SUMMARY

1. For over 30 years Thailand has pursued a policy of export-led development that has successfully turned the county into a major exporter of industrial goods and led to rapid economic growth, particularly in the 1990s. Growth slowed in the 2000s - due partly to lower investment growth and infrastructure bottlenecks - but still remained strong at an average of 5.7% between 2003 and 2006. Although the 2008 global financial crises led to a fall in GDP in 2009, growth picked up again in 2010 when it reached 7.8%. Between 2007 and 2010 GDP per capita rose from US$3,740 to US$4,737, and Thailand has been able to reduce poverty and meet its Millennium Development Goals, although significant income and regional disparities remain.

2. Thailand has an open economy, with the value of exports and imports equivalent to about 135% of GDP in 2010. It was the world's 19 largest exporter and the 17 largest importer of goods in 2010. As regards world trade in commercial services, it ranked 16 as exporter and 14 as importer. This outward-orientation makes Thailand vulnerable to external shocks but has also contributed to the resilience of the economy in adapting to challenges. Underpinning this resilience has been sound macroeconomic, including fiscal, policies with current account surpluses and high levels of international reserves.

3. The value of trade in goods increase by 27% in 2007-10 as exports increased to US$195.3 billion and imports to US$182.4 billion. Most exports are of manufactured and processed goods and most imports of raw materials and machines. The pattern of export trade has changed as exports to developed countries have increased at a slower pace than exports to other Asian countries, and China has replaced the United States as the main destination for Thailand's exports.

4. Thailand also has a positive balance of trade in services, of US$6.5 billion, with a large surplus in tourism and related services offsetting net-payments for other areas.

5. The main macroeconomic concern for Thailand has been the decline in foreign direct investment, which was partly caused by the political unrest that affected much of the period under review. Other reasons for the decline include the restrictions on foreign ownership, particularly on services and agriculture, as well as complex and time-consuming systems for paying the different taxes.

6. The political instability has also delayed reforms in several areas, including intellectual property, privatization, and several services subsectors. These delays have also contributed to the lower levels of FDI.

7. As a member of the ASEAN group, Thailand is committed to deepening economic integration among members, including removing obstacles to trade and improving trade facilitation.

8. Thailand, both unilaterally and through ASEAN, has continued to pursue a policy of negotiating free-trade agreements of varying scope with the focus on the Asia-Pacific area. In the absence of comprehensive multilateral agreement on trade liberalization, the focus on free-trade agreements is understandable but the complex web of agreements with different rules of origin means it can be hard for traders to benefit from them.

9. Thailand's adoption of the ASEAN Harmonized Tariff Nomenclature has had the effect of increasing the number of tariff lines in its tariff book, but the actual rates on different products have not changed much since the last Review of Thailand and, on average, tariffs are applied at less than half their bound levels. Also unchanged is the complicated tariff structure with different

ad valorem, specific duty, and alternate duty rates. Over a quarter of tariff lines are unbound (including, according to the authorities, some agricultural products).

10. Thailand continues to use complicated systems for excise duties, personal income tax, and corporate income tax, with a broad range of tax incentives for investments in different parts of the country. The complex tax structure contributes to Thailand's low rating for ease of paying taxes. Although a considerable effort is being made to simplify the tax assessment and payment systems, it would also help to simplify the taxes themselves, particularly excise duties and tariffs.

11. One area where progress has made compliance easier has been in customs procedures. Since 2008, they have been fully paperless and, in the near future, they are expected to move to a single-window service. However, Thailand has not completed the legal amendments necessary to comply with the Revised Kyoto Convention on customs procedures, and the perception of corruption in the Customs Department persists.

12. The law on anti-dumping and countervailing measures has not changed over the past six years. Between 1 January 2007 and 31 May 2011, 6 new investigations were initiated; 19 cases were reviewed and anti-dumping duties were continued; and in 5 cases anti-dumping duties were terminated. A new law on safeguards introduced in 2007 covers initiation of investigations, the option of applying provisional safeguard action, investigations, and the application of definitive safeguards. As of end-April 2011, provisional safeguards have been applied in one case.

13. Non-automatic import licensing is required for a variety of products and justified for a number of reasons, such as price monitoring, for public health, and protection of domestic producers.

14. A limited number of products, mostly unprocessed wood, are subject to export taxes, with applied rates of tax lower than the statutory maximums. Other export licensing requirements and controls are normally associated with meeting international obligations or for environmental, public health, and intellectual property protection reasons. Exports of some types of oil cakes are not generally allowed, in order to prevent domestic shortages.

15. Thailand has eliminated export subsidies under several programmes but maintains a number of schemes to promote and facilitate exports. These export supports include: bonded warehouses, duty drawbacks, and tax refunds for import duties and VAT. Thailand continues to promote foreign direct investment through tax advantages for investments in less developed areas of the country and through the I-EA-T free zones. The authorities pointed out that there are no export-related requirements or privileges attached to such investments.

16. The widespread use of price controls continues, with a large number of products subject to varying degrees of control. These include a requirement for approval before prices can be changed, through prior notification of price changes, to price labelling. Although such measures may control prices for consumers in the short-term, they also distort market signals and delay restructuring.

17. In line with official policy to increase the contribution to the economy from creative industries, the Department of Intellectual Property in the Ministry of Commerce has been encouraging the creation of intellectual property, including through registration, enforcement, and trading. Thailand has made some use of compulsory licensing for medical drugs with seven licences issued in 2006-08. Some royalties are paid, and the generic drugs are meant for those that cannot afford the patented version. While the Thai government argues that it has acted in good faith, going beyond its obligations, some countries remain concerned about the way compulsory licences are used. Some countries are also concerned

about piracy in Thailand although they also recognize the efforts being taken to reduce it.

18. Agriculture remains the main source of employment, and Thailand is a major producer and/or exporter of several agricultural products, particularly rice and rubber. Agricultural policies vary from one product to another. In the case of rice, production used to be supported through a mortgage system, which provided farmers with loans with the rice crop as collateral and loans were repaid either in cash or the crop. This was changed to a deficiency payment system that provides full compensation for farmers whenever prices fall below a target price and back to a mortgage scheme in late 2011 with a significant increase in prices raising concerns about its impact on international prices which have been exacerbated by recent flooding. Sugar is also supported through prices set by the Cane and Sugar Board. However, world sugar prices have been higher than the set prices leading to concerns about domestic shortages.

19. Although Thailand is a net importer of energy, including oil and natural gas, it is also an exporter of refined petroleum products as it imports crude for refining and export. The State continues to be heavily involved in prospecting and the production of hydrocarbons through the PTT Public Company Limited, which is 51% state-owned. The State also controls prices of fuels using the Oil Fund to tax some fuels and subsidize others, particularly petrol/ethanol mixes and biodiesel. Ethanol is produced from sugar cane and tapioca and biodiesel from palm oil.

20. The basic structure of the electricity subsector has not changed since the last Review. The state enterprise (the Electricity Generating Authority of Thailand) produces just under half of all electricity generated in Thailand; and the two distribution companies are also state-controlled. However, regulation of the sector has been reformed with the establishment of the independent Electricity Regulatory Commission for electricity generation, transmission, distribution, and retail, and for gas transport and supply as well as for LPG terminals. The Commission is also responsible for setting electricity tariffs, subject to the approval of the National Energy Policy Council.

21. Overall, the liberalization of Thailand's services sector, which makes up a large part of the Thai economy, is ongoing. Restrictions remain on market entry and foreign equity participation in several subsectors, and the regulatory framework is complex. Although ownership restrictions have been relaxed in some cases, these decisions appear to have been on a taken on a discretionary basis. Rationalizing the regulatory regime and increasing competition could help to enhance innovation and productivity, and hence further increase the economy's competitiveness.

22. In the banking subsector, increased foreign participation has contributed to improving competitiveness and growth but some foreign ownership restrictions remain in place. The State continues to play an important role in the financial sector through equity holdings in commercial banks and through the specialized financial institution, which provide finance to low-income households and specific economic sectors, including agriculture, housing, and export promotion.

23. Under Phase I of the Financial Services Master Plan, a new law that entered into force in 2008 consolidated and enhanced existing legislation and improved supervision of the sector by the Bank of Thailand, while the latter's autonomy was increased by an amendment to the Bank of Thailand Act. Phase II of the Master Plan started in 2010 and is to address operating costs, improving competition, improving access to financial services, and strengthening financial infrastructure. Although much progress has been made in increasing competition and improving oversight and security, some concerns remain, particularly about regulation of the specialized financial institutions, which have a separate regulatory regime, along with

the wide spread between commercial banks' deposit and lending rates.

24. New legislation has been introduced for insurance services and capital markets with the objective of improving oversight and increasing competition. Although the law on foreign participation in insurance companies has been relaxed, restrictions remain in place.

25. The telecommunication sector has continued to grow but at a slower pace than in previous review periods. Competition has also increased, although the degree varies from one sector to another, and the two state-owned enterprises continue to play a major role. Furthermore, the 3G licensing process has been delayed due to legal proceedings, with the result that private sector operators do not yet have licences. Although foreign participation in telecommunication is increasing, restrictions remain on service providers that own their own networks. Under legislation passed in late 2010, which a new single regulator will be established to oversee the broadcasting and telecommunication industry.

26. The Government actively promotes the transport industries through fiscal and financial incentives, and encourages private sector participation in infrastructure development. However, the regulatory framework for the provision and management of infrastructure services is complex, and restrictions on foreign investment apply in all transport subsectors. In air transport, Thailand implements a "gradual open skies policy" and maintains 99 bilateral air services agreements as well as several ASEAN agreements through which traffic rights have been liberalized. A public company, in which the Government holds a 70% stake, operates the six main international airports, which are responsible for most of Thailand's air traffic.

27. Domestic shipping is reserved to Thai vessels. Although there are generally no restrictions on access to cargoes to and from Thailand, the domestic shipping industry continues to receive protection through a cargo reservation policy. Goods imported directly or indirectly by government agencies or public enterprises must be transported by Thai-flagged vessels on designated shipping routes where such vessels are available. A state enterprise manages Thailand's five main public ports. Private companies may be authorized to operate port services.

28. Tourism continues to have a crucial role in the Thai economy. It is a major source of foreign exchange, investment, job creation, and government revenue. Provision of tourist guide services is reserved for Thai nationals.