SUMMARY

1. Since its previous Trade Policy Review in 2016, Thailand has maintained macro-financial stability, supported by prudent fiscal and monetary policies. These policies have resulted in subdued inflation, relatively low levels of public debt, a sizable current account surplus, substantial foreign exchange reserves, and a sound financial system. Between 2015 and 2019, the economy grew at an annual average rate of 3.4% in real terms, driven mainly by private consumption and, in some years, by net exports, whereas the contribution of gross investment remained modest. On the supply side, the services sector (including construction) remained the largest contributor to GDP, with its share rising to 61% in 2019 (from 58% in 2015), while the shares of manufacturing and agriculture declined. Nominal GDP per capita reached almost USD 8,000 in 2019, placing Thailand in the upper-middle-income group of countries.

2. After a period of solid growth, in 2019 the Thai economy entered a downturn, caused mainly by the global economic slowdown and international trade tensions, which resulted in a contraction in exports, private investment and consumption. The Government adopted accommodative fiscal and monetary policies to support economic growth from the second half of 2019.

3. During 2020, the difficulties facing the Thai economy have been exacerbated by the adverse impact of the COVID-19 pandemic. The contraction of global trade has severely affected Thai merchandise exports and disrupted global supply chains, including in the automobile sector, which is one of Thailand's main industries. The tourism sector, a major contributor to GDP, has also suffered a deep contraction due to international travel bans and Thailand's own inbound restrictions, resulting in a virtual halt of foreign tourist arrivals, and a severe impact on businesses and jobs in tourism-related activities. Private investment and consumption have further contracted, due to weak demand, economic uncertainty, and weakening employment and income conditions. To mitigate the economic effects of COVID-19, the central bank responded with monetary policy actions, such as reducing the policy interest rate and addressing liquidity strains. In addition, the Government launched a three-phase COVID-19 Relief Package, worth about 14% of GDP, primarily targeted at the most vulnerable households and businesses, and consisting mainly of cash transfers, soft loans and tax relief measures. In June 2020, the authorities projected that the economy would contract by 8.1% in 2020, with the contraction affecting almost all GDP components. It has also been estimated that some 8.4 million jobs are at risk in the manufacturing and services industries.

4. Throughout the review period, Thailand posted a surplus in the current account, reflecting a persistent savings-investment gap, and leading to a substantial accumulation of foreign exchange reserves (USD 224.3 billion at end-2019). As a flip-side effect of this, the Thai baht (THB) appreciated during the review period, putting pressure on competitiveness. However, amid heightened volatility in global financial markets due to the COVID-19 crisis, the baht has depreciated slightly in 2020. The adoption of accommodative fiscal policies to address the economic downturn has been possible thanks to the Government's healthy fiscal position. In 2018, the Fiscal Responsibility Act (FRA) was enacted to further strengthen fiscal discipline, medium-term planning, and fiscal transparency. The FRA introduced new targets relating to debt level and budget allocation, including for capital investment. Some of these targets have been revised to address the COVID-19 contingency.

5. Thailand's two-way trade in goods and services represented 110% of GDP in 2019, reflecting the country's outward-orientation and integration into global value chains. Thailand's international trade flows show the growing importance of China and ASEAN as its main regional markets and suppliers, although the United States, the European Union and Japan are still among its top trading partners. Thai merchandise exports continue to be dominated by manufactured products (73% of total exports), with computer parts and automotive products being the leading export items. Imports are also concentrated in manufactured goods, followed by fuels and other mining products. Foreign direct investment (FDI) trends also show Thailand's deep integration with ASEAN countries and other economies in the region, while the significant increase in investment outflows indicates that Thailand has become a net capital exporter.

6. In addition to the immediate threats to its economic outlook, looking forward, Thailand faces some important challenges. Domestic structural constraints, notably low levels of public and private investment, added to the effect of natural disasters and socio-political tensions, have weighed on Thailand's recent economic performance. Persistent inequality also remains a challenge, as income and regional disparities have increased in recent years. Thailand will also need to complete fiscal

reform to face the increasing spending requirements associated with a rapidly aging population, and deal with structural problems in its labour market, including the existence of a large informal sector. Another challenge is to achieve higher and sustained increases in total factor productivity, a key indicator of international competitiveness. Thailand's prospects of sustained economic growth could be further improved by increasing public and private investment, implementing policies to enhance innovation, productivity and competitiveness, and pursuing the liberalization of trade and investment, particularly in the services sector.

7. Since Thailand's last Review, a new Constitution was promulgated in 2017, and general elections were held in 2019. The new Government issued the National Strategy (2018-2037), underpinned by its development policy, Thailand 4.0. The latter aims at transforming Thailand into a value-added, innovative, and knowledge-based economy through, *inter alia*, promoting innovation and the development of new technology-based industries, and enhancing Thailand's position as a regional hub by upgrading its physical infrastructure.

8. Thailand remains strongly committed to the multilateral trading system and is actively engaged in WTO activities. At the same time, it has continued to pursue its economic integration agenda within the ASEAN (where progress has been made towards the consolidation of the ASEAN Economic Community), and with other economic partners through the conclusion of RTAs. Currently, Thailand has 13 RTAs, 2 of which came into force during the period under review: the Thailand-Chile Free Trade Agreement (2015) and the ASEAN-Hong Kong, China Free Trade Agreement (2019). Overall, Thailand has maintained a good record of notifications to the WTO; however, notifications on agricultural domestic support for the past few years remain outstanding. During the period under review, Thailand was involved in two new dispute settlement cases in the WTO, one as a complainant and the other as a respondent.

9. There were no major changes to Thailand's foreign investment regime during the review period. While some steps were taken to liberalize FDI in infrastructure development and in certain services industries, restrictions on foreign participation remain in several sectors, such as media, rice farming, fisheries, mining, transportation, financial services, telecommunications, transport, and tourism.

10. Since its last Review, Thailand has improved its customs regime and adopted a new Customs Act (2017), which helped simplify customs procedures and improved transparency. In 2015, Thailand ratified the WTO Trade Facilitation Agreement and has now implemented 97.1% of its commitments. Under the e-Customs system, customs registration, declaration and document submission are conducted electronically, and e-declarations now represent 100% of import declarations.

11. Thailand's average MFN tariff rose from 13.4% in 2014 to 14.5% in 2020, mainly due to nomenclature changes. Its tariff structure remains relatively complex: non-*ad valorem* duties account for 8% of tariff lines, and tariff rates range from zero to 226% when *ad valorem* equivalents are excluded, and 557.4% when they are included. Non-agricultural products face considerably lower tariff rates than agricultural products. In the WTO, Thailand bound 76.3% of its tariff lines at the HS eight-digit level; the gap between bound and applied rates is significant. Tariff quotas and import surcharges remain in place. Import tariffs account for about 4% of total tax revenue.

12. Import prohibitions and licensing requirements apply for reasons of economic stability, public health, national security, public morals and national interest. Legislation on anti-dumping was amended in 2019 to clarify certain provisions, including on anti-circumvention. Thailand has never initiated any countervailing investigation, although it has had recourse to other trade remedies. During the review period, it initiated 23 anti-dumping investigations, and imposed one safeguard measure and extended two others.

13. Export duties are levied on a few goods; although in most cases they are not applied in practice, the persistence of relatively high statutory export taxes remains an element of uncertainty for traders. Some products are prohibited from exportation and, during the COVID-19 pandemic, export bans on bird eggs and surgical masks were adopted, with the ban on the latter still in place. Thailand continues to operate several schemes to facilitate exports, such as bonded warehouses, duty drawback, tax and duty compensation, customs free zones, and incentives under the Industrial Estate Authority of Thailand. The Department of International Trade Promotion offers a wide range of services to Thai entrepreneurs, particularly SMEs, to promote their exports of goods and services.

The state-owned Export-Import Bank of Thailand provides export credit and export-credit insurance at competitive market rates to enhance the participation of Thai businesses in international markets.

14. Thailand maintains a myriad of tax and non-tax investment incentives schemes, with a rather complex structure. These include the incentives provided by the Board of Investment, and those offered to special economic zones, SMEs, and certain sectors such as farming, fishing, and renewable energy. Among the main support measures introduced during the review period are: incentive packages for promoted activities under the Eastern Economic Corridor (EEC) Act (May 2018); a tax incentive scheme operated by the Revenue Department to promote Thailand as an international business centre (October 2018); and the "Thailand plus" package to attract foreign businesses to relocate to Thailand and to expedite large-scale investment (September 2019). As there is no specific budget earmarked for investment promotion incentives, no information on revenue forgone due to such schemes is available.

15. The Industrial Products Standards Act B.E.2511 (1968) was amended in 2019; as a result, mandatory standards are now enforced by ministerial regulations instead of royal decrees, and penalties were increased for manufacturing, importing, and selling products under technical regulations without the relevant certificates. The procedure to develop standards and technical regulations remains unchanged. Since 2015, Thailand has developed 743 new standards, of which 32 are mandatory. The share of national standards that are identical or similar to international standards is 37.4%. At the WTO TBT Committee, specific trade concerns have been raised regarding Thailand's measures on certification and labelling requirements on spirits, alcoholic beverages, and infant food. There has been no major change to Thailand's SPS regime since 2015. Members have raised concerns in the SPS Committee regarding measures maintained by Thailand on certain meat, animals and animal products, some fruits, and food containing pesticide residues.

16. Thailand notified to the WTO its three state-trading enterprises for the period 2014-16, concerning agricultural products, pure alcohol, and cigarettes. State-owned enterprises (SOEs) continue to have a significant presence in many sectors of the economy (e.g. financial services, energy, telecommunications, transport, industry, commerce, agriculture, natural resources, and public utilities), and some are among the top receivers of public funds. In 2019, the State-Owned Enterprise Development Act and the Public Private Partnership Act came into force with a view to reforming and improving the performance of SOEs.

17. The Public Procurement and Supplies Administration Act was adopted in 2017, aimed at preventing corruption and anti-competitive behavior. The Act brought SOEs under its coverage, and requires that due consideration be given to the performance aspect in addition to the price of a tender; it also aims to enhance transparency via the use of e-procurement. The price preference programme for domestic suppliers was eliminated; however, preferences are still given to certain domestic suppliers via the use of the specific procurement method. Thailand has not undertaken market access commitments on government procurement in its RTAs. It is an observer to the WTO Committee on Government Procurement but has no intention to join the Plurilateral Agreement on Government Procurement in the near future.

18. Thailand adopted a new Trade Competition Act in 2017. The Act covers, for the first time, SOEs, public organizations and other state agencies; however, central, provincial and local governments and sectors subject to specific laws (e.g. telecommunications and energy) remain excluded. The competition authority's independence was strengthened and its powers increased, including the power to issue administrative penalties for violations. However, the legal framework for price regulation remains unchanged, and many goods and services are subject to price monitoring or control (e.g. food, farm inputs, medical supplies, and delivery services for online shopping).

19. As a net intellectual property importing country with an expanding deficit in IP licensing fees, Thailand has implemented reforms to its IP system, aimed at boosting performance in the areas of science, technology and innovation. During the review period, the Trademark Act was amended to provide for the registration of sound marks, and the Copyright Act and the Computer Crime Act were amended to better address online IP infringement. Considerable efforts have also been made towards streamlining trademark and patent examination processes. During the review period, Thailand joined the Madrid Protocol and the Marrakesh Treaty, and began the implementation of the ASEAN IPR Action Plan 2016-25. Despite these efforts, there remain concerns regarding certain enforcement issues, such as the use of unlicensed software, and cable and satellite signal theft.

20. Thailand is a net exporter of agricultural commodities, and a major global producer of several crops. Agriculture receives more trade protection than the rest of the economy: the average tariffs on agricultural products (32.7%) is much higher than on non-agricultural products (11.8%); tariff quotas remain in place for 128 tariff lines (although the fill rates are very low for a number of them); and some products are subject to import surcharges, import and export licensing, and export taxes. Domestically, the Government applies price monitoring, and provides investment incentives and subsidies; Thailand's latest notification to the WTO on domestic support covered 2014-16. Foreigners are not permitted to buy land for agriculture, but they may lease it; they are prohibited from engaging in certain activities, such as rice farming, plantation or crop growing, and livestock farming. They must obtain approval to engage in sugar production, rice milling and flour production from rice and other crops. Thailand is also a net fish exporter, and has adopted measures to tackle illegal, unreported, and unregulated (IUU) fishing. The Fisheries Act 2015 was amended in 2017 to allow for stricter penalties for illegal fishing. Support has been provided for fishermen and fishing vessel owners affected by the measures to combat IUU fishing. Foreigners are prohibited from engaging in fisheries of aquatic animals in Thai waters and specific economic zones, but they may work as crew of a fishing vessel provided they are registered in Thailand as foreign workers.

21. Thailand imports energy products to meet its consumption needs. The Petroleum Act was amended in 2017, adding two concession regimes: production-sharing contracts and service contracts. The Oil Fuel Fund Act, which came into force in 2019, aims to stabilize fuel prices in the event of a fuel crisis. The Fund is financed from levies on the consumption of petroleum products except jet fuel. The prices of energy products remain under monitoring and/or control. Thailand notified to the WTO its support measures to the energy sector, including incentives for renewable energy. The manufacturing sector has been facing challenges, including currency appreciation and the global economic slowdown. In line with Thailand 4.0, which promotes growth through innovation, several incentives schemes are provided to facilitate industrial restructuring.

22. The financial sector remained sound and stable during the review period, despite challenging external and internal conditions. The authorities continued to improve the regulatory and supervisory frameworks to enhance financial stability. Measures were also taken to modernize the sector (such as the adoption of regulations to enable the use of digital technologies and support a more inclusive FinTech system) and to allow greater foreign participation in financial institutions.

23. The telecommunications infrastructure was significantly enhanced during the review period. A national broadband network now covers all villages across the country, providing "open access" to any duly licensed operators. The regulatory regime was modernized since the last concession agreements expired in 2018. The licensing procedure for telecommunication service providers was streamlined: Internet services are no longer regulated with separate licences. Foreign equity in telecom operators is capped at 49% of total capital. There is no requirement for data localization.

24. The regulatory regime for air transport was also modernized since the last Review. Most of Thailand's air services agreements cover up to the fourth freedom of traffic rights, with varying restrictions on destination, designation and capacity. During the review period, low-cost carriers in Thailand grew rapidly, in terms of both fleet size and transport capacity. Facing the COVID-19 pandemic, air passenger numbers dropped by almost 100% on a year-on-year basis. Road transport, especially of freight, is competitive among private operators. Rail transport plays a relatively small role compared with other modes of transport, but Thailand has now begun the construction of its high-speed rail projects. Restrictions on foreign capital participation remain in place for all modes of transport; Thai citizens or enterprises must hold at least 51% of total equity and have a controlling power over management.

25. Tourism plays an important role in the economy. Hotels and restaurants alone accounted for 5.9% of GDP and 7.6% of employment in 2019. Tourism is also the country's main foreign exchange earner; in 2019, travel services generated USD 60.5 billion, or 73.8% of total services exports. Like air transport, the tourism sector has been adversely impacted by the COVID-19 travel restrictions. The Government has provided various assistance measures, including loans to support MSMEs' liquidity and grants to boost domestic tourism demand. The regulatory regime for the sector was updated with the aim of ensuring service quality and enhancing competitiveness. A 49% cap on foreign ownership remains in place for hotels, travel agencies and travel operators. There is no foreign capital restriction on restaurants and catering services, nor a specific regulatory regime for the operation of virtual travel agencies.