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GATT Trade Policy Review

THAILAND

"The experience of the limits of an inward-looking approach towards trade and development policy, and the recognition of the potential of the world economy in providing markets, inputs, investment and technology, has led the Thai Government to engage in a major process of liberalizing the economy, including the foreign trade regime," according to the GATT Secretariat's report on Thailand's trade policies and practices. "Despite major progress in trade liberalization," the report continues, "substantial pockets of high protection remain in the Thai economy, either by way of restrictive border measures or through other policies such as local-content requirements."

The GATT Secretariat's report, together with a report prepared by the Thai Government, will be discussed by the GATT Council on 2-3 July 1991. The comprehensive examination of Thailand's trade policies is conducted under the trade policy review mechanism (TPRM) which was launched in December 1989 to enable a regular collective evaluation by the GATT Council of the full range of trade policies of individual GATT members.

The reports cover all aspects of Thailand's trade policies, including domestic laws and regulations; the institutional framework; bilateral, regional and other preferential agreements; the wider economic and developmental needs; and problems in external markets.

Attached are summary extracts from the reports. Full reports are available for journalists from the GATT Secretariat on request.

The complete trade policy review of Thailand, including these two reports together with a record of the Council's discussions and of the Chairman's summing-up, will be published later in 1991, and will be available from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21, Switzerland.

Since December 1989, reviews of the following countries have been completed: Australia, Canada, Colombia, the European Communities, Hong Kong, Hungary, Indonesia, Japan, Morocco, New Zealand, Sweden, and the United States.

TRADE POLICY REVIEW

THAILAND

Report by the GATT Secretariat - Summary Observations

The past two decades have been a period of major transformation for the Thai economy. In 1970, Thailand was an agrarian society with relatively poor infrastructural facilities and a low level of productivity, reflected in a per capita income of US$175. Agriculture contributed to GDP almost twice as much as manufacturing. Merchandise exports heavily relied on a few primary products, notably teak, rice, rubber, maize, tapioca products and tin ore.

Thailand achieved relatively rapid economic growth in the first half of the 1970s, with real GDP expanding at an annual rate of about 6 per cent. The emphasis in the development strategy was on import-substitution. Economic growth was mainly domestic demand-led.

In the second half of the 1970s, economic policies became more outward-looking. Economic growth picked up, to an annual rate of 7½ per cent. Despite some strains on the economy, growth remained robust in the first half of the 1980s (annual growth of 5½ per cent) while the world economy slipped into the 1982-83 recession.

Since the mid-1980s, Thailand has been among the fastest growing economies in the world, with the expansion of merchandise exports, tourism and investment activity providing the main stimuli. The development of the manufacturing sector, including exports of manufactures, has been particularly dynamic. As a proportion of gross domestic product, manufacturing now substantially exceeds agriculture. The ongoing acquisition of technological know-how, the development of local infrastructure, a deeper domestic market and stronger links with the world market on a broader basis have strengthened Thailand's ability to maintain the momentum of its economic transformation.

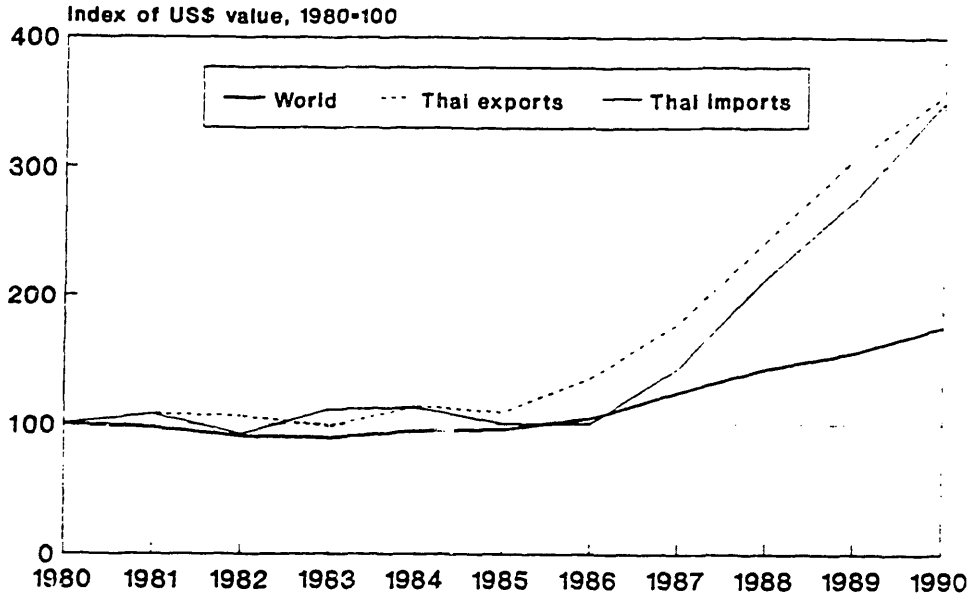
Thailand in World Trade

In the early 1980s, high petroleum prices, rising international interest rates and global recession put strains on the balance of payments and slowed down economic expansion in Thailand. The Thai Government responded by imposing fiscal and monetary discipline, limiting public external borrowing, and giving greater emphasis to export performance through measures such as easier access to imported inputs and the switching from a fixed to a more flexible exchange rate régime.

Supported by a real effective devaluation of the Thai baht of an estimated 30 per cent between 1983 and 1988, an increasingly open business environment in Thailand and the recovery of the world economy, Thai exports

picked up sharply after 1985 (Chart). The ratio of Thai exports of goods and services to GDP increased to 39½ per cent in 1990, up from 25½ per cent in 1980. In the process, Thailand's production and export structure has become more diversified and resilient against adverse developments in world commodity markets.

Thailand and world merchandise trade, 1980-90



Thailand's economic growth recovered from a low point of 3½ per cent in 1985 to reach double-digit rates during 1987 to 1990. The initiative in investment activity shifted from the public to the private sector, reflecting greater reliance on market forces. Expanding investment and consumption induced a rapid increase in imports, in particular imports of raw materials, machinery and other intermediate products. In 1990, Thailand accounted for 0.9 per cent of world merchandise imports and 0.7 per cent of world merchandise exports (rank 23rd among world importers and 31st among world exporters).

Thai imports have outpaced Thai exports in recent years. Coupled with a terms of trade loss after 1986, this resulted in an increase in the current account deficit from less than one per cent of GDP in 1987 to 7½ per cent in 1990. However, Thailand is now better placed to cope with strains in the current account than in the early 1980s. Tight fiscal policy has led to a budget surplus equivalent to 5 per cent of GDP in 1990, providing financial flexibility to the Government. Foreign investment inflows have contributed to a substantial balance of payments surplus in recent years. While long-term external debt increased to an estimated US$16 billion in 1990, the ratio of long-term debt service payments to exports has declined from a peak of 22 per cent in 1985 to 10 per cent in

1990. In December 1990, foreign exchange reserves were equivalent to over five months of imports.

The improvement in Thailand's international competitiveness in the second half of the 1980s has reinforced the incentives provided by the Government to attract foreign investment. Net private foreign investment in Thailand has risen more than ten-fold since 1987. Investment inflows from abroad have contributed to the dynamism of Thailand's international trade. Much of the foreign investment has been export-oriented, including processing and assembly projects.

Increasing linkages with the world economy have been accompanied by a major change in the product mix and regional pattern of Thailand's trade. At present, manufactures account for about two-thirds of Thailand's merchandise exports, up from slightly over one-third in 1980. During the same period, the share of manufactures increased from about one half to three-quarters of total imports of merchandise.

While Thailand's export base is still relatively narrow, export diversification has progressed in recent years, including diversification into fisheries products, clothing items, leather manufactures, toys, jewellery and certain machinery. Import patterns continue to reflect Thailand's heavy reliance on imported inputs, and the protection provided to domestic producers of many finished products, particularly consumer goods. Within a decade, the share of raw materials, intermediate products and capital goods in total imports of merchandise increased by about 25 percentage points to reach approximately 75 per cent in 1990.

With a share of about 20 per cent in 1990, the United States has become Thailand's top export market, up from third place behind the European Communities and Japan in 1980. As for Thai merchandise imports, Japan, the traditional number one supplier, increased its market share to almost one-third, a gain of 10 percentage points during the 1980s. The European Communities have remained the second largest import source, with an estimated share of 15 per cent in Thailand's merchandise imports in 1990. Thailand's trade with developing countries has remained relatively small.

Institutional Framework

Thailand has been a constitutional monarchy since 1932. After a military coup in February 1991, Thailand's eleventh Constitution was replaced by an interim Constitution. It continues to recognize the King as the Head of State. Legislative power is exercised through the National Legislative Assembly, executive power through the Cabinet, and judicial power through the law courts.

The interim Constitution gives far-reaching authority to a National Peace-Keeping Council, established in February 1991. Members of the National Legislative Assembly and the Prime Minister are appointed by the King on the recommendation of the Chairman of the Council. Together with the Cabinet, the Council is responsible for formulating national policy.

Joint meetings of the Cabinet and the Council are chaired by the Chairman of the Council. According to the interim Constitution, draft bills can be submitted to the National Legislative Assembly only by the Cabinet. In certain cases of emergency, as defined by the interim Constitution, action by the Chairman of the National Peace-Keeping Council or the Prime Minister is deemed legal and does not require the assent of the National Legislative Assembly.

The main Ministries involved in trade-related policies continue to be the Office of the Prime Minister and the Ministries of Commerce, Finance, Industry, and Agriculture and Co-operatives. The Office of the Prime Minister includes the Board of Investment which affects the level and pattern of investment in Thailand through its concession policies. In general, policy formulation is coordinated through Committees, many of them ad hoc and temporary. Depending on the nature of the policy issues discussed, the Committees may include Ministers, senior officials and, in some cases, outside experts.

Under the broad guidelines and authority provided by several laws relating to international trade, details of trade policy continue to be implemented through Royal Decrees, as well as Ministerial Regulations and Notifications. There is considerable room for discretion in administering trade-related policies in areas such as import licensing, Government procurement, and promotional benefits granted to selected investment activities.

The private sector is formally involved in high-level policy-making through a Joint Public-Private Consultative Committee, which is chaired by the Prime Minister. There are also frequent informal consultations on trade policy issues between the Government and the private sector, in particular with representatives of domestic producers.

Thailand has no independent statutory body to review the Government's economic policies, including the effects of protection provided to individual sectors. The National Economic and Social Development Board, a Government agency responsible for formulating the medium-term national development plans, reviews trade policies in the context of preparing the plans. Advice on the formulation and assessment of policies is sometimes sought from outside experts, including the Thailand Development Research Institute, a private research institution.

Trade Policy Features and Trends

Thailand acceded to the GATT in October 1982. While not a signatory to any of the Tokyo Round Codes, it has observer status in the Arrangement Regarding Bovine Meat, and the Agreements on Technical Barriers, Subsidies and Countervailing, Anti-Dumping, Customs Valuation, Government Procurement and Import Licensing. Thailand has participated actively in the Uruguay Round, both individually and as a member of the Cairns Group and of ASEAN.

A founding member of ASEAN, Thailand seeks to increase economic liberalization, and economic, social and cultural cooperation within the

region. Thailand's sees regional cooperation as a means to strengthen rather than weaken the multilateral trading system.

Thailand strongly supports the principle of non-discrimination, and applies m.f.n. tariffs to about 99 per cent of its imports. One major exception to the application of m.f.n. tariffs are reductions of up to 50 per cent for eligible ASEAN imports under the Preferential Tariff Agreement. Thailand ratified the Global System of Trade Preferences among developing countries (GSTP) on 5 February 1990. Tariff concessions, ranging from 10 to 20 per cent, are applied to imports of 11 products from GSTP participants.

Thailand's exports receive preferences under the Generalized Systems of Preferences (GSP) from developed countries. In 1989, more than one-fifth of Thailand's total exports of merchandise received preferential treatment under these schemes.

Recent evolution

Over the past two decades, the policy trend in Thailand has been towards greater liberalization and greater reliance on the private sector. Emphasis on exports has increased. Import substitution policies have become more selective, focusing on a broad range of finished goods and certain heavier industries, such as the petro-industrial complex currently under construction in the Eastern Seaboard Area which is also expected to help in decentralizing economic activity away from Bangkok. Through a more realistic exchange rate and a series of import liberalization measures, Thailand has reduced the anti-export bias which was the earlier hallmark of Thai economic policies. Major steps to liberalize financial markets and the foreign exchange, investment and trade régimes were taken in the early 1980s and, after some reversals in following years, efforts to open up the Thai economy have been continuing.

Strengthening efficiency and competitiveness of the Thai economy by way of tariff rationalization was an important policy objective of the Fifth Economic and Social Development Plan of Thailand (1982-86). A major programme of tariff reductions was implemented in October 1982, at a time when tariffs were an important source of Government revenue. Since the shortfall of revenue was not offset by other means, macro-economic destabilization occurred through increasing budget deficits in the following years (dis-saving of the public sector). In response, tariffs were increased again in 1985, by 5 percentage points for raw materials and by 10 percentage points for most finished goods. As a result, effective tariff protection to the manufacturing sector increased sharply. In 1987, tariff levels were more disparate than in the early 1980s.

Though revenue from import duties still accounts for about one-quarter of tax revenue, the budget surplus since 1988 has given greater flexibility to the Government to resume import liberalization through tariff reform. Applied tariffs on many items have been reduced in the late 1980s, bringing the (weighted) average applied tariff down from about 13 per cent in 1986 to 11.4 per cent in 1990. Nonetheless, the current rate is still above the

low point of 9.7 per cent in 1982. In September 1990, statutory tariffs on a large number of machinery items were reduced to 5 per cent, from mostly 30 or 35 per cent.

Some other market-opening steps have been taken in the non-tariff area. For example, since mid-1989 Thailand has lifted some import bans, in particular on unfinished garments (which are now under automatic licensing) and on certain vinyl chloride mixtures (now under non-automatic licensing). Compared to the 1970s, the product coverage of import licensing in Thailand has declined; but today more items are under import licensing than the number of items notified to the GATT in 1982.

A beginning has been made in replacing quantitative measures with tariff-based measures, as non-automatic licensing for soybean cake and fishmeal have been replaced by surcharges (available information suggests that the surcharges are similar to variable levies). In 1990, the Board of Investment lifted the last import surcharge which it had imposed earlier to provide protection to several promoted products.

The policy of promoting exports, adopted since the mid-1970s, has been given more emphasis in the course of the past ten years. Promotion policies include remission of tariffs and business tax on inputs for exports, special privileges for export-oriented projects promoted by the Board of Investment, facilities provided in export processing zones, concessional credit, and assistance in market promotion. In November 1990, the criteria for giving concessions for projects promoted by the Board of Investment have been simplified, and the incentives provided have been reduced.

Export taxes on major agricultural commodities such as rice have been phased out. These taxes had earlier contributed to pushing domestic prices below world market levels for items such as rice, maize and palm oil.

Increased emphasis on the private sector is reflected in the privatization of several State enterprises, and a greater rôle recently given to private initiative in the development and expansion of infrastructure. Recent years have also seen some liberalization of the foreign investment régime, including opening some sectors earlier prohibited for foreign investment. Nonetheless, the Government continues to affect or control investment through a range of policies such as tax and duty concessions, and price and production capacity controls in selected product areas.

In May 1990, Thailand announced several liberalization measures regarding its foreign exchange régime. The Thai Government signed Article 8 of the International Monetary Fund, signalling that the Government would use macro-economic tools rather than temporary curbs on foreign exchange transactions in order to tackle balance-of-payments problems.

In recent years, skill, infrastructural and environmental bottlenecks have emerged due to the rapid expansion and diversification of private

investment, output and trade. While stressing the continued importance of output and trade expansion for economic and social development, the Government is putting considerable emphasis on decentralizing economic activity away from the Bangkok Metropolitan Area, controlling environmental degradation, tackling poverty and improving income distribution.

The strains that emerged after a period of extensive economic growth suggest that future economic and social development in Thailand will increasingly depend on the efficiency of investment. Therefore, reducing distortions in the structure of incentives facing private investors will gain in importance.

Type and incidence of trade policy instruments

Within the context of the overall developmental goals, the recent thrust of Thailand's trade-related policies has mainly been to promote domestic production of finished products and exports. To these ends, the Government has continued to play a very active rôle. Tariff policy has been an important instrument.

Government assistance through tariff policy has been rather selective. While the applied weighted average tariff in Thailand was a moderate 11½ per cent in 1990 (estimates for the simple average are not available), a large dispersion of tariff rates has been a key feature of Thailand's tariff régime. A number of items enter Thailand at low tariffs or duty-free. Other products face high tariffs. For example, in 1989 applied tariff peaks of between 96 and 231 per cent were in place for certain leather items, transport equipment, beverages, spirits and foodstuffs.

Widespread tariff escalation underlines the policy emphasis on the domestic production of finished products. This generally implies higher levels of protection for domestic producers of these goods than is evident from the nominal tariff structure. Thai manufacturing, including agro-processing, benefits generally from high tariff protection. In many cases, notably food products, leather products, chemicals, textiles and motor vehicles, the tariff structure promotes domestic output of non-traditional items.

Thailand's tariff régime is applied in a flexible manner. Tariff changes, lately mostly reductions, have been frequent. Statutory tariffs are generally high compared to applied rates, providing substantial scope for manoeuvrability.

From time to time, the Government has temporarily reduced applied tariffs on certain imported inputs or consumer products. For example, in order to relieve constraints on economic growth in 1990, the Government implemented tariff (and certain tax) exemptions for petroleum and cement, and provided some subsidies for their imports. While this policy helps to widen temporary bottlenecks on the domestic market, it also injects elements of instability into the system. In some cases, tariffs are lowered only for items used for specific projects or particular end-uses.

A more general element of uncertainty results from the fact that ad valorem tariffs apply only to about three-quarters of all tariff items. Imports of most other items, in particular in the agricultural area, face alternate tariffs (i.e. ad valorem or specific tariffs, whichever is higher). Also, for selected items the Director-General of Customs may specify the import price on which the customs duty is to be levied. Finally, only 3 per cent of all tariff items are currently bound in the GATT. However, in the framework of the Uruguay Round the Government of Thailand has offered to increase the scope of binding to about one half of all tariff items.

A propensity to target Government assistance is also evident in the area of non-tariff measures, for example in import licensing. Currently, around 100 product categories (corresponding to about 8 per cent of all four-digit HS categories) are affected by import licensing in Thailand. About one-quarter of these items are agricultural commodities, including some important export commodities such as rice and sugar. Among industrial products, import licensing covers certain textile products, machinery items, motor vehicles, motorcycles, paper products, chemicals, porcelain items, and building stones. In most cases, licensing is non-automatic, involving bureaucratic processes.

For many items under import licensing, the Government's objective has been infant industry protection. In some cases, such as for certain paper, natural fibre bags, tea and tin foil, protection has been accorded for this reason for almost two decades. In the 1980s, promotion of infant industries through import licensing has focused on products such as skimmed milk powder, ceramic and building items, petroleum products, and certain types of machinery and equipment. Other reasons for import licensing include protection of public health, public morals, prevention of counterfeiting, conservation of exhaustible resources, maintenance of product standards, and compliance with inter-Governmental agreements.

Thailand has a number of State trading enterprises, established mostly before 1970. Certain State enterprises, and some designated private agencies, have trade monopolies (sometimes related to production monopolies). Affected products include playing cards, certain platinum coins and alloys, seed potatoes and onion seeds for reproduction. For cigarettes, a GATT Panel ruled in 1990 that the import practices of the Thailand Tobacco Monopoly were inconsistent with the GATT. In response, Thailand liberalized the import régime for cigarettes. The activities of some other State enterprises, such as the Public Warehouse Organization, include supporting market prices of certain agricultural commodities.

Thailand took an interest in countertrade in the mid-1980s to dispose of surplus agricultural production. Thai policy has been to use countertrade as a supplementary measure and not to replace regular trade.

In selected areas, such as dairy products, tea and motor vehicles, assistance to Thai producers is provided through local content requirements. For some other products, the Board of Investment links promotional privileges for investment projects with such requirements.

Further local content requirements are related to refinancing schemes of the Bank of Thailand. Local content requirements may be waived if the market situation makes it difficult to comply with them or if they adversely affect specific exports. Recently, local-content requirements for soybean meal and tobacco leaf used in cigarettes were revoked.

Government procurement is another means of providing selective assistance. Thailand does not have any centralized agency for Government procurement. The tenders are governed by various Cabinet resolutions and directives or Ministerial rules and regulations. Policies in this area are somewhat opaque but it appears that, in general, domestic suppliers complying with the Thai Industrial Standards receive a preferential margin of up to 15 per cent. A preferential margin of 2.5 per cent up to a maximum of US$40,000 is offered to procurement from ASEAN countries. For procurement involving foreign parties, the public prosecutor examines the obligation to protect the national interest.

As noted, real effective devaluation of the baht and several investment incentives to export activities have been key instruments in reducing excessive import substitution and promoting exports. However, trade policies have also been used in this context. Thailand's tariff régime provides lower effective protection for exportable items, reflecting the strong emphasis on import substitution until the 1970s. To counter this bias against exports, the Government of Thailand has been operating at least four schemes under which tariffs on imported inputs used for exports (and business taxes) are remitted. However, under present procedures, the link between the remittances and the amount of duty (or business taxes) actually levied on the imported inputs appears to be weak.

While generally encouraging exports, Thailand controls exports in some cases, relying largely on non-tariff measures such as licenses and quotas. A few items have remained subject to export tax, but the average incidence of these taxes has fallen sharply over time to become negligible.

Export licensing, either automatic or non-automatic, affects about 150 product categories (four-digit HS items), mainly textiles and clothing. Other items include certain agricultural commodities, fuels, metals and metal products, wood and wood products, wild animals and their carcasses, pesticides, paper, and sacred statues and images. Major objectives of export licensing are to preserve a product for domestic use, or to conserve natural resources and the environment. Other reasons include controlling the level of exports to specific destinations, maintaining standards, minimum price control, and honouring bilateral agreements. Exports to South Africa are prohibited (as are imports from this country).

Export quotas are in place for sugar, textiles, clothing and tapioca products. For sugar, the quota applies only to exports to the United States. In the case of tapioca, the export quota has been implemented to administer a voluntary export restraint agreement with the European Community. The quotas on textiles and clothing have been imposed in the framework of the Multifibre Arrangement. Complex criteria are used to allocate the quotas for textiles, clothing and tapioca.

A major policy affecting Thailand's production and trade is the promotion of selected investment projects by the Board of Investment. Special privileges are also provided by the Industrial Estate Authority of Thailand to projects located in industrial estates. The policies by these bodies are designed to encourage exports and to decentralize economic activity in Thailand. In addition to the tariff and business tax remissions mentioned earlier, the incentives include concessions on other taxes and fees, such as corporate income tax, royalties, and certain taxes on inputs from domestic sources. Various guarantees are provided, including freedom from nationalization.

The conditions for obtaining promotional privileges vary from project to project. While there are general criteria, the Board of Investment can provide benefits to projects depending on factors such as their contribution to job creation or technology transfer. Open ended selection criteria leave considerable room for discretion.

Trade-related policy interventions also include constraints on capacity expansion for selected sectors. A ban on domestic logging has been adopted to prevent the deterioration of the environment.

There are also explicit price policies for a number of products, in particular agricultural commodities. For example, the Government has boosted the domestic market price of products such as rice and coffee through its purchase policies. In other cases, price controls are imposed on products which are considered important in overall consumption or as inputs for selected industries, for instance pulp for paper, sugar, iron, plastic pellets and paddy. At times, these interventions have resulted in large price differentials between the domestic and world markets. For example, in 1988 Thai consumers paid almost twice the world price for sugar, and the domestic price for soybean and palm oil was about 1½ times the world price.

Overall, in several sectors, multiple use of trade-related measures, such as tariffs, licensing, domestic content requirements, tax and duty exemptions and remissions, concessional credit, price support and incentives for, or limits to, investment interact in a highly complex and, it appears, not always coherent manner. In a number of trade-related policy areas, such as import licensing, export promotion policies or Government procurement, the complexity of the policies made it difficult for the Thai Government to provide detailed information in the context of this report.

Temporary measures

Thailand has never taken recourse to Article XIX of the GATT. However, over the past five years import licensing has been implemented for ten products under the safeguard provisions of the Export and Import Act of 1979.

From time to time, the Government of Thailand has imposed import surcharges on selected items.

New initiatives

Reform of trade-related policies is an ongoing process in Thailand. For example, lowering and simplifying tariffs for raw materials and chemicals is currently under consideration. A longer-term objective is to lower the overall level of tariffs and reduce the number of tariff rates to six from the thirty-six different rates currently in place. Proposals for reform also include a further liberalization of the financial markets and the foreign exchange régime, and a review of the rôle of the Board of Investment. Thailand intends to replace its business and municipal taxes by a valued-added tax in the near future.

Trade Policy and Foreign Trading Partners

The experience of the limits of an inward-looking approach towards trade and development policy, and the recognition of the potential of the world economy in providing markets, inputs, investment and technology, has led the Thai Government to engage in a major process of liberalizing the economy, including the foreign trade régime. Rapid economic development has resulted, supported by strong trade growth and Thailand's increasing attractiveness as a place for foreign direct investment. In the process, Thailand has not only developed into a dynamic exporter, but also into a dynamic importer.

Despite major progress in trade liberalization, substantial pockets of high protection remain in the Thai economy, either by way of restrictive border measures or through other policies such as local-content requirements. High effective protection in areas such as agro-processing, textiles, leather products and motor vehicles limit the possibilities for foreign trading partners to compete in the Thai market.

While benefiting specific groups of domestic producers in the short-term, these policies represent a tax on Thai consumers and, by insulating parts of the economy from the rewards and penalties of international competition, could become impediments for the future development of efficient export and import-substitution industries, and of economic and social development at large. The Thai authorities are aware of this risk and have made known their intention to continue with the rationalization of trade-related policies. This would also benefit Thailand's trading partners.

A more liberal and stable global trading environment would help strengthen the Thai Government's hand in overcoming domestic resistance against further efforts to liberalize the economy. As the export-orientation of the Thai economy progresses, external barriers to export growth gain in importance. In the case of some important export products, such as clothing and tapioca, these constraints are imposed unilaterally or bilaterally.

The Government of Thailand supports a strong multilateral trading system as it helps to resist unilateral and bilateral pressures of large trading partners. Through its participation in the Uruguay Round, Thailand

seeks, along with other members of the Cairns Group, to reduce distortions in world agricultural trade. It favours a phased integration of trade in textiles and clothing into the GATT, thus removing the constraints imposed under the Multifibre Arrangement on its dynamic export items. In turn, Thailand is offering a large increase in its tariff bindings, improved market access in several areas, and possible participation in the Tokyo Round Codes. The realization of these offers would promote the ongoing process of structural adjustment in Thailand, while making the Thai market even more attractive for foreign investors and traders.

TRADE POLICY REVIEW

THAILAND

Report by Thailand - Summary Extracts

The Thai economy has undergone dramatic structural changes in the past two decades. The foundations for these changes were laid by the national economic and social development plans, the first started in 1961. The major emphasis of the plans in the 1960s was import substitution. However, from mid 1970s onwards, the emphasis shifted to export-oriented industries. Historically, Thailand merely exported a few agricultural commodities and minerals, namely, rice, rubber, teak and tin ore. Under this new dimension, agricultural product's share in Thailand's total export has dropped from 86 per cent three decades ago to less than 25 per cent in 1990, while manufacturing has steadily increased from a mere 4 per cent to 62 per cent of its export last year. However, the two sectors are still closely linked, agro-industry now accounted for 30 per cent of manufactured output.

Thailand's Gross Domestic Product (GDP) has grown at an annual rate of 10 per cent or above for four consecutive years since 1987, which has been chiefly a result of an exceptional performance in the export sector (major exports now cover newer products such as jewellery, computers and parts, integrated circuits and footwear), an expansion and diversification of the industrial capacity and the threefold increase in income from tourism. Although the rapid economic expansion has solved some economic and social problems namely, poverty and unemployment, it has created some obstacles, for example, the emerging inadequacy of infrastructure, the shortage of qualified personnel and the problems of income distribution and dispersion of economic prosperity. However, these problems are being addressed as a matter of highest priority in the next five years of the Seventh National Economic and Social Development Plan.

Since Thailand acceded to the General Agreement on Tariffs and Trade (GATT) in 1982, it has participated actively with an objective of contributing to the improvement of the multilateral trading system. The principal goals of the Thai trade policy in recent years have therefore been to prepare the country for a greater rôle in international trade, create conducive environment, encourage a constructive and competitive economic structure and liberalize trade domestically and internationally by removing trade barriers and limiting trade-distortive effects to a minimum. Various programmes are foreseen in order to improve the country's competitiveness in international trade, for example, the revision of tariff structure and tax system, the increasing of private sector's rôle in several public development programmes and the amendment of relevant import and export laws and regulations.

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