASEAN – China Free Trade Agreement

ASEAN and China signed a Framework Agreement on ASEAN – China Comprehensive Economic Cooperation on 4 November 2002. Both sides started the negotiation and finally signed the Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China on 29 November 2004.

¹ Original members of ASEAN include: Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand. New members include: Cambodia, Lao PDR, Myanmar and Vietnam.

In practical term and specifically for Thailand, the whole arrangement contains three liberalization efforts:

First, Thailand and China has signed the Agreement between the Government of the People's Republic of China and the Government of the Kingdom of Thailand on Accelerated Tariff Elimination under the Early Harvest Programme. The Agreement has entered into force from 1 October 2003 on and both countries have to eliminate all tariffs on imports of vegetables and fruits (HS Chapter 07 -08).

Second, Thailand as an original member of ASEAN and China have to start reducing tariff rates on imports of live animals, livestock products, fishery products, plants and flowers (HS Chapter 01-06) from 1 January 2004 until all tariffs were fully eliminated on or before 1 January 2006. Specifically for Thailand, both countries have agreed on to reduce the tariffs on imports of anthracite coal, coke and semi coke coals.

Third, trade liberalization on products other than those mentioned above. In the third liberalization effort, both countries have 2 lists of products: Normal track and Sensitive track.

- Normal Track. Starting from 1 July 2005, tariffs on imports of products in this list would have to be reduced to reach 0% on or before 1 January 2010.
- Sensitive Track. Starting from 1 July 2005, tariffs on imports of products in this list would have to be reduced to reach 20% or lower on or before 1 January 2012 and would continue to be reduced to reach 0-5% on or before 1 January 2018. For products in the Highly Sensitive Track (no more than 100 items or 40 percent of the Sensitive Track, which ever is less), tariffs would reach 50% or lower on or before 1 January 2015.

Rule of Origin in ASEAN – China FTA specifies that imported products which will enjoy trade preferences must satisfy one of the following criteria:

- 1) Wholly obtained in the exporting party,
- 2) No less than 40 percent of the content originates from the exporting country and cumulation of contents from parties to the FTA can be applied,
- 3) Products in the list of products which satisfy Product Specific Rules.

1.3.3 Thailand – Australia Bilateral FTA

Thailand – Australia Free Trade Agreement has entered into force since 1 January 2005. Under this Agreement, Australia reduced tariff rates to 0% for imports of more than 83 percent of the items that were imported from Thailand. The rest of the imported items would be reduced to 0% by either 2010 or 2015. The products that have not been free to import include plastic products, rubber and products, textiles and clothing. On the Thai side, tariff rates of about 50 percent of import items from Australia had been reduced to 0%. Most of these items were mineral products, fuel, chemicals, raw and tanned hides. Tariff rates of approximately 45 percent of the imported items will be reduced gradually to 0% by the end of 2010. The rest of the products which are sensitive items will be reduced gradually to 0% at the end of either 2015 or 2020. Sensitive items include livestock products, milk products and coffee.

Rule of Origin in Thailand – Australia Free Trade Agreement specifies that imported products which will enjoy trade preferences must satisfy one of the following criteria:

- (1) Wholly obtained in the exporting party,

- (2) Change in tariff classification requirement,
- (3) The value of all non-originating materials used in the production of the goods that do not undergo the required change in tariff classification does not exceed 10 percent of the Free on Board value of the goods.
- (4) Goods which satisfy regional value content.

In addition to trade preference in goods, the Agreement covers trade in services and investment as well. Australia will allow Thai investors to invest in all services sector, except newspaper, broadcasting, air transport and airport businesses. For investment that exceeds 10 million Australian dollars, approval by Foreign Investment Committee is required. Australia allows Thai administrators, managers and experts and their dependents to work in the country for 4 years and renewable up to 10 years. Thailand will allow Australians to invest in large projects and Australia can hold up to 60 percent of the equity. Australian administrators, managers and experts can work in Thailand for 1 year and renewable up to 5 years.

1.3.4 Thailand – New Zealand Free Trade Agreement

Thailand and New Zealand signed the Closer Economic Partnership Agreement in April 2005 and the Agreement has entered into force since 1 July 2005. Under this Agreement, New Zealand reduced tariff rates of 79 percent of the import items from Thailand to 0%. These items included truck, preserved tuna, plastic pellet, jewelry, frozen shrimp and electronic products. Tariffs of the rest of the products will be eliminated by 2010, except textiles and clothing, footwear the tariffs of which will be reduced to 0% by 2015.

On the Thai side, tariff rates of about 54 percent of import items from New Zealand had been reduced to 0%. Most of these items were children food, wood products, sheep fur and product, fishery products, papers, vitamins, etc. Tariff rates of approximately 10 percent of the imported items will be reduced gradually to 0% by the end of 2010. The rest of the products which are sensitive items will be reduced gradually to 0% at the end of either 2015 or 2020. Sensitive items include livestock products, milk products and shallot.

Rule of Origin in Thailand – New Zealand Closer Economic Partnership Agreement specifies that imported products which will enjoy trade preferences must satisfy one of the following criteria:

- (1) Wholly obtained in the exporting party,
- (2) Change in tariff classification requirement,
- (3) The value of all non-originating materials used in the production of the goods that do not undergo the required change in tariff classification does not exceed 10 percent of the Free on Board value of the goods.
- (4) Goods which satisfy regional value content.

Both countries agree to negotiate services and investment liberalization within 3 years after the entry into force of the Agreement. In the mean time, both Thailand and New Zealand will facilitate the business persons coming to each country. New Zealand will allow Thai cooks who have received certificates from the Ministry of Labor to work for 3 years and renewable up to 1 more year. Thailand will allow New Zealand to come to work for 90 days and will provide multiple entry visa to business persons who want to come to Thailand on business purpose.

2. ECONOMIC RELATION BETWEEN CHILE AND THAILAND

2.1 Bilateral Trade in Goods

During the past ten years, the level of trade between Chile and Thailand was not large. According to the Thai data, Thailand's exports to Chile in 1996 were US\$ 42.90 million while imports were US\$ 173.90 million. Exports increased to the level of US\$ 123.00 million in 2005 and imports declined to the level of US\$ 160.10 million in the same year. In most of these years, Thailand's balances of trade with Chile were on the deficit side. Thailand's imports from Chile were greater than its exports to Chile.

Participation level was also low. In 1996, Thailand's exports to Chile were 0.077 percent of Thailand's total exports. The participation rate improved in 2005 as it reached the level of 0.111 percent. The same situation occurred on the import side. Thailand's imports from Chile were 0.311 percent of Thailand's total imports in 1996. The participation rate decreased to the level of 0.144 percent in 2005.

Table 2.1 : Trade between Chile and Thailand

Unit: Million US dollars

Indicators	1996	1997	1998	2003	2004	2005
Export to Chile	42.90	44.40	57.20	108.60	104.20	123.00
Import from Chile	173.90	179.20	64.10	78.70	172.30	160.10
Balance with Chile	(131.00)	(134.80)	(6.90)	29.90	(68.10)	(37.10)
Exports to world	55,941.4	58,328.6	54,490.1	80,040.0	96,531.0	110,883.2
Imports from world	72,247.7	63,180.7	42,434.5	75,034.0	94,037.0	118,223.0
Trade Balance	(16,306.3)	(4,852.1)	12,055.6	5,006.0	2,494.0	(7,339.8)
Participation (trade with Chile as a percentage of the trade with the world)						
Export to Chile	0.077	0.076	0.105	0.136	0.108	0.111
Import from Chile	0.311	0.307	0.118	0.098	0.178	0.144
Balance with Chile	-0.234	-0.231	-0.013	0.037	-0.071	-0.033

Source: Department of Customs

2.1.1 Exports

Thailand exported a variety of products to Chile. Table 1.24 shows the first 25 highest value of exports. The most important exports during the past 10 years were trucks. In 2005, export of trucks to Chile reached US\$ 31.77 dollars, an increase of more than 600 percent from 1998. Other items included: cement, washing machine, motor vehicle parts, tunas, natural rubber, prepared pineapples, footwear, microwave oven, air conditioning machines.

Table 2.2 : Thailand's Exports to Chile: Selected Important Items

Millions of US Dollars						
HS	Description	1998	2000	2002	2004	2005
	Total Exports to Chile	57.09	76.61	95.76	103.81	122.66
870421	Trucks, Nesoi, Diesel Eng, Gvw 5 Metric Tons & Und	4.11	26.14	40.27	28.47	31.77
252329	Portland Cement Except White Portland Cement	1.26	1.16	4.55	5.37	8.05
845012	Wash Mac With Blt-In Cent Dry,Cap Not Exc 10 Kg	0.00	0.01	3.05	5.15	6.78
870899	Parts And Accessories Of Motor Vehicles, Nesoi	0.03	0.08	0.17	1.98	6.64
160414	Tunas/Skipjack/Bonito Prep/Pres Not Minced	2.66	0.97	2.90	4.45	6.27
870829	Pts & Access Of Bodies Of Motor Vehicles, Nesoi	0.27	0.85	0.43	2.46	5.82
842810	Pass Or Freight Elevator Exc Cont Act; Skip Hoists	0.00	0.04	0.82	1.00	3.16
400129	Natural Rubber In Primary Forms Etc. Nesoi	0.00	0.86	0.27	1.45	1.96
200820	Pineapples, Prepared Or Preserved Nesoi	0.63	1.22	1.81	2.65	1.70
640319	Footwear Lea Upper, Sports Footwear Exc Ski-Boots	1.98	0.56	1.05	0.95	1.66
870894	Steering Wheels, Columns & Boxes F Motor Vehicles	0.00	0.00	0.00	0.36	1.22
870860	Non-Driving Axles & Pts Thereof For Motor Vehicles	0.00	0.00	0.00	0.31	1.15
842139	Filter/Purify Machine & Apparatus For Gases Nesoi	0.01	0.00	0.00	0.33	1.11
392321	Sacks & Bags (Incl Cones) Of Polymers Of Ethylene	0.00	0.16	0.40	0.58	1.11
581092	Embroid In Pc, Strip Or Motifs Of Mmf	0.58	0.68	1.26	2.53	1.02
401699	Articles Of Soft Vulcanized Rubber Nesoi	0.24	0.26	0.28	0.52	0.98
870839	Brakes And Servo-Brakes & Pts For Motor Vehicles	0.06	0.00	0.01	0.29	0.89
852729	Other Radio-Broadcast Receivers Used In Motor Vehicles	0.00	0.00	0.00	0.00	0.82
640219	Footwear Rub Plast Stitch Sports Footwear Nesoi	0.33	0.72	0.41	0.84	0.81
851650	Microwave Ovens	0.81	0.44	0.24	0.86	0.77
870870	Road Wheels & Pts & Accessories For Motor Vehicles	0.00	0.11	0.00	0.22	0.77
830230	Oth Bs Metl Mountngs Fttngs Etc For Motor Vehicles	0.03	0.00	0.01	0.49	0.77
841583	Air Conditioning Machines Etc Not Incl Refrig Unit	0.08	0.00	0.57	0.39	0.74
870431	Mtr Veh Trans Gds Spk Ig In C P Eng, Gvw Nov 5 Mtn	1.13	4.27	0.35	1.14	0.71
840790	Spark-Igntn Reprctng/Rotary Int Combstn Eng, Nesoi	0.21	0.00	0.09	0.42	0.69
	Total value of 25 items	14.40	38.55	58.96	63.23	87.37
	Percentage of 25 items to total exports to Chile	25.23	50.32	61.57	60.91	71.23

Source: Department of Customs

2.1.2 Imports

Table shows the first 25 most important imports from Chile. The main import items from Chile in 2005 were refined copper cathodes, trout and other fish, copper ores and concentrates, wood pulp, preserved fruits. Thailand's import of refined copper cathodes was US\$ 35.63 million in 2005. Thailand also imported frozen trout and the value of this import reached US\$ 24.95 million in the same year. Copper ores and concentrates had become an important import item recently and would presumably continue to be an important item in the future.

Table 2.3 : Thailand's Imports from Chile: Selected Important Items

Unit: Million of US Dollars

HS	Sources	1998	2000	2002	2004	2005
	Total imports	64.61	64.38	60.12	172.81	160.10
740311	Refined Copper Cathodes And Sections Of Cathodes	40.48	7.37	2.30	53.80	35.63
30321	Trout (Salmo Trutta, Etc.), Frozen, Nesoi	0.48	0.71	8.11	20.24	24.95
260300	Copper Ores And Concentrates	0.00	0.00	0.00	40.55	23.88
470311	Chem Wd pulp Sulfate Ex Disslvng Gr Conif, Unbleach	7.41	36.44	22.66	20.24	15.45
30322	Atlantic And Danube Salmon, With Bones, Frozen	0.00	1.38	0.66	1.24	9.98
30420	Fish Fillets, Frozen	2.24	1.29	3.20	4.46	5.04
410411	Bov/Eq Hide/Skin,Ful Grn,Unsplit;Grn Spl, Wet Sta	0.00	0.00	2.62	2.75	4.68
230120	Flour Meal & Pellet Of Fish Crustaceans Etc Inedib	0.97	2.13	0.42	0.78	4.37
30329	Salmonidae Nesoi, With Bones, Frozen	0.94	1.46	5.58	5.98	4.36
130231	Agar-Agar	2.39	2.95	2.28	4.33	3.74
470620	Pulp Of Fiber Derived From Recovd Paper/Paperboard	0.00	0.00	0.00	1.72	3.18
440710	Coniferous Wood Sawn, Sliced Etc, Over 6 Mm Thick	0.15	0.67	1.01	1.90	3.09
150420	Fish Fats & Oils (Not Liver), Fract, Not Modified	0.00	0.15	2.40	0.94	2.72
283421	Potassium Nitrate	0.43	0.42	1.24	2.08	2.36
480100	Newsprint, In Rolls Or Sheets	0.00	0.00	0.57	0.51	2.09
200840	Pears, Prepared Or Preserved, Nesoi	0.00	0.00	0.53	0.73	1.42
30319	Pacific Salmon, Nesoi, Excl Filet, Liver,Roe, Fro	0.00	0.00	0.06	0.22	1.31
200870	Peaches, Prepared Or Preserved, Nesoi	0.00	0.00	0.55	1.45	1.17
220421	Wine, Fr Grape Nesoi & Gr Must W Alc, Nov 2 Liters	0.38	0.77	0.46	0.72	0.93
30379	Fish, Nesoi, With Bones, Frozen	0.49	0.43	0.53	0.49	0.93
740400	Copper Waste And Scrap	0.00	0.00	0.00	0.00	0.88
30212	Salmon, Pac, Atl & Danube, With Bones, Fr Or Chill	0.00	0.00	0.00	0.13	0.79
690210	Refract Bricks Etc Nesoi, Ov50% Mgo, Cao Or Cr203	0.00	0.00	0.00	0.08	0.78
310250	Sodium Nitrate	0.46	1.25	1.01	1.08	0.72
	Total value of 25 items	56.81	57.43	56.16	166.44	154.47
	Percentage of 25 items to total imports from Chile	87.93	89.19	93.42	96.31	96.48

Source: Department of Customs

2.2 Bilateral Trade in Services

There is no data which shows bilateral trade in services.

2.3 Bilateral Investments

There is no data which shows bilateral trade in investment.

3. Trade and Investment Policies and Systems

3.1 Introduction

According to Thailand's Constitution adopted in 1997, governments must support a free economic system through the mechanism of market force and ensure and supervise fair competition, protect consumers and prevent direct and indirect monopolies. The Constitution also provides for the protection of the interests of farmers in the production and marketing of agricultural products to achieve maximum benefits. Last but not least, the Constitution mandates governments to protect labour, especially child and woman labour, and to provide for a system of labour relations, social security and fair wages.

During the past several years, Thai governments have supported trade and investment liberalization and would undoubtedly continue to support fair competition. As an original member of the World Trade Organization, Thailand is committed to trade liberalization of the multilateral trading system. In complementary to the multilateralism, Thailand has participated actively in such regional trade liberalization forum as ASEAN-AFTA, ASEAN-China Free Trade Area, APEC and BIMSTEC. Bilateral FTA with important trading partners is another avenue which Thailand believes can effectively contribute to the world's trade liberalization effort.

For Thailand, trade and investment will continue to play an important role in generating incomes for the Thai people. Trade liberalization in the world market provides an opportunity for Thailand to expand trade as well as to improve its competitiveness. To ensure that trade liberalization benefits the dynamic economy, Thailand has taken a balance approach in designing its trade policy and measures. Under this approach, Thailand has made significant effort to improve market access for foreign products in reciprocating the liberalization effort by its trading partners. Meanwhile, protection of domestic industries, particularly the agricultural sector, is kept at a minimum to make sure that farmers' interests are well protected.

3.2 Measures Affecting Trade in Goods

3.2.1 Tariffs

Thailand's tariff system is described in the Customs Tariff Decree of 1987 as amended. In summary, Thailand's tariff schedule has four distinct sets of duty rates. The first set is the statutory rates. Under the present HS Nomenclature (6-7 digit level), there are 5,507 tariff lines in this set. The second set is the applied rates. These are the rates that are enforced by the customs authority. The third set is the WTO bound rates. The fourth set is concession rates which depend on the applicable free trade agreements between Thailand and the trading partners. In most cases, the statutory rates are higher than the applied rates and the WTO rates as they are used to tax imports originated from non-WTO countries.

Tariff rates are specified in *ad valorem* or specific terms or both in certain tariff lines. For the statutory and applied sets, tariff lines with specific duties amount to approximately 20 per cent of the total lines. For the WTO bound rates, it is 25 per cent.

For the statutory set, about 1.40 per cent of the tariff lines are duty-free rates. For the applied set, the percentage of the duty-free rates is about 5.27. The proportion of the duty-free rates in the WTO bound set is also about 5.05 per cent of the total bound tariff lines.

The overall simple applied MFN tariff average is 17.09%. The average applied rates for agricultural products (HS 01-24) is 24.49% and the average applied rates for industrial products (HS 25-97) is 9.70%. The calculation is based on *ad valorem* duties only.

The tariff schedule involves a multiplicity of rates. In the statutory set, the duties range from 0% to 200%. In the applied set, the duties range from 0% to 80%.

3.2.2 Non-Tariff Measures

(1) Import prohibition

Thailand prohibits the importation of seven categories of goods on different grounds. However, prohibition is not used as a tool to protect domestic industries. As a matter of fact, the prohibition measure has been implemented to protect public morals, to protect human, animal or plant life and health, to conserve natural resources, to preserve healthy environment, and to follow the UN resolutions for peaceful world. The list of prohibited goods is as follows:

(1.1) Game equipments that may lead to gambling

Gambling is illegal in Thailand. Certain game equipments can be used as a tool for gambling, especially among young people. To prevent the spread of gambling, the importation of these equipments is prohibited. In terms of the HS, prohibited goods under this category are:

- 9504.30 - Games, operated by coins, banknotes (paper currency), discs or other similar articles, other than bowling alley equipment
- 9504.901 - 9504.909 - Other

(1.2) Refrigerators that use CFCs during the production process

CFCs cause green house effect. To discourage the use of CFCs, Thailand prohibits the importation of the refrigerators that use CFCs during the production process.

- 8418.2 - Refrigerators, household type:
- 8418.21.00 - - Compression type
- 8418.22.00 - - Absorption type, electrical
- 8418.29.00 - - Other

(1.3) Parts and accessories of used motorcycles of a cylinder capacity not exceeding 50 cc., including waste and scrap imported under the following HS

- 8407.31 - Reciprocating piston engines of a kind used for the propulsion of vehicles of Chapter 87, of a cylinder capacity not exceeding 50 cc
- 8714.19.00 - Parts and accessories of motorcycles, other than saddles
- 76.02 - Aluminium waste and scrap from used motorcycles
- 72.04 - Ferrous waste and scrap from used motorcycles

(1.4) Used tyres imported under the following HS

- 4012.1 - Retreaded tyres:
- 4012.11 - Retreaded tyres used on motor cars (including station wagons and racing cars)

4012.12	- Retreaded tyres used on buses or lorries
4012.192	- Retreaded tyres used on bicycles
4012.202	- Used pneumatic tyres used on bicycles
4012.199	- Retreaded tyres used on motorcycles
4012.209	- Used pneumatic tyres used on motorcycles
4004.00	- Waste, parings and scrap of rubber (other than hard rubber) and powders and granules obtained there from

(1.5) Unworked diamonds originated from Sierra Leone and Liberia

To comply with UN Resolution on economic sanction to the rebels in these countries, diamonds originated from Sierra Leone and Liberia are prohibited from the importation under the following HS

7102.21.00	- Diamonds, industrial, unworked or simply sawn, cleaved or bruted
7102.31.00	- Diamonds, non-industrial, unworked or simply sawn, cleaved or bruted

(1.6) Wood in logs and wood products originated from Liberia

To comply with UN Resolution on economic sanction to the rebels in these countries, wood in logs and wood products originated from Liberia are prohibited from importation.

(2) Import licensing

Import licensing system is implemented on many grounds, among the most important ones are: to assure public safety, to protect consumers, to protect environment and to conserve natural forest. For automatic licensing, the condition to obtain license is mainly the registration of importers and the certification of safety from authorities involved. The groups of product that require import licensing are:

(2.1) Pharmaceutical products, their derivatives and salts thereof, of the following types:

- (1) Aristolochia spp.
- (2) Chloramphenicol
- (3) Chloroform
- (4) Chlorpromazine
- (5) Colchicin
- (6) Dapsone
- (7) Nitrofurans
- (8) Diethylstilbestrol
- (9) Sulfonamides
- (10) Fluoroquinolones
- (11) Glycopeptides
- (12) Dimetridazole
- (13) Metronidazole
- (14) Ronidazole
- (15) Ipronidazole
- (16) Drugs and salts of Nitroimidazoles Group
- (17) Clenbuterol and its salts
- (18) Albuterol or Salbutamol and its salts

(2.2) Parts of garments and clothing accessories and incomplete clothing imported under the following HS

61.01- 61.14, 61.17.90, 62.01 – 62.11, 62.17.90

(2.3) Group of marble, travertine, ecaussine and other calcereous stone imported under HS 25.15

(2.4) Petroleum oils and gases, crude and refine, including

Naphtha oil, Benzene, Kerosene, Diesel, Petroleum gases

(2.5) Used motor vehicles, motor cycles, used diesel engines.

(2.6) Gold and coins, excluding jewelry made of gold

(2.7) Antiques of historical and archaeological values

(2.8) Equipments which can be used in making unauthorized duplication of audio, video tapes, DVD and VCD

(2.9) Intagio printing machinery

(2.10) Waste, scraps, parings of unusable products made from plastics

(2.11) Glazed pottery for holding food

(2.12) Chain saw that can be used in destroying the forest

(2.13) Unworked diamonds

(2.14) Wood and wood products originated from countries which shares borders with Thailand

(2.15) Yellow fin tuna and yellow fin tuna products

(2.16) Stone, mosaic cubes, natural stone, excluding those specified under Section 68.01

(2.17) Fish meals with less than 60% protein

(2.18) Jute and kenaf

(2.19) Sacks and bags made of jute

(2.20) Caffeine

(2.21) Potassium Permanganate

(3) Tariff Quota Measure

Thailand changed all restrictions on imported agricultural products into tariff quotas at the end of the Uruguay Round negotiations. As of March 2006, the products that were subject to tariff quotas are listed in Table 3.1. The figures in parentheses are quota levels per year.

Table 3.1: Products subject to tariff quota

HS	Description	WTO members	
		Tariff rate	
		In quota	Out Quota
04.01	Milk and cream, not concentrated nor containing added sugar or other sweetening matter (2,400 tons)	20%	41%
2202.90	Beverage containing milk (Share same quota with 04.01)	20%	84%
0402.10	Milk and cream, containing added sugar or other sweetening matter, in powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5% (65,000 tons)	5%	216%

Table 3.1: (Continued)

HS	Description	WTO members	
		Tariff rate	
		In quota	Out Quota
07.01	Potatoes, fresh or chilled for consumption (30,000 tons)	27%	125%
	Potatoes, for seeds (No limit)	0%	125%
0703.10	Onions for consumption (365 tons)	27%	142%
1209.91	Onions for seeds only (3.15 tons)	0%	218%
0712.20	Dried onions, whole, cut, sliced, broken or in powder, but not further prepared (Share quota with 0703.10)	27%	142%
0703.20	Garlic, fresh or chilled, including seed (65 tons)	27%	57%
0712.90	Dried or powdered garlic (Share quota with 0703.20)	27%	57%
0801.11.0000	Dried and shredded coconut (2,427 tons)	20%	54%
0801.19.0007	Other forms of coconut (Share quota with 0801.11.0000)	20%	54%
0813.40	Dried longan (8 tons)	30%	53%
09.01	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion (5.25 tons)	30%	90%
09.02	Tea, whether or not flavored (625 tons)	30%	90%
09.04	Pepper of the genus <i>Piper</i> ; dried or crushed (45 tons)	27%	51%
1005.90	Maize for feeding, excluding seed (54,700 tons)	20%	73%
1006.10	Rice in the husk (paddy or rough) (249,757 tons)	30%	52%
1006.20	Husked (brown) rice (Share quota with 1006.10)	30%	52%
1006.30	Semi-milled or wholly milled rice, whether or not polished or glazed (Share quota with 1006.10)	30%	52%
1006.40	Broken rice (Share quota with 1006.10)	30%	52%
1201.00	Soybean, whether or not broken (No limit)	0%	80%
1203.00.0005	Copra (1,157 tons)	20%	36%
1507.10.0001	Crude soybean oil and its fractions, whether or not refined, but not chemically modified (2,281 tons)	20%	146%
1507.90.0006	Refined soybean oil and its fractions, whether or not refined, but not chemically modified (Share quota with 1507.10.0001)	20%	146%
15.11	Palm oil and its fractions, whether or not refined, but not chemically modified (4,860 tons)	20%	143%
1513.21.0004	Palm kernel oil and its fractions, crude, but not chemically modified (Share quota with 15.11)	20%	143%
1513.29.0007	Palm kernel oil and its fractions, refined, but not chemically modified (Share quota with 15.11)	20%	143%
17.01	Cane or beet sugar and chemically pure sucrose, in solid form (13,760 tons)	65%	94%
2101.10	Extracts, essences and concentrates, of coffee, and preparations with a basis of these extracts, essences or concentrates or with a basis of coffee (134 tons)	40%	49%
2304.00.0008	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soybean oil (No limit)	4%	133%
24.01	Unmanufactured tobacco, tobacco leaves (6,435 tons)	60%	72%
50.02	Raw silk (not thrown) (483 tons)	30%	226%

Source: Foreign Trade Department, Ministry of Commerce

(4) General Customs Procedures for Imports

Customs procedures for imports in Thailand are straightforward and reasonably quick as the import procedures are fully computerized using an electronic data interchange system. Imported goods will be declared at the customs house at the point of importation. The procedure starts when importers or representatives record core data into their own computers or via services counter at the customs house. Such core data as c.i.f. prices of imports, quantity and country of origin are specified in the Invoice and Bill of Lading or Airway Bill. All these data will be forwarded to the customs authorities for processing. If all conditions are met, then the customs authorities will provide the importer with a goods clearing form. The importer will proceed to pay tariffs and then clear the imported goods from the customs' warehouse. The time required for the collection of tariffs and physical inspection could take less than one hour in general cases.

Importers and shipping companies will register and receive a customs card. Importers or shipping companies that have paid-up registered capital of not less than 5 million baht, have imported through the EDI system for more than 3 years and have never broken the customs laws during the past 3 years will receive a gold card from the Customs Department. Other companies that have not met the conditions will also receive non-gold cards which can be used in going through the normal customs procedures. However, gold-card holders will receive preferential treatment that could enable them to finish the procedures quicker. For gold card holders, their cargo will be inspected randomly compared with the complete inspection for cargo imported by other importers.

Customs clearance for imports entering Tax Free Zone will be performed by Customs Office in the Free Zone area. The same customs procedures are implemented and the EDI system is used to facilitate the process.

(5) Measures Affecting Exports

(5.1) Export Subsidies

Thailand provides no export subsidy.

(5.2) Duties and Local Taxes

Export duties are imposed on export of raw hides and wood and articles of wood to conserve natural resources. Duty on export of raw hides is 5 Baht per kilogram or approximately 15 U.S. cent per kilogram. Duties on export of wood and articles of wood vary from 0% to 40%, depending upon the type of wood and products.

The rate of value added tax is 7%. Value added tax is exempted for trade in unprocessed agricultural products and exports of manufactured products in the export production zone are exempted from duties.

(5.3) Duty Neutralization Measures

Customs Law of 1926 and its subsequent amendments provides for a drawback system which allows exporters who use imported materials in producing their exports to reimburse import duties paid on those imported materials. Those imported

materials must be parts of the exports or consumed during the production process of these exports. To be eligible for the drawback system, the finished products containing these imported materials must be exported within 1 year from the date of imports.

(5.4) Promotion of Exports

Thailand provides assistance to general exporters in 3 major ways:

First, exporters whose aim is to produce goods for exports only may build a production bonded warehouse and apply for tax exemption privilege from the Customs Department. If the application is approved under Customs Law of 1926 and its subsequent amendments, exporters can import raw materials with tax exemption and use these raw materials in the production of exports. Tax exemption also covers equipment and capital goods necessary for the production of the exports. Tax exemption includes import duties, excise tax and value added tax. Raw materials that are stored in bonded warehouse must be expended within 2 years from the date of import.

Second, exporters may obtain loans in various forms from the Export-Import Bank of Thailand (EXIM Bank). Although the export financing scheme provided by the bank does not necessarily involve concessionary interest rate, exporters have more alternative financing facilities to choose from.

Third, exporters, especially the new ones, can join market access activities organized by the Export Promotion Department of the Ministry of Commerce. The Department's main duties are to provide exporters with an opportunity to exhibit their products in international exhibitions and to provide market information to exporters.

(6) Technical Barriers to Trade: Standards developed and regulated by the Thai Industrial Standards Institute (TISI)

Thailand's Industrial Product Standards Act of 1968 as amended established an Industrial Product Standards Council to administer standards system. The Council will provide recommendation to the Industrial Minister and eventually to the government on, among other things, the determination, amendment and revocation of standards. The Act also established the Thai Industrial Standards Institute or TISI to serve the Industrial Product Standard Council and to carry out standardization tasks with the aims to protect consumers' interest, public safety and environment. The Institute is the industrial standards authority in Thailand.

TISI develops voluntary and mandatory standards for industrial products produced and marketed in Thailand. Under the voluntary system, any manufacturer of the industrial products of which a standard has been determined may apply for a license to display the standard mark on the products. Under the mandatory system, manufacturers of industrial products which are subject to mandatory standards must ensure that the products conform to the enforced standards and display the standard mark on the products. To ensure public safety, the Council will determine the kind of products which shall conform to a standard. In the process, the Council must first make a public announcement on the intention to enforce a standard. If no protest is received, then the Council will proceed to make a formal announcement in a Royal Decree. As a rule, members of the WTO will also receive a draft standard and will have an opportunity to make comments before the formal announcement.

As of March 2006, the TISI has established 2,560 voluntary standards and has enforced 81 mandatory standards. Groups of product that are subject to mandatory standards include construction materials, electrical appliances, consumers' products, sanitary wares, heat transfer equipments, medical science equipments, paints and vanishes, vehicles and chemicals. Thailand is a member of the International Organization for Standardization (ISO) and the International Electro technical Commission (IEC). TISI as the standard authority in Thailand has also participates widely in international activities of the International Accreditation Forum (IAF), the International Auditor and Training Certification Association (IATCA) and the International Laboratory Conference (ILAC). In regional front, TISI is a member of the ASEAN Consultative Committee for Standards and Quality (ACCSQ) and participates actively in the Pacific Area Standards Congress (PASC). All of the standards developed by TISI are therefore in conformity with international standards.

(7) Sanitary and Phytosanitary Measures

Thailand places great importance to food safety and high quality agricultural products. In complying with the Agreement on the Application of Sanitary and Phytosanitary Measures of the WTO, Thailand's enquiry point is assigned to the National Bureau of Agricultural Commodity and Food Standards (ACFS) in the Ministry of Agriculture and Cooperatives. Enforcing food safety regulations, however, involves two ministries, namely the Ministry of Agriculture and Cooperatives and the Ministry of Public Health.

Food Act of 1979 requires the Thai Food and Drug Administration (TFDA) of the Ministry of Public Health to regulate food safety in Thailand. TFDA developed food standard and hygienic and labeling requirements for the producers to follow. TFDA also establishes licensing procedures for food imports. According to the Food Act of 1979, foods are classified into three main categories:

(i) Specially Controlled Foods. Producers of food products under this category must register with the Public Health Ministry. Producers must observe food standard, packaging and labeling requirement as well as other aspects of good manufacturing practices. At present, this category of food includes: beverages in sealed containers, Sodium Cyclamate and food containing Sodium Cyclamate, modified milk for infant and follow-up formula modified milk for infant and young children, flavored milk, cultured milk, cow's milk, other milk products, food additives, infant foods and follow-up formula food for infant and young children, weight-control foods, supplementary foods for infant and young children, foods in sealed containers, ice cream.

(ii) Standardized Foods. Foods under this category must have quality that meets the standard requirements required by laws. Examples of foods under this category are: coffee, chocolate, vinegar, cooking oil.

(iii) Other foods. Food items other than those specified in the previous 2 categories are other foods. Although producers are not required to register or to observe the standards, the Ministry of Public Health will monitor hygiene, safety, labeling and advertisement of these products.

Ministry of Agriculture and Cooperatives also regulates agricultural products which include fresh fruits and vegetables, livestock products and fisheries products. Some of the agricultural products are used in the production of food products. The laws that authorize the regulations include:

Animal Epidemic Act of 1956 as amended in 1999

Plant Quarantine Act of 1964 as amended in 1999
Animal Feed Control Act of 1972 as amended in 1999
Fertilizer Act of 1975
Plant Variety Act of 1975 as amended in 1992
Fisheries Act of 1947

In summary, standards for agricultural and fisheries products and agricultural production system are developed. For plants and their products, these standards specify maximum residue limits for pesticides, maximum levels for contaminants, maximum levels for food additive and microbiological criteria for process foods. For livestock and their products, the standards specify maximum residue limits for veterinary drugs, maximum levels for contaminants, microbiological criteria and requirements for epidemics. Similar requirements are also specified for standards applicable to fisheries products.

3.3 Foreign Investment Regime

3.3.1 Treatment of Foreign Investment

Two main legislations that form a basis for Thailand's foreign investment regime are Foreign Business Act of 1999 and Investment Promotion Act of 1977 as amended. Foreign Business Act of 1999 contains negative lists of business activities that are restricted to foreigners while Investment Promotion Act of 1977 authorizes investment promotion body to provide foreign investors with promotional privileges.

Under the Foreign Business Act of 1999, foreigners will have to apply for a permission to operate businesses in Thailand. Foreigners under this legislation include firms having foreigners holding 51% or more of capital shares.

Thailand's Foreign Business Law of 1999 specifies 3 lists of businesses with varying degrees of restriction for foreigners. List 1 contains the types of businesses which foreigners are not permitted to operate:

- (1) Newspapers, radio or television stations.
- (2) Upland or lowland farming or gardening.
- (3) Animal farming.
- (4) Forestry and wood fabrication from natural forests.
- (5) Fisheries – marine animal farming in Thai waters and within Thailand's specific economic zone.
- (6) Extraction of Thai medicinal herbs.
- (7) Trading and auctioning Thai antiques or national historical objects.
- (8) Making or casing Buddha images and monk alms bowls.
- (9) Land trading.

Meanwhile, List 2 prescribes the types of businesses which foreigners are not permitted to operate, unless authorized by the Minister of Commerce with the approval of the Cabinet of Ministers:

- (1) Production, selling, repairing and maintenance of: firearms, ammunition, gun powder, explosives, accessories of firearms, armaments, ships, aircraft or military vehicles, equipment or components, all categories of war materials.

(2) Domestic land, waterway or air transportation, including domestic airline business.

(3) Trading antiques or art objects being Thai arts and handicraft.

(4) Production of carved wood.

(5) Silkworm farming, production of Thai silk yarn, weaving Thai silk or Thai silk pattern printing.

(6) Production of Thai musical instruments.

(7) Production of gold ware, silverware, niello ware, bronze ware or lacquer ware.

(8) Production of crockery of Thai arts and culture.

(9) Manufacturing sugar from sugarcane.

(10) Salt farming, including underground salt.

(11) Rock salt mining.

(12) Mining, including rock blasting or crushing.

(13) Wood fabrication for furniture and utensil production.

List 3 prescribes the types of businesses which foreigners are not permitted to operate, unless authorized by the Director-General of the Department of Business Development with the approval of the Foreign Business Board:

(1) Rice milling and flour production from rice and farm produce.

(2) Fishery, specifically marine animal cultures.

(3) Forestry from forestation.

(4) Production of plywood, veneer board, chipboard or hardboard.

(5) Production of lime.

(6) Accounting services business.

(7) Legal services business.

(8) Architecture services business.

(9) Engineering services business.

(10) Construction, except for:

(a) Construction rendering basic services to the public in public utilities or transport requiring special tools, machinery, technology or construction expertise having the foreigners' minimum capital of 500 million Baht or more.

(b) Other categories of construction as prescribed by the ministerial regulations.

(11) Broker or agent business, except:

(a) Being broker or agent for underwriting securities or services connected with future trading of commodities or financing instruments or securities.

(b) Being broker or agent for trading or procuring goods or services necessary for production or rendering services amongst affiliated enterprises.

(c) Being broker or agent for trading, purchasing or distributing or seeking both domestic and foreign markets for selling domestically manufactured or imported goods in the manner of international business operations having the foreigners' minimum capital 100 million Baht or more.

(d) Being broker or agent of other category as prescribed by the ministerial regulations.

(12) Auction, except:

(a) Auction in the manner of international bidding not being the auction of antiques, historical artifacts or art objects which are Thai works of arts, handicraft or antiques or having the historical value.

(b) Other categories of auction as prescribed by the ministerial regulations.

- (13) Internal trade connected with native products or produces not yet prohibited by law.
- (14) Retailing all categories of goods having the total minimum capital less than 100 million Baht or having the minimum capital of each shop less than 20 million Baht.
- (15) Wholesaling all categories of goods having minimum capital of each shop less than 100 million Baht.
- (16) Advertising business.
- (17) Hotel business, except for hotel management service.
- (18) Guided tour.
- (19) Selling food or beverages.
- (20) Plant cultivation and propagation business.
- (21) Other categories of service business except that prescribed in the ministerial regulations.

Foreigners who want to operate businesses in List 2 and List 3 may apply to the appropriate authorities for permission on a case-by-case basis. The investment project, however, must have initial foreign investment of at least 25 percent of the total three-year average expected annual expenditure.

Investment Promotion Act of 1977 also contributes to the formation of the foreign investment regime. Foreign investors who want to receive such promotional privileges as tax holidays and tariff exemption for imported machinery may apply to the Board of Investment. For industrial production projects, there is no maximum limit on the holding of capital shares by foreigners. For projects related to agricultural products, foreigners cannot hold more than 50 percent of capital shares of the firm. Promotional privileges are also granted to investment on businesses contained in List 2 and List 3.

3.3.2 Special Investment Zones

Apart from the restrictions specified in the Foreign Business Act of 1999, all firms receive the same treatment in relation to investment promotion privileges, regardless of the percentage of capital shares held by foreigners. In order to disperse investment throughout the country, the Board of Investment provides more incentive to enterprises who invest in the rural areas. To implement this policy, the BOI divides investment promotion area into 3 zones.

Zone 1 includes Bangkok Metropolitan area and 5 more adjacent provinces. Investment projects which are located in the Industrial Promotion Area in Zone 1 will receive longer period of corporate income tax exemption than those outside the area. But overall, investment projects in Zone 1 receive less privilege than those in Zones 2 and 3.

Zone 2 includes the area of 12 provinces surrounding Zone 1 and provinces which are important to the tourism industry.

Zone 3 includes 58 provinces outside Zones 1 and 2. Investment projects in this Zone will receive longer tariff exemption and tax holiday period than those projects in Zones 1 and 2.

3.3.3 Investment Agreements

Up to December 2005, Thailand had signed bilateral investment agreements with 38 countries and 1 regional grouping or ASEAN. These agreements generally provide for

national and MFN treatments, protection of investment capital and returns, and dispute settlement mechanisms. In addition to these bilateral promotion and protection agreements, Thailand also included investment section in FTAs signed with Australia and New Zealand.

3.4 Trade Defense Measures

3.4.1 Safeguards

The Ministry of Commerce, under the legal framework of the Exportation and Importation of Goods Act of 1979, has issued the Ministry of Commerce Notification on Safeguard Measures in 1999 and has subsequently amended certain parts in 2005. The Notification serves as a legal basis for the imposition of safeguard measure to protect the interests of domestic industry should there be a huge and unforeseeable increase in imports that results in serious injury or threat thereof to the industry concerned. According to the Notification, the conditions for imposing safeguard measures are: (1) an increase in imports either in absolute terms or relative to the domestic production quantity and (2) an injury or a threat thereof. In principle, safeguard measures will be imposed only if necessary to allow the affected industry to adjust itself.

The safeguard process will start when affected domestic producers file petition for investigation with the Department of Foreign Trade (DFT) in the Ministry of Commerce. If the DFT judges that the evidences are substantial, then investigation will be initiated. Members of the WTO, particularly exporting countries, will be notified and questionnaires distributed to relevant organizations to gather more information. The DFT will have to find evidences of injury or threat thereof. Investigation report will be submitted to the Committee on Safeguard Measures for final decision. Based upon this report, the Committee will provide recommendation to the Minister for Commerce who will have a final decision on whether any measure should be imposed.

With respect to time frame, two types of safeguard measures are available. The first one is provisional measure. This type of measure will be imposed during initial investigation period and the maximum number of days applied is 200 days. At this stage, recommended measure is the imposition of higher duty on imports of the goods in question. If later the final investigation found no ground for safeguard measure, then collected duties will be refunded.

The second type of measure is global safeguard measure. It could be higher import duties or quantitative restriction on imports. The measure could last as long as necessary but should not be more than 4 years and extendable up to 10 years all together.

3.4.2 Anti-Dumping Measures and Countervailing Duties

The legal basis for the implementation of anti-dumping measures and countervailing duties is the Anti-dumping and Countervailing Act of 1999. Under the Act, representatives from the domestic industry which is affected by dumped or subsidized imports may file a petition to the Department of Foreign Trade (DFT). The DFT will then prepare the case and submit to the Sub-committee for Investigation to consider whether the petition and the information show a prima facie case of dumping or subsidy. If the Sub-committee is of the view that investigation be initiated, then the case will be submitted to the Committee on Dumping and Subsidy to initiate the investigation.

When the Committee decides to initiate the investigation, the DFT will have to publish an announcement in the Royal Gazette and make it publicly known in the newspapers. The DFT will also circulate the announcement to all relevant parties, including producers, exporters and governments in the exporting countries. Investigation involves two steps: initial investigation which takes 4-6 months and final investigation which takes 4-9 months.

During the initial investigation, questionnaires will be sent to parties with interests for more precise information on the case. Hearing sessions can also be organized to allow importers and other parties to render statements. At the end of the initial investigation, the Committee on Dumping and Subsidy will meet and make judgment on whether injury or the threat thereof is really evident. If the Committee decides to close the investigation, the decision will be announced and circulated to all parties involved. But if the Committee finds an evidence of injury or threat thereof, provisional measure including temporary anti-dumping or countervailing duties will be imposed on the importation of the goods. Either WTO's Committee on Anti-Dumping Practices or WTO's Committee on Subsidies and Countervailing Measures, as the case may be, will be informed of the decision.

During the final investigation, a team of investigator will visit exporting country to verify the data. Other important information and counter statements presented by importers or exporters will be heard by the Committee. At the final stage, a proposed final determination will be circulated to parties with interests in the case in order to open an opportunity for these parties to make counter statement. In making the final decision, the Committee on Dumping and Subsidy will take all of the information and counter statement into consideration. The final determination will be published in the Royal Gazette and announcement will be circulated to all parties, including WTO's subsidiary bodies. After one year of the imposition of the measure, the Committee, by itself or by petition filed by interested parties, may review the case. Sunset review will be considered after five year of the implementation of the measure.

4. Trade in Services

4.1 Measures Affecting Trade in Services

4.1.1 Value Added Tax

Services businesses in Thailand are subject to value added tax (VAT) of 7 percent. Any person or entity that regularly provides services in Thailand must pay VAT. According to the Department of Revenue Services, services are deemed to be provided in Thailand if such services activities are performed in Thailand, regardless of where services are consumed. Imported services are also subject to VAT. Services providers and services sectors that are exempted from VAT include:

- 1) Services providers whose annual turnover is less than 1.2 Million Baht (app. USD 30,000).
- 2) Certain services sectors:
 - Domestic transportation and international land transportation
 - Healthcare services provided by government and private clinics and hospitals
 - Educational services provided by government and private schools and other educational institutions

- Professional services in the fields of medicine, auditing, judicial services and other professional services that are regulated by laws
- Renting of immovable properties
- Cultural services, i.e. amateur sport competition, library services, museum
- Services in the nature of employment of labour, research and technical services and services of public entertainers
- Services provided by government agencies, including local government
- Services related to religion and charitable services

4.1.2 Corporate Income Tax

Corporate income tax will be collected from enterprises providing services in Thailand regardless of nationality. The tax rates vary from 2 percent to 30 percent, depending upon the categories of taxpayer and the amount of profits earned during the tax collection period. Transfer of profit out of Thailand is subject to a tax of 10 percent of the amount transferred. The structure of corporate income tax in Thailand is shown in Table 4.1.

Table 4.1: Structure of Corporate Income Tax as of January 2006

Taxpayer	Tax Base	Rate
1. Small company ¹	- Net profit not exceeding 1 million Baht	15% ²
	- Net profit over 1 million Baht but not exceeding 3 million Baht	25%
	- Net profit exceeding 3 million Baht	30%
2. Companies listed in Stock Exchange of Thailand	- Net profit for first 300 million Baht	25% ³
	- Net profit for the amount exceeding 300 million Baht	30%
3. Companies newly listed in Stock Exchange of Thailand	Net Profit	25% ⁴
4. Company newly listed in Market for Alternative Investment (MAI)	- Net Profit for first 5 accounting periods after listing	20% ⁴
	- Net Profit after first 5 accounting periods	30%
5. Bank deriving profits from International Banking Facilities (IBF)	Net Profit	10%
6. Foreign company engaging in international transportation	Gross receipts	3%
7. Foreign company not carrying on business in Thailand receiving dividends from Thailand	Gross receipts	10%
8. Foreign company not carrying on business in Thailand receiving other types of income apart from dividend from Thailand	Gross receipts	15%
9. Foreign company disposing profit out of Thailand	Amount disposed	10%
10. Profitable association and foundation	Gross receipts	2% or 10%
11. Regional Operating Headquarters (ROH)	Net Profit	10%

Notes:

1. Small company refers to companies with paid-up capital less than 5 million Baht at the end of each accounting period.
2. The 15% rate applies for accounting periods beginning on or after 1 January 2004.
3. The reduced rate applies for currently listed companies for 5 accounting periods beginning on or after 6 September 2001.
4. The reduced rate applies for newly listed companies (registered within 6 September 2001- 5 September 2005) for 5 accounting periods beginning on or after 6 September 2001.

Source: Department of Revenue, Ministry of Finance (<http://www.rd.go.th/publish/6044.0.html>)

Up to January 2006, Thailand has signed double taxation treaties with 44 countries: Armenia, Australia, Austria, Bangladesh, Belgium, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Hungary, India, Indonesia, Israel, Italy, Japan, Republic of Korea, Laos PRD, Luxembourg, Malaysia, Mauritius, Nepal the Netherlands, New Zealand, Norway, Pakistan, the Philippines, Poland, Romania, Singapore, South Africa, Spain, Sri Lanka, Sweden, Switzerland, United Arab Emirates, the United Kingdom, the United States, Uzbekistan, and Viet Nam.

4.1.3 Foreign Investment Regime in Services

Foreign investment in services is regulated by the Foreign Business Act of 1999 and few others sector-specific legislations. The Foreign Business Act of 1999 specifies certain business activities which foreigners or firms in which foreigners holding more than 49 percent of paid-up capital, are not permitted to operate. Details of the Act are described in the section of 3.3 Foreign Investment Regime above. In this section, business activities in services sectors that are affected by the Act are repeated in Table 4.2 for convenient reading.

It should be noted that the Foreign Business Act of 1999 does allow foreign investors to invest in many services sectors provided that the foreign investment projects would not adversely affected domestic culture, environment and local enterprises. Services sectors under List 2 are opened to foreign investors if their projects are approved by the Minister for Commerce and the Cabinet of Ministers. Services sectors under List 3 are also opened as long as foreign investment projects are approved by the Director-General of the Department of Commercial Registration of the Ministry of Commerce. The approval is needed only when foreign investors want to hold more than 49 percent of the paid-up capital of the investment projects. There is no restriction on foreign participation in the sectors under both lists if foreign participation is less than 50 per cent.

Table 4.2: Business activities restricted for foreign investment

No.	Business activity
List 1 Businesses not permitted for foreigners to operate due to special reasons	
1	Newspapers, radio or television stations
2	Trading and auctioning Thai antiques or national historical objects
3	Land trading

Table 4.2 (Continued)

No.	Business activity
List 2 Businesses related to national safety or security or affecting arts and culture, tradition, folk handicraft or natural resources and environment	
1	Repair, and maintenance of (a) firearms, ammunition, gun powder, explosives (b) components of firearms, ammunition, and explosives (c) armaments, military ships, aircraft or vehicles (d) equipment or components of all war materials
2	Domestic land, waterway, or air transportation, including domestic airlines
3	Trading antiques or art objects and Thai handicraft
List 3 Businesses in which Thai nationals are not yet ready to compete with foreigners	
1	Accounting business services
2	Legal business services
3	Architecture business services
4	Engineering business services
5	Construction, except for (a) construction rendering basic services, requiring special machinery, technology or construction expertise and having foreign minimum capital of B 500 million; (b) other categories of construction prescribed by ministerial regulation
6	Broker or agency business, except (a) for underwriting securities or services connected with futures trading of commodities or financing instruments or securities (b) for trading or procuring goods or services necessary for production or rendering service
7	Auction, except (a) in the manner of international bidding not being the auction of antiques, historical artifacts or art objects which are Thai works of art, handicrafts or antiques or having historical value (b) other categories as prescribed by ministerial regulations.
8	Internal trade connected with native products or produce not yet prohibited by law
9	Retailing – all categories for good giving total minimum capital less than B 100 million, or less than B 20 million per shop
10	Wholesaling – all categories of goods having total minimum capital of each shop less than B 100 million
11	Advertising
12	Hotel business, except hotel management
13	Tourism
14	Selling food or beverages
15	Other categories of business services except that prescribed in ministerial regulations

Source: Foreign Business Act of 1999

In addition to the Foreign Business Act of 1999, other specialized acts also preserve certain services activities for the Thais. Those services activities and the relevant legislations are:

- Land surveying services suppliers

Under the Private Land Survey Practitioner Act of 1992, land surveying services suppliers must be Thai nationals or Thai juridical persons. Foreign equity participation must be less than 50 percent and the number of foreign shareholders must be less than 50 percent of the total number of shareholders.

- Supplier of press services

Under the Printing Act of 1941, supplier of press services must be Thai nationals or nationals of a country under treaties or agreements on printing to which Thailand is a party.

- Supply services suppliers

Under the Labour Placement and Protection Act of 1985, domestic labour placement and supply services suppliers must be Thai nationals or Thai juridical persons. International labour placement and supply services must be supplied by limited companies or public companies with foreign equity participation is less than 25 percent and the number of foreign shareholders must be less than 25 percent of the total number of shareholders.

-Telecommunication Services

According to the Telecommunications Business Act of 2001, as amended on 20 January 2006, foreign equity participation for service providers is set at 49%.

- Banking Services

Principal legislations for banking services (commercial banks, finance companies and credit fonciers) are: (1) Commercial Banking Act of 1962 as amended, (2) the Undertaking of Finance Business Act of 1979, (3) Securities Business and Credit Fonciers Business 1979 as amended, respectively.

The banking sector (commercial banks, finance companies and credit fonciers) has been liberalized as a result of the 1997 monetary crisis in Thailand. The change made it possible for foreign investors to hold 100 percent of equity during the transitional period of 10 years. After this period, foreign equity holding will be limited to a maximum of 49%. However, foreigners who have already held more than 49% of equity would not have to sell their shares but acquiring of additional shares will be prohibited.

According to the Commercial Banking Act of 1962 as amended, both locally incorporated commercial banks and foreign banks which want to open bank branches in Thailand would have to acquire a license from the Ministry of Finance without discrimination.

- Insurance Services:

Principle legislations for insurance services are Life Insurance Act of 1992 and Non-Life Insurance Act of 1992.

According to the Acts, insurance companies must receive a license to operate in Thailand and foreign investors' holding of equity in those companies cannot exceed 25%. Thailand has a three-stage liberalization plan for insurance services which begins in 1997. In the first stage, maximum foreign participation in Thai companies is 25 percent equity holding. In the second stage, the maximum level of equity holding by foreign investors will be raised to 49%. However, the beginning date of the second stage has not yet been determined. In any case, it is expected that after the completion of the second stage liberalization, the level of foreign equity holding allowable will be more than 50%. Regulations which limit the operations of foreign insurance companies are deemed necessary as insurance services directly affect the life of the Thais.

4.1.4 Registration Requirement for Commerce via Electronic Media

In compliance with the Ministry of Commerce Announcement No.4 B.E. 2546 (10 March 2003), registration with the Department of Business Development is required for enterprises engaging in selling and purchasing goods or services by electronic media via Internet System, namely e – commerce, Internet Service Provider (ISP), web hosting and e – marketplace. Establishment of an enterprise can be one of the following forms: a natural person (sole proprietorship), a non-registered ordinary partnership and a group of persons and a juridical person (registered ordinary partnership, limited partnership, limited company, public company, and branch).

4.1.5 Movement of Natural Persons

The Annex of the Royal Decree Prescribing Works Relating to Occupation and Professional in which an Alien is Prohibited to Engage B.E. 2522 (1979) specifies 39 professions which aliens is prohibited to operate. Professional services that aliens cannot engage in Thailand include:

Business services

Accounting (auditing), civil engineering, architectural services, and brokerage are among services which are closed to foreign professionals, although it is possible for them to operate as advisers and consultants under some circumstances.

Accountancy

Foreign individuals cannot be licensed as certified public accountants.

Legal services

Foreign nationals cannot practice law.

Education

Foreign institutions are required to collaborate with Thai partners in the establishment of a domestic educational services and foreign equity holding is restricted to a ceiling of 49 per cent. There are no restrictions on Thai students studying abroad.

Air transport

The maximum foreign equity holding level in air transport operation is set at 30%. Servicing is limited to local suppliers for larger aircraft.

Energy services

Foreign companies can participate in the energy sector as independent power producers in partnership with Thai companies, but are not currently able to supply electricity direct to consumers in either retail or wholesale markets.

4.1.6 E-Commerce

The increasing use of electronic communications by business is improving the efficiency and reducing the cost of transactions. Over the years, the Thai government has focused its attention to the development of electronic commerce by developing the national electronic commerce framework and issuing laws facilitating the use of electronic commerce by the Thais. Such laws include Electronic Transactions Bill (entering into force in April 2002), the Electronic Fund Transfer Law, the Data Protection Law, the Computer Crime Law, and the National Information Infrastructure Law being under consideration for passage.

4.2 International Commitments Related to Services

Thailand's commitment under GATS covers all major service sectors except health. Foreign equity limitations of 49 percent on commercial presence are scheduled for a range of professional services, including legal, accounting, and architecture, as well as for certain construction, education, environmental, tourism, recreational, cultural and sporting, and maritime, rail and road transport services. In other sectors, foreign equity limitations range from 20 percent to 49 percent for telecommunication services, and 25 percent to 49 percent for most banking and non-banking financial services. However, it should be noted that in financial services, foreign equity limitations which were previously set at 25 percent, were relaxed in 1997 for ten years to allow foreign ownership up to 100 percent in commercial banks, finance companies and credit fanciers. After ten years, foreign investors will not be allowed to purchase additional equity unless their equity holding is less than 49 percent. Although this regulation is unbound, it shows the flexibility Thailand is given to services liberalization. Thailand has also listed MFN exemption on telecommunication, transport, and professional services.

Thailand had concluded FTAs with Australia and New Zealand. Through ASEAN, Thailand is also a party to the ASEAN – China Free Trade Agreement. In addition, Thailand is negotiating 5 bilateral FTAs with Japan, the United States, Bahrain, India, and Peru, one regional FTA with BIMSTEC¹ and one bilateral FTA with EFTA². The direction of trade in services in these FTAs is clearly the move toward more liberalization of trade in a nondiscriminatory manner.

The Agreements in service and investment with Australia and New Zealand include Chapters and Annex concerning national treatment, market access and movement of natural persons. Areas of cooperation are research and development, human resource and professional development and apprenticeship, trade in services, data management, small and medium enterprises development, education, healthcare, tourism and movement of business person. Approach used in the negotiation with both countries was exchange of positive lists.

¹ Bangladesh-India-Myanmar-Sri Lanka-Bhutan and Nepal

² Members of European Free Trade Association are: Switzerland, Iceland, Liechtenstein and Norway

4.3 Profile of Specific Sectors and Their Related Rules and Regulations

4.3.1 Tourism and Related Services

(1) Industrial Profile

Tourism in General

Thailand is one of the most popular tourist destinations in Asia, with around 11 million foreign visitors in 2004. This achievement is partly due to its role as an important hub for passengers wishing to travel within Asia or to Europe as well as the success of the government's promotional campaign. During 2002-2004, Thailand had an annual average income from tourism of about US\$ 7.7 billion, accounting for 9.5 percent of GDP. The average length of stay of international visitors is eight days. Tourism sector alone had generated more than half of the total income generated by all services sectors and had created more than 600,000 jobs³.

Hotels

In 2004, there were more than 5,700 hotels in Thailand creating more than 500,000 jobs in the industry. Hotel is the major business group which contribute foreign exchange earnings to Thailand more than US\$ 2,500 million per year, accounting for 25 percent of the total income from tourism of which its 20 percent earned by foreign chained hotels with brand names. Most hotels have expatriates as general managers from the USA, Hong Kong and Singapore.

The latest tourist statistics indicated that, at the end of 2004 there were a total of 348,094 rooms, including all types of accommodations such as hotels, guest houses, bungalows, resorts, rafts, motels and other accommodation. The occupancy rate for the whole year at the moment is around 50 percent of the total rooms available.

Travel Service Business

In 2004, there were 5,904 licensed tours and traveling operators in Thailand, an increased of 12.5 percent from the previous year. Among these operators, 41.6 percent were out-bound tour operators. Most tour operators in Thailand are operated by Thai nationals. Foreign tour service business plays only a minor part of the industry.

Restaurants

In 2004, there were more than 4,000 registered restaurants and food shops in Thailand. The value of business generated by restaurants in Thailand amounted to US\$ 6.3 billion, of which 6.3 percent were shared by fast-food restaurants.

Under the "Thai Cuisine for the World Strategy", Thailand plans to expand the number of Thai restaurants in foreign countries from the current 6,500 firms to 10,000 firms in 2006 and 20,000 firms in 2008. This will increase the income from US\$ 837 million currently, to US\$ 1,250 million in 2006 and US\$ 2,500 million in 2008.

³ NESDB, A Study Report on SME in Products and Service Sector in Thailand, September 2004 (in Thai)

(2) Major Laws and Regulations

Hotel

Legislations that hotel and restaurant operators in the tourism sector must comply with include the Hotel Act of 1935 as amended in 2004 and the Public Health Act of 1992.

The Hotel Act of 1935 as amended is implemented by the Department of Commercial Registration, Ministry of Commerce and the Inspection & Grievances Division, Ministry of Interior.

Hotel and restaurant businesses are included in List 3 of the Foreign Business Act and foreign investors' equity holding level may not be greater than 49 percent. To operate the business, firms must obtain a license from the Foreign Business Commission in the Ministry of Commerce and the licensee must be a residence of Thailand. The general manager of the hotel and restaurant businesses is required to have a certificate or an experience specified by the Hotel Promotion and Supervision Commission or had graduated in hotel management from an accredited schools or universities. Foreign investors in hotel investment projects that are included in the investment promotion plan of the Board of Investment will be allowed to hold 100 percent of equity. These hotels must have over 100 rooms.

For restaurant, each restaurant has to follow the requirement related to food standard and hygiene as stated in the Public Health Act of 1992. Implementing agency is the Food and Water Sanitation Division, Department of Health, Ministry of Public Health.

Travel Agencies, Tour Services and Tourist Guide Services

Legislation controlling the operation of travel agencies and tour services including tourist guide services is the Travel Agency Business and Guide Act of 1992. Implementing agency is the Tourist Business and Guide Registration Office, Tourism Authority of Thailand.

Guided tour business is one of the activities in List 3 of the Foreign Business Act. To operate, companies with foreign investors hold equity of more than 49 percent would have to obtain license from the Department of Business Development, the Ministry of Commerce. Eligible licensee must have one of the following legal statuses: (a) Thai national, (b) a registered corporation or partnership in Thailand, (c) a resident of Thailand, (d) owing an office in Thailand. Moreover, the Act requires that 51 percent or more of management team are Thais and managing partner of a partnership must be a Thai national. Tourist guides must be Thai nationals and meet TAT's qualification standards. The new Ministry of Tourism and Sports is exploring the possibility of allowing majority foreign ownership in travel and guided tour agencies. Tourist guide is one of the 39 professionals that foreigners are not allowed to provide services in Thailand.

4.3.2 Spa Services

Thailand regards health-related services as one of the possible areas of strong cooperation between Thailand and trading partners. Alternative medicine therapy encompassing the herbal industry has become one of Thailand's export interests. In addition, Thailand is interested in developing further such export services as comprehensive professional training, clinical practice, and research in alternative medicine.

In 2003, the Ministry of Public Health issued a ministerial regulation requiring spa business to be subjected to standard control and certification by the concerned authorities and the business is exempted from the Entertainment Act of 1966 as amended in 2003. Under the regulation, spa business is defined as an operation that provides service of health therapy and revitalization. Major services include health massage, hydrotherapy supplement with steam sauna, exercising for health, dietary treatment, yoga and meditation, Thai herbal treatment and other alternative medical treatments. The regulation requires that the manager of spa business must be a resident of Thailand.

At present, there are about 300 registered spas in Thailand, providing more than 5,000 jobs. They rendered services to at least of 3.3 million customers a year, of which 80 percent are foreign tourists. The business brought to Thailand an income of almost US\$ 100 million annually.

Competitiveness-wise, foreign tourists have ranked Thailand, in terms of service hospitality, reasonable price and reliable quality of treatment, as the most popular place to enjoy spa among 7 countries in the Asia-Pacific region which includes Singapore, Indonesia, Malaysia, Hong Kong, Australia and New Zealand. It is widely known that some of the finest spas in the world are to be found in Thailand. Thailand aims to become the “Health Hub of Asia” in the near future.

4.4 Movement of Business Persons

Thailand actively participated in APEC and WTO forums with respect to works undertaken in the area of mobility of business people. Temporary entry of business persons is included in the Chapter on Movement of Natural Persons in the Free Trade Agreement between Thailand and Australia.

4.4.1 Regimes for Entry and Work

A foreign citizen who enters to work in Thailand must comply with the Thai immigration law, Alien Employment Act of 1978 and Working of Aliens Act of 1978. Official Agencies in charge of issuing visas are the Ministry of Foreign Affairs, the Royal Thai Embassies and Consulates abroad, and the Office of Immigration Bureau. Important regulations for each category of immigration are as follows:

Tourists

In general, visitors for tourism purposes will be permitted to stay in Thailand for a period not exceeding 60 days at any time upon arrival. The validity of visa is three months. The extension of stay as well as change of visa type is under the judgment of the immigration officer.

Chile is one of the countries which have concluded an agreement with Thailand on the exemption of visa requirement for holders of national passport. Chilean tourists are permitted to stay for 90 days per visit.

Short Term Business Entry

Short-term business travelers wishing to enter Thailand can choose from a number of visa categories; business visa (category B), business approved (category B-A) and investment and business (category I-B). Periods of stay vary from category to category but usually do not exceed 3 months, with the exception of the business approved visa category.

A business visa (category B) can be obtained from all Thai embassies and consulates located in the APEC member economies. A formal interview is normally not required provided that all relevant documents are submitted. Visa holders of this type are entitled to stay in Thailand for a maximum period of 3 months. Upon completion of such stay, an extended stay for a period of one year from the date of arrival in Thailand can be applied for at the Immigration Bureau.

A business approved visa (category B-A) can also be obtained from all Thai embassies and consulates located in the APEC member economies, but formal interview is required and approval by the Immigration Bureau in Bangkok before a visa can be issued to the applicant is needed. A period of stay is 1 year. The company in which the applicant plans to invest in Thailand or with which the applicant wishes to do business can apply on behalf of the applicant.

An investment and business visa (category I-B) is issued to foreign staff working under investment projects promoted by the Board of Investment (BOI) of Thailand. To facilitate visa and work permit extensions as well as all related arrangements, the BOI's One-Stop Service Centre can process applications or renewals of visas and work permits within three hours, assuming all required documents are provided. In addition, the center also handles many other transactions, including changing visa status (to non-immigrant status from tourist or transit), payment of fines, and processing of re-entry stamps, all within three hours or less.

Permanent Residence Permit

Foreign investors, experts or technicians, etc. who invest and bring in know-how and expertise for the benefit of the Thai economy is eligible for permanent residence in Thailand if their qualifications meet the conditions set forth by the Office of the Board of Investment.

Student Residence

Foreigners who come to study, to participate in a work study tour or observation tour, to participate in meetings or seminars, to attend a conference or training course, to study as a foreign Buddhist monk are initially granted a period of stay not exceeding 90 days with the possibility of extension by the Office of Immigration Bureau.

Other Non Immigrant Residence

Foreigners who enter Thailand to conduct scientific research, training or teaching in a research institute (Category "RS"); undertaking skilled work or to work as an expert or specialist (Category "EX"); working as a film-producer, journalist or reporter (Category "M") and other activities will be granted initially a period of stay not exceeding 90 days with the possibility of extension by the Office of Immigration Bureau.

Work Permit

Aliens working in Thailand are governed by the Alien Employment Act of 1978 which is administered by the Thai Labor and Social Welfare Department (formerly the Labor Department). The Act enumerates certain occupations that an alien is prohibited from performing in Thailand as well as outlines the procedures for the procurement and maintenance of a work permit. In principle, the Act requires that natural person that is not a Thai national must always obtain a permit before the alien begins to work inside Thailand; otherwise he or she will be punished under Thai labor laws.

Exceptions to the work permit requirement are normally granted to the following foreign citizens:

1) Members of diplomatic corps and consular missions of foreign countries, as well as the servants, which may accompany them.

2) A person who performs duties under an agreement between the Thai Government and an international organization or foreign government.

3) People who enter the Kingdom to perform a duty for the benefit of education, culture, arts, sports, or other activities prescribed by a Royal Decree.

4) Aliens who have to perform work of an urgent and essential nature. The granting of this exception is based solely upon the Department's discretion. Aliens who are qualified for this exception can enter Thailand on any type of visa and perform work for a maximum period of 15 days.

5) Foreign citizens who enter Thailand to work on a temporary basis at a local convention or exhibition are also exempted from work permit requirements. An alien can only stay in Thailand for a period less than 30 days. The Labor Department must also be informed of the situation before the seminar or exhibition convenes, unless a Thai governmental body is a co-sponsor.

One Stop Service Center for Visas and Work Permits

The Board of Investment of Thailand (BOI) established a One-Stop Service Center for Visas and Work Permits. The objective is to avoid delay and inconvenience to the foreigners in applying for stay permission, re-entry permit and work permit.

Aliens investors is considered eligible for work permit at the Center if they bring in at least 2 million Baht to invest in Thailand and intend to work in Bangkok only, or if they are executives or experts who work at a company with the registered capital or total assets of not less than 30 million Baht. In addition, the privilege is also granted to other business persons such as those who work as the foreign press, researchers and developers of science and technology, officials of branch office of overseas banks or enterprises, aliens who have to work on a necessary and urgent basis for a period of no longer than 15 day, etc.

Further Improvements Plan

Thailand plans to begin the operation of the APEC Business Travel Card (ABTC) Scheme shortly with the Department of Consular Affairs, Ministry of Foreign Affairs, as the lead agency.

The Immigration Bureau had proposed an amendment to the Interior Ministry's Regulation that allows for a visa-free entry of foreign ABTC cardholders with a maximum period of three months stay. The Cabinet had approved such amendment on August 20, 2002. The Regulation is currently under the consideration of the Council of State for legal examination. It is expected that the issuance of the ABTC can start immediately upon the completion of the legislative process.

Thailand also plans to amend relevant laws so that multiple entry visas can be issued for the purposes of short-term business entry into the country.

4.4.2 Evaluation of Movement of Business Persons

Thailand is relatively open in relation to movement of business persons, particularly those nationals from APEC member countries. Foreign investors, experts and technicians of foreign enterprises are in principle eligible for permanent residence in Thailand if investments in those enterprises are promoted by the Board of Investment.

However, specific provisions regarding movement of business persons may be considered in light of the benefit to be accrued from bilateral investment liberalization between the two countries.

5. AGRICULTURE AND FISHERIES

5.1 Agriculture

5.1.1 General Backgrounds

In 2004, GDP at current price of the agricultural and forestry sectors was approximately US\$ 13,656 million and its contribution to the national GDP was 9.22 percent. In the same year, the GDP of the fishery sector was US\$ 2,634 million and its contribution to the national GDP was 1.78 percent. As the Thai economy develops, GDP of industrial sector increases more rapidly than that of the agricultural sector and the contribution of the latter decreases constantly. But in socio-economic terms, agricultural sector remains to be the pillar of the economy since the life of 42 percent of the population depend on the healthiness of this sector. In addition, at least 41 percent of the country's land is used for agricultural purpose. In terms of employment and according to the 2003 census, members of the farm households who were in the agricultural labor force totaled 19.63 million and actually 66.53 percent of this total labor force was engaged in agriculture either as employees of other farmers or as self-employed in their own farms. Based on this information, it was estimated that approximately 50 percent of the total labour forces of the country were employed in agricultural sector.

The total farm land in the country was 18.03 million hectares in 2003. There were approximately 5.8 million holders of the farm land. In Thailand the number of farm land holders may not be equivalent to the number of farms because family farm land may be shared among close relatives who independently grow different type of trees. Small-size farms (6.4 hectare per farm) accounted for 88.70 percent of the total farms while medium-size farms (6.4 to 22.4 hectares per farm) accounted for 10.80 percent. Large-size farms accounted for 0.5 percent of the total farms.

5.1.2 Annual Crops

The main annual crops are rice and such cereals as corn and soybean. The other important annual crops are sugar cane and tapioca. In terms of land usage, 9.42 million hectares or 52.3 percent of the farm land were devoted to rice growing. In approximately 16 percent of this amount of lands, farmers grow rice twice a year. It should be noted that in some of these areas in the central part of the country where irrigation system is widely available, farmers grow rice 3 times in a year. In 2005, the paddy output totaled 29.82 million tons.

Other annual crops as mentioned above were grown in 3.45 million hectares or 19.10 percent of the total farm land. In 2005, corn output was 3.89 million tons, soybean output was 220,965 tons, tapioca output was 16.94 million tons and sugar cane output was 49.59 million tons. This amount of sugar cane produced 5.19 tons of refined sugar for domestic consumption and exports. The future of tapioca is also rest upon the production of ethyl alcohol which will be used as the main mixture of gasohol.

5.1.3 Natural Rubber

Natural rubber is one of Thailand's most important export items. In 2005, Thailand's market shares of natural rubber in the world market were about 43.65 percent. Rubber trees are grown throughout the country in approximately 1.54 million hectares or 8.60 percent of the total farm land. In 2005, the total output of natural rubber was 2.83 million tons and only 11.65 percent was used domestically.

5.1.4 Oil Palm

Oil palm trees are grown widely in the Southern and the Eastern parts of Thailand where tropical rain bring sufficient water for the plant. The planting area was 438,880 hectares in 2005. The fruit output was 5.00 million tons.

5.1.5 Other Crops

Other cash crops are coffee and tea. Coffee was grown in the area of 69,535 hectares and the production in 2005 was 59,644 tons. About half of the output was exported. Tea was grown mainly in the Northern part where the weather was cool enough for the tree. It was grown in the area of 11,074 hectares and the output in fresh leaves in 2005 was 66,920 tons. About 12,720 tons of dried leaves were exported.

5.1.6 Orchards

Many types of tropical fruits are planted but those fruits that are suitable for export to the Western countries include mangos and lychee. The total area planted with mangos was 46,667 hectares and the yield was 207,309 tons in 2005. Approximately 20,000 tons were exported to Europe and Asia. The other fruit orchard is lychee. It was planted in the area of 24,852 hectares and the output was about 79,274 tons. Approximately 14,000 tons were exported to Asia.

5.1.7 Orchids

In 2005, the market shares of Thai orchids were 34.76 percent. Thailand grows beautiful orchids for flowers stores around the world. The planted area for orchids was 3,236 hectares and the output was 45,428 tons. About half of the output was exported.

5.1.8 Meat Production

Important meat products are pork, beef and poultry. But pork and chicken have export potential. In 2005, the production of pork meat increased by 30.00 percent from 2004. The output of poultry meat during the same period had increased by 17.70 percent. Exports of chicken have been adversely affected by bird flu epidemic throughout the world. Although there was no evidence of human contact with bird flu during the last two years in Thailand, foreign markets still put strict standards on frozen chicken and exports were only possible for cooked poultry meat.

5.2 Fisheries

Fisheries sector plays an important role in the economy of Thailand. Output of fisheries sector in Thailand comes from two sources: natural water catches and aquaculture. In addition, Thailand also imported fish from foreign suppliers because domestic catches would not be sufficient for processed fisheries products for exports. According to the FAO statistics, total landing of fisheries output for Thailand was 2,845,088 tons in 2004. The main sources of the natural water catches are in the Gulf of Thailand and the Indian Ocean. The amount of landing, however, declined from 2000 level when the total landing was 2,997,394 tons. Depletion of the natural resources could be the main factor.

Aquaculture activities in Thailand can be divided into two categories: freshwater aquaculture and brackish water aquaculture. Freshwater aquaculture included culture in ponds, paddy field, cages and ditches. Most farms are densely located in the Central part of the country and the output is destined mainly for domestic consumption. In 2002, official statistic indicated that the freshwater aquaculture output was about 294,501 tons. Brackish water aquaculture located along the coast of the Gulf of Thailand and the coastal area of Andaman Sea. The output from brackish water aquaculture includes fish, shellfish, and shrimp, which commands higher percentage. These products, in particular shrimps, are mainly exported to the United States, European Union and Japan. In 2002, the shrimp output was about 264,923 tons.

6. TRANSPARENCY

6.1 Transparency in Trade Practices

In 1999, Thailand enacted a set of new laws aims to prevent unfair trade practices. This set of new laws includes: Trade Competition Act and Price of Goods and Services Act. The objective of the Trade Competition Act is to promote fair competition amongst private enterprises in Thailand, while the Price of Goods and Services Act aims to protect consumers' interests and to combat monopolistic practices. Both Acts will contribute to fairer business practices and create a more liberal trade and investment climate in Thailand. In addition, these acts would raise the levels of productivity, efficiency, and international competitiveness.

6.2 Transparency related to Commitments in Free Trade Agreements

The Cabinet's resolution of 1 October 2002 required that all governmental agencies maintain their own websites and upload related legislations, regulations, procedures, administrative rules, and other information as well as their on-going policies and strategies,

for public access. Websites of various departments in the Ministry of Commerce also contain information on the commitments of Thailand in all FTAs and other trade organizations. Affected parties can also make comments and observations for further clarity. Websites that related to trade and investment are mostly prepared in both Thai and English.

7. AREAS OF COOPERATION

7.1 Logistics

Thailand is located in Southeast Asia and surrounded by such emerging markets as Myanmar, Lao PDR, Cambodia, Vietnam and Yunnan which is the Southern province of China. Transportation facilities connecting markets in this Greater Mekong Subregion are being improved. With international supports, many roads have been built and will be built to connect these countries and facilitate transportation. At least 3 economic corridors have been specified. First, North-South Economic Corridor is a system of roads connecting Yunnan Province of the People's Republic of China, Myanmar, Lao PDR and Thailand. This North-South Economic Corridor links to the East-West Corridor and Southern Corridor. The East – West Economic Corridor connects Myanmar, Thailand, Lao PDR and Vietnam, while the Southern Corridor connects Thailand and Cambodia. This network of roads link the land-locked area of Yunnan Province and the land-locked country of Lao PDR to two important deep sea ports: Laemchabang in Thailand and Danang in Viet Nam. The road network described above will inevitably become the life line of the 250 million populations in the Greater Mekong Subregion. Thailand has the basic capacity to become an efficient connecting point between Chile and Southeast Asia and beyond. The following logistic ingredients should be pursued in the light of the possible FTA between the two countries.

7.1.1 Transportation

In enhancing trade relation between Chile and Thailand, efficient transportation of goods and peoples will necessarily play an important role. In relation to transportation, two areas of cooperation may be emphasized:

(1) Maritime transportation

Long-term cooperation in the area of maritime transportation will have to aim at shortening transportation time, minimizing the number of port calls and lowering the unit cost of transportation.

(2) Air transportation

Air transportation is necessary for tourism industry and trade of fragile and perishable goods. The location of Thailand makes it possible for Thailand to become the Southeast Asia hub of airlines. The aim of the cooperation is to minimize the connection costs between Chile and Thailand which eventually maximize the air transportation of perishable goods and tourists from both sides.

7.1.2 Distribution

Distributors and distribution system are among the most important factors in the trading system, especially in markets where trade relation has not fully developed. Chile and Thailand need efficient distributors from both sides to propose strategic plan of distribution system that assures traders in the two countries of effective trade and financial flows.

7.2 Fisheries

Thailand is one of the main exporters of fisheries products in the world. Output of fisheries sector comes from two sources: natural water catches and aquaculture. Thailand also imports marine raw materials from foreign suppliers because domestic catches are not sufficient for process fisheries products. Areas of cooperation in this sector could be:

1) Collaboration of private sectors to explore new areas of investment in marine fisheries.

2) Technical cooperation in sanitary and phytosanitary regulations with an aim to increase trade relation in the fisheries sector.

3) Exchange of data in fisheries trade, especially in aquaculture.

7.3 Education and Culture

Education and culture will promote closer relationship and understanding between the peoples of Thailand and Chile. Activities related to education and culture will also lead to other areas of relation, in particular tourism and investment.

In education, cooperation could be in the areas of higher education and vocational training. Exchange of views on curriculum development at both levels will be useful. Thailand is committed to capacity building and promotion of Latin American studies with a focus on Chile will increase understanding on all aspects of Chile.

In culture, Thailand recognizes that both countries are rich in culture and promotion of studies on the culture of each country will draw peoples closer. Collaboration on culture-related tourism for Chilean and Thais will also increase ties between the two countries.

8. Analysis and Evaluation of the Impact of Preferential Liberalization on Trade and Investment between Chile and Thailand

This section is to evaluate the economic impact of Chile-Thailand FTA. The impact of tariff elimination between Chile and Thailand will be quantitatively analyzed a partial equilibrium model. The important assumption in the model is that both partners of the FTA will reduce the tariff rates to zero from the level prevailing in 2005. The model analyzes the impact of the FTA on product items that were actually traded by both countries in 2005. For those product items that have not been traded during the past 4 years, potential trade will be estimated using plausible assumptions on the percentage increase of imports and exports between the two countries.

8.1 A Model to Estimate the Impact on the Imports of Thailand

The model used in this study is from Cline (1978). It seeks to determine trade creation and trade diversion that would arise from a preferential tariff reduction on Thai imports from Chile. By definition, trade creation is normally referred to as efficiency gain that results from the tariff preferential reduction; where trade diversion, on the other hand, represents an efficiency loss due to tariff reduction and consequently create imports of goods at a price higher than that available before the agreement, which translates as an implicit subsidy to trading partners and therefore leads to lesser welfare of the Thai economy. An FTA would have a positive effect if the benefits derived from trade creation exceed the costs of trade deviation.

In the model, trade creation depends on the price elasticity of import-based demand, price elasticity of export-based supply, and the differences between the present Thai tariffs and the FTA tariffs, which are assumed to be zero. For the purpose of calculation the model is simplified as follows:

$$TC^{TH} = B \cdot \Delta t_{ch.th} \text{-----} (1)$$

where

$$B = \frac{M_o^{CH} \eta_p}{(1 + t_o) \left(1 - \frac{\eta_p}{\epsilon_p} \right)} = \text{constant.}$$

TC^{TH} = Thailand trade creation due to import from Chile in response to tariff reduction.

M_o^{CH} = Value of initial imports from Chile, before tariff reduction.

ϵ_p = Price elasticity of Chile export-based supply.

$\Delta t_{ch.th}$ = Differential of tariff imposed by Thailand between before and after Chile-Thailand FTA.

η_p = Price elasticity of Thai import-based demand.

t_o = Initial ad valorem duty

From the model in (1), when price elasticity of both import-based demand and export-based supply are known, Thailand trade creation due to import from Chile will depend solely on the differential of tariff reduction before and after Chile-Thailand FTA. Trade creation is normally referred to as efficiency gain that results from the operation of a free trade area, while on the other hand trade diversion represents an efficiency loss. To capture the negative impact of trade deviation on the Thai economy, an increase of imports arises from trade deviation will be calculated by using the following formula:

$$TD = \frac{\varepsilon P_r \cdot M_o^{CH} \cdot M_o^{ROW}}{M_o^{CH} + M_o^{ROW}}$$

Where:

TD = Thai trade deviation due to tariff reduction on Chile import that export to Thailand.

ε = elasticity of substitution between imports from Chile and imports from the rest of the world.

M_o^{ROW} = value of initial imports from the rest of the world to Thailand.

M_o^{CH} = value of initial imports from Chile to Thailand

P_r = proportional variation in relative prices

$$\text{and } P_r = \left[\left(\frac{1+t_a^{CH}}{1+t_a^{ROW}} \right) / \left(\frac{1+t_b^{CH}}{1+t_b^{ROW}} \right) \right] - 1$$

Where t_a^{CH} and t_b^{CH} refer to the tariffs applied to Chile imports after and before tariff reduction, and t_a^{ROW} and t_b^{ROW} represent the tariff applied by Thailand to the rest of the world after and before tariff reduction towards Chile imports.

Results of the calculation can be concluded that an FTA would have a positive effect if the benefits derived from trade creation were to exceed the costs of trade deviation.

8.2 Model to Estimate the Impact on Exports

Algebraically, increase of Thai exports to Chile can be presented as follows:

$$\Delta X^{TH} = X_b \cdot \omega_p \cdot \Delta t^{CH} / (1 + t_a)$$

Where,

ΔX^{TH} = increase in Thai exports to Chile

X_b = Thai export to Chile before FTA

ω_p = price elasticity of Thai exports supply to Chile.

Δt^{ch} = differential of tariff imposed by Chile between before and after Chile-Thailand FTA.

t_a = Chile tariff after the FTA.

The given equation is applied to each custom classification item, provided that trade before the FTA exists, and tariff equivalent or current (ad valorem) is greater than zero.

8.3 Conclusions from the Partial Equilibrium Model

8.3.1 The Models and Assumptions

The two models used in this study are partial equilibrium models. Results from the models show the impacts of an FTA between Chile and Thailand in terms of possible change in imports and exports of the two countries. The impact of trade deviation which benefits both countries in terms of the increase in exports due to price reduction in imports is also analyzed.

In estimating the impact on Thai exports, it is assumed that trade will be created when the prices of Thai product items are reduced due to tariff elimination by Chile to the levels that are lower than the prices of both Chilean products and imports of the same products from other countries. Therefore trade creation is the result of tariff reduction.

Price elasticity of import-based demand is calculated by assuming that the change in the value of imports would only arise from changes in imported quantities, and similarly price elasticity of export-based supply is also computed by assuming that the change in the value of exports is solely due to the changes in exported quantities which reflects the Chilean demand for Thai goods in response to price change.

To calculate the increase in imports which arises from trade deviation, the concept of elasticity of substitution of imported good between Chilean and the rest of the world is applied. It is assumed that an increase in the Thai imports does not affect the CIF value of imported goods. In addition, it is also assumed that the benefits derived from trade creation exceed the costs of trade deviation and therefore there will be no negative impact on the importing country due to trade deviation from the previous import pattern before an FTA.

Limitations of the models are (1) it fails to capture the effect of tariff elimination on goods that were not previously imported because of the tariff barriers, (2) the model is static in nature and thus disregards dynamic impacts of an FTA on the rate of growth of trade, and (3) the model does not display the impacts on the factor prices increase. The explanation for the last limitation is that in general higher export demand will result in greater demand for factors of production in each economy and this will lead to an increase in the factor prices. However, the models can be used in calculating the effect on trade flows on a one-time basis due to the reallocation of resources driven by changes in relative prices as a result of the tariff reduction and the product traded can be categorized in accordance with the availability of data.

In evaluating the possible impact of an FTA between Chile and Thailand, the import and export data of 2005, or 2004 for products that were not traded in 2005, are used as a basis for calculation of trade creation and deviation. The use of 2004 data is justified because in normal practice importers may select the supplying sources that provide a better deal.

8.3.2 Change in Thai Exports to Chile due to Tariff Reduction

With regard to tariff liberalization under the proposed FTA, it is expected that a decline in import price due to the reduction of Chile's tariff rates will result in higher demand for Thai exports and greater competitiveness of Thai products in this market.

In assessing the possible impact of the FTA between Chile and Thailand, all products that Thailand used to export to Chilean market in 2004 and 2005 are taken into account. The value of exports after the enforcement of the FTA are estimated by using the most current export data in 2005 or 2004 if the products were not traded in 2005 as a basis. It was found that the total value of Thai exports to Chile using the data in 2004-2005 was equal to US\$ 126.61 million, compared with US\$ 124.22 million when only export lines in 2005 were used.

Exports of Thailand on the average covered more than 3,315 different tariff lines. But there were only 884 items that were previously exported to Chile during 2004-2005 and products items of special transaction were excluded. To estimate the change in exports when tariff rates for the importation of Thai products to Chile are zero, the model will take into account only the 884 product items, disregarding the probable trade impact both directly and indirectly from the other 2431 export items that might also benefit from tariff reduction.

The estimated results shown in Table 8.1 indicate that tariff elimination by Chile will increase Thailand's exports to Chile by US\$ 21.14 million, and increase of 16.70 percent from the base year. In fact, only 7 product lines could explain 86.26 percent of the estimated increase in exports. They were exports of vehicles, parts and accessories of vehicles (Chapter 87) which accounted for 49.75 percent of the total change in exports, machinery and mechanical appliances (Chapter 84) 20.38 percent, rubber and articles thereof (Chapter 40) 4.10 percent, preparations of sardine, tuna and other aquatic animals (Chapter 16) 3.40 percent, electrical machinery and equipment and parts thereof (Chapter 85) 3.34 percent, preparations of vegetables, fruit, nut etc. (Chapter 20) 3.20 percent and non-white Portland cement (Chapter 25) 2.09 percent.

Products with remarkable growth rates but change in export value are moderate are: tanning or dyeing extracts (Chapter 32) with an estimated growth rate of 63.69 percent, coffee, tea, mate and spices (Chapter 9) 41.33 percent, and miscellaneous articles of base metal (Chapter 83) 40.65 percent. It should be emphasized here the calculated exports are underestimated because the estimates do not include the effect of tariff elimination on goods that were not previously imported by Chile from Thailand.

Table 8.1: Estimated Changes in Thai Exports to Chile in Response to Tariff Elimination

Unit of exports: \$ US

Chapter	Export in 2004 or 2005	Est. Change in Exports	Rate of Change %	Number of Items
Fishery products (Chapter 3)	273.00	20.40	7.47	2
Live animal and edible products of animal origin (Chapter 4)	33,917.00	10,275.55	30.30	2
Vegetable products:	892,761.00	25,643.57	2.87	20
06 Live trees and other plants	4,864.00	22.32	0.46	1
07 Edible vegetables and certain root and tubers	30,024.00	1,248.08	4.16	4
08 Edible fruit and nuts, peel of citrus fruit and melon	48,914.00	1,651.05	3.38	2
09 Coffee, tea, mate and spices	1,223.00	505.45	41.33	5
10 Cereals	794,277.00	21,120.71	2.66	3
11 Products of the milling industry	2,172.00	293.37	13.51	2
12 Oil seeds and oleaginous fruits	651.00	66.39	10.20	1
13 Lac, gum, resins and other veget. saps and extracts	9,614.00	641.32	6.67	1
14 Vegetable plaiting materials, veget. products nesoi	1,022.00	94.89	9.28	1
Prepared foodstuffs; beverages, spirits, vinegar, tobacco and manufactured tobacco substitute:	9,597,109	1,428,941.99	14.89	32
16 Preparation of meat, of fish or of crustaceans, molluscs or other aquatic animals	6,571,156.00	719,282.56	10.95	3
17 Sugars and sugar confectionary	224.00	3.31	1.48	2
19 Preparations of cereals, flour, starch or milk	22,956.00	8,950.05	38.99	5
20 Preparations of vegetables, fruit, nuts	2,868,524.00	676,831.62	23.60	13
21 Misc. edible preparations	100,185.00	16,662.87	16.63	5
22 Beverages, spirits and vinegar	20,521.00	7,107.78	34.64	2
23 Residues and waste from food industries, prepared animal feed	13,330.00	102.47	0.77	1
24 Tobacco and manufactured tobacco substitutes	213.00	1.33	0.62	1
Portland Cement except white ones (Chapter 25)	8,063,867.00	442,812.31	5.49	1
Products of the chemical or allied industries:	1,598,118	405,847.84	25.40	30
28 Inorganic chemicals; organic or inorganic compounds of precious metals	14,043.00	718.29	5.11	1
29 Organic chemicals	143,226.00	51,446.70	35.92	4
30 Pharmaceutical products	328,141.00	12,326.63	3.76	3
32 Tanning or dyeing extracts	428,660.00	273,022.80	63.69	9
33 Essential oils and resinoid, perfumery, cosmetic	109,100.00	28,833.45	26.43	4
34 Soap, organic surface-active agent, washing preparation	89,726.00	6,298.51	7.02	3
35 Albuminoidal substances, modified starches, glue	8,213.00	305.56	3.72	3
36 Propellant powder	1,106.00	123.64	11.18	1
38 Misc. chemical products	475,903.00	32,772.27	6.89	2
Plastics and rubber and articles thereof:	11,064,451	1,165,962.85	10.54	70
39 Plastics and articles thereof	4,399,213.00	299,892.28	6.82	31
40 Rubber and articles thereof	6,665,238.00	866,070.57	12.99	39

Table 8.1 (Continued)

Chapter	Export in 2004 or 2005	Est. Change in Exports	Rate of Change	Number of Items
Hides, articles of leather, handbags (Chapters 41 – 42)	49,630.00	3,224.61	6.50	13
Wood and articles of wood, basket, wicker work:	120,029.00	4,183.33	3.49	10
44 Wood and articles of wood	116,794.00	3,918.71	3.36	8
46 Manufactures of straw, basket, wicker work	3,235.00	264.63	8.18	2
Paper and paperboard and articles thereof:	99,738.00	9,012.84	9.04	17
48 Paper and paperboard, paper pulp	56,396.00	6,688.70	11.86	10
49 Printed books, newspaper	43,342.00	2,324.14	5.36	7
Textiles and Clothing:	8,353,580.00	854,737.69	10.23	165
50 Silk	7,897.00	770.47	9.76	2
52 Cotton	289,730.00	27,422.12	9.46	10
54 Man-made filaments	724,883.00	70,908.06	9.78	11
55 Man-made staple fibres	891,002.00	112,731.98	12.65	12
56 Wadding, felt and non-woven	335,354.00	26,567.05	7.92	3
58 Special woven fabrics, tufted, lace, tapestries	1,813,047.00	46,289.80	2.55	7
59 Impregnated, coated, covered or laminated textile fabrics	169,322.00	6,361.86	3.76	1
60 Knitted or crocheted fabrics	244,220.00	93,298.43	38.20	3
61 Articles of apparel and clothing accessories, knitted or crocheted	1,799,404.00	234,531.54	13.03	48
62 Articles of apparel and clothing accessories, not knitted or crocheted	1,812,290.00	227,176.72	12.54	59
63 Other made up textile articles	266,431.00	8,679.66	3.26	9
Footwear, headgear, prepared feathers and articles made therewith:	3,242,446.00	106,670.99	3.29	19
64 Footwear, faiters, parts of these articles	3,146,943.00	99,454.50	3.16	14
65 Headgear and parts thereof	43,574.00	4,636.11	10.64	3
66 Umbrellas	9,116.00	1,514.76	16.62	1
67 Prepare feathers and articles made therewith	42,813.00	1,065.61	2.49	1
Articles of stone, plaster, cement, ceramic, glass:	623,166.00	74,966.36	12.03	20
68 Articles of stone, plaster, cement, asbestos	84,586.00	17,772.02	21.01	3
69 Ceramic products	356,988.00	52,964.73	14.84	8
70 Glass and glassware	181,592.00	4,229.61	2.33	9
Pearls, precious or semiprecious stone (Chapter 71)	633,427.00	33,038.99	5.22	7
Base metals and articles thereof:	3,940,525.00	694,434.08	17.62	59
72 Iron and steel	31,515.00	2,482.65	7.88	1
73 Articles of iron and steel	2,806,518.00	276,394.58	9.85	29
74 Copper and articles thereof	8,718.00	578.03	6.63	3
76 Aluminum and articles thereof	77,937.00	16,600.12	21.30	4
81 Cermets And Articles Thereof	57.00	13.93	24.44	1
82 Tools, cutlery of base metal, parts thereof	41,979.00	2,533.19	6.03	11
83 Misc. articles of base metal	973,801.00	395,831.58	40.65	10
Machinery and mechanical appliances, electrical equipment, parts:	21,620,710.00	5,014,634.95	38.40	149
84 Machinery and mechanical appliances, parts	16,046,608.00	4,308,365.24	25.72	71
85 Electrical machinery and equipment and parts thereof	5,574,102.00	706,269.71	12.67	78

Table 8.1 (Continued)

Chapter	Export in 2004 or 2005	Est. Change in Exports	Rate of Change	Number of Items
Vehicles, vessels and associated transport equipment:	52,102,546.00	10,520,781.19	20.19	30
87 Vehicles other than railway or tramway locomotives and parts thereof	52,074,984.00	10,518,416.04	20.20	29
89 Ships, boats and floating structure	27,562.00	2,365.15	8.58	1
Optical, photographic, cinematographic, precision, clocks, watches, parts:	781,546.00	175,231.04	22.42	22
90 Optical, photographic, measuring, precision	568,813.00	163,539.71	28.75	16
91 Clocks and watches and parts thereof	108,162.00	4,861.54	4.49	3
92 Musical instruments, parts and accessories	104,571.00	6,829.79	6.53	3
Miscellaneous manufactured articles:	3,091,483.00	172,621.64	5.58	52
94 Furniture, bedding, mattress, cushions and similar	807,569.00	85,769.55	10.62	19
95 Toys, games and sports equipment	1,055,310.00	56,138.66	5.32	16
96 Misc. manufactured articles	527,139.00	30,643.58	5.81	10
Works of Art, collectors' pieces and antiques (Chapter 97)	1,429.00	69.85	4.89	2
Total	125,910,751.00	21,143,112.07	16.70	722

Sources: Export figures in 2004 or 2005 are from Thailand's Customs Department, Ministry of Finance. Other figures are from the calculation.

8.3.3 Changes in Thai Imports from Chile due to Tariff Elimination

In 2004-2005, the total imports of Thailand from Chile which were used as a base value was US\$ 161.09 million. Thailand's total demand for imports from the world covers more than 3,329 different tariff lines, but when special transactions were excluded, there were only 199 tariff lines that Thailand imported from Chile during the same period.

The estimated results shown in Table 8.2 indicate that, by assuming that tariff rates on Thailand's imports from Chile are reduced to zero in all tariff lines after the enforcement of an FTA, an increase in imports from Chile will be US\$ 117.67 million. In growth terms, an increase in Thailand's imports would be 73.09 percent from the initial value before tariff reduction. About 9.96 percent of Thailand's total imports from Chile were the diversion of imports from the rest of the world to Chile.

Trade creation would be mainly from 5 Chapters which account for 94.47 percent of the total estimated increase in imports. They are in Chapter 3 (Fishery products) 77.25 percent, Chapter 20 (Preparations of vegetables, fruit, nuts) 6.13 percent, Chapter 74 (Copper and articles thereof) 5.16 percent, Chapter 41 (Hides and skins of bovine) 4.00 percent and Chapter 48 (Paper and paperboard, paper pulp) 1.92 percent.

On trade diversion, the products which Thailand would import more from Chile while reducing imports of the same products from the rest of the world are products items in 6 Chapter, representing 85.0 percent of the total trade diversion. Product items in Chapter 74 (Copper and articles thereof) account for 27.75 percent of total trade diversion, Chapter 20 (Preparations of vegetables, fruit, nuts) 16.89 percent, Chapter 3 (Fishery products) 15.57 percent, Chapter 26 (Copper ores and concentrates) 9.78 percent, Chapter 69 (Ceramic products) 8.35 percent, and Chapter 15 (Animal or vegetable fats and oils and waxes) 6.63 percent. Even though the overall impacts on trade diversion is rather low (less than 10

percent), some products show remarkably high increasing rates, indicating possibilities that Thai consumers will substitute them for the products from the rest of the world. Examples of these products are items in Chapter 39 (Plastics and articles thereof) which the average growth rate is 274.65 percent, Chapter 69 (Ceramic products) 166.60 percent, Chapter 96 (Misc. manufactured articles) 94.95 percent, Chapter 34 (Soap, organic surface-active agent, washing preparation) 89.61 percent, Chapter 19 (Preparations of cereals, flour, starch or milk) 72.12 percent, and Chapter 32 (Tanning or dyeing extracts) 58.82 percent.

Table 8.2: Estimated Changes of Thailand's Imports from Chile in Response to Tariff Elimination in Thailand

Chapter	Unit of imports: US\$				Unit of Rate of Growth: Percent		
	Import in 2004/2005	Trade Creation (TC)	Trade Diversion (TD)	Change in Imports (CI)	Rate of Growth/2005		No. of Items
					TC	CI	
Lives animal and edible products of animal origin:	510	82	132	214	29.81	78.02	2
02 Products Consisting Of Natural Milk Constituents, N.E.S.	304	64	101	166	21.17	54.49	1
04 Products Of Natural Milk Constituents, Nesoi	206	18	31	48	8.64	23.53	1
Fishery products (Chapter 3)	49,054,035	78,524,453	2,496,828	81,021,281	160.08	165.17	27
Vegetable products:	4,661,996	1,176,945	564,221	1,741,166	25.25	37.35	16
06 Live trees and other plants	7,940	7,490	3,237	10,728	94.34	135.11	1
07 Edible vegetables and certain root and tubers	9	30	3	33	336.04	364.61	1
08 Edible fruit and nuts, peel of citrus fruit and melon	492,997	949,160	228,048	1,177,208	192.53	238.79	5
09 Coffee, tea, mate and spices	1,807	640	414	1,054	35.40	58.32	2
10 Cereals	111	3	3	6	2.35	5.24	1
12 Oil seeds and oleaginous fruits	244,596	9,204	3,103	12,308	3.76	5.03	3
13 Lac, gum, resins and other veget. saps and extracts	3,914,536	210,418	329,411	539,829	5.38	13.79	3
Animal or vegetable fats and oils and waxes (Chapter 15)	2,787,102	804,999	1,064,179	1,869,178	28.88	67.07	3
Prepared foodstuffs; beverages, spirits, vinegar, tobacco and manufactured tobacco substitute:	8,306,708	7,681,156	3,373,657	11,054,812	92.47	133.08	18
16 Preparation of meat, of fish or of crustaceans, molluscs or other aquatic animals	97,329	30,730	14,464	45,194	31.57	46.43	3
19 Preparations of cereals, flour, starch or milk	12,601	16,198	9,088	25,285	128.54	200.66	1
20 Preparations of vegetables, fruit, nuts	2,726,091	6,228,111	2,707,923	8,936,034	228.46	327.80	7
21 Misc. edible preparations	26,200	8,748	5,969	14,717	33.39	56.17	3
22 Beverages, spirits and vinegar	966,334	605,153	85,089	690,242	62.62	71.43	3
23 Residues and waste from food industries, prepared animal feed	4,478,153	792,216	551,123	1,343,339	17.69	30.00	2
Salt, sulfur, earths and stone, plastering material, lime and cement:	23,797,248	271,554	1,568,352	1,839,906	10.93	18.50	2
25 Stone granules	641	63	6	69	9.79	10.77	1
26 Copper ores and concentrates	23,796,607	271,491	1,568,345	1,839,837	1.14	7.73	1
Products of the chemical or allied industries:	4,842,789	953,251	497,625	1,450,877	19.68	29.96	35
28 Inorganic chemicals; organic or inorganic compounds of precious metals	3,128,130	162,013	89,819	251,832	5.18	8.05	9
30 Pharmaceutical products	10,740	236	94	330	2.20	3.07	2
31 Fertilizers	1,212,841	686,853	231,670	918,523	56.63	75.73	5

Table 8.2 (Continued)

Chapter	Import in 2004/2005	Trade Creation (TC)	Trade Diversion (TD)	Change in Imports (CI)	Rate of Growth/2005		No. of Items
					TC	CI	
32 Tanning or dyeing extracts	33,482	318	19,697	20,015	0.95	59.78	2
33 Essential oils and resinoid, perfumery, cosmetic	130,971	86,383	29,690	116,074	65.96	88.63	9
34 Soap, organic surface-active agent, washing preparation	108,428	3,642	97,163	100,805	3.36	92.97	5
38 Misc. chemical products	218,197	13,806	29,492	43,297	6.33	19.84	3
Plastics and rubber and articles thereof:	13,725	1,173	29,311	30,483	8.54	222.10	4
39 Plastics and articles thereof	10,482	859	28,789	29,649	8.20	282.85	2
40 Rubber and articles thereof	3,243	313	521	835	9.65	25.73	2
Hides, articles of leather, handbags:	4,773,749	4,064,705	39,200	4,103,905	108.28	134.07	4
41 Hides and skins of bovine	4,769,267	4,063,671	38,080	4,101,751	85.21	86.00	2
42 Hand bags	4,482	1,034	1,120	2,154	23.07	48.07	2
Wood and articles of wood, basket, wicker work:	22,395,616	425,738	100,864	526,602	1.90	2.35	11
44 Wood and articles of wood	3,255,612	327,737	44,575	372,312	10.07	11.44	8
47 Chemical wood pulp	19,140,004	98,001	56,289	154,290	0.51	0.81	3
Paper, paperboard, articles thereof:	2,088,518	1,956,389	319,789	2,276,179	93.67	108.99	8
48 Paper and paperboard, paper pulp	2,086,508	1,956,325	319,577	2,275,901	93.76	109.08	5
49 Printed books, newspaper	2,010	65	212	277	3.22	13.79	3
Textiles and Clothing:	23,184	5,731	2,815	8,547	24.72	36.86	11
51 Woven fabrics	66	3	5	7	4.17	11.15	1
52 Cotton	21,384	4,549	2,374	6,923	21.27	32.37	1
58 Special woven fabrics, tufted, lace	76	64	10	74	84.44	97.49	1
61 Articles of apparel and clothing accessories, knitted or crocheted	1,477	708	341	1,049	47.92	71.00	3
62 Articles of apparel and clothing accessories, not knitted or crocheted	181	407	86	493	224.98	272.63	5
Headgear and parts (Chapter 65)	53	60	12	73	113.21	137.42	2
Articles of stone, plaster, cement, ceramic, glass:	804,216	424,104	1,339,707	1,763,812	52.74	219.32	5
69 Ceramic products	804,127	424,090	1,339,687	1,763,776	52.74	219.34	4
70 Glass and glassware	89	15	21	35	16.60	39.68	1
Pearls, precious or semiprecious stone (Chapter 71)	30	8	3	10	25.62	34.71	1
Base metals and articles thereof:	36,872,588	5,255,513	4,491,395	9,746,909	14.25	26.43	20
72 Iron and steel	338,783	1,064	3,269	4,333	0.31	1.28	2
73 Articles of iron and steel	83,317	1,910	13,383	15,293	2.29	18.36	5
74 Copper and articles thereof	36,383,411	5,246,969	4,448,316	9,695,285	14.42	26.65	3
76 Aluminum and articles thereof	66,552	5,529	26,394	31,923	8.31	47.97	5
82 Tools, cutlery of base metal, parts	100	23	17	40	23.00	40.24	3
83 Misc. articles of base metal	425	18	16	35	4.26	8.16	2
Machinery and mechanical appliances, electrical equipment, parts:	338,114	68,015	23,723	91,738	20.12	27.13	20
84 Nuclear reactors, machinery and mechanical appliances, parts	175,133	14,191	17,120	31,311	8.10	17.88	10
85 Electrical machinery and equipment and parts thereof	162,981	53,824	6,603	60,427	33.02	37.08	10
Vehicles other than railway or tramway locomotives and parts thereof (Chapter 87)	165,656	20,630	86,696	107,326	12.45	64.79	2

Table 8.2 (Continued)

Chapter	Import in 2004/2005	Trade Creation (TC)	Trade Diversion (TD)	Change in Imports (CI)	Rate of Growth/2005		No. of Items
					TC	CI	
Optical, photographic, cinematographic, precision, clocks, watches, parts:	5,915	1,206	125	1,331	20.38	22.50	2
90 Optical, photographic, measuring, precision	4,768	18	70	88	0.38	1.86	1
91 Clocks and watches and parts thereof	1,147	1,188	55	1,242	103.53	108.30	1
Miscellaneous manufactured articles:	51,279	2,410	33,241	35,651	4.70	69.52	6
94 Furniture, bedding, mattress, cushions and similar	814	916	136	1,052	112.53	129.19	2
95 Toys, games and sports equipment	21,054	1,115	5,178	6,293	5.30	29.89	1
96 Misc. manufactured articles	29,411	379	27,927	28,305	1.29	96.24	3
Total	160,983,031	101,638,121	16,031,875	117,669,955	63.14	73.09	199

Sources: Export figures in 2004 or 2005 are from Thailand's Customs Department, Ministry of Finance. Other figures are from the calculation.

8.3.4 Complementary Economies

The results of the study show that bilateral economic cooperation will definitely increase trade between the two countries and their exports and imports compositions are complementary. Thailand's production sectors that will gain benefits from an FTA are motor vehicles, parts and accessories of motor vehicles, preparations of vegetables, fruit, nut, certain categories of textiles and clothing and machinery and mechanical appliances. Meanwhile Chile will increase exports in natural resources or natural resources-based products such as fresh fruits and its preparations, wines, paper and paperboard, paper pulp, prepared animal feed, and seafood products.

Table 8.3 shows that traded goods between Chile and Thailand are complementary. Only 61 out of 860 tariff lines of traded products that Thailand both exports to and imports from Chile during 2004-2005. The evidence indicates that the numbers of competing products are less than 10 percent of the products traded between Chile and Thailand. The Table also reflects the importance of trade in vehicle parts for Thailand. If tariff rates were bilaterally reduced to zero, the total value of exports which exclude motor vehicle parts will increase by 7.4 percent of the total change in Thai exports to Chile, while the total value of imports will increase by 2.23 percent of the total change in Thai imports from Chile. When vehicles and parts in Chapter 87 are included in the calculation, the estimated increase in exports will be 26.36 percent of the total increase in Thai exports to Chile.

Table 8.3: Shares of Complementary Products in Thailand and Chile Trade

No	HS	Description	Exports to Chile in 2004/2005	Estimated Change in Exports	Shares of Change in Exports to Total	Imports from Chile in 2004/2005	Total Change in Imports	Shares of Change in Imports to Total
			US\$		%	US\$		%
1	30559	fish, dried, whether salted but not smoked nesoi	52	1	0.00	54,708	26,353	0.02
2	30729	scallops incl queen, frozen/dried/salted/in brine	221	20	0.00	26,964	4,629	0.00
3	160414	tunas/skipjack prep/pres not minced	6,282,572	683,311	3.23	26	114	0.00
4	200820	pineapples, prepared or preserved Nesoi	1,703,170	515,105	2.44	75	31	0.00
5	200899	fruit & edible plant parts nesoi, prep etc. nesoi	83,450	7,977	0.04	32	9	0.00
6	200980	juice of any single fruit/vegtble unfermentd nesoi	586	16	0.00	14,978	5,031	0.00
7	210690	food preparations nesoi	66,153	13,683	0.06	201	14	0.00
8	300490	medicaments nesoi, measured doses, retail pk neso	156,476	7,082	0.03	21	1	0.00
9	330290	mixtures of odoriferous substances, etc. nesoi	131	8	0.00	1,074	81	0.00
10	330499	beauty / skin care preparation, nesoi	31,921	1,007	0.00	97,856	48,096	0.04
11	382490	products and residuals of chemical industry, neso	474,679	32,616	0.15	45,577	3,468	0.00
12	392310	boxes, cases, crates & similr articles of plastic	48,431	42	0.00	10,034	29,567	0.03
13	392690	articles of plastics, nesoi	336,756	7,362	0.03	448	81	0.00
14	400911	pipe, nt reinforced/combine w/material, w/o fitti	45,611	1,140	0.01	1,064	222	0.00
15	420222	handbags, surface of plastic sheet/text materials	1,768	170	0.00	3,740	1,222	0.00
16	420232	articles for pocket/handbag, plastic/text material	119	13	0.00	742	932	0.00
17	441510	cases/boxes/crates/simlr packngs, cable-drum, wood	11,090	221	0.00	256	47	0.00
18	441900	tableware and kitchenware, of wood	50,513	1,661	0.01	53	29	0.00
19	442190	articles of wood, nesoi	8,570	166	0.00	111	215	0.00
20	480100	newsprint, in rolls or sheets	55	1	0.00	2,085,892	2,275,700	1.93
21	481910	cartons, boxes & cases corrugated paper & paperbd	890	6	0.00	359	155	0.00
22	482090	blotting pads/book covers/artcl statnry nesoi,papr	10,539	198	0.00	221	37	0.00
23	491110	trade advertising material, commercial catalog etc	38	0	0.00	1,650	231	0.00
24	491199	printed matter, nesoi	1,701	173	0.00	237	22	0.00
25	581091	embroid in pc, strip or motifs of cot	21,396	775	0.00	76	74	0.00
26	610590	men's/boys' shirts of textile material nesoi, knit	20	3	0.00	5	131	0.00
27	610910	t-shirts, singlets, tank tops etc, knit etc cotton	19,303	1,204	0.01	1,028	391	0.00
28	610990	t-shirts, singlets etc, knit etc, textiles nesoi	663,295	16,104	0.08	444	526	0.00
29	620439	women's or girls' suit-ty jac, not knit, tex nesoi	7,255	534	0.00	27	392	0.00
30	620469	women's or girls' trousers etc not knit, tex nesoi	31,490	1,083	0.01	5	2	0.00
31	620590	men's or boys shirts ot textile mat nesoi, nt knit	4,404	396	0.00	120	82	0.00

Table 8.3 (Continued)

No	HS	Description	Exports to Chile in 2004/2005	Estimated Change in Exports	Shares of Change in Exports to Total	Imports from Chile in 2004/2005	Total Change in Imports	Shares of Change in Imports to Total
			US\$		%	US\$		%
32	650590	hats & headgear, knit etc, lace, felt etc in pc	9,908	346	0.00	45	70	0.00
33	691200	ceramic tableware, kitchenware etc, earthenware etc	129,379	12,576	0.06	87	75	0.00
34	711319	jewelry and parts thereof, of oth precious metal	322,645	26,019	0.12	30	10	0.00
35	731815	threaded screws and bolts nesoi of iron or steel	309,398	6,712	0.03	8,642	2,227	0.00
36	731829	oth non-threaded articles (fastners) iron/steel nesoi	34,962	2,699	0.01	1,138	1,773	0.00
37	732690	articles of iron or steel nesoi	375,940	170,092	0.80	68	61	0.00
38	741999	articles of copper nesoi	7,872	552	0.00	3,859	28,401	0.02
39	761699	articles of aluminum, n.e.s.o.i.	30,799	12,311	0.06	8,329	1,193	0.00
40	821599	spns frks ldl's etc,bs mtl pts,nt prc mtl plt,nt st	2,263	376	0.00	16	19	0.00
41	830629	statuettes a oth ornmnts a prts, bs metl nt pm plt	503	83	0.00	14	15	0.00
42	831000	sgn plts nos a smbls et bm except of hdg 9405	1	0	0.00	411	20	0.00
43	840999	spark-ignition reciprocating int com pistn eng pts	57,624	4,314	0.02	106,806	19,356	0.02
44	842549	jacks, nesoi; hoists for raising vehicles, Nesoi	54	1	0.00	8,906	3,198	0.00
45	848280	oth ball or roll brg, inc combined ball/roll brgs	651	52	0.00	34,513	825	0.00
46	848360	clutches & shaft couplings	1,264	57	0.00	1,738	239	0.00
47	848390	toothed wheels,chain sprockets&oth trans elem; pts	6,812	1,110	0.01	1,474	170	0.00
48	850440	static converters	4,644	255	0.00	1,736	32,377	0.03
49	851711	line telephone sets with cordless handsets	93,155	7,136	0.03	837	35	0.00
50	852439	discs for laser reading systems	139	11	0.00	2	0	0.00
51	853590	elect appr f prtct to elect circit >1000 v Nesoi	378	0	0.00	226	94	0.00
52	853650	elect switches f voltage not over 1000 v, Nesoi	290,362	7,012	0.03	110,493	21,837	0.02
53	853669	elect plugs & sockets f voltage not over 1000 v	188	24	0.00	66	9	0.00
54	853690	elect appr f prtct to elect circit nov 1000 v Nesoi	7,542	4,361	0.02	1,551	505	0.00
55	854389	electrical mach & appar with indivul func,Nesoi	35,407	1,715	0.01	1,907	363	0.00
56	870829	pts & access of bodies of motor vehicles, Nesoi	5,834,987	1,985,883	9.39	394	178	0.00
57	870899	parts and accessories of motor vehicles, Nesoi	6,648,072	2,021,857	9.56	165,262	107,148	0.09
58	903180	meas & checking instrument, appliances & mach Nesoi	14,259	1,673	0.01	4,768	88	0.00
59	940161	seats w wooden frames, upholstered, Nesoi	6,603	369	0.00	22	8	0.00
60	940360	wooden furniture, Nesoi	156,952	12,511	0.06	792	1,043	0.00
61	960810	ball point pens	23,746	1,158	0.01	34	6	0.00
competing items (exclude vehicle parts)			11,986,105	1,565,600	7.40	2,646,534	2,511,906	2.13
competing items (include vehicle parts)			24,469,164	5,573,340	26.36	2,812,190	2,619,232	2.226
total			125,910,751	21,143,112	100.00	160,983,031	117,669,998	100

Source: Exports and imports figures are from Thailand's Customs Department, Ministry of Finance. Others are from the calculation.

8.4 Estimation of Potential Imports by Both Countries on Products That Had Not Been Traded Bilaterally

Some of the products that Thailand exported to the world markets in large amount during the last four years had not been imported by Chile although there was obviously imported demand on the Chilean side. By the same token, there were products items that Chile exported in large amount and Thailand had great demand but Thailand had never imported these items from Chile. If an FTA is signed, price reduction due to elimination of tariffs and closer trade relation between private enterprises from the two countries can lead to importation of these non-traded products in the future. It is therefore useful to estimate the value of potential imports by Chile and Thailand on these non-traded products.

Due to insufficient empirical evidence, the estimation method requires discretionary assumptions on the percentage increase of these potential imports. In estimating potential imports by Chile on non-traded products, the first step was to select product items that Chile had in the past four years imported from the rest of the world but not from Thailand and the import value of each item exceeded US\$ 1 million. These imports figures reflected import demand in Chilean market. In the second step, these selected Chilean imported product items were matched on the 6 digit HS system with product items which Thailand exported to the rest of the world but not to Chile. To ensure that Thailand had export capacity for these products, only items with average export value exceeded US\$ 1 million were selected. In addition, the so-called Revealed Comparative Advantage (RCA) indexes for these selected items were calculated to see the extent of competitiveness of these product items in the United States and the European Union markets. Finally, only product items which RCA values exceeded 1 were selected to estimate potential imports by Chile.

In estimating the potential imports, it was assumed that with an FTA, Chile would divert from other supplying countries to import these product items from Thailand. The percentage increases of these potential imports could range from 5 to 10 percent of the actual import value in 2005. Product items which calculated import values were less than US\$ 1 million were eliminated to ensure that only significant potential imports were counted. The same methodology with necessary adjustment was applied to the estimation of Thailand's potential imports from Chile of non-traded products.

As potential imports by Chile are equivalent to Thailand's potential exports of non-traded products to Chile (TPE), this study will use the latter description in reporting the estimation. Table 8.4 indicates that if the potential imports increase by 5 percent from the actual import value in 2005, then TPE will be US \$ 88.83 million. The TPE will be doubled to US \$ 217.53 million if imports increase by 10 percent. Table 8.4 also reflects the potential product items that can satisfy the demand in the Chilean market.

The same methodology is used in estimating Chile's potential exports of non-traded products to Thailand (CPE). Table 8.5 shows that if the potential imports by Thailand increase by 5 percent from the actual import value in 2005, then CPE will be US\$ 84.84 million. The CPE will be doubled for many items and the total CPE will be US\$ 173.11 million if imports by Thailand increase by 10 percent. The impact of the FTA on potential trade cannot be disregarded.

Table 8.4: Potential Exports of Thailand's Previously-not-export-to-Chile Products

Unit: US \$ million

HS	Description	TH Export 2005	CH Import 2005	TH Pot. Exp. 5% up	TH Pot. Exp. 10% up
	Total	110,050	24,876	88.83	217.53
852812	Colour television receivers	1,495.74	168.67	8.43	16.87
847170	Storage units of computing machines	5,451.38	111.98	5.60	11.20
870422	Motor vehicles for the transport of goods	24.92	105.09	5.25	10.51
640399	Footwear without ankle cover	146.84	90.66	4.53	9.07
851750	Telecomm. apparatus for carrier-current line system	36.22	87.12	4.36	8.71
611030	Jerseys of man-made fibres	130.21	75.98	3.80	7.60
870333	Passenger motor vehicles	310.43	75.89	3.79	7.59
852190	Video recording apparatus	196.43	66.37	3.32	6.64
610910	T-shirts of cotton	186.07	65.48	3.27	6.55
851790	Parts of electrical apparatus for line telephony	180.96	64.31	3.22	6.43
620342	Men's or boys' trousers of cotton	145.37	49.03	2.45	4.90
620462	Women's or girls' trousers	138.34	47.43	2.37	4.74
690890	Glazed ceramic, other than under 6908.10	83.62	47.38	2.37	4.74
720839	Flat-rolled products of iron or non-alloy steel	169.99	43.36	2.17	4.34
230910	Dog or cat food put up for retail sales	336.77	39.09	1.95	3.91
854210	Cards incorporating an electronic integrated circuit	88.91	38.59	1.93	3.86
230990	Other preparation for animal feeding	112.86	38.27	1.91	3.83
853650	Switches for voltage not exceeding 1,000 V	193.38	35.36	1.77	3.54
852540	Still image video cameras, digital cameras	414.09	33.49	1.67	3.35
845011	Household or laundry-type washing machines	42.49	33.08	1.65	3.31
847180	Other units of automatic data processing machines	262.29	31.28	1.56	3.13
854389	Electrical machines (other than 8543.11 to 8543.81)	481.91	30.93	1.55	3.09
852390	Other prepared unrecorded media	207.79	30.76	1.54	3.08
848210	Ball bearings	166.09	29.68	1.48	2.97
731815	Other screws and bolts	122.08	26.63	1.33	2.66
100630	Semi-milled or wholly milled rice	1,969.52	25.99	1.30	2.60
841810	Combined refrigerator-freezers	104.93	25.57	1.28	2.56
611020	Jerseys, pullovers, cardigans, waistcoats	140.71	23.99	1.20	2.40
480920	Self-copy paper, in rolls or sheets	29.24	23.28	1.16	2.33
940360	Other wooden furniture	445.20	22.32	1.12	2.23
610990	T-shirts, singlets and other vests, not from cotton	156.85	21.68	1.08	2.17
852721	Radio-broadcast receivers combined with sound recording or reproducing apparatus	223.58	20.83	1.04	2.08
420292	Other containers (jewellery boxes, powder-boxes)	24.61	20.59	1.03	2.06

Table 8.4 (Continued)

HS	Description	TH Export 2005	CH Import 2005	TH Pot. Exp. 5% up	TH Pot. Exp. 10% up
731210	Stranded wire,ropes and cables, of iron or steel	65.74	20.23	1.01	2.02
400219	Styrene-butadiene rubber (sbr), carboxylates styrene-butadiene rubber (xsbr)	70.34	20.18	1.01	2.02
841459	Other fans (other than table, floor, wall, window)	48.11	19.82	0.99	1.98
400122	Technically specified natural rubber (tsnr)	38.85	19.11	0.96	1.91
160414	Tunas, skipjack and bonito prepared or preserved	1,131.21	18.72	0.94	1.87
871200	Bicycles and other cycles	39.63	18.36	0.92	1.84
620530	Men's or boys' shirts, of man-made fibres	23.87	16.17	0.81	1.62
841490	Parts of air or vacuum pumps	32.71	15.87	0.79	1.59
840991	Parts suitable for used solely or principally with spark-ignition internal combustion piston engines	327.19	15.86	0.79	1.59
851730	Telephonic or telegraphic switching apparatus	57.24	15.77	0.79	1.58
401699	Other articles of natural rubber	237.33	15.41	0.77	1.54
691200	Ceramic tableware, kitchenware, household articles	126.18	15.30	0.76	1.53
847190	Other automatic data processing machines (other than 8471.10 to 8471.49)	1,150.75	14.96	0.75	1.50
842139	Other filtering or purifying machinery and apparatus	72.08	14.69	0.73	1.47
701329	Drinking glasses, other than of glass-ceramics	39.30	14.24	0.71	1.42
611120	Babies' garments and clothing accessories	167.60	14.13	0.71	1.41
940350	Wooden furniture of a kind used in the bedroom	38.91	13.00	0.65	1.30
190219	Uncooked pasta, not containing eggs	58.91	12.14	0.61	1.21
940320	Other metal furniture	19.83	12.10	0.61	1.21
851719	Other telephon sets (other than line telephon sets)	131.55	11.98	0.60	1.20
851780	Other electrical apparatus for line telephony	42.71	11.95	0.60	1.20
848140	Safety or relief valves, for pipes, boiler shells	7.36	11.89	0.59	1.19
620463	Women's or girls' trousers, bib and brace	36.80	11.77	0.59	1.18
551341	Woven fabrics, of polyester staple fibres	22.96	11.55	0.58	1.16
730640	Other tubes, pipes and hollow profiles, welded	22.97	24.33	1.15	1.15
852731	Radio broadcast receivers	22.70	49.46	1.14	1.14
540752	Woven fabrics, of synthetic filament yarn	72.63	11.37	0.57	1.14
850300	Parts suitable for use solely or principally with the machine of heading no.85.01or 85.02	176.06	11.21	0.56	1.12
550130	Synthetic filament tow, acrylic or modacrylic	18.60	10.97	0.55	1.10
851660	Other electro-thermic ovens (other than microwave)	27.98	10.96	0.55	1.10
560811	Made up fishing nets, of man-made textile materials	61.79	10.57	0.53	1.06
620630	Women's or girls blouses, shirts and shirt- blouses	97.58	10.55	0.53	1.06
401519	Gloves, mittens and mitts (other than surgical)	459.02	10.47	0.52	1.05
950699	Other equipment for sports, outdoor games	34.40	10.41	0.52	1.04
620193	Men's or boys' anoraks (including ski-jackets)	20.36	23.49	1.02	1.02
252329	Other natural cement (excluding white cement)	213.21	10.11	0.51	1.01

Table 8.4 (Continued)

HS	Description	TH Export 2005	CH Import 2005	TH Pot. Exp. 5% up	TH Pot. Exp. 10% up
392330	Carboys, bottles, flasks and similar articles	48.13	10.11	0.51	1.01
390720	Other polyethers (other than polyacetals)	20.14	21.65	1.01	1.01
420212	Trunks, suit-cases, vanity-cases, executive-cases	73.04	10.06	0.50	1.01

Remarks

1. The total of TH Export is the value of Thai exports to the rest of the world, except Chile. Only items that exceed US\$ 1 million are counted.
2. The total of CH Import is the value of Chile imports from the rest of the world, except Thailand. Only items that exceed US\$ 1 million are counted.
3. TH Pot. Exp. 5 percent up is calculated by assuming that Chile's imports from Thailand will increase by 5 percent.

In cases when Chilean imports is greater than Thai exports, then 5 percent increase is from Thai export base. In these cases, 5 percent increase is also applied in the 10 percent increase column.

4. Total Thailand's potential exports 5 percent up is the sum of items which the values exceed US\$ 1 million only.

Source: Thai export figures are from Thailand's Customs Department, Chilean import figures are from Chile's Customs Services.

**Table 8.5: Potential Imports of Thailand's
Previously-not-import-from-Chile Products**

Unit: US\$ million

HS	Description	TH Import 2005	CH Export 2005	TH Pot. Imp. 5% up	TH Pot. Imp. 10% up
	Total	117,217	38,020	84.81	173.11
740311	Refined copper cathodes and sections of cathodes	809.02	9,571.82	40.45	80.90
470321	chemical woodpulp, soda etc. n dis s bl & bl conif	108.66	702.77	5.43	10.87
290511	methanol (methyl alcohol)	107.97	610.95	5.40	10.80
710691	silver, unwrought nesoi	107.59	115.74	5.38	10.76
401110	new pneumatic tires of rubber, for motor cars	58.43	97.33	2.92	5.84
30379	fish, nesoi, with bones, frozen	223.68	108.59	5.43	5.43
260300	copper ores and concentrates	51.33	6,020.17	2.57	5.13
80810	apples, fresh	50.63	303.52	2.53	5.06
30269	fish, nesoi, with bones, fresh or chilled	41.03	51.71	2.05	4.10
470311	chem wdpulp sulfate ex disslvng gr conif, unbleach	38.51	137.50	1.93	3.85
392020	plates, sheets etc, non-cell etc, polymr propylene	31.91	45.43	1.60	3.19
440710	coniferous wood sawn, sliced etc, over 6 mm thick	24.36	696.27	1.22	2.44
200870	peaches, prepared or preserved, nesoi	23.91	51.98	1.20	2.39
740911	plts sheets strp refnd coppv.15mm thck, coils	23.09	27.92	1.15	2.31
80820	pears and quinces, fresh	20.92	61.53	1.05	2.09
80610	grapes, fresh	17.27	660.00	0.86	1.73
130239	mucilage & thickner w/n modified,frm veg prd nesoi	14.83	29.30	0.74	1.48
441219	plywood, ply nov6mm, both outer plies coniferous	14.33	202.28	0.72	1.43

Table 8.5 (Continued)

HS	Description	TH Import 2005	CH Export 2005	TH Pot. Imp. 5% up	TH Pot. Imp. 10% up
740400	copper waste and scrap	14.09	120.81	0.70	1.41
741110	tubes & pipes of refined copper	42.20	27.72	1.39	1.39
392321	sacks & bags (incl cones) of polymers of ethylene	13.63	14.64	0.68	1.36
30319	pacific salmon, nesoi, excl filet, liver, roe, fro	12.76	260.60	0.64	1.28
30420	fish fillets, frozen	12.58	480.18	0.63	1.26
30490	fish meat nesoi, exc fish steaks & fillets, froz	12.40	263.68	0.62	1.24
230120	flour meal & pellet of fish crustaceans etc inedib	11.94	454.79	0.60	1.19
260800	zinc ores and concentrates	54.28	21.34	1.07	1.07
90420	fruits of genus capsicum or pimenta, drd/crsh/grnd	17.15	21.14	1.06	1.06
470329	chem woodpulp, soda etc, n dis s bl & bl nonconif	10.52	348.77	0.53	1.05
30614	crabs, including in shell, frozen	22.46	19.85	1.00	1.00

Remarks

1. The total of TH Import is the value of Thai Imports from the rest of the world, except Chile. Only items that exceed US\$ 1 million are counted.
2. The total of CH Export is the value of Chile exports to the rest of the world, except Thailand. Only items that exceed US\$ 1 million are counted.
3. TH Pot. Imp. 5 percent up is calculated by assuming that Thailand's imports from Chile will increase by 5 percent.

In cases where Chilean exports is smaller than Thai imports, then 5 percent increase is from Chilean export base.

In these cases, 5 percent increase is also applied in the 10 percent increase column.

4. Total Thailand's potential imports 5 percent up is the sum of items which the values exceed US\$ 1 million only.

Source: Thai import figures are from Thailand's Customs Department, Chilean export figures are from Chile's Customs Services.

8.5 Bilateral Liberalization of Trade in Services

8.5.1 Analysis

In Thailand, the services sector's share in GDP was 52.74 percent in 2004 and its share to the total employment was 44 percent. Thailand had been a net services exporter with services exports' share was 8.6 percent of the total Thai exports of goods and services. The surplus of services exports over services imports was 5.7 percent of the GDP in 2004. International tourism and transport services were the two key exported services and the receipts from the two sectors accounted for 75 percent of the total exported services. On the import side, international tourism, royalties and licence fees, and transport services made up of about 60 percent of imported services.

Table 8.6 shows that Thailand is a growing net services exporter. The value of services exports in 2004 was approximately US\$18.9 billion. Major services exports include tourism (52.7 percent), passenger transport (15.8 percent), and freight transport (5.7 percent). The currency devaluation and a large number of active tourism promotion schemes since 1997 have resulted in high growth in the export of tourism services. The value of services imports in 2004 was US\$13.7 billion. Major imported services were tourism (32.8 percent),

royalties and licence fees (11.5 percent), freight transport (8.3 percent), and passenger transport (6.0 percent).

Table 8.6: Thailand's International Trade in Services in 2000– 2004

Unit: US\$ million

	2000	2001	2002	2003	2004
Balance in Services Sector	4,625.32	4,453.71	5,008.09	5,030.12	5,243.55
Exported Services	13,839.33	12,993.71	15,380.02	15,745.78	18,984.27
Imported Services	9,214.00	8,540.00	10,371.93	10,715.66	13,740.72

Sources: NESDB, Thailand

Services trade between Chile and Thailand is governed by the WTO General Agreement on Trade in Services (GATS). Thailand's commitments under the GATS cover all major services sectors except health. Trade in services has been relatively modest in the overall bilateral economic relationship between Chile and Thailand.

The main market access limitation with regard to commercial presence mode is the maximum foreign equity holding level which is set at 49 percent for such services sectors as professional services, telecommunication services, certain construction services, education services, environmental services, cultural services, maritime and road transport services. At present, the level of foreign equity holding in banking and financial sector, however, is temporarily allowed to be higher than 49 percent as part of the reform process.

Foreign investment in services trade is subject to the Foreign Business Act (1999). Qualified foreigners are permitted to work as a manager, executive, or specialist in foreign companies except in 39 professions as described in the Royal Decree Prescribing Works Relating to Occupations and Professions in which an Alien is Prohibited to Engage (1979). These include architecture, brokerage, civil engineering, legal services and tour guiding. In addition, foreign investor is allowed to own a piece of land or a condominium suit under certain conditions.

Trade in services between Chile and Thailand has been modest. Thailand's exports of services to Chile cover tourism and transport services. The data on the value of services exports from Thailand to Chile is incomplete. The paucity of data means the figures could understate the true status of current services trade.

Study results show that there is scope to progress the services trade cooperation between Chile and Thailand in tourism and its related services as well as in spa services.

Tourism Services

Tourism has become a major contributor to employment and export revenues for Thailand. In 2004, revenue from tourism accounted for about half of the total revenues generated from services exports or around 10 percent of GDP and it had employed about 421,700 persons. In Chile, tourism was the second largest sector in terms of exports, representing 10.0 per cent of GDP and 19.0 per cent of exports in services. (Table 8.7)

Table 8.7: Structure of Trade in Services in Thailand as Compared to Chile
(Average of 2000-2004)

Services Sectors	Thai Trade Services (%)			Chile Trade Services (%)		
	Exports	Imports	Balance	Exports	Imports	Balance
1. Transportation	22.6	15.5	7.1	53.7	46.3	4.2
1.1 Freight	4.9	6.9	-2.0	30.7	18.2	66.8
1.2 Passengers	16.7	5.5	11.2	8.1	5.0	16.7
1.3 Other Transport	1.0	3.1	-2.1	14.9	23.1	-79.3
2. Travel and tourism	52.3	31.3	21.1	19.0	13.6	23.1
3. Communications services	0.9	1.1	0.5	3.3	2.1	6.0
4. Royalties and copyright	0.1	10.4	-10.4	0.7	5.0	-34.4
5. Insurance services	0.7	2.8	-2.1	2.5	6.0	-29.9
6. Financial services	0.0	0.0	0.0	0.7	4.4	-29.9
7. Others	23.4	38.9	-15.5	20.1	22.6	-39.1
Total (million US\$)	15,347.00	10,479.00	4,868.00	4,703	5,395	(692)

Source: Central Bank of Chile, Chile and NESDB, Thailand

The number of inbound visitors for Thai and Chilean nationals over 2001-2005 is portrayed in Table 8.8. Thailand was one of the popular destinations among foreign visitors, receiving 10-11 million visitors per year during 2001-2005, whereas outbound Thai nationals were 2.6 million in 2004. The proportion of Thai visitors to Chile was less than 1 per cent of the total outbound Thai visitors. Chilean visitors also represented a small proportion of the total visitors to Thailand: accounting for less than 1 per cent over the past 5 years,

Although the proportion of Thai visitors was less than 1 per cent of the total visitors arriving in Chile, Table 8.8 shows that Chile has become a growing source of tourism for the Thais. The number of Thai visitors to Chile increased from 132 in 2001 to 282 in 2005; leading to an increase in its relative significance as a tourism market.

Chilean visitors to Thailand were around 2,000 persons annually. The impacts of SARS during 2003 and Tsunami at the end of 2004 might have deterred some Chilean visitors as well as visitors from the other parts of the world to Thailand during the past 3 years.

In terms of investment in services, liberalization in tourism sector in the framework of an FTA may increase bilateral investment and the establishment of joint ventures in such enterprises as hotels and restaurants. Cooperation in the field of tourism could provide a framework for addressing challenges faced by tourism industry over the coming decade; such problems as infrastructure shortages, inadequate training and lack of skills of the workforce and environmental degradation.

Table 8.8: Tourist Arrivals from Thailand, Chile and World, 2001-2005

Unit: thousand persons

Year	Number of Tourists to Thailand *			Number of Tourists to Chile**		
	Chilean	World	% Chilean	Thais	World	% Thais
2001	2.052	10,062	0.020	0.132	1,723	0.008
2002	2.002	10,799	0.019	0.137	1,412	0.010
2003	1.580	10,004	0.016	0.171	1,613	0.011
2004	2.383	11,651	0.020	0.230	1,785	0.013
2005	1.990	11,364	0.018	0.282	2,027	0.014

Sources: * Tourism Authority of Thailand, Thailand

** National Tourism Service, Chile

Spa Services

Alternative medicine therapy encompassing the herbal industry or the so-called spa business has become one of Thailand's export interests. Spa business in Thailand is controlled by the regulations of the Ministry of Public Health and is subject to standard control and certification by the concerned authorities. Currently, there are about 300 registered spas in Thailand, and providing more than 5,000 jobs. They rendered services to at least of 3.3 million customers a year, of which 80 percent are foreign tourists. The business brought income to Thailand for almost US\$ 100 million annually.

Thailand is actively promoting outward investment and movement of professionals in alternative medicine industries, which includes herbal medicine, massage services, and health promotion. These industries have enjoyed healthy growth in the past few years both at home and abroad. Emphasis is on professional therapeutic massage, which is recognized as a form of preventative medicine and rehabilitative health care, and encompasses massage for cure, beauty and sport.

Provided there is no restrictive legislation and service standard requirements applicable to spa business in Chile, Thai therapists could provide spa services in Chilean market. In addition, these professional therapists can provide a comprehensive professional training in Thai massage theory and practices to Chileans who are interested in the business. It could promote opportunities for expansion of health-related education and training and consultancies in this field.

8.5.2 Conclusions

Based on the above analysis, it is certain that there is scope for progress in the services trade cooperation between Chile and Thailand in tourism and its related services as well as in spa services.

As for tourism, neither Chile nor Thailand has any limitation on its citizens to travel abroad, except for reasons unrelated to trade, and in that sense there is no barrier to trade in

tourism services. It is hoped that an FTA could help increase awareness of both countries as tourist destinations, promoting two-way tourism flows.

Spa service is regarded as one of the possible areas for cooperation between Chile and Thailand. Further to this the services could developed into a comprehensive professional training and research into alternative medicine.

8.6 Bilateral Liberalization of Investment

8.6.1 Analysis

Foreign investment is recognised in Chile and Thailand as a key to economic growth. Both economies have strong interests in encouraging inward foreign direct investment, since inward investment not only provides capital for increased production and job creation but also assists in the exchange of technology, skills and sector knowledge. In the past, there was no investment flow between the two countries. Table 8.9 shows net investment flows from different countries to Thailand.

Table 8.9: Net Foreign Direct Investment Flows

Unit: US\$ million

Source	2002	2003	2004	2005 p
Japan	634.39	817.39	690.75	618.68
United States of America	-241.67	-176.53	-26.64	309.83
EU 15	-433.54	16.65	64.38	590.01
ASEAN	1,226.63	670.96	334.75	341.49
Hong Kong	25.47	355.10	59.99	238.30
Taiwan	73.08	80.61	114.41	137.39
Korea, South	41.17	28.34	34.89	38.35
China	19.35	20.99	0.92	5.97
Canada	17.75	17.46	7.05	22.05
Australia	-13.70	11.07	87.86	36.79
Switzerland	15.62	55.28	79.58	58.82
Others	-342.02	-15.19	-612.94	779.23
Total	1,022.53	1,882.13	835.00	3,176.90

P = preliminary
Source: Bank of Thailand

In Thailand, the Board of Investment is the investment promotion authority. Currently, the Board of Investment places priority on promoting the following types of investment projects: Agriculture and agricultural products, direct involvement in technological and human resource development, public utilities and infrastructure, environmental protection and conservation, and other targeted industries such as agri- business, automobiles, fashion, electronics, and high-valued services such as the film industry, regional operating headquarters, long stay health care services, call centers, and convention and exhibition business. Such projects will be entitled to exemption of import duty on machinery and raw materials regardless of location, corporate income tax exemption for eight years, regardless of location, and other privileges which may be specified in investment zone.

As for investment in services, investment projects that are eligible for investment promotion are as follows:

1) Public utilities and basic services in production of electricity or steam power, waterworks or water supply for industry, concession roads, loading/unloading facilities for sea transport, container yards, commercial airports, satellite telecommunications, telephone services, gas separation plants. Prior approval from relevant government agencies is required in the application process.

2) Mass transit systems and transportation of bulk goods.

3) Tourism services in the areas of ocean marina services, tour boat or yacht renting, amusement parks, cultural centers, aquariums, racing tracks, open zoos, cable cars.

3) Activities supporting tourism in the areas of convention halls, international exhibition centers.

8.6.2 Conclusion

Chile and Thailand could benefit from an increase in bilateral investment, and the exchange and transfer of knowledge, technology and export opportunities that would come from investment. Intra-industry investment is particularly beneficial in the export sector as companies are able to share international market information and strategies leading to improved competitiveness in the global market place. With an FTA, Chilean and Thai supply of raw materials for investment projects will benefit both countries.

8.7 Effects and Influence on Specific Sectors and Products

This section examines the impact of an FTA on six sectors in more details: Agriculture, Fishery Products, Vehicle and Parts, Textiles and Clothing, Electrical Equipment and Parts, and Plastic and Products

8.7.1 Agriculture

Agricultural sector remains to be one of the most important sectors in terms of economic and social development in Thailand despite the fact that other non-agricultural sectors has played a stronger role at the macroeconomic level. In 2005, it was predicted that the contribution of agricultural sector to GDP was 8.7 percent and the contribution to export earnings was about 10 percent. The agricultural sector employed approximately 46 percent of Thailand's working population. The following products can be the major exports of Thailand to Chile.

(1) Rice

Thailand's export of rice stood at about 10 metric tons per year and total rice export reached its peak at US\$ 2.7 billion in 2004 as a result of large domestic production during the 2003/2004 harvest year while the world price of rice rose considerably due to lower quantity supply from other rice exporting countries.

Export of rice to Chile was 14,499 metric tons in 2002 and reached the level of 151,075 metric tons in 2003. It had dropped down to 60 metric tons in 2005 (Table 8.10). During 2002-2004, Thailand used to be Chile's major source of rice with the average market shares of 68.59 percent (2002-2004) as illustrated in Table 8.11. In 2005, rice flour (HS110230) was the only rice item that Chile imported from Thailand.

Table 8.10: Exports of Thai Rice and Rice Products to Chile during 2002-2005

HS	DESCRIPTION	Value (Thousand US\$)			
		2002	2003	2004	2005
100630	Semi- or Wholly Milled Rice	2,351.27	25,346.61	10,736.01	22.06
100640	Rice, Broken	324.10	3,497.77	770.92	-
110230	Rice Flour	1,515.00	1,693.00	2,036.00	1,938.00
	Total export value	4,190.37	30,537.38	13,542.93	1,960.06
HS	DESCRIPTION	Quantity (metric ton)			
100630	Semi- or Wholly Milled Rice	12,499	128,123	48,055	60
100640	Rice, Broken	2,000	22,952	4,950	-
110230	Rice Flour	2,900	3,050	3,900	3,800
	Total export quantity	17,399	154,125	56,905	3,860

Source: Department of Customs, Ministry of Finance of Thailand

Table 8.11: Market Shares of Thai Rice in Chilean Market

HS	DESCRIPTION	Average export of Thai Rice (2002-2004)	Chile's Imports from Thailand	Chile's Total Imports	Shares of Thai Exports in Chile (%)
		Million US\$			
100630	Rice, Semi- or Wholly Milled	1,784.352	14.127	19.294	73.22
100640	Rice, Broken	234.604	1.387	3.320	41.78
110230	Rice Flour	47.142	0.002	0.007	28.16
	Total	2,066.098	15.516	22.621	68.59

Source: Department of Customs, Ministry of Finance of Thailand and Chile's Customs Services

Table 8.12: Estimated Changes in Thai Rice Exports to Chile in response to Tariff Elimination

Unit: US\$

HS	DESCRIPTION	Exports in 2004/2005	Change in Exports	Rate of Change in Exports (%)
100630	Rice, Semi- or Wholly Milled	22,063	65,306.64	296.00
100640	Rice, Broken	770,922	1,038,176.23	134.67
110230	Rice Flour	234	109.73	46.89
	Total export value to Chile	793,219	1,103,592.60	139.13

Source: Export figures are from the Department of Customs, Ministry of Finance of Thailand. Others are from calculation.

Estimated results from the model shows that bilateral trade agreement will increase rice exports to Chile by 139.13 percent from the based year (Table 8.12)

(2) Fruits

(2.1) Thai Tropical Fruits in General

Some of the Thai tropical fruits are unique. Thai fruit crops can be classified into two groups. The first group is seasonal fruit crop which includes mangoes, durians, rambutan, longan, sugar apples, mangosteen and lychee. The second group is year-round crop which includes pineapples, bananas, papayas, and jackfruits. Thai tropical fruits become more and more important source of export earning for the country. In 2005, export of fresh and processed fruits earned up to US\$ 294.8 million.

Chile is also a famous supplier of fruits in the world market. In terms of import, Chile's total imports of fruits in the past few years were less than US\$ 5 million per year and the share of Thai fruits was only 2.45 percent.

Bilateral trades of fruits between Chili and Thailand are considered complementary because each country produces and exports different kind of fruits. Chilean fruit exports are kiwifruit, avocado, apple, plum, peach, nectarine, pear and berries and these products are normally Thai imported fruits. Meanwhile, Thai tropical fruits are pineapple, lychee, mangosteen, papaya, longan, and durian. It is estimated that with an FTA, Thai fruit exports to Chile will increase by US\$ 1,651 or an increase of 3.38 percent from the base year. On the import side, Thailand's import of fruits from Chile will rise by 238.79 percent, of which 46.26 percent are trade diversion from other countries (Table 8.1 and Table 8.2).

(2.2) Pineapples

Thailand's exports of pineapples were in the forms of fresh, dried, prepared or preserved pineapples and the average value was approximately US\$ 272.1 million per year during 2002-2004. Thai export shares in Chilean market were 66.18 percent as illustrated in Table 8.13.

Table 8.13: Exports of Thai Pineapple to Chile during 2002-2004

Unit: Million US\$

HS	Description	Thailand Ave. Exports (2002-2004)	Chile Ave. Imports (2002-2004)		Shares of Thai products (%)
			Thailand	World	
80430	Pineapples, Fresh Or Dried	2.924	0.021	1.434	1.46
200820	Pineapples, Prepared Or Preserved	269.182	2.407	3.720	64.72
	Total	272.106	2.428	5.154	66.18

Source: Department of Customs, Ministry of Finance of Thailand and Chile's Customs Services

Chilean import demand for prepared or preserved pineapples was not large. However, Thai product shares in Chilean market were 66.18 percent during 2002-2004. Table 8.14 shows a promising trend in exports in both value and quantity. It is estimated that with an FTA export in pineapples from Thailand to Chile will increase by 151 percent. (Table 8.1)

Table 8.14: Exports of Pineapple from Thailand to Chile: Prepared or Preserved Products

Value: US\$ million Quantity: metric ton

HS	Description	2002		2003		2004		2005		Average	
		Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
20082011	--- En rodajas	1.32	2.12	2.30	3.44	2.25	3.33	1.04	1.47	1.73	2.59
20082012	--- En cubos	0.37	0.63	0.36	0.60	0.49	0.75	0.52	0.77	0.44	0.68
20082019	--- Las dem s	0.19	0.35	0.33	0.51	0.34	0.54	0.39	0.59	0.31	0.50
20082090	-- Las dem s	0.00	0.00	0.16	0.23	0.01	0.02	n/a	n/a	0.06	0.08
Total		1.89	3.10	3.16	4.79	3.10	4.63	n/a	n/a	1.95	2.83

Source: Chile's Customs Services

(2.3) Other Fruits with Export Potentials

Lychee or “Lin Chee”

There is tremendous worldwide demand for this fruit and Thai lychee is one of Thailand's leading economic crops ranking high on the list of top exports shipped to all corners of the globe in a variety of forms – fresh, dried, frozen, and canned, as well as lychee juice or wine. Lychee is primarily grown in the Central Plains and in the Northern part of Thailand. Peak season is around April to June.

Mangosteen or “Mungkoot”

Mangosteen is widely known as the “Queen of fruits”. Peak season is in May to August. Exports are normally in fresh. In 2005, export earning from fresh mangosteen was US\$ 17.6 million.

Papaya or “Malakaw”

Papaya grows all over Thailand and is available all year round. It is cultivated on a large scale as an economic crop in many provinces in the Southwestern part of Thailand, including Chumphon, Ratchaburi and Prachuab Khiri Khan. Papaya has been known to be very cleansing to the body and offers the skin and hair the proper nourishment to keep it shiny and clear.

Longan or “Lam Yai”

Longan is usually eaten fresh but is also popular in dried form. Dried longan can be double-boiled and served as a refreshing Chinese-style tea, hot or with crushed ice. Canned longan is simply served with crushed ice. The fruit is grown in the Northern provinces of Chiang Mai and Lamphun. Longan is exported fresh, canned and dried to Europe, the United States and Asia. Peak season is in June to August. Longan is the second largest exports among Thai fruits after durian. In 2005, the export value was US\$ 54.1 million, or 18.35 percent share of the total fruit exports of Thailand.

Durian or "Turian"

Exports of durian are normally in fresh or frozen. Durian is the largest source of export earnings among Thai fruits. In 2005, the export value was US\$ 66.4 million, or 22.5 percent share of the total fruit exports.

The best durian is from the orchards of the Eastern provinces of Thailand namely Rayong, Trat, Prachin Buri, Chanthaburi and the Southern provinces of Thailand including Surat and Chumphon. Peak season for durian is during May to August.

(3) Natural Rubber and Rubber Products

Thailand is one of the world's largest natural rubber producers, with market shares of 43.65 percent of world natural rubber production. Thailand is also a net exporter of rubber products. In 2005 the total exports of natural rubber and rubber products amounted to US\$ 8,807.60 million and US\$ 4,702.40 million, respectively. On the other hand, Chile demand for imports of rubber products was US\$ 262 million annually, but only 1.62 percent of them were from Thailand. A reduction of tariff rates to zero would help increase Chilean demand for Thai rubber products by 14.41 percent. Most of the increase in Thai exports of this group is in natural rubber in primary forms, gloves, tires, surgical and medical gloves.

Imports of Thailand from Chile in this group were articles made of vulcanized rubber (tubes, pipes, hose and inflatable articles), but the imported value was only US\$ 3,243 in 2005. It is estimated that after an FTA the value of imports will increase by 25.73 percent from the base year: 9.65 percent increase will be the result of trade creation effect and another 16.08 percent increase the result of trade diversion effect. (Table 8.15)

Table 8.15: Estimated Changes of Trade in Natural Rubber and Rubber Products between Chile and Thailand after an FTA

Trade	Value in 2004/2005	Estimated Change	Rate of Change
	US\$		%
Thailand's exports to Chile	10,310,564.00	1,485,726.89	14.41
Thailand's imports from Chile	3,243.00	835.00	25.73

Source: From calculation

8.7.2 Fishery products

Thailand is among the top seafood-producing nations in the world, with average exports of US\$ 3.8 billion during 2002-2004. Chile is also one of the world's leading exporters of seafood. Chile also imported fishery products from all over the world at around US\$ 31.3 million per year and Thai fishery products' shares in Chilean market were 10.1 percent. Chile's imports from Thailand included fresh and chilled fishery products (Chapter 3) and canned fishery products (Chapter 16). During 2002-2004, prominent export items of fresh and chilled fishery products in Chapter 3 were shrimps and prawns (HS 30623) and crabs (HS 30624). The value, however, was very small. Main export items in Chapter 16, on

the other hand, were canned sardines, tunas and other canned fish, with Thai products' shares of 12.0, 7.65 and 44.2 percent, respectively in the Chilean market. (Table 8.16) Table 8.17 shows promising trend of Thai exports to Chilean market in canned sardines and tunas.

Table 8.16: Shares of Thai Fishery Products in Chilean Market during 2002-2005

Unit of Exports: US\$ million

HS	Description	Thai Ave. Exports to World (2002-2004)	Chile Average Imports from: (2002-2004)		Shares of Thai Products (%)
			Thailand	World	
030623	Chilled Or Frozen Shrimps and Prawn	29.495	0.0003	0.0013	24.68
030624	Chilled Or Frozen Crabs Or Crab Meat	5.155	0.0002	0.0025	6.18
160413	Sardines/Sardinella/Brisling Prep/Pres, Not Minced	47.598	0.1066	0.8889	11.99
160414	Tunas/Skipjack/Bonito Prep/Pres Not Minced	804.048	1.1463	14.9804	7.65
160420	Fish, Prepared Or Preserved, Nesoi	158.116	1.9074	4.3154	44.20
	Total exports	3,830.448	3.1621	31.3226	10.10

Source: Thai Export data from Thailand's Customs Department
Chilean Import data from Chile's Customs Services

Table 8.17: Exports of Thai Fishery Products to Chile during 2002-2005

HS	Description	2002	2003	2004	2005
		Value (US\$)			
160413	Sardines/Sardinella/Brisling Prep/Pres, Not Minced	319,435	381,867	157,941	288,311
160414	Tunas/Skipjack/Bonito Prep/Pres Not Minced	2,880,700	4,267,748	4,485,701	6,282,572
HS	Description	Quantity (kilogram)			
160413	Sardines/Sardinella/Brisling Prep/Pres, Not Minced	262,405	285,160	98,125	160,614
160414	Tunas/Skipjack/Bonito Prep/Pres Not Minced	2,069,908	3,107,602	3,065,216	3,727,299

Source: Thailand's Customs Department

Estimated results from the model shows that a reduction of tariff rates to zero will increase exports of fishery products to Chile by 8.97 percent, while imports from Chile will increase by 160.08 percent. Chile will be Thailand's source of raw materials in fisheries. The estimated results are not surprising given the fact that Chile is a successful producer of aquaculture with 18 percent annual average output growth and the exports of more than US\$ 1.5 billion per annum. Principal exports of marine products are salmon, trout, scallop, mussels, and seaweed.

Even though Chile and Thailand are both net exporters of fishery products, their specializations can be distinguished. Thailand is the world's leading exporter in canned fishery products, tuna in particular. Thailand will increase processed fishery products while Chile will increase fresh and chilled fishery products.

8.7.3 Vehicles and Parts

(1) Overview of the Industry

Main exports of vehicles and parts of Thailand can be categorized into vehicle, vehicle parts and accessories, and motorcycle.

Vehicle

Thailand aims to be the vehicle producing hub of Asia. The number of automobiles produced in 2005 reached the level of 1.1 million units and 40 percent of the output was exported, bringing Thailand to the 14th top car producers of the world. The Ministry of Industry has set a target for Thailand to produce by 2010 1.8 million cars and export 800,000 of these outputs. Meanwhile, Thailand is also one of the major importers of automobile products. In 2004, the values of exported and imported automotive products were US\$ 5.71 billion and US\$ 3.87 billion, respectively. The average annual increase of exports was 27.0 percent while that of imports was 19.0 percent (Table 8.18). The industry provided 300,000 jobs and created a value added for the Thai economy by the amount of US\$ 7.7 billion.

Table 8.18: Leading World's Exporters and Importers of Automotive Products, 2004

Unit: US\$ Billion

Exporters	Export Value	Shares of world exports %	Importers	Import Value	Shares of world imports %
European Union (25)	470.79	55.6	European Union (25)	397.44	46.2
extra-EU (25) exports	125.89	14.9	United States	197	22.9
Japan	115.73	13.7	Canada c	52.85	6.1
United States	76.42	9	extra-EU (25) imports	52.54	6.1
Canada	63.66	7.5	Mexico a, b, c	21.6	2.5
Korea, Republic of	32.32	3.8	China b	14.43	1.7
Mexico a, b	31.56	3.7	Australia c	13.35	1.6
Brazil	8.68	1	Japan	12.8	1.5
Turkey	8.10	1	Turkey	11.51	1.3
China b	6.27	0.7	Russian Federation a	10.5	1.2
Thailand a	5.71	0.7	Switzerland	8.10	0.9
Taipei, Chinese	3.74	0.4	Saudi Arabia a	6.72	0.8
South Africa	3.7	0.4	South Africa a, c	5.65	0.7
Australia	3.09	0.4	UAE a, d	5.64	0.8
Russian Federation a	2.21	0.3	Norway	4.58	0.5
Argentina	2.19	0.3	Thailand a	3.87	0.4

Note: a Includes Secretariat estimates.

b Includes significant shipments through processing zones.

c Imports are valued f.o.b.

d 2003 instead of 2004.

Source: IMF

There are currently 17 vehicle producers in Thailand. All of them are producing a wide variety vehicle: ranging from one tonne pick-up trucks, small cars and other commercial vehicles and the market shares for these products are 66.7, 26.7 and 6.48, respectively.

Thailand is the world's second largest market for one tonne pick-up trucks. It accounts for 66.77 per cent of all vehicle production units in 2005 and had contribute to one-third of total exports for the whole industry. To cope with the variation of export earnings, the Ministry of Industry has initiated an eco-car project aims at producing low cost small cars with high fuel efficiency and environmental friendly property. The budget cars will become the main export item in line with the current champion or the small pick-up truck in the near future.

Vehicle parts and Accessories

There are 1,667 manufacturers of vehicle parts in Thailand employing over 90,000 workers. Ninety eight percent of the producers are small and medium sized enterprises. Manufacturing vehicle parts in Thailand now covers stems of engines, suspension, brake, steering, acceleration and transmission, vehicle bodies, electrical systems, accessories and decorations tyres, wheels and mirrors, etc. Vehicle parts producers in Thailand can be divided into 2 groups: original equipment manufacturers (OEM) which produce vehicle parts to supply directly to vehicle assembly plants and replacement equipment manufacturers (REM) which produce vehicle parts for the purpose of replacement of damaged parts to supply to car part retailers, car maintenance centres, and garages.

In 2005, the total exports of vehicle parts (cars and motorcycles) amounted to US\$ 2,326.2 million and had increased by 49.5 percent from the previous year. Export values will continue to increase in the future as more and more investments are made by Thai manufacturers to produce more sophisticated and higher technology vehicles parts with international standards and becoming widely accepted.

Motorcycles

In 2005, Thailand produced 2.3 million motorcycles. Total exports of Thai motorcycles (CBU & CKD) amounted to 1.3 million units with the total values of US\$ 569.2 million. The volume increased by 60.91 percent and the value increased by 62.56 percent from the previous year.

The main markets of Thai motorcycles in 2005 were the United States, Indonesia and the Philippines, with the annual growth rates of 21.67 percent, 277.73 percent and 37.07 percent, respectively.

(2) Benefit arising from an FTA

In the past few years, the average import value of vehicles and parts by Chile was US\$ 1,734.17 million per year and 1.66 percent of these imports were from Thailand. According to the estimates from the model as shown in Table 8.1, after an FTA exports from Thailand to Chile will increase by US\$ 7.9 million or an increase of 19.33 percent from 2005 trade. Approximately 97.04 percent of the increase will concentrate on 7 product items (Table 8.19). This result is probably underestimated as there are at least 28 import items in Chapter 87 which Thailand has high competitiveness in the world market but Chile has not imported from Thailand.

Total imports of Thailand from Chile in this sector were US\$ 165,156 in 2005. If Thailand reduced import tariff to zero, Thailand would increase its import from Chile by 12.45 percent. In the case where trade diversion impact is taken into account, Thailand's imports of vehicle and parts from Chile will increase by 64.79 percent from the base year.

Table 8.19: Estimated Increases in Exports of Vehicle and Parts From Thailand to Chile after an FTA

HS	Description	Exports in 2004/2005	Estimated Change in Exports(1)	Rate of Change	Shares in Total exports
		US\$		%	
870421	Trucks, Nesoi, Diesel Eng, Gvw 5 Tons or less	31,828,731	5,053,494	15.88	48.04
870899	Parts And Accessories Of Motor Vehicles, Nesoi	6,648,072	2,021,857	30.41	19.22
870829	Pts & Access Of Bodies Of Motor Vehicles, Nesoi	5,834,987	1,985,883	34.03	18.88
870870	Road Wheels & Pts & Access. for Motor Vehicles	771,616	671,403	87.01	6.38
870893	Clutches And Parts Thereof For Motor Vehicles	267,120	246,887	92.43	2.35
870431	Mtr Veh Trans Gds Spk Ig In C P Eng, Gvw Nov 5 Mtn	706,730	114,550	16.21	1.09
870831	Mounted Brake Linings For Motor Vehicles	462,848	113,395	24.5	1.08
Total of Chapter 87		52,039,033	10,518,417	435.15	100

Source: Exports in 2004/2005 are from Thailand's Customs Department, others are from calculation

Chile and Thailand are both exporters of vehicle and parts. Integration of the two markets in automotive sector under an FTA can be undertaken by encouraging the vehicle part manufacturers (original equipment manufacturers, or OEMs) to integrate their Thai and Chilean operations and take advantage of the improved economies of scale and product specialisation possibilities. Closer links could involve foreign direct investment aims at the development of new models to supply the integrated market as well as third markets. Strategic alliances involving technology transfer could also be expected. These developments would lift the competitiveness of the industry in both countries and, in turn, open up new opportunities to produce vehicles and components for third markets. In addition, consumers in both countries would benefit from the lower prices resulting from the removal of tariffs.

8.7.4 Textiles and Clothing

Textiles and clothing industry is an important industry for the Thai economy. It provides employment opportunities for over 1.1 million working population, accounting for one quarter of the total workforces in industrial sector. Thailand has a broad based textile industry covering upstream, intermediate, and downstream operations.

Recognizing the importance of the textiles and clothing industry, the Thai government has incorporated the industry to the top five priority industries to be promoted as the main foreign exchange earners. The government has also launched a plan to promote Thailand as a fashion center in the region. Improvement of product quality is also one of the promotion strategies to increase Thai products' competitiveness in the medium and up markets.

Chile's imports of textiles and clothing totaled US\$ 875.88 million per year during 2002-2004. However, imports from Thailand were only US\$ 4.9 million which accounted for 0.56 percent of the total Chilean imported demand. There were at least 200 items that Thailand used to export to Chile but the volume of trade in each item was quite modest. Among the traded items, only 4 of them could achieve the market shares of more than 10 percent: cotton yarn (18.84 percent), synthetic yarn-long fibre (16.07 percent), synthetic yarn-short fibre (20.53 percent), and knitted children socks (26.20 percent).

Estimated results show that after a bilateral free trade agreement, Thailand will increase export of textiles and clothing by US\$ 528.4 thousand, a 12 percent increase from the export value before the FTA. Table 8.20 shows the product items that the increase will be more than double of the base year. It is found that there were at least 139 items which Thailand had not exported to Chile but had high competitive advantages in the world market. The average export value of these 139 items was US\$ 627.40 million during 2002-2004. Chile on the other hand imported textiles and clothing from other sources at the rate of US\$ 98.5 per year during the past few years.

Table 8.20: Thai Export Items in Textiles and Clothing That the Estimated Rates of Increase in Exports are Higher Than Fifty Percent After an FTA

HS	DESCRIPTION	Ave. Exports in 2002-2004	Estimated Change in Exports	Rate of Change (%)
		US\$ million		
610343	M/B Trousers Overalls Shorts Etc Syn Fibers, Knit	94,425	77,170	81.73
611592	Socks & Other Hosiery Nesoi Of Cotton, Knit	418	305	73.03
540772	Wov Fab Syn Fil Yn Nesoi 85% Syn Fil Nesoi Dyed	5,466	3,470	63.48
611780	Other Made-Up Clothing Accessories, Knitted Or Cro	11,659	6,965	59.74
540761	Wov Fab Cont 85% Or > By Wgt Nontextured Poly Fila	480	286	59.50
620640	W/G Blouses, Shirts & Shirt Blouses Mmf, Not Knit	62	34	55.01

Source: Export data from Thailand's Customs Department, others from calculation

8.7.5 Electrical Equipment and Parts

In 2005, Chile's imports of electrical equipment and parts were US\$ 3,619 billion, but only 0.6 percent of them were from Thailand. Exports to Chile (Chapter 84 and 85) would increase by 21.24 percent from 2004/2005 base in response to tariff reduction, and this will be the second largest exporting industry from Thailand to Chile. Around 65.5 of the total Thai exports to Chile in 2005 were washing machine, elevator, filter, radio-broadcast receivers, microwave ovens, air conditioners and spark-ignition reciprocating engines (Table 8.21).

Thailand, on the other hand also imports electrical equipment and parts from Chile. The import value was US\$ 319.2 thousand in 2005. Table 8.21 shows that the traded products between Chile and Thailand were not the competing ones. Thailand's tariffs on electrical equipment and parts range from zero to 30 percent. Elimination of tariffs to zero will stimulate Thai imports from Chile in this sector by 53.48 percent, where 35.54 percent of the growth is trade creation and another 17.9 percent stems from trade diversion.

Table 8.21: Thailand's and Chile's Trade of Principal Electrical Equipment and Parts, 2005

Value Unit: US\$			
HS	Thailand's Exports to Chile	Export Value	Shares in 2005
845012	Washing machine	6,796.51	31.59
842810	Passenger or freight elevator	3,161.11	14.69
842139	Filter/purify machine and apparatus for gases	1,113.84	5.18
852729	Radio-broadcast receivers	819.29	3.81
851650	Microwave ovens	773.12	3.59
841583	Air conditioning machines	742.27	3.45
840790	Spark-ignition reciprocating engines..	691.30	3.21
	Sub Total of 7 items	14,097.44	65.52
	Total exports of electrical equipment and parts to Chile	21,514.80	100.00
HS	Thailand's Imports from Chile	Import Value	Shares in 2005
853650	Switches	110,493	34.61
840999	Parts for compression-ignition combustion piston engines	106,806	33.45
853810	Boards, panels, consoles, desks, cabinets and other bases for the goods of heading no. 85.37	45,754	14.33
848280	Ball bearings	34,513	10.81
	Sub Total of 4 items	297,566	93.21
	Total imports of Electrical Equipment and Parts from Chile	319,256	100.00

Source: Thailand's Customs Department

8.7.6 Plastic and Plastic Products

Plastic and plastic products sector in Thailand is a rising industry in Thailand. Exports of this sector increased from US\$ 2,729.60 million in 2002 to US\$ 5,972 million in 2005. Chile's imports of plastic and plastic products from all other countries were more than US\$ 800 million per year and the market shares of Thai products were only 0.43 percent. However, Table 8.24 shows that there seemed to be an increasing demand for Thai exports in both plastic and plastic products during 2002-2005 in Chilean market.

After an FTA, the estimated increase of exports to Chile of plastic and plastic products will be US\$ 299,892.28, a 6.82 percent increase from the base year. Eight product items explained about 80 percent of the changes as shown in Table 8.22

In addition, Thailand also imported some plastic articles like boxes, cases, basket, etc. from Chile. Even though the imported value was only US\$ 10,482 in 2005, it is estimated that a reduction of tariff to zero will increase demand for Thai imports for plastic and plastic products by 282.85 percent from the base year. Approximately 274.65 percent of the increase will be the result of the trade diversion.

Table 8.22: Thailand Exports of Plastic and Plastic Products

Description	2002	2003	2004	2005
Total Exports of Thailand (US\$ million)				
Plastic	1,775.20	2,148.40	3,105.20	4,198.50
Plastic products	954.40	1,236.20	1,410.90	1,774.70
Total	2,729.60	3,384.60	4,516.10	5,973.20
Total Exports to Chile (US\$ million)				
Plastic	0.49	1.51	0.79	1.25
Plastic products	1.45	2.76	2.43	3.10
Total	1.94	4.27	3.22	4.35

Source: Thailand's Customs Department

Table 8.23: Estimated Changes of Exports of Plastic and Plastic Products to Chile after an FTA

HS.	DESCRIPTION	Exports in 2004/2005	Estimated Change in Exports	Rate of Change	Shares of Total
		US\$		%	
392321	Sacks & Bags (Incl Cones) Of Polymers Of Ethylene	1,111,453	58,016	5.22	19.35
392330	Carboys, Bottles, Flasks & Similar Items, Plastic	358,607	52,328	14.59	17.45
392410	Tableware And Kitchenware Of Plastics	111,735	29,983	26.83	10.00
392059	Plate Etc, Non-Cel Etc, No Rein, Acryl Polmr Nesoi	498,569	25,524	5.12	8.51
392062	Plates Etc, Noncell Etc, Polyethylene Terephthlate	44,794	21,322	47.60	7.11
390730	Epoxide Resins, Pr Fms	209,493	19,819	9.46	6.61
392030	Plates, Sheets Etc, Non-Cell Etc. Polymer Styrene	77,839	17,638	22.66	5.88
390120	Polyethylene Having A Spec Gravity Of 0.94 Or More	524,283	16,274	3.10	5.43
	Sub Total of 8 items	2,936,773	240,904	8.20	80.33
	Total Exports of plastic and plastic products	4,399,213	299,892	6.82	100.00

Source: Export data from Thailand's Customs Department, others from calculation