

THAILAND: COMPANY PERSPECTIVES

AN ITC SERIES ON
NON-TARIFF MEASURES



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Country report, part of a series of publications assessing the impact of Non-Tariff Measures (NTMs) on the business sector, based on a large-scale survey conducted in Thailand with companies directly reporting burdensome NTMs and the reasons why they consider them to be trade barriers; analyses survey findings and compares them to other sources on NTMs to identify regulatory, procedural and infrastructural obstacles in Thailand, its partner countries and transit countries; covers food and agro-based products including rice, rubber, fishery products, and manufactured products covering automotive industry, electronics and electric appliances. The paper outlines policy options discussed at stakeholder meeting; includes NTM classification, and bibliographical references. .

Descriptors: **Thailand, Non Tariff Measures, Trade Policy SMEs, Agricultural Products, Manufactured Products.**

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English

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Acronyms

ACCSQ	ASEAN Consultative Committee on Standards and Quality
ACFS	National Bureau of Agricultural Commodity and Food Standards
ACT	ASEAN Consultations to Solve Trade and Investment Issues
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Area
AHTN	ASEAN Harmonized Tariff Nomenclature
ASEAN	Association of Southeast Asian Nations
ASSIST	ASEAN Solutions for Investments, Services and Trade
ASW	ASEAN Single Window
ATF-JCC	ASEAN Trade Facilitation Joint Consultative Committee
ATIGA	ASEAN Trade in Goods Agreement
ATR	ASEAN Trade Repository
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CO	Certificate of origin
DFT	Department of Foreign Trade
DTN	Department of Trade Negotiations
EDI	Electronic data interchange
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
EXIM Bank	Export-Import Bank of Thailand
FDA	Food and Drugs Administration
FTA	Free trade area
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GSP	Generalized System of Preferences
GSTP	General System of Trade Preferences
HACCP	Hazard Analysis & Critical Control Points
HS	Harmonized System
IEAT	Industrial Estate Authority of Thailand
ITC	International Trade Centre
IUU	Illegal, unreported and unregulated fishing
LDC	Least developed country
MAST	Multi-Agency Support Team
MENA	Middle East and North Africa
MFN	Most-favoured-nation
MRA	Mutual Recognition Arrangement

NAMA	Non-agricultural market access
NSW	National Single Window
NTB	Non-tariff barrier
NTM	Non-tariff measure
NTR	National Trade Repository
OECD	Organisation for Economic Co-operation and Development
PO	Procedural obstacle
SPS	Sanitary and phytosanitary measures
SME	Small and medium-sized enterprise
TBE	Trade-related business environment
TBT	Technical barriers to trade
TISI	Thai Industrial Standards Institute
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
VAT	Value-added tax
WTO	World Trade Organization

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

Executive summary

Introduction

In a global context of increasing economic liberalization with a widespread tendency to eliminate or reduce tariffs, the importance of trade barriers resulting from non-tariff measures (NTMs) has increased in recent decades. Because consumers are demanding more information about products, importing countries are implementing more regulations such as sanitary and phytosanitary (SPS) measures or certification requirements. Most of these regulations do not have protectionist objectives, but are implemented to protect health or the environment. Compliance with these regulations may be beyond the reach of companies seeking to export, particularly those from emerging and least developed countries (LDCs). As a result, analyses of the commercial impact of NTMs as well as technical cooperation with developing countries to build government and business capacities are becoming increasingly important.

The International Trade Centre (ITC) is actively engaged in analysing the commercial impact of NTMs and in building government and business capacities through technical cooperation with developing countries. ITC, in collaboration with local partners, is conducting large-scale company surveys in many developing and emerging countries. These surveys gather information on NTMs specifically from companies dealing with trade impediments on a day-to-day basis.

The survey looks at NTMs that cover a wide range of policies, including technical regulations, SPS measures, quantitative restrictions, additional charges, financial measures and certification requirements. The ITC NTM Survey also looks at procedural obstacles (POs) that hamper companies from complying with these NTMs. Delays, institutional costs, excessive paperwork and a lack of testing facilities represent some of the most common POs. The NTM Survey also takes into account inefficiencies in the trade-related business environment (TBE).

The country context

Thailand is an emerging economy with a population of 67 million. With gross domestic product (GDP) per capita at \$5,479, Thailand is an upper-middle income country. The current GDP is valued at \$366 billion, making it the second largest economy in the South-East Asian region after Indonesia. However, economic growth from 2009 to 2014 has been unstable. Following a contraction of 2.3% in 2009 due to the global financial crisis, the economy rebounded sharply at 7.8% in 2010. The economy did not grow in 2011 as the result of flooding, but was reported to be 6.5% in 2012. Ongoing political tensions coupled with a slowdown in major trading partners' economies resulted in growth of 2.3% in 2013 and a slight contraction of 0.1% during the first half of 2014.

The Thai economy is heavily dependent on international trade. Merchandise exports alone accounted for 63% of gross domestic product (GDP) in 2013. Apart from a sudden dip in exports during the global downturn in 2009, Thai exports in the last decade have grown steadily. Between 2008 and 2013, exports grew by 10% per year. In 2013, Thailand exported goods valued in excess of \$229.5 billion, with China, Japan, Europe and the United States being the main destination markets, with each importing approximately 10% of Thai exports. The majority of Thai exports are manufactured products such as computer and computer accessories, electronics and motor vehicles. Rice is the main agricultural export. Thailand also exported petroleum products worth \$15 billion, primarily to Association of Southeast Asian Nations (ASEAN) countries and China.

Imports of goods have been growing fast. Between 2008 and 2013, imports grew by 13% per annum amounting to \$247.5 billion in 2013. Japan is the largest supplier to Thailand, supplying 20% of total Thai imports. Other major suppliers to Thailand include China (15%) and the United Arab Emirates (6.3%). Thai imports are concentrated on manufactured products and petroleum products. Among agricultural products, fish is the largest imported product.

Implementing the ITC NTM Survey in Thailand

ITC, in collaboration with the Department of Trade Negotiations (DTN) of the Thai Ministry of Commerce, officially launched the NTM Survey in August 2013 to assess the Thai business community's perspectives on NTMs. The Bangkok-based company, Rapid Asia Co., Ltd, implemented the survey on behalf of and under the guidance of ITC.

The aim of the NTM Survey is to provide a better understanding of the trade obstacles experienced by Thai companies and to identify potential bottlenecks related to trade procedures and cross-border operations. This information will inform both the private sector and the government as they strive to create an enabling environment for private sector development and improved export competitiveness for Thailand and the region.

The NTM Survey consisted of two steps. The first step involved screening exporting and importing companies through a preliminary telephone interview. The aim of the telephone interviews was to confirm the main sector of activity, the direction of trade and whether the company experienced difficulties with NTMs. Companies interviewed in this telephone screening phase are selected based on stratified random sampling from the business registry. As per NTM Survey sampling methodology, telephone screen interviews are designed to cover a representative share of Thailand's export sectors, excluding arms and minerals.

The second step involved detailed face-to-face interviews with companies that reported having experienced obstacles to trade and were willing to participate. The face-to-face interviews gathered detailed information on the NTMs reported by the companies during the telephone interviews. Interviews were conducted based on generic ITC questionnaires that were adjusted to local requirements. The questionnaires were in English and when required, the questions were asked in Thai. Typically, NTM Survey respondents were general managers or the company's employee responsible for the export and import processes. All responses from the companies are treated with the utmost confidentiality. Only synthesized information on NTM Survey results is shared with the Ministry of Commerce.

Aggregate results and cross-cutting issues

The overall share of Thai companies affected by NTMs is sizable. During the initial telephone interview phase, a total of 540 companies (40%) reported facing restrictive regulations or related obstacles to trade in Thailand or abroad. Similar to the results of other countries, the NTM Survey results in Thailand show that exporters in the agri-food and manufacturing sectors are more affected than importers. This is to be expected because often it is the importing countries that implement NTM measures.

The NTM Survey results reveal that exporters in the agri-food sector are more affected than exporters in the manufacturing sector. This is consistent with the fact that countries often regulate agri-food products more vigilantly for reasons of consumer and environmental protection. The NTM Survey results show that importers in both agri-food and manufacturing sectors are similarly affected.

Across partner countries, quite distinct regional differences are evident. Asian and, with much less trade volume, Latin American export destinations appear relatively less burdensome to access. These results are encouraging evidence that regional integration beyond regular tariff reductions is, albeit needing additional effort, going in the right direction.

However, Thai exporters face difficulties exporting to countries in the European Union (EU) and Africa. For example, the EU's 28 Member States import around 10% of Thai exports, but account for 23% of cases of burdensome regulations reported by exporters. Similarly, countries in the Middle East and North Africa (MENA) region import 6% of Thai exports, but account for 18% of reported burdensome NTMs.

North America, another important market for Thailand, appears much less difficult to access than the EU and Africa.

About two-thirds of the burdensome NTM cases experienced by Thai exporters are technical measures. Technical measures include technical requirements, which are product specifications that exported products need to comply with. These include SPS measures as well as conformity assessment procedures such as certification, which provide proof of compliance with the underlying technical requirements. Over

25% of the burdensome regulations are technical requirements, while 41% are conformity assessment procedures. This suggests that exporters face more problems proving their compliance with the regulations rather than complying with them.

Complaints regarding rules of origin and the related certificate of origin account for 16% of all problems reported by the exporters, particularly for those in the manufacturing sector. Regulations concerning charges, taxes and para-tariff measures, as well as quantity control measures were mostly reported by agri-food exporters and account for 7% and 5% of all reported problems, respectively.

Problems specific to the agricultural sector

The agricultural sector is an important sector in the Thai economy. Despite its relatively small contribution to GDP at 4.18 billion Thai baht, around 8.3% of GDP in 2013, the agricultural sector employs 18 million workers, an estimated 40% of the country's total labour force. The agricultural sector is the lifeblood of the Thai economy.

Overall, 67.5% of all burdensome regulations cases faced by agricultural exporters were technical measures. Exporters faced more problems with technical requirements compared to conformity assessment requirements. Around 11.8% of all burdensome regulations cases faced by agricultural exporters were rules of origin and related certificates of origin. Around 9.9% of all burdensome regulations cases faced by agricultural exporters concerned quantity control.

The NTM Survey reveals that small and medium-sized agricultural exporters are proportionally more affected by conformity assessment requirements. This implies that small and medium-sized enterprises (SMEs) lack the resources necessary to comply with technical requirements. In contrast, technical requirements, rules of origin and related certificates of origin are much more burdensome for large agricultural exporters.

The NTM Survey found that the 28 EU Member States, despite having accounted for just 10.9% of Thai agricultural exports, applies 27.8% of the burdensome NTMs. Most of these regulations are related to strict EU regulations on food safety and related conformity assessment measures.

POs and the inefficient TBE also present burdensome obstacles to agricultural exports. Unusually high fees and charges for reported certificates and delays related to reported regulations, and the large number of different documents required, are the most common reported obstacles, as well as inefficient TBEs for both Thailand and partner or transit countries.

For partner or transit countries, documentation is difficult to fill out. Information on selected regulations is not adequately published or disseminated. This is likely caused by the language barrier, especially for small and medium-sized exporters.

Problems faced by the manufacturing sector

The manufacturing sector is important to the Thai economy, with a large contribution of 19.9 billion Thai baht or around 38.1% of GDP in 2013. Major manufacturing products include automobiles, computer parts, electrical appliances, rubber products and jewellery.

Similar to exporters of agricultural products, technical requirements and conformity assessment, as well as rules of origin and related certificates of origin (COs) are the three most common types of NTMs faced by Thai manufacturing exporters.

Overall, 40% of all burdensome regulations cases faced by exporters of manufactured products were technical measures. Exporters faced more problems with conformity assessment regulations than with technical requirements. Around 52% of all burdensome regulations cases faced by exporters of manufactured products involved rules of origin and related certificates of origin.

The NTM Survey reveals that small and medium-size agricultural exporters are proportionally more affected by conformity assessment regulations. This implies that SMEs lack the resources necessary for them to comply with technical requirements. In contrast, technical requirements, rules of origin and related certificates of origin are much more burdensome for large exporters of manufacturing products.

Similar to the finding for agricultural exports, the 28 EU Member States imported just a 10.5% share of Thai manufactured goods and applied 21.9% of burdensome NTMs.

Conclusions

The results of the ITC NTM Survey in Thailand highlight the potential to further improve the domestic trade environment, particularly at the procedural level, as important trade impediments persist. However, the relatively low incidence of burdensome NTMs and the types of problems reported also demonstrate that Thailand has already undertaken considerable efforts to facilitate trade.

The results of the ITC NTM Survey will contribute to informing and optimizing existing policies and processes, in particular with a view to supporting the country's deeper regional integration with ASEAN. The findings are a meaningful complement to NTM Surveys carried out in Cambodia, Indonesia and the Philippines.

The stakeholder meeting on NTMs, held on 29 October 2014 with representatives of the Thai public sector and the business community, focused on validating the NTM Survey results and identified the necessary measures to address the problems faced by Thai companies. The insights and recommendations of the meeting are incorporated in this NTM Survey country report.

Introduction to non-tariff measures

The growing role of non-tariff measures in trade

Over several decades, trade liberalization has been used as a development tool based on evidence that benefits accrue to countries actively engaged in world trade. Multilateral, regional and bilateral trade negotiations as well as non-reciprocal concessions have led to a remarkable reduction in global average tariff protection. With favourable market access conditions, international trade has soared to previously unseen levels, raising overall welfare and standards of living.

However, the misuse of non-tariff measures (NTMs) may undermine the impact of falling tariffs. The sound use of NTMs to ensure consumer health, protect the environment and safeguard national security is legitimate. However, evidence suggests that countries could be resorting to NTMs as alternative mechanisms to protect domestic industries. NTMs have been negotiated within the General Agreement on Tariffs and Trade and at the World Trade Organization (WTO) since the Tokyo Round (1973–1979) and are increasingly dealt with in regional and bilateral trade agreements. NTMs have gained importance, with many practitioners considering they have surpassed tariffs in their trade-impeding effect.

Being defined by what they are not¹ NTMs comprise a myriad of policies other than tariff duties. NTMs are complex legal texts specific to the product and applying country. They are more difficult to quantify or compare than tariffs.

NTMs particularly impact exporters and importers in developing and least developed countries (LDCs) that struggle with complex requirements. Firms in these countries often have inadequate domestic trade-related infrastructure and face administrative obstacles. NTMs that would not normally be considered very restrictive can represent major burdens in LDCs. In addition, the lack of export support services and insufficient access to information on NTMs impede the international competitiveness of firms. As a result, both NTMs applied by partner countries as well as domestic burdens have an impact on market access and keep firms from seizing the opportunities created by globalization.

Non-tariff measures, their classification and other obstacles to trade

Because obstacles to trade are a complex and diverse subject, it is important to understand their terminology and classification. The concept of NTMs is neutral and does not imply a direction of impact. They are defined as ‘policy measures, other than customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both’.²

The term ‘non-tariff barrier’ implies a negative impact on trade. The Multi-Agency Support Team and the Group of Eminent Persons on Non-Tariff Barriers proposed that non-tariff barriers (NTBs) be a subset of NTMs with a ‘protectionist or discriminatory intent’.³

Given that legitimate reasons – including the protection of human, animal and plant health – may lead to NTMs, this report avoids making judgements on intentions and the term NTM is generally used. By design, this ITC NTM Survey only captures NTMs that cause major difficulties for trading companies. NTMs analysed in this report refer to ‘burdensome NTMs’.

The diversity of NTMs requires a classification system. The ITC NTM Survey is based on an international classification developed by The Multi-Agency Support Team, incorporating minor adaptations to the ITC approach.⁴ The classification and data collection go into further detail; however, the following terminology is used in this report:

¹Deardorff and Stern, 1998.

² Multi-Agency Support Team, 2009.

³Ibid.

⁴ For further details on the Multi-Agency Support Team NTM classification, see Appendix II.

1. Technical measures refer to product-specific requirements such as tolerance limits of certain substances, labelling standards or transport conditions. They can be subdivided into two major categories:
 - Technical requirements – technical barriers to trade (TBT) or sanitary and phytosanitary (SPS) measures;
 - Conformity assessment, such as certification or testing procedures needed to demonstrate compliance with underlying requirements.

2. Non-technical measures comprise the following categories:
 - Charges, taxes and other para-tariff measures, in addition to customs duties;
 - Quantity control measures such as non-automatic licences or quotas;
 - Pre-shipment inspections and other formalities such as automatic licences;
 - Rules of origin;
 - Finance measures such as terms of payment or exchange rate regulations;
 - Price control measures.

The measures applied by the exporting country constitute a separate category. It must be noted that NTMs vary widely even within these broad categories.

To provide a richer picture of the problems companies face, the ITC NTM Survey looks at procedural obstacles (POs) and the trade-related business environment (TBE).⁵ POs refer to practical challenges directly related to implementing NTMs. An example is the problems caused by the lack of adequate testing facilities to comply with technical measures or excessive paperwork in the administration of licences. Inefficiencies in the TBE may have similar effects, but occur unrelated to specific NTMs. Examples include delays and costs due to poor infrastructure or inconsistent behaviour of officials at customs or ports.

An overview of previous research and evaluation

In the literature, different methods have been used to evaluate the effects of NTMs. An early approach employed a concept of incidence with NTM coverage ratios. For example, Laird and Yeats (1990) found a dramatic surge of NTM incidence in developed countries between 1966 and 1986 – a 36% increase for food products and an 82% increase for textiles. These studies rely on extensive databases mapping NTMs per product and the applying country. The largest database of official government-reported NTMs used to be the Trade Analysis and Information System published by the United Nations Conference on Trade and Development (UNCTAD), but recently data has been incomplete and updates are irregular.

In a multi-agency effort, ITC, UNCTAD and the World Bank are currently collecting data for a new, global NTM database with a focus on TBTs and SPS standards. ITC Market Access Map features information about NTMs.⁶ However, as complete as such a database may be, it reveals little about the impact of NTMs on the business sector and does not provide information about related POs.

The two main approaches to evaluating the impact of NTMs include quantification techniques and direct assessment.

In the case of quantification techniques, several academic studies have quantitatively estimated the impact of NTMs on either trade quantities or prices. These studies have either focused on very specific measures and individual countries,⁷ or have statistically estimated the average impact from large samples of countries and NTMs.⁸

Excellent overviews are provided by Deardorff and Stern (1998), as well as by Ferrantino (2006). These academic articles provide a valuable insight into the quantitative impacts of NTMs. However, these studies

⁵ For further details on the systematic classification of POs and inefficiencies in the trade-related business environment (TBE) used in the survey, refer to Appendix III.

⁶ ITC Market Access Map is available at www.macmap.org

⁷ Calvin and Krissoff, 1998; Yue, Beghin and Jensen, 2006.

⁸ Disdier, Fontagné and Mimouni (2008); Dean et al., 2009; Kee, Nicita and Olarreaga, 2008; Kee, Nicita and Olarreaga, 2009.

are too specific or general to deliver a useful picture of NTM protection to the business sector and to national policymakers. Quantitative estimations of the effects of NTMs rarely allow for isolating the impact of NTM regulation itself from related POs or inefficiencies in the TBE.

The second approach to evaluating the impact of NTMs is direct assessment through surveys. The Organisation for Economic Co-operation and Development (OECD) compiled the results of 23 previously conducted business surveys on NTMs.⁹ Overall, technical measures, additional charges and general customs procedures were identified as the most burdensome trade barriers. It is worth noting that of the 10 categories evaluated, quotas and other quantitative restrictions, an important trade policy instrument only a few decades ago, ranked fifth. While this survey-of-surveys gives a general indication of the business sector's concerns with NTMs, the majority of the surveys covered a restricted set of partner countries and products. The share of surveys from developing countries was generally low.

A business perspective is indispensable

ITC's programme on NTMs fills the gap left by the earlier studies by providing detailed qualitative impact analyses. The programme directly addresses key stakeholders. Launched in 2010, it incorporates large-scale company surveys on NTMs, POs and inefficiencies in the TBE. The ITC NTM Surveys evaluate all major export sectors and all major importing partners. By end of 2016, ITC aspires to cover 30 developing countries. This report presents results of the survey in Thailand.

The ITC NTM Survey allows companies to directly report the most burdensome NTMs and the way in which they impact their businesses. Exporters and importers face NTMs and other obstacles on a day-to-day basis. Because they know best the challenges they face, a business perspective on NTMs is indispensable. At the government level, an understanding of companies' key concerns with regard to NTMs, POs and TBEs can help to inform and define national strategies geared to overcome obstacles to trade.

About this publication

Chapter 1 provides a snapshot of Thailand's economy, focusing on trade and trade policy. Chapter 2 presents the methodology and implementation of the ITC NTM Survey. Chapter 3 analyses the results of the survey in four main sections. The first section presents aggregate and cross-cutting results; the second looks at the roles of the agri-food and manufacturing sectors in the Thai economy; and the last two sections examine challenges faced by exporters and importers. Chapter 4 summarizes the public sector perspectives on NTMs and new developments at the policy level. Chapter 5 provides proposals and policy options.

⁹ Organisation for Economic Co-operation and Development, 2005.

Chapter 1 Trade and trade policy overview

1. Thailand: A country snapshot

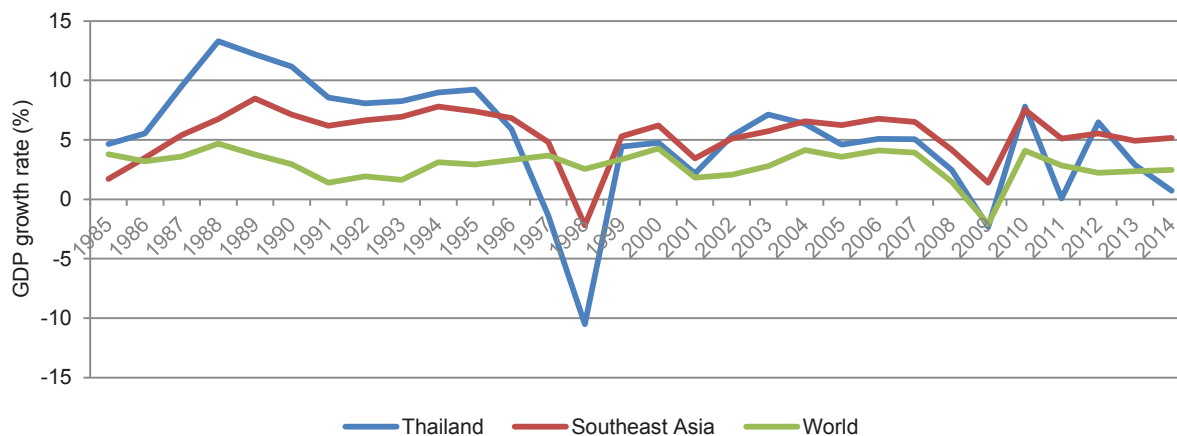
1.1. Economic situation

The Kingdom of Thailand belongs to the group of Asian countries sometimes referred to as the ‘Asian miracle’.¹⁰ Thailand has experienced rapid and sustained economic growth by following an export-led growth strategy. Today, Thailand’s gross domestic product (GDP) is valued at approximately \$374 billion (2014),¹¹ with an average annual growth rate of around 5% in the decade preceding the 2008 to 2009 financial crises. With a per capita GDP of \$5,561 (2014),¹² Thailand falls in the category of an upper middle-income country.

In the mid-1980s, Thailand’s real GDP growth rate started accelerating from 5% in 1985 to continuously 8% or more, greatly exceeding world’s average rate. The country’s impressive economic growth was interrupted by the Asian financial crisis in 1997 and 1998. Growth picked up soon after the Asian crisis and stabilized at an average annual rate of 5% until the recent global financial crisis, 2008 and 2009.

However, growth rates never again reached the high levels of the 1990s as low investment and insufficient infrastructure restricted faster economic growth (Figure 1). The 2008–2009 financial crisis hit and although effective fiscal stimulus packages combined with loose monetary policy were economically successful in the short term, Thailand’s GDP growth rate has not stabilized and remains unstable. This instability is due to internal factors, including natural disaster and political turmoil,¹³ as well as external factors such as the slow economic recovery of industrialized export markets.

Figure 1. Thailand’s real GDP growth rate, 1985–2014



Source: World Bank, 2015, World Development Indicators.

The considerable drop of real GDP growth in 2009 illustrates Thailand’s economic dependence on exports to developed countries. As a result, Thailand’s economic success and short-term GDP growth strongly rely on its export sector and to a lesser degree on domestic demand, which is primarily government consumption. Investment is lagging behind. The lack of investment and the growing investment savings

¹⁰ The other high-performing Asian economies between the 1960s and 1990s are Japan; Hong Kong, China; Taiwan; Republic of Korea; and Malaysia.

¹¹ World Bank, 2015, World Development Indicators.

¹² Ibid.

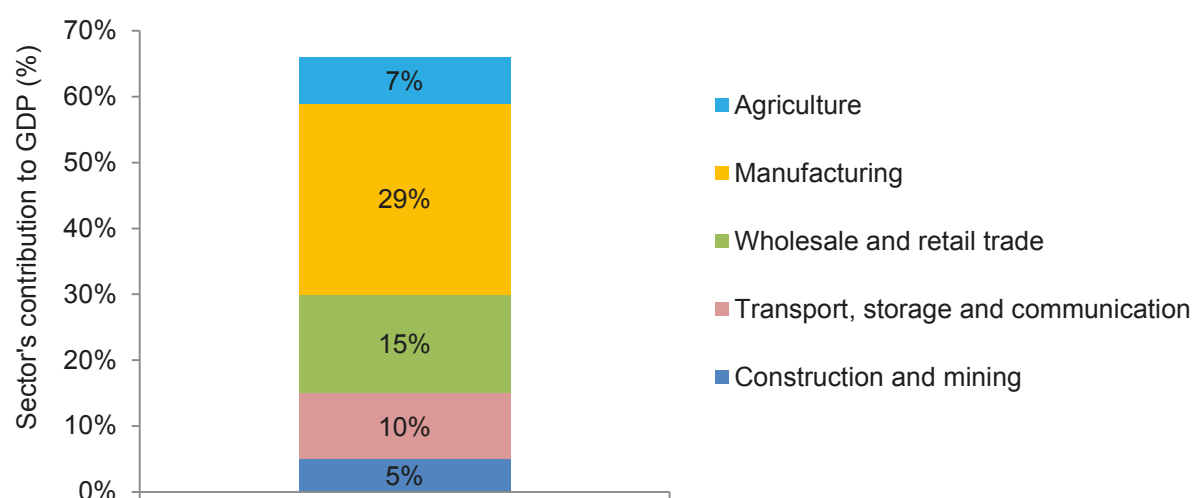
¹³ International Monetary Fund, 2014, Press Briefing on the Asia Pacific Regional Outlook.

gap of Thailand's economy account for the long-term slowdown of Thai GDP growth rates during the 2000s. In response, the Thai government launched various initiatives to increase investment in its infrastructure by promoting public-private partnerships.

The main risks for Thailand's future economic growth are external and domestic. Slow economic recovery in industrialized countries, declining oil and commodity prices, and volatile capital flows affect Thailand's export sector. At the same time, global demand might shift away from products made in Thailand, for example hard disk drives. Domestic political uncertainty is delaying desperately needed structural reforms and is creating an unfriendly business environment for foreign investors.

The manufacturing sector is the driving force of Thailand's economy, contributing almost two-fifths to Thailand's GDP (29%); other important sectors are wholesale and retail trade (15%); and transport, storage and communication (10%) (Figure 2).

Figure 2. Thailand's composition of GDP, 2014



Source: National Economic and Social Development Board, 2015, National Accounts.

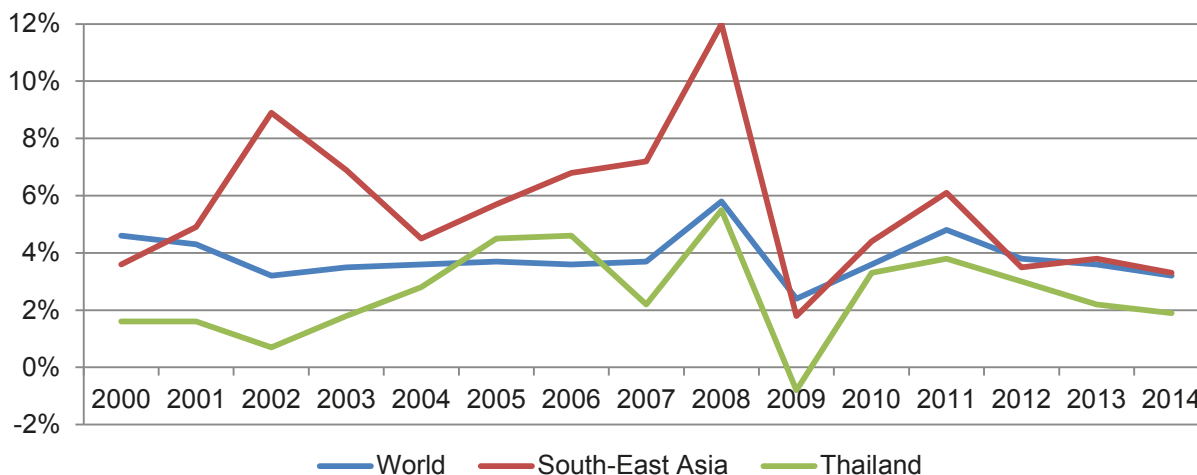
The degree of urbanization of Thailand's 67 million people is comparatively low;¹⁴ slightly more than 50% live in rural areas. However, the gains of economic development are unequally distributed and concentrated in urban regions: 73% of Thailand's 3.4 million poor people live in rural regions, whereas its capital Bangkok has experienced considerable economic development. Nevertheless, Thai authorities have been remarkably successful in reducing overall poverty from about 43% living under the national poverty line in 2000 to 13% in 2012.¹⁵ Thailand has met its Millennium Development Goals in 2015, although income inequality and regional differences persist.¹⁶

The inflation rate of consumer prices in Thailand and Southeast Asia has been relatively low compared to the world average (Figure 3). As a result, inflation has not been a major obstacle for the Thai economy, but declining oil and other commodity prices might affect inflationary pressures in the future. The Thai inflation rate has largely correlated with the development of the world's average and Southeast Asia's average inflation rate; it varied between a low of minus 1% in 2009 during the financial crisis and more than 5% in 2008.

¹⁴ UN DESA, 2014, World Urbanization Prospects.

¹⁵ World Bank, 2015, World Development Indicators.

¹⁶ United Nations, 2015, Millennium Development Goals Report.

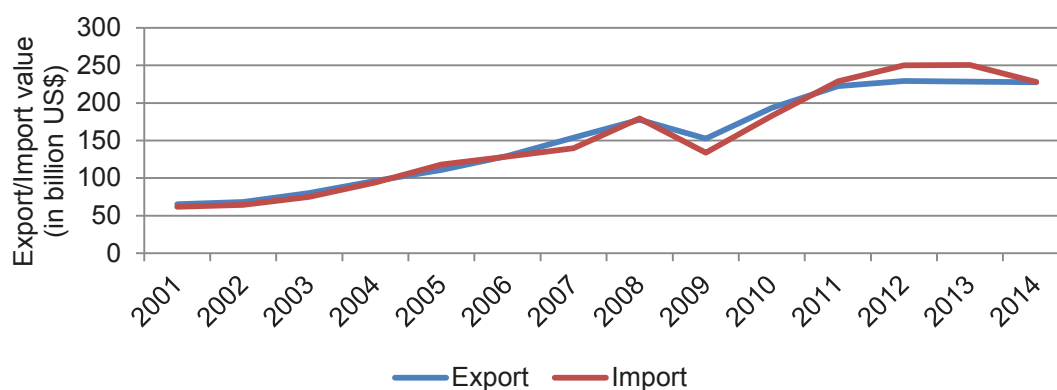
Figure 3. Thailand's inflation of consumer prices, 2000–2014


Source: International Monetary Fund, 2015: World Economic Outlook Database.

1.2. International trade patterns

Thailand has been following a strategy of export-led growth for more than 30 years, which has turned the country into a major exporter of industrial goods. As a result, trade plays a central role in Thailand's development and economy. The combined value of its imports (70%) and exports (77%) is equivalent to 147% of the Thai GDP (2014).¹⁷ In 2014, it was the 23rd largest importer and the 22nd largest exporter worldwide.¹⁸

Between 2001 and 2013, there has been a constant increase of Thai exports, which was only interrupted by the global financial crisis in 2009. The average export growth rate has been more than 11% per year. Imports grew even more with an average growth rate of almost 14% (Figure 4). There is no clear trend of constant trade surpluses or deficits for Thailand. Until 2008, imports and exports were almost balanced, followed by small trade surpluses from 2009 to 2011 and an increasing trade deficit since then due to stagnating exports (Figure 4).

Figure 4. Thailand's export and import figures, 2001–2014


Source: Ministry of Commerce, Thailand, 2015.

¹⁷ National Economic and Social Development Board, 2015, National Accounts.

¹⁸ IMF, 2015, World Economic Outlook Database.

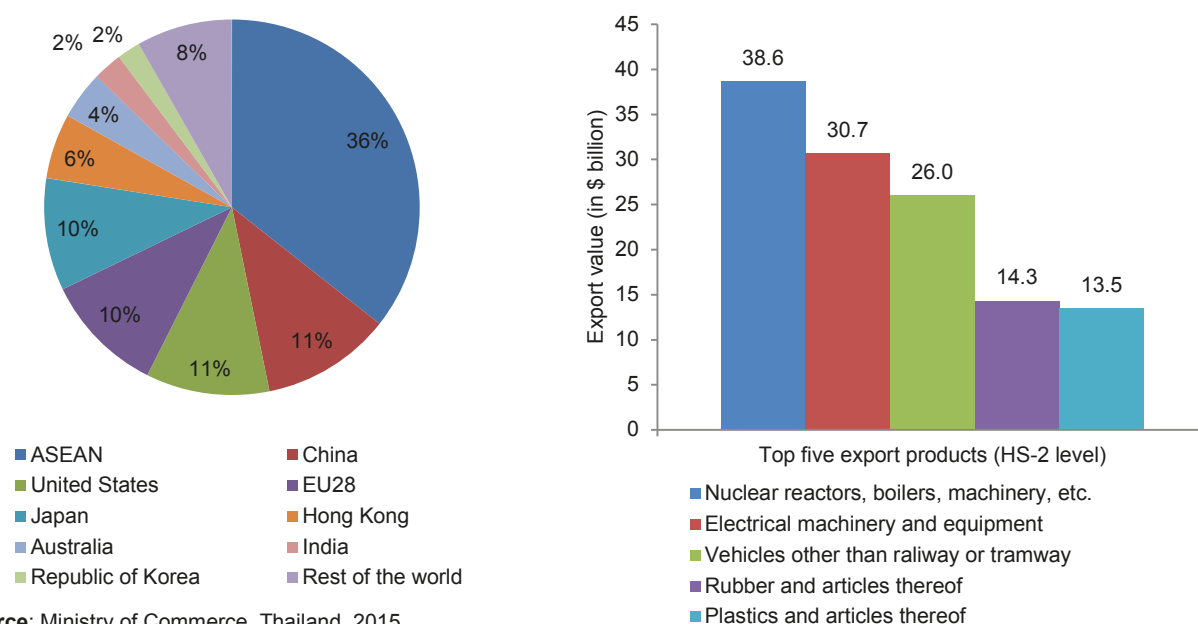
Export destinations and diversification

Thailand's exports increased steadily from a total export value of \$69 billion in 2001 to \$228 billion in 2014. A temporary dip in export numbers in 2009 due to the global financial crisis interrupted this trend (Figure 4). The export sector recovered fast with high export growth rates of 27% and 15% in 2010 and 2011 respectively.

However, since 2011 exports are stagnating. The biggest share of exports (36%) goes to South-East Asian countries that are members of the Association of Southeast Asian Nations (ASEAN),¹⁹ followed by China (11%), the United States (11%), Japan (10%), and the European Union (EU) at 10% (Figure 5). This highlights a remarkable shift in Thailand's export pattern. Thai exports to industrialized countries increased at a slower pace than exports to its regional neighbours. Consequently, China replaced the United States as the most important single importer of Thai products.

No single product dominates Thai export figures. As a result, Thailand's export sector is relatively diversified. Machinery and electronic equipment are the two most important export products, accounting for 17% and 14% of the total export value respectively. Both products are mainly exported to the United States. Machinery exports are concentrated on a few products, such as automatic data processing machines. Other important export products are vehicles (mainly trucks and cars), which are primarily exported to Australia, and rubber. Rubber exports are strongly concentrated in the Chinese market. Thus, Thailand's largest part of exported value stems from exports of manufactured and processed goods.

Figure 5. Markets for Thailand's exports and top five export products, 2014



Source: Ministry of Commerce, Thailand, 2015.

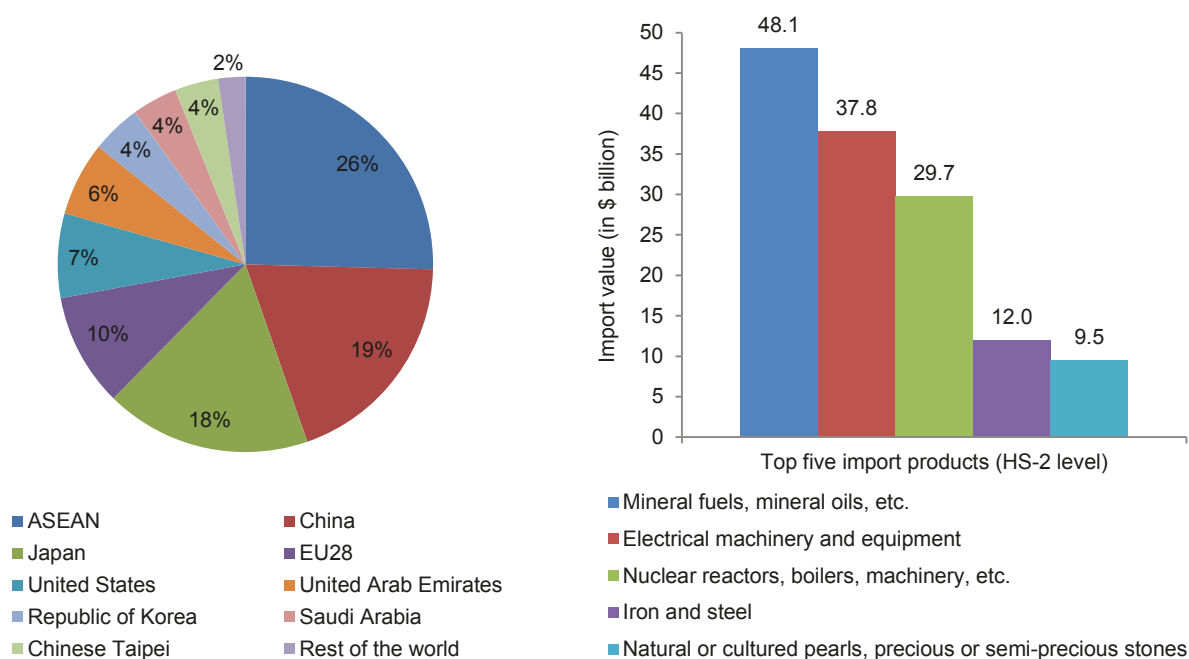
Thailand's imports

Thailand's imports rose similarly strongly and robustly as its exports between 2001 and 2014 from \$62 billion (2001) to \$228 billion (2014). This trend was temporarily interrupted in 2009 due to the global financial crisis and lower global trade volumes. Fuel (mainly crude petroleum oils) and electronic equipment are Thailand's largest import products, which account for 21% and 17% respectively of total import value in 2014 (Figure 6). Other important import goods are machinery and unwrought or semi-manufactured gold.

¹⁹ Members of ASEAN are Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.

Thailand mainly imports raw materials and machines. More than half of Thailand’s imports come from Asian countries. ASEAN countries are the main importers, representing 25% of Thailand’s total import value, followed by China (19%) and Japan (18%). The EU’s 28 Member States and the United States have a comparably smaller share in Thai imports, with 10% and 7% respectively. It is noteworthy that oil-producing countries such as the United Arab Emirates and Saudi Arabia are among the top importers to Thailand (6% and 4% respectively). Japan, China, the EU28 and the United States export mainly processed goods to Thailand, such as machinery, electronic equipment and aircrafts. Exports from the United Arab Emirates and Saudi Arabia are strongly concentrated on crude petroleum oils. Imports from ASEAN countries are as diverse as its members and include mineral fuels, coal, electronic equipment and machinery.

Figure 6. Supplying markets of Thai imports and top five import products, 2014



Source: Ministry of Commerce, Thailand, 2015.

2. Multilateral, regional and bilateral trade agreements

In the 1980s, Thailand adopted an export-oriented growth model. Since then, the country has developed a strong manufacturing base.²⁰ Coinciding with the new economic development path, Thailand signed the General Agreement on Tariffs and Trade (GATT) in 1982 and is a founding member of the WTO. As a strong exporting developing country, Thailand advocates trade liberalization and free market policies, but emphasizes the needs of developing countries and the vital importance of certain sensitive sectors in these countries, particularly with regards to agriculture.

Trade policy objectives comprise liberal, market based, private sector driven growth and, recently, equity. These goals are pursued in multilateral trade agreements under the WTO as well as in regional and bilateral trade agreements.

Multilateral trade agreements

As a WTO member, the Thai government grants most-favoured-nation (MFN) treatment to all WTO member countries. Thailand has been an active member in the WTO Doha Development Agenda trade

²⁰ WTO, 2011, Trade Policy Review: Thailand.

negotiations. The country's priorities are reforming agricultural trade, eliminating export subsidies and reducing trade-distorting domestic support.

As an exporting country with a large agricultural sector, Thailand emphasizes the need for poor farmers to have real access to developed and developing markets. However, Thailand is demanding certain forms of protection for its farmers through moderate forms of the Special Products and the Special Safeguard. Thailand's is supported by and belongs to the Cairns group and the G20 group. In the WTO trade negotiations on non-agricultural market access (NAMA), Thai authorities are calling call for sectoral liberalization, the abandonment of fisheries subsidies and trade facilitation.

Regional and bilateral trade agreements

In the face of deadlocked WTO negotiations and in the absence of a comprehensive multilateral agreement on trade liberalization, Thailand shifted its focus from multilateral agreements to regional and bilateral free trade agreements in the past decade. However, Thailand still considers that some topics should be addressed multilaterally, including agricultural subsidies, anti-dumping disciplines and dispute settlement.

Thai authorities are becoming increasingly active in 'open regionalism'. Thailand is an active member of the regional trade agreement ASEAN, which it signed as a founding member in 1967. ASEAN aims to increase Southeast Asia's competitive advantage as a single market and production unit. Thailand's central trading partners within ASEAN are Malaysia, Singapore and Indonesia. Within ASEAN, Thailand mainly imports crude petroleum gas, electronic equipment and machinery. The country predominantly exports processed petroleum oils, machinery (such as computers and air conditioning units), as well as vehicles.²¹

The 10 ASEAN Member States have a population of about 600 million. With a total value of \$1.27 trillion, ASEAN's imports were slightly lower than its exports (\$1.28 trillion) in 2013, representing a positive trade balance.²² ASEAN's economic integration began in 1992 with the agreement on an ASEAN Free Trade Area (AFTA), which covers trade in goods. AFTA aims to facilitate the trade of all manufactured goods between ASEAN members, but does not apply a common external tariff to non-Member States, which means there is no customs union. AFTA obliges ASEAN members to apply a zero tariff rate²³ to all goods traded between ASEAN countries under the Common Effective Preferential Tariff scheme.

In 2003, ASEAN members agreed to establish the AEC by 2020 as part of the broader attempt to form an ASEAN community comprising an economic, political-security and socio-cultural community. The establishment of AEC in 2015 is a major milestone in the regional economic integration agenda in ASEAN, offering opportunities in a huge market of \$2.6 trillion and more than 622 million people.

AEC is driven by four main goals: creating a single market and production base, forming a competitive economic region, achieving equitable economic development and integrating into the global economy (Table 1).

In 2009, a roadmap with four implementation phases was adopted to chart AEC's formation. By 2014, Phase I (2008–2009) was completed to almost 90%, Phase II (2010–2011) to 75% and Phase III (2012–2013) to 76%. This progress represents an overall implementation of about 80% of the AEC. The four pillars were implemented to different degrees. The elements of the goal of equitable economic government were achieved to 89%, the achievement of a single market and production base, the progress towards a competitive economic region, and the integration into the global economy were less advanced (81%, 77%, and 75% respectively).²⁴

²¹ ITC, Trade Map, 2013.

²² ITC, Trade Map, 2013.

²³ More recent ASEAN members (Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam) are granted an adjustment period.

²⁴ ASEAN AEC Scorecard, Update 2014.

ASEAN has concluded five regional trade agreements with China, Japan, the Republic of Korea, India, and with Australia and New Zealand through the Australia-New Zealand Closer Economic Relations Trade Agreement. Thailand has other bilateral trade agreements with Australia, New Zealand, India, Japan, Peru and Chile.

Table 1. ASEAN Economic Community blueprint – pillars and core elements

Pillars	Core elements
A. Single market and production base	A1. Free flow of goods
	A2. Free flow of services
	A3. Free flow of investment
	A4. Freer flow of capital
	A5. Free flow of skilled labour
	A6. Priority integration sectors
	A7. Food, agriculture and forestry
B. Competitive economic region	B1. Competition policy
	B2. Consumer protection
	B3. Intellectual property rights
	B4. Infrastructure development
	B5. Taxation
	B6. E-commerce
C. Equitable economic development	C1. Small and medium-sized enterprise (SME) development
	C2. Initiative for ASEAN integration
D. Integration into the global economy	D1. Coherent approach towards external economic relations
	D2. Enhanced participation in global supply networks

Source: ASEAN Secretariat, 2008.

ASEAN is also negotiating bilateral trade agreements with Hong Kong, China, and the European Union to maintain and strengthen links to traditional and potential new export markets. As Thailand's and ASEAN's trade agreements partly overlap, the complex web of free trade areas (FTAs) causes additional informational costs for business and some trade deals have been little used in practice, for example the bilateral agreement with Republic of Korea. Thailand does not participate in Trans-Pacific Partnership negotiations.

Non-reciprocal preferential trade agreements

In addition to regional and bilateral trade arrangements, Thailand benefits from international non-reciprocal and preferential trade agreements, such as the General System of Trade Preferences (GSTP) and the Generalized System of Preferences (GSP).

The 1989 GSTP among developing countries is a preferential trade agreement within the framework of UNCTAD, which aims to facilitate trade between developing countries through tariff concessions on certain products. Members include developing countries from Africa, Latin America and Asia, as well as Europe. However, reduced tariffs under the GSTP have only a small effect on Thai exports due to the limited number of eligible products and the little difference between regular tariffs and preferential GSTP rates.

GSP is a preferential tariff system that allows developed countries to suspend the trading rules of the multilateral trade regime set by the WTO. It provides exemptions from the MFN clause that obliges Member States to treat imports of all WTO members equally. In this way, the GSP enables industrialized countries to partially or entirely remove tariffs applied to developing countries' goods. Thailand's use of preferential tariffs under the GSP schemes was \$13.7 billion in 2014.²⁵ Most exports under the GSP go to the EU (64%), followed by the US (25%). Thailand can also benefit from the trade preferences under the

²⁵ WTO, 2015, Trade Policy Review: Thailand

GSP schemes of Japan, Canada, Switzerland, Norway, the Russian Federation and 10 other members of the Commonwealth of Independent States. Since 2015, Thailand has been unable to benefit from the GSP treatment from the EU and Turkey because they have terminated GSP benefits for countries with high- and upper-middle income status, a group Thailand belongs to.²⁶ An estimated 9.8% of total Thai export value goes to the EU and about 60% of Thai exporters to the EU receive preferential GSP treatment. More than 700 products are concerned; among the most affected are frozen shrimps (the tariff line increases from 4.2% to 18%), tuna (from 18.5% to 22%), and motorcycles – products that rely on the EU market and that enjoy GSP preferences.

Competing exporters of these goods, such as Indonesia, Viet Nam, Malaysia and Mexico, either still benefit from GSP rates or have concluded FTAs with the EU. As a result, they are likely to replace a significant share of Thai imports to the EU. However, the overall impact on Thailand's exports is expected to be relatively low (0.5% decline of total Thai exports).

Businesses in Thailand had the necessary time to adjust as the termination was announced in 2013 and tariffs have been rising gradually throughout 2014. For example, apparel producers have already shifted production to neighbouring countries, such as Myanmar, which have lower labour costs and are still under the EU's GSP preference scheme or the Everything But Arms scheme. However, the effect of terminating GSP preferences will be exacerbated by the fact that negotiations of an EU-Thailand Free Trade Agreement were put on hold in reaction to the May 2014 military coup in Thailand.

3. National trade policy and export tariffs

3.1. Import policy

Thailand's tariff structure is relatively complicated. It has a high number of duty-free tariff lines (17.6% of all tariff lines) and non-ad valorem tariff lines (7.8%) (2014).²⁷ Thailand has bound 75% of its tariff lines. Generally, the applied MFN tariffs are considerably lower than the bound tariffs. The average final bound is 27.8%; the average MFN applied is 11.6%.²⁸

Thailand's average MFN duty on agricultural products is 31%, while non-agricultural products have an average applied duty of 8%. Among agricultural products, particularly high tariffs are applied to beverages and tobacco (45%); fruits, vegetables and plants (41%); animal products (30%); and coffee and tea (45%). In the non-agricultural sector, clothes (30%) and transport equipment (21%) are products with the highest tariff rates.

Thailand's main import products – minerals and metals, petroleum, and non-electrical and electrical machinery – have low tariff rates between 4% and 8%. Importantly, a large share of these products enters Thailand duty free: 92% of petroleum, about 43% of minerals and metals, and 54% of electrical machinery are exempt from duty (2014).²⁹

In line with AFTA rules, Thailand grants tariff preferences to ASEAN Member States, which removes all tariffs and quotas on almost all imports to Thailand. The only exemptions are cut flowers, potatoes, non-roasted coffee, coffee husks, and copra with a 5% tariff. Under Thailand's other regional and bilateral agreements, tariff levels are lower than its applied MFN rates, but remain significant. Protective tariff levels are assigned to transport equipment, beverages and tobacco, vegetables and footwear.³⁰

Thailand has tariff quotas on 7.4% of its agricultural tariff lines,³¹ – overall 24 tariff quotas – including products that Thailand is a net exporter of, for example rice and sugar. These tariff quotas are part of Thai import licences on goods. Generally, because Thai import licensing is complex and opaque, it has the

²⁶ European Commission, 2013: Commission delegated Regulation (EU) No 1421/2013.

²⁷ WTO, 2015, Trade Policy Review: Thailand.

²⁸ WTO, 2015, World Tariff Profiles 2015.

²⁹ Ibid.

³⁰ WTO, 2012, Trade Policy Review: Thailand.

³¹ WTO, 2015, World Tariff Profiles 2015.

same effect as quantitative restrictions. The tariff surcharges apply to three products: fishmeal with a protein content of less than 60%, maize (corn) for animal feed and soybean meal.³² Thailand is allowed to use import restrictions to protect economic stability, public interest, public health and security. Typically, Thailand uses these import restrictions for economic reasons to protect infant industries. Import prohibitions only exist in accordance with GATT Article XX exceptions.

3.2. Export policy

The majority of Thailand's export value stems from the non-agricultural sector, representing about 83% of total export value. However, the agricultural sector accounts for a considerable share of exports and plays a central role in Thailand's tariff structure.

Thailand has a relatively diversified agricultural export sector with China as the main export market for agricultural products. Agricultural commodities face generally moderate tariffs in their major export markets, ranging from 5.5%–9.6%. Among the major importers, Indonesia and the United States apply the lowest MFN rates (simple average) of 6.6% and 5.5% respectively; Japan and China apply remarkably higher MFN rates to Thai agricultural products (19.6% and 17.1% respectively).

At the same time, very different shares of tariff lines are duty free for Thai agricultural products in its main importing countries due to regional or bilateral trade agreements or GSP concessions. Only 18% of tariff lines are duty free in the EU28, compared to 93% in China. As an ASEAN member, Indonesia allows duty-free imports from Thailand for 96% of tariff lines (Table 2).

Thai exports of non-agricultural commodities are diversified and face significantly lower tariffs than its agricultural products in their major export markets, ranging from 3.5% to 9.7%. A large share of non-agricultural products can enter the major exporting markets duty free. China applies a relatively high MFN rate (a simple average of 9.7%), but offers a very large share of tariff lines duty-free status (96%). The EU28, the United States and Japan, with average MFN tariffs of 4.8%, 3.9%, and 3.5% respectively, import a large share of Thai non-agricultural commodities duty free (63%, 75%, and 97% respectively) (Table 2).

Table 2. Tariffs applied and preferences granted by major importing partners, agricultural and manufacturing goods

Thailand's major export markets (2013)	Diversification 95% trade in number of HS Chapters and Subheadings		Average MFN of traded tariff lines		Preference margin (eligible)	Duty-free imports	
	HS-2 digit	HS-6 digit	Simple	Weighted		Tariff lines (% of total)	Value (% of total)
Agricultural products							
China	12	21	17.1%	14.3%	11.2%	93.5%	91.6%
Japan	29	129	19.6%	26.1%	22.2%	48.4%	36.8%
EU	25	66	13.7%	7.7%	2.5%	18.2%	17.7%
United States	17	58	6%	2.4%	1.4%	71.2%	59.6%
Indonesia	24	112	5.5%	6.1%	5.3%	96.3%	90%
Non-agricultural products							
China	42	249	9.7%	3.7%	2.8%	96.4%	86.4%
United States	60	429	3.9%	2.1%	0.5%	75%	79.5%
EU	64	641	4.8%	3.5%	2%	63.3%	78%
Japan	65	809	3.5%	1.4%	1.3%	94.2%	96.9%
Malaysia	52	477	9.5%	8.3%	6.6%	51.6%	64.8%

Source: WTO (2015). World Tariff Profiles

³² WTO, 2012, Trade Policy Review: Thailand.

Generally, Thai exporters are not required to register, but for a number of agricultural goods, exporters are obliged to register to ensure export quality and food safety. Thai authorities tax a number of mainly agricultural exports (hides of bovine animals, wood, rice, metal scrap, rubber, silk yarn, and certain fish) and apply relatively high statutory rates on key export products (rice and rubber).

Although Thai authorities terminated all export subsidies in 2007, a number of export promoting and facilitating schemes persist, including bonded warehouses, duty drawbacks, and other provisions for duty and tax refunds, as well as tax and non-tax privileges under the IEAT and the Customs Free Zone scheme.

Bonded warehouses exempt imports of goods from duties and taxes if they are used as intermediary products in a production process for export or if they are re-exported. Duty drawbacks enable exporters to obtain a refund of import duties paid on raw materials that are used for exports; machinery, tools, moulds, and fuels for manufacturing are excluded from the duty drawback scheme. Exported products manufactured in Thailand are eligible for tax coupons under the Tax and Duty Compensation of Exported Goods Produced in the Kingdom Act; products not entitled include minerals and goods that are subject to export duties or fees.

Investors in the IEAT Free Zone enjoy a number of tax and non-tax privileges, which include exemptions from import duty, VAT and excise tax on factory construction materials, machinery, and raw materials as well as exemptions from export duties and taxes. The IEAT Act provides tax relief for goods from IEAT Zones imported into local markets. In 2013 there were 60 companies operating in IEAT free zones, employing 20,616 people and accounting for 8.6% of total exports.³³

The Customs Free Zone programme is intended to promote investment in and exports from these free zones. The scheme exempts imports into a free zone for industrial or commercial purposes from import duties, VAT, and excise tax as well as export duties, duties on waste and scrap, and standard and quality control requirements. In 2012, 62 of these zones existed in Thailand.³⁴

Thailand has a state-owned export and investment-promoting bank – the Export-Import Bank of Thailand (EXIM Bank), which provides a wide range of insurance and credit facilities to promote exports and investment. However, because the EXIM Bank must create its own funds, it provides credits and insurance at market prices and incorporates risk assessments. EXIM Bank is under supervision of the Ministry of Finance, which would compensate any severe losses.

3.3. Thailand's rice policy

The rice sector plays a central role in Thailand's economic structure as well as in its political landscape. A large part of its labour force works in the sector. Rice is a main component of Thai exports. Until 2011, Thailand was the world's largest exporter of rice. Domestically, rice is politically important as it affects large parts of the population. As a major exporter of rice, Thailand has considerable leverage in the global rice market and regularly tries to exercise its market power to steer the rice market for domestic political motives.

Attempts by Thailand in 2008 and 2013 to establish a rice cartel among rice producing ASEAN members to improve rice prices have proven unsuccessful. This is partly because while Thailand is one of the largest exporters of rice, its rice production is much less than that of India and other large countries. In this way, Thai authorities try to mitigate the hardships for the rural population emerging from the transformation from an agrarian to an industrial economy.

Thailand's rice policy must be seen in the light of the enormous disparities in the national wealth distribution. Most of the poorest people living under the national poverty line are located in Thailand's northeast (30%) and the southern rural regions (15%). Economic wealth is concentrated in urban regions, especially in the capital Bangkok. Between 2001 and 2014, Thai domestic politics were dominated by Thaksin Shinawatra's political parties (Thai Rak Thai; People's Party; Pheu Thai of Thaksin Shinawatra),

³³ WTO, 2015, Trade Policy Review: Thailand

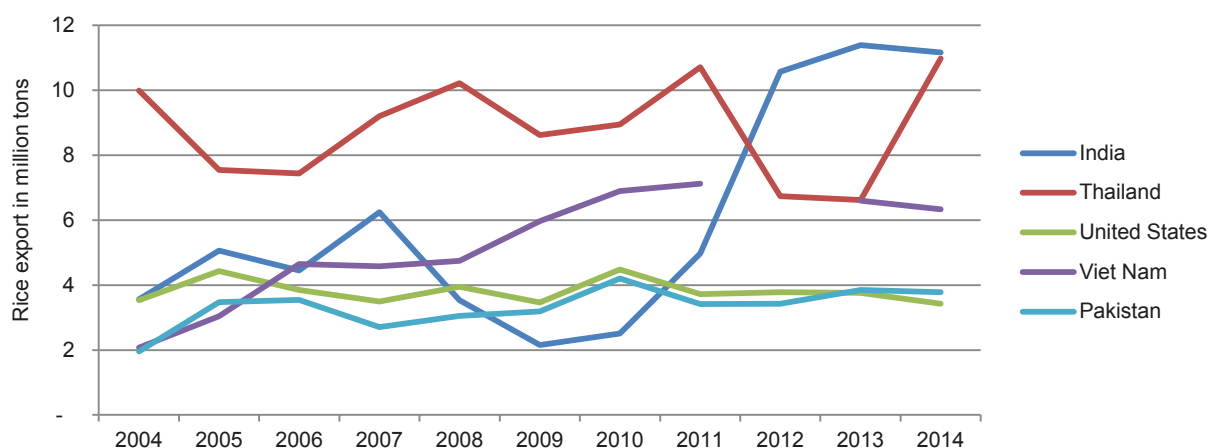
³⁴ Ibid.

which won all open elections since 2001. In 2011, his sister, Yingluck Shinawatra, assumed official leadership of the party as he was banned from Thai politics.

The Shinawatra government's electoral base is mainly the rural, poor population in the northeast. Improving living conditions for rice farmers and rising income levels of rural rice farmers was essential for Thaksin's political survival. As a result, the Shinawatra government adopted a number of populist economic policies, such as increasing the daily minimum wage and implementing price controls on key agricultural products, including rice and rubber. These policies were partly successful in increasing per capita GDP in Thailand since 2000.

Yingluck Shinawatra's 2011 electoral campaign focused on policies targeted at eliminating poverty. When she was voted into office, she adopted a rice price support programme under which the Thai government bought rice from its local farmers at a guaranteed price up to 50% above world market prices. The government stockpiled the rice and tried to exploit Thailand's leading role in global rice exports by driving up world market prices. Thai rice exports decreased by more than one-third in 2012 and while rice had been the fifth most exported product in 2011, it dropped to ninth position in 2013.³⁵ The policy, however, did not bring about the desired effect as other major producers, notably India, stepped in and closed the supply gap (Figure 7).

Figure 7. Top five global rice exporters, by quantity



Source: ITC TradeMap, 2015. No data is available for Viet Nam in 2012.

The rice pledging scheme was extremely burdensome for Thai public finances and benefitted rural rice producers at the expense of urban consumers. The government reported the costs with more than \$4 billion for 2011–2012; non-official sources, however, assume much higher costs. When Moody's, one of the world's leading credit rating agencies, announced that the expensive rice price guarantee programme had a negative effect on Thailand's creditworthiness in 2013, protests arose accusing the Shinawatra government of mispending public money. Very quickly old fault lines appeared between royalist nationalists and the populist left-leaning government.

To relieve political pressure, Yingluck dissolved the parliament at the end of 2013 and planned to hold an election in early 2014. The election process was not completed, and Thailand was left for nearly six months in a political vacuum under a caretaker government with limited authority. Lacking the authority to borrow, the government had no choice but to sell the stockpiled rice at discounted prices to maintain the scheme and to pay some of the outstanding debt to the farmers. This further reduced the world market price of rice.

In May 2014, the coup by Thailand's military and the formation of the National Council for Peace and Order brought the Shinawatra regime to an end and created short-term political stability but political polarization.

³⁵ ITC, TradeMap, 2013.

The payment of the outstanding debt of \$2.7 billion to rice farmers was one of the first steps, but just a few days later the junta announced the end of the economically devastating rice pledging scheme in June 2014. The military government gradually reduced the stockpiled rice reserves and by 2015 Thailand had regained its position as one of the top rice exporters – a close second behind India.

3.4. Economic policy after the 2014 military coup

The recovery of the faltering Thai economy is at the heart of the political agenda of Thailand's military government, which announced it would form a technocratic government focusing on economic development until democratic elections in late 2015. Among the first steps the government took was to terminate costly populist economic policies, such as the rice pledging scheme. Other policies, planned and adopted under the Shinawatra government were continued. A massive eight-year infrastructure development scheme until 2022 (overall \$75 billion) is supposed to improve the rail network, especially to China and key airports. In addition, more public spending is allocated to education and defence.

Against the government's initial announcements, price controls on essential consumer goods have been maintained, for example for cooking gas and diesel, to protect population's purchasing power, avoid civil unrest and gain support from the constituency traditionally voting for Shinawatra's party.

The Thai economy in 2015 recovered from the political turmoil, with GDP during the first half of 2015 expanding 2.9% as compared to 0.9% in 2014. However, risks from China's slowdown, low agricultural prices and drought were expected to soften the economic momentum end of 2015. To support the economy, the government has introduced financial and tax measures to assist farmers, low-income earners and SMEs. Financial and tax incentives were also implemented to revitalize the real estate and construction sector. Incentives are also being given to expedite private investments during the last quarter of 2014 and in 2015.

Chapter 2 Non-tariff measures survey methodology and implementation

In the framework of the ITC programme on NTMs and in cooperation with local partners in Thailand, ITC conducted a large-scale company survey on NTMs and related POs to trade. The objectives of the NTM Survey were to increase transparency and create a better understanding of the trade impediments faced by the Thai business sector.

This chapter provides information on country-specific survey implementation, sampling methodology, basic characteristics of the survey sample and course of analysis. Appendices provide further details:

- Appendix I provides a thorough explanation of the global methodology, which is the core part of the analysis and is identical in all surveyed countries.
- Appendix II explains the NTM classification.
- Appendix III lists procedural obstacles and presents the taxonomy to arrange reported measures into an organized hierarchical system.
- Appendix IV presents the agenda of the stakeholders' consultation held in Bangkok, Thailand on 29 October 2014.

1. Survey implementation and sampling methodology

1.1. Timeline and principal counterparts

ITC, in collaboration with the Department of Trade Negotiations (DTN) of the Thai Ministry of Commerce, officially launched a survey in August 2013 to assess the Thai business community's perspectives on NTMs. The Bangkok-based company, Rapid Asia Co., Ltd, implemented the survey on behalf of and under the guidance of ITC. Project managers and interviewers at Rapid Asia underwent an in-depth five-day training on the survey methodology, the questionnaires and the interview process.

The aim of the NTM Survey is to provide a better understanding of the trade obstacles experienced by Thai companies and to identify potential bottlenecks related to trade procedures and cross-border operations. This information will assist both the private sector and the government to create an enabling environment for private sector development and improved export competitiveness for Thailand and the region.

1.2. The non-tariff measures survey process

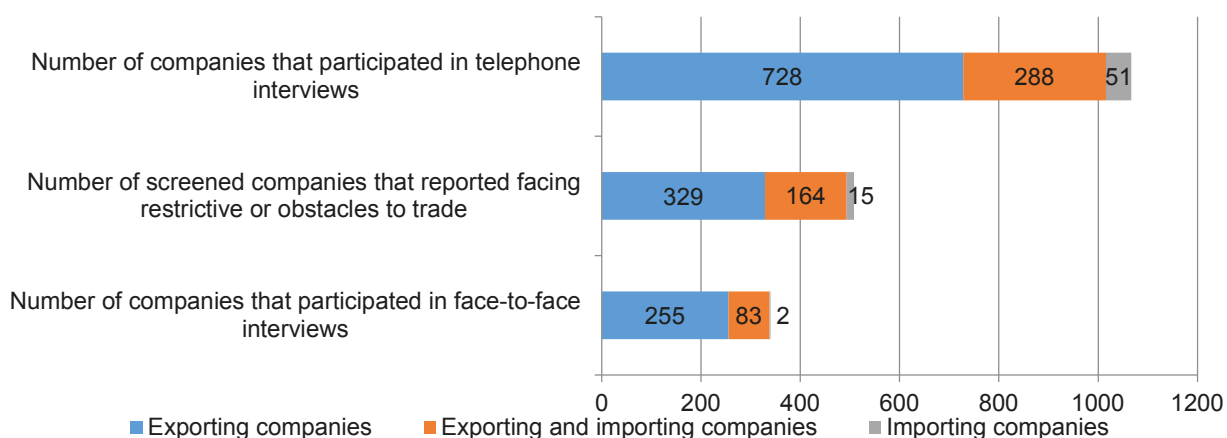
Prior to the launch of the NTM Survey, ITC compiled a business registry of exporting and importing companies in Thailand, based on information provided by DTN. The registry contains information such as contact details, location and major export or import products for more than 10,000 Thai companies participating in international trade. This registry was used to calculate the sample size and to contact the companies for an interview.

The survey consisted of two steps. The first step involved screening exporting and importing companies through a basic telephone interview (see below). The aim of the telephone interviews was to confirm the main sector of activity, the direction of trade and whether the company experienced difficulties with NTMs. Companies interviewed in the telephone screening phase are selected based on stratified random sampling from the business registry. As per NTM Survey sampling methodology, phone screen interviews are designed to cover a representative share of Thailand's export sectors, excluding arms and minerals.

The second step involved detailed face-to-face interviews with companies that reported having experienced obstacles to trade and were willing to participate in the NTM Survey (see below). The face-to-face interviews gathered detailed information on the NTMs experienced by the companies during the telephone interviews. Interviews were conducted based on generic ITC questionnaires that were adjusted to local requirements.

The questionnaires were in English and where required questions were asked in Thai. Typically, survey respondents were general managers or the company's employee responsible for the export and import process. All responses from the companies are treated with utmost confidentiality. Only synthesized information on the NTM Survey results is shared with the Ministry of Commerce.

Figure 8. Number of companies interviewed by telephone and face-to-face



Source: ITC NTM Survey in Thailand, 2014

Telephone interviews

A stratified random sampling method is used to calculate the sample size for the NTM Survey's telephone interview phase. This approach ensures that the samples required for each sector corresponds to the size of the sector. A total of 1,067 companies participated in telephone interviews out of which 959 were randomly selected from the business register. An additional 108 companies known to be facing difficulties with NTMs were also interviewed about their experiences. However, to calculate the rate of affectedness among companies, only the 959 randomly selected companies were taken into consideration.

Among the companies that participated in telephone interviews, 728 were engaged only in exports, 288 engaged in both exports and imports, and 51 were engaged in imports only (Figure 8). The telephone interviews focused on key information such as the company's export and import sectors, company size, and whether the company was affected by burdensome regulations or procedures during the last 12 months. The telephone interviews identified 508 (47%) affected exporting and importing companies. Subsequently, 340 of the affected companies participated in detailed face-to-face interviews to understand the exact nature of their problems.

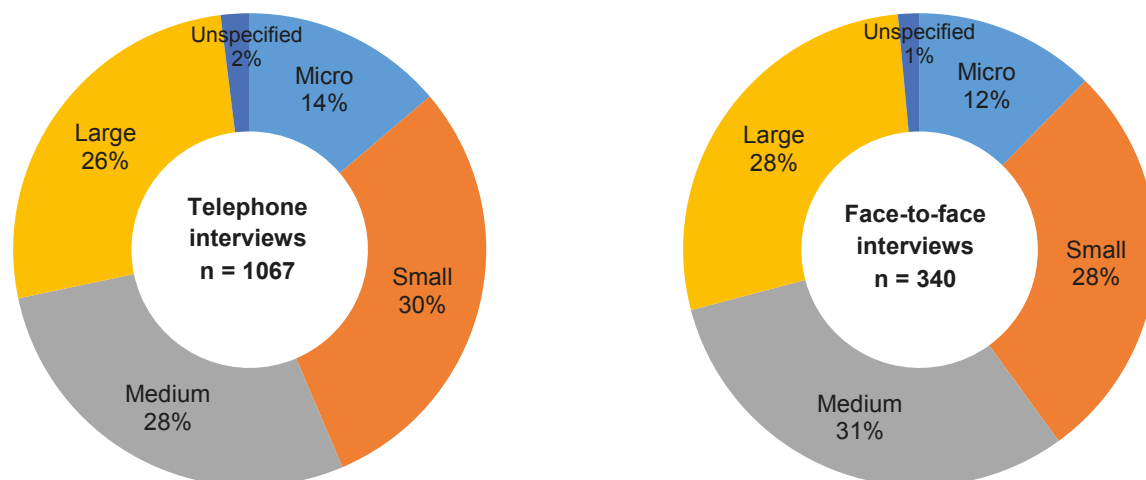
Companies of various sizes were well represented in the telephone interview. Large companies accounted for 26% of telephone interviews (Figure 9). Medium, small and micro-sized companies accounted for 28%, 30% and 14% respectively.

Companies from various sectors were also well represented in the telephone interview. Fresh food, processed food, wood products, textiles, chemicals, leather products, basic manufactures, non-electric machinery, IT, consumer electronics, transportation equipment, and clothing are roughly equally represented in the telephone interview with shares ranging from 8% to 12% (Figure 10).

Face-to-face interviews

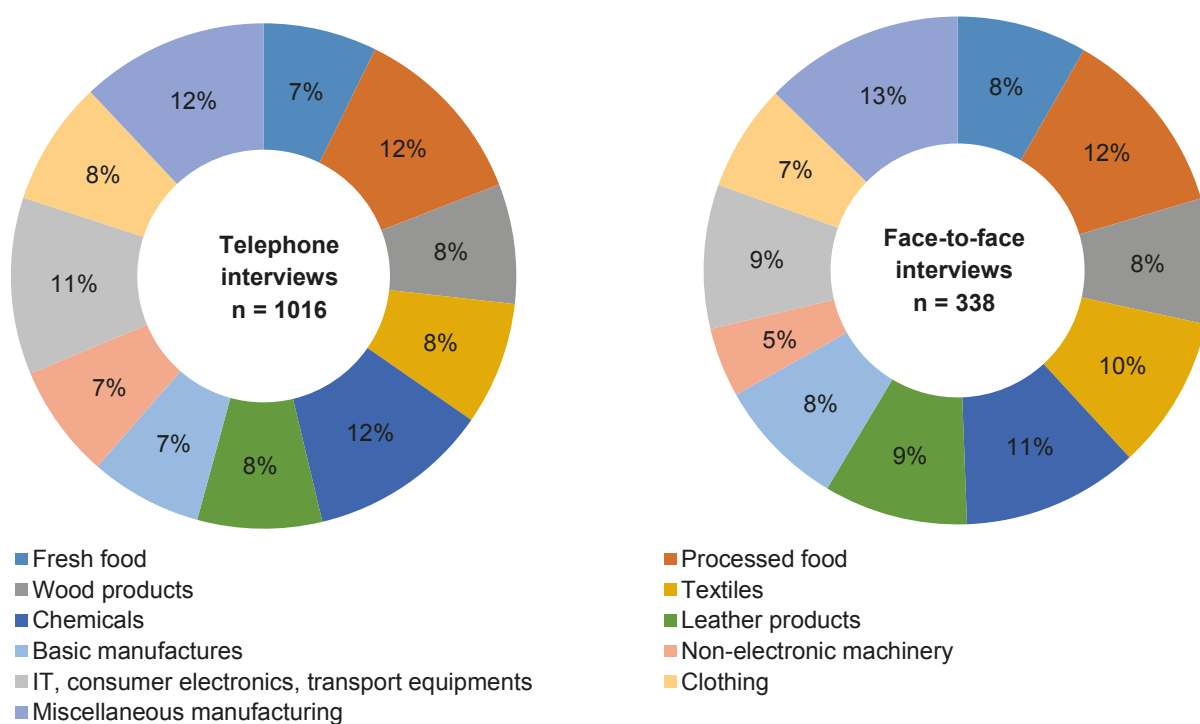
The selection of companies for face-to-face interviews was based on the results of the telephone interviews. Only companies that reported to be facing burdensome NTMs in the telephone interviews and were willing to participate further were interviewed in detailed face-to-face interviews. These face-to-face interviews gathered detailed information on the causes and types of NTMs.

Figure 9. Distribution of interviews by company size



Source: ITC NTM Survey in Thailand, 2014.

Figure 10. Distribution of interviews by main export sector



Note: This figure includes only includes exporters.

Source: ITC NTM Survey in Thailand, 2014.

Out of the 340 companies that participated, 255 were exporting while 83 were exporting and importing; two companies engaged only in importing also participated. On average, face-to-face interviews lasted 45 to 60 minutes, depending on the number of challenges and barriers reported. The participation rate for companies (67%) in face-to-face interviews was relatively high.

Companies of various sizes were well represented in the face-to-face interviews. Large companies accounted for 28% of telephone interviews (Figure 9). Medium, small and micro sized companies accounted for 31%, 28% and 12% respectively. The sampling distribution of companies of various sizes for face-to-face interviews is comparable to that of telephone interviews.

Companies from various sectors were also well represented in the face-to-face interviews. Fresh food, processed food, wood products, textiles, chemicals, leather products, basic manufactures, non-electric machinery, IT, consumer electronics, transportation equipment, and clothing are roughly equally represented in the telephone interviews, with shares ranging from 5%–13% (Figure 10). The sampling distribution of companies from various sectors for face-to-face interviews is comparable to that of telephone interviews.

1.3. Implementation challenges

Most of the implementation challenges were encountered in the field. Some of these challenges included:

- Failure to locate some of the offices due to the wrong directions given in the telephone interview;
- Being turned away due to mistrust even after producing identification documents;
- The relevant persons were not available for the interview even after making an appointment;
- Some respondents kept postponing the interview date until it was too late to hold the interview;
- Mistrust that interviewers were working for the government or competing firms;
- Some complained that the interviewers were working for the government or competing firms;
- Some complained that the interview was long and requested five-minute interviews, which were insufficient;
- Some firms complained that they were too small and that more emphasis should be placed on larger ones;
- Some firms complained that questionnaires were long and that they should be mailed, which was not possible. A guided discussion is necessary to ensure detailed and complete information on the difficulties faced by the companies is captured.

2. Captured data and evaluation approach

In ITC NTM Surveys, interviewers collect information on the characteristics of firms, including size, operational age, foreign ownership and sector affiliation. Firms are classified as either ‘producing’ or ‘forwarding’ companies and as exporting or importing enterprises. Firms are also asked to provide information on their exports and imports at the product or Harmonized System (HS) 6-digit level,³⁶ the destination country of exports or their imports’ country of origin. Each pair of product and partner country is referred to as ‘product-partner trade flow’.

For each product-partner trade flow, company representatives are asked to provide detailed information on the NTMs they encounter. Interviewers then capture the category of the NTM as classified in Appendix II, the country applying the measure and the authorities causing POs. The survey distinguishes between POs associated with a reported NTM and general inefficiencies in the TBE that are posing challenges.

The final phase of data analysis consists in calculating frequency and coverage statistics along several dimensions, including product and sector, main NTM category (for example, technical measures or quantity control measures) and company characteristics (for example, size).

³⁶In several cases, products were inaccurately reported at the HS 6-digit level, but may be traced to the HS 4-digit level.

Most frequency and coverage statistics are based on ‘cases’. A case is the most disaggregated unit of analysis. Every company participating in face-to-face interviews reports at least one case of burdensome NTMs and, if relevant, POs and challenges associated with the TBE.

The type of NTM and the country applying it, the product affected and a company reporting the measure defines a ‘case’ of an NTM. For example, if one company reports that an NTM applied by a partner country affects three products, the results would include three NTM cases. If two different companies report the same problem for a given product and partner country, it would count as two cases.

However, the counting of cases differs depending on whether the NTM is applied by the exporting or importing country. The scenario where several importing partner countries apply the same type of measure to exports is recorded as several cases. The details of each case, including the actual name of government regulation and its strictness, may vary as regulations mandated by various countries are likely to differ.

When the exporting country applies an NTM to a product exported by one company to several countries, this is recorded as one NTM case because it is considered to be the result of one policy. Following the same logic, if a company imports the same product from several different countries and faces difficulties with NTMs imposed by Cambodian authorities, it would be counted as one case.

Cases of POs and problems with inefficiencies in the TBE are counted in the same way as NTMs. PO and TBE statistics are provided separately from those of NTMs, even though in certain instances they are closely related. For example, extended delays may result from pre-shipment inspection requirements. While POs are directly related to a given NTM, inefficiencies in the TBE occur irrespective of NTMs.

Chapter 3 Survey results on companies' experiences with non-tariff measures

This chapter provides a detailed analysis of the ITC NTM Survey findings in Thailand. It starts with an aggregated country-level overview of NTMs focusing on affected sectors, major problems, and locations where the problem occurs. The chapter then provides a detailed sector-specific analysis of the problems reported by exporters and importers. Chapter 3 concludes with recommendations for the agricultural and manufacturing sectors.

1. Aggregate results

1.1. Cross-country comparison and affected sectors

During the initial telephone interview phase a total of 1,067 companies were asked about their experiences with NTMs in Thailand or abroad. Overall, 42% of the companies reported facing restrictive regulations or related obstacles to trade in Thailand or abroad either while exporting or importing.³⁷ (See Table 3.) Similar to the NTM Survey in other countries, results in Thailand show that a larger proportion of exporters (38%) are affected by burdensome regulations than importers (26%).

Table 3. Share of companies affected by burdensome non-tariff measures or related obstacles to trade, based on phone screening results

Company type	Sector	Total value in 2013 (\$ '000)	Sector's share in total exports or imports	Number of companies interviewed by telephone ^{1/}	Share of companies facing restrictive regulations or related obstacles to trade ^{2/}
Export	Agri-food	38,069,447	18%	194	47%
	Manufacturing	168,974,284	82%	822	36%
	Subtotal	207,043,731	100%	1016	38%
Import	Agri-food	14,665,932	8%	46	25%
	Manufacturing	165,577,554	92%	293	26%
	Subtotal	180,243,486	100%	339	26%
Total			1067	42%	

Note: ^{1/} In Thailand, 288 surveyed companies were involved in both exporting and importing. These companies were interviewed separately about each activity and are included in the count for exporting and importing companies separately. The total of exporting and importing companies (1,067) represents the number of unique companies interviewed instead of the sum of the subtotals in the table (1,355).

^{2/} The share of companies affected by burdensome NTMs is based only on companies selected randomly for the NTM Survey. Out of the 1,067 companies in the sample 959 were randomly selected. An additional 108 companies that were facing difficulties with NTMs were also interviewed in addition to the random samples.

Source: ITC, Trade Map, 2013; and ITC NTM Survey in Thailand, 2014.

Among other countries surveyed by ITC around the world, companies in the ASEAN region have demonstrated their ability to comply with various regulations and requirements. Similar to Thailand (38%), the share of exporters affected by burdensome NTMs is low in Indonesia (30%) while the Philippines (61%) and Cambodia (82%) are the two countries in the ASEAN region with a high proportion of exporters reporting difficulties complying with NTMs. The rate of affectedness in Thailand is similar to that experienced in countries such as Egypt (37%), Mauritius (31%), Jamaica (42%), Peru (42%) and Morocco (34%).³⁸

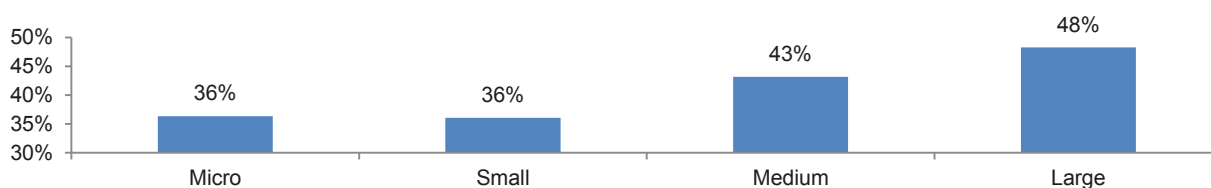
³⁷ The share of affected companies is based on randomly selected samples. In Thailand, 959 companies were randomly selected.

³⁸ ITC NTM Surveys, www.ntmsurvey.org.

LDCs in general tend to have high rate of affectedness. For example, Guinea (95%), Malawi (80%) and Rwanda (71%) have a much higher proportion of companies affected by burdensome NTMs compared to Thailand. An ITC study has shown that the proportion of companies that find compliance with regulations burdensome to be negatively related to the country's income level. A 10% increase in national income level resulted in 3% decrease in the proportion of companies facing difficulties with NTMs.³⁹

Among exporting companies, exporters of agri-food products are more affected (47%) compared to those exporting manufactured products (36%). This is consistent with the fact that countries often regulate agri-food products more vigilantly for reasons of consumer and environmental protection. In comparison to the case of exporters the share of importers, from both the agri-food and manufacturing sectors, reporting difficulties with NTMs is much lower. Approximately one-quarter of the importers report difficulties with NTMs.

Figure 11. Share of Thai companies affected by NTMs, by size



Source: ITC NTM Survey in Thailand, 2014.

The affectedness rate among companies may also depend on the size of the company. In Thailand, the majority of the surveyed companies were SMEs.⁴⁰ Overall, smaller companies tended to be less affected by burdensome regulations compared to larger companies. Around 36% of micro and small enterprises reported to be facing difficulties with NTMs. In contrast, 43% of medium-sized and 48% of large companies reported to be affected (Figure 11).

According to the methodology, a company is considered to be affected by an NTM if at least one of its products is affected by a regulation applied by Thailand or one of its partner countries. Given that larger companies tend to have bigger portfolio of goods and a larger number of trading partners compared to smaller companies, they are more likely to face impediments in at least one of these transactions. Smaller companies tend to trade a few products with fewer partners. This implies a lower likelihood to experience NTMs or POs.

It is also important to consider that the impact of being affected is likely to be much higher for smaller firms than for larger firms. For a small firm the burden of facing an NTM or PO in one or more of its few markets can be huge. In contrast, a more diversified large company can compensate for difficulties in some markets with other established business partners. Smaller companies with their limited resources will find it more difficult to bear the cost associated with compliance to regulations compared to larger companies.

1.2. Major problems with non-tariff measures and related procedural obstacles

To have a better understanding of the nature of problems faced by Thai exporters and importers, ITC classifies difficulties faced by the companies in three broad categories: burdensome NTMs, POs and inefficiencies in the TBE. NTMs are official regulations implemented by competent authorities in the exporting or importing country that traders must comply with. Appendix II describes the different types of NTMs. POs are hindrances that companies face due to the manner in which the regulation is applied or implemented. See Appendix III for examples. Inefficiencies in the TBE are generic problems unrelated to specific regulations, but that affect companies' ability to export or import.

³⁹ ITC (2015). The Invisible Barriers to Trade: How Businesses Experience Non-Tariff Measures. Available at: <http://www.intracen.org/publication/The-Invisible-Barriers-to-Trade---How-Businesses-Experience-Non-Tariff-Measures/>

⁴⁰ Company size is based on the number of employees.

It should be noted the NTMs and related POs reported in this survey are measures imposed by importing and exporting countries. Private voluntary standards, which are implemented by private buyers, are not the main focus of this survey. However, the survey does capture difficulties reported by survey participants to conform to private standards. The survey identifies burdensome regulations and measures faced by current exporters or importers. As a result, experiences of companies that are not able to or no longer export or import are not captured in this survey.

Import-related measures are regulations applied by the importing country (either Thailand or a partner country depending upon the trade flow) on products that are being imported into the country. Export-related measures are regulations applied by the exporting country on products being exported. Cases of NTMs for import-related measures are defined at the product and destination market level for each company, which means that a single type of NTM reported by an exporter may be counted multiple times depending upon the number of partner countries applying the same measure.

NTM cases for export-related measures are defined only at the product level irrespective of the destination market. This is because the domestic authority applies the regulations and implementation is likely to be the same for products intended for any destination market.

Thai companies faced a variety of trade impediments due to regulations applied by partner countries as well as Thailand. Companies may find compliance with any given NTM difficult for a variety of reasons. It could be that the conditions of a given regulation are simply too difficult to comply with or are intended to restrict trade. For example, companies may not be able to export due to authorities imposing export prohibitions or because of their inability to meet the high quality requirements.

Any given regulation may be difficult for exporters because of the related POs rather than the regulation itself being difficult. These POs can occur either in Thailand, transit countries or destination countries, irrespective of which country applies the NTM.

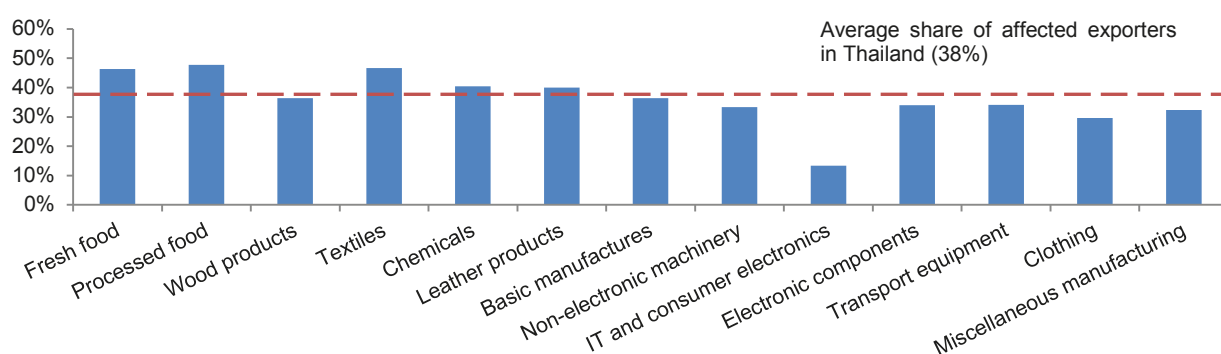
In the following section, the nature and type of problems are discussed in detail.

1.3. Most common problems faced by exporters

The initial telephone interviews in Thailand were conducted with 1016 exporters, including 194 exporters of agricultural products and 822 exporters of manufactured products. Among them, 38% reported to facing regulatory obstacles to trade when exporting.

Companies exporting fresh food and processed food are among the most affected with 46% and 47% of the companies affected. The agri-food products are particularly impacted by SPS measures and the related certification or control procedures, as these products are generally highly perishable and fragile. Most countries are very vigilant about consumer safety and put special emphasis on the control of food products. In comparison to agri-food sector, Thai companies from the manufacturing sector are less affected by NTMs (36%). Exporters of leather products, chemicals, and textiles are more affected while exporters of electronics, consumer and IT products – Thailand's largest export product – are relatively less affected (Figure 12).

Figure 12. Share of exporting companies affected by NTMs, by sector

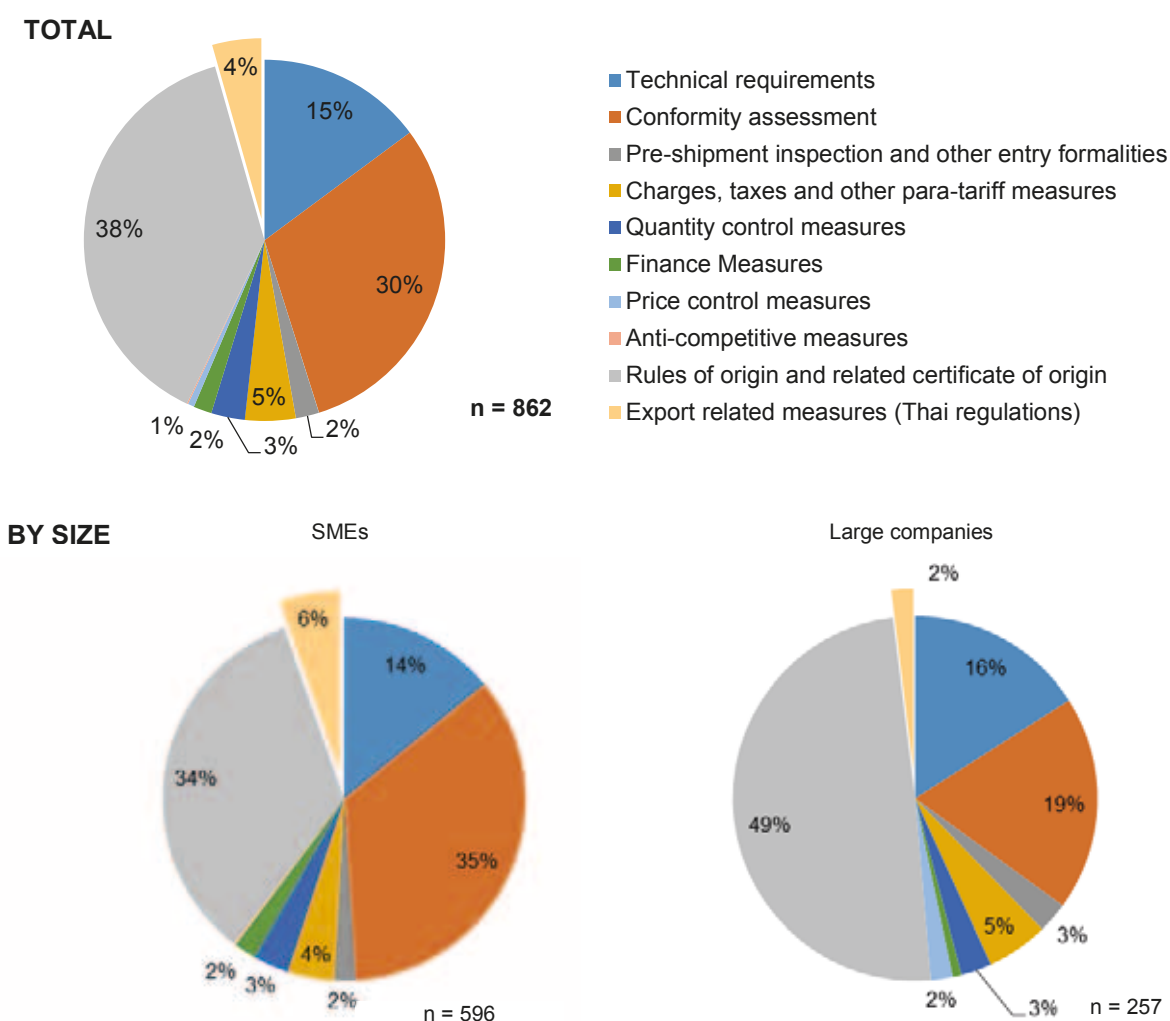


Source: ITC NTM Survey in Thailand, 2014.

One possible explanation in the difference in affectedness between the agri-food and manufacturing sectors could be the position of the country’s exporters in the different value chains. While exporters of agricultural goods are mainly active at earlier stages of production with a high and diffuse number of competitors, exporters of manufactured goods usually depend on the intensive use of high-quality imported inputs and participate in more closed and organized trade relationships with higher levels of trust.

Subsequently, 338 exporters who claimed to have faced difficulties with NTMs when exporting in the past year participated in detailed face-to-face interviews to describe their experiences. These exporters that participated in detailed face-to-face interviews reported 862 cases⁴¹ of burdensome regulations, the vast majority of which (96%) are applied by partner (importing) countries (Figure 13). There are only few incidents of difficulties related to export regulations imposed by Thailand (4%) in addition to a few cases concerning private standards. This contrasts with the results in other countries where ITC NTM Surveys find that typically 75% of all challenging NTMs reported by exporting companies are applied by the partner (importing) countries, while 25% are burdensome export-related measures imposed by the home country.

Figure 13. Types of burdensome regulations experienced by Thai exporters



Note: For nine cases, the size of the affected company was unknown. SMEs (less than 200 employees) include micro, small and medium-sized enterprises as captured during the telephone interviews. Company size is based on the number of employees as defined by the government. An additional 21 cases reported by exporters relate to private standards.

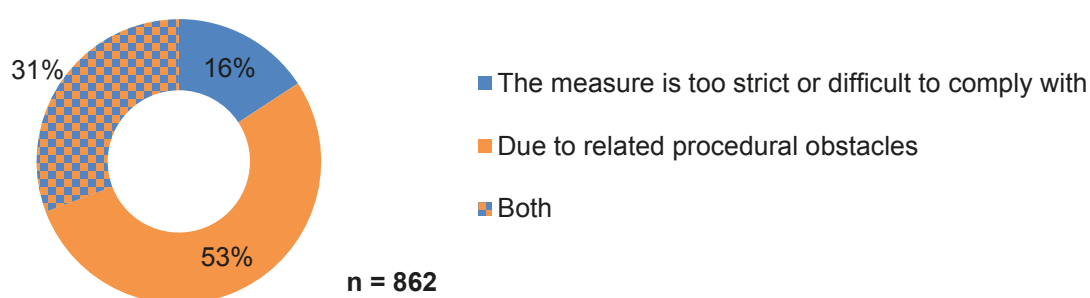
Source: ITC NTM Survey in Thailand, 2014.

⁴¹ See Appendix I for the definition of NTM cases.

To have a better understanding of the nature of problems faced by exporters, the NTM Survey methodology identifies the measures that are burdensome to the exporters and the underlying reasons why they are burdensome. Very often exporters face difficulties with a given regulation not only because they are too strict and complex to comply with, but also (and at times solely) because of the related POs. NTMs are official regulations implemented by competent authorities in the exporting or importing country that traders must comply with. POs are hindrances that companies face due to the manner in which the regulation is applied or implemented.

In case of Thailand, almost half (47%) of all problems reported by exporters were perceived as difficult due to the regulations being too strict or difficult to comply with (Figure 14). In contrast, 84% of reported NTM cases were perceived to be difficult due to various procedural obstacles, most of which occur in Thailand itself. Around 31% of the reported burdensome cases were due to both the regulation being too strict and the related POs.

Figure 14. Why exporters face difficulties with NTMs



Source: ITC NTM Survey in Thailand, 2014.

Overall, exporters report 1,179 incidents of procedural obstacles that make compliance to a given regulation difficult. In contrast to the NTM cases, 76% of the reported POs (897 cases) occurred in Thailand institutions while the remaining 24% (282 cases) were encountered in partner or transit countries.

1.3.1. Non-tariff measures applied by partner countries

Regulations imposed by partner importing countries make up 824 of the 862 cases of burdensome NTMs reported by Thai exporters. Overall, 45% of the burdensome NTM cases experienced by Thai exporters are technical measures. Technical measures include 'technical requirements', which are product specifications related to quality standards, safety, production process and sanitary requirements. They are usually implemented to protect the consumer or animal health, environmental protection, or national security. The figures also include 'conformity assessment' procedures such as certification, which provide proof of compliance with the underlying technical requirements.

Around 15% of the burdensome regulations are technical requirements while 32% relate to conformity assessment. This is consistent with survey results from other developing countries. A greater challenge lies in proving that the products meet the given criteria rather than satisfying the technical requirement itself. This is usually due to high costs and administrative or procedural hurdles related to the requirements. Refer to sections 2.3.1 and 3.3.1 of this chapter for specific issues related to technical requirements and conformity assessment in the agricultural and manufacturing sectors.

Issues related to rules of origin or the process of obtaining a certificate of origin, were frequently reported by exporters to be a problem (38%). As a developing country, Thailand had enjoyed preferential tariff rates for a range of products from a number of developed countries. However, as Thailand becomes more developed, the preferential tariff treatment has gradually been withdrawn. As an ASEAN member, Thailand can export most goods to other member countries duty free. To benefit from these preferential tariffs, exporters must certify that their product was made in Thailand or that adequate value addition has taken place in Thailand or ASEAN, if regional cumulation is allowed. Proving origin turns out to be a challenge for Thai exporters due to complex rules, high compliance cost and delays involved in obtaining the relevant documents. This difficulty could have resulted in low usage rate of preferential agreements. Refer to

sections 2.3.2 and 3.3.2 for specific issues related to rules of origin in the agricultural and manufacturing sectors.

Other important types of regulations applied by partner countries include charges, taxes and other para-tariff measures (5%); quantity control measures (3%); pre-shipment inspection and other entry formalities (2%); and finance measures (2%).

Examining types of NTMs faced by exporters by company size suggests that SMEs are proportionally more vulnerable to conformity assessment measures than large companies. Among the cases of burdensome NTMs faced by SMEs, 35% (208 out of 596 cases) are related to conformity assessment, in contrast to 19% (49 out of 257 cases) for large companies (Figure 13). This observation is consistent with findings in other countries. Usually SMEs in developing countries lack the awareness and resources necessary to comply and conform to a large number and variety of NTMs imposed by importing countries. This is caused by frequent changes of standards in importing countries, lack of accessible information on standards, lack of testing centres, as well as expensive testing equipment needed to comply with importing countries' standards.

Interestingly, there are significant differences between the agricultural and the manufacturing sector in the incidence of the different burdensome technical measures. An estimated 32% of the reported burdensome NTM cases faced by exporters of agri-food products are technical requirements compared to 32% of conformity assessment cases. In contrast, only 8% of the NTM cases reported by exporters of manufactured products relate to technical requirements while 30% related to conformity assessment.

Exporters of manufactured products report the majority of the complaints regarding rules of origin and the related certificates of origin. Almost half of NTMs reported by manufacturing exporters (48%) relate to rules of origin, in contrast to only 11% of the cases reported by exporters of agri-food exporters. Regulations concerning charges, taxes and para-tariff measures and quantity control measures were mostly reported by agri-food exporters and account for 5% and 3% respectively of all reported problems.

Over two-thirds of the burdensome regulations faced by Thai exporters originate from destination markets in three regional blocks: ASEAN, Asia and the EU. Measures applied by member countries of the ASEAN account for 20% of all the difficult NTM cases experienced by Thai exporters in partner countries. Similarly, other Asian countries and EU countries apply 27% and 23% of the burdensome regulations respectively (Table 4). Thai exporters also report a number of burdensome NTMs originating from other big importers such as the United States, Australia and Middle East and North Africa (MENA) countries, which account for 6.7%, 4.7% and 11% of reported NTM cases respectively.

The high number of cases reported for big export markets is not surprising given that trade flows to these markets are captured more frequently in the sample, although some are proportionally higher than others. Consequently, a higher absolute number of NTM cases do not necessarily indicate more restrictive import policies in these countries. When interpreting this result it is important to consider that the geographic structure of exports might play a role. This is why it is necessary to compare the share of cases of burdensome NTMs and the share of exports across trading partners. This is done in Figure 15, where the domestic aspect of NTM-related trade obstacles is disregarded.

ASEAN is one of Thailand's biggest export markets. Thailand is also a founding member of the regional 10-country bloc, AEC, which has a goal of regional economic integration. While around a quarter of all Thai exports are sold to other ASEAN countries, 20% of burdensome NTMs (169 cases) reported by Thai exporters are related to regulations of ASEAN countries (Figure 15). Malaysia and Indonesia, in particular, are important markets importing Thai products worth over \$10 billion or 5% of Thai exports each. The two countries were also responsible for 6% and 5% of the reported burdensome regulations.

Viet Nam imported 3% of Thai exports while accounting for 4% of reported NTMs. In contrast, Singapore, whose import figures are similar to that of Viet Nam, accounted for only 1% of the burdensome regulations indicating that Thai companies find exporting to Singapore easier than other large markets in the region. Other ASEAN countries, such as the Philippines, Myanmar, Cambodia and Lao People's Democratic Republic account for 1.5%, 1.7%, 1%, and 0.2% respectively of reported NTMs.

Table 4. Partner countries applying burdensome NTMs on Thai exports

	Partner country or territory (export destination for Thai products)	Thailand export value in 2013, \$ '000**	Share in total Thai export value	Number of companies that export to this country*	Share of affected companies among those exporting to this country	Number of NTM cases reported to be applied by this country	Share in total NTM cases
ASEAN	Malaysia	10,741,359	5.2%	57	54.4%	48	5.9%
	Indonesia	10,298,969	5.0%	54	57.4%	42	5.1%
	Singapore	6,865,771	3.3%	52	19.2%	10	1.2%
	Viet Nam	6,528,388	3.2%	56	46.4%	33	4.0%
	Philippines	4,541,063	2.2%	17	52.9%	12	1.5%
	Myanmar	3,261,517	1.6%	24	45.8%	14	1.7%
	Cambodia	3,079,444	1.5%	19	36.8%	8	0.9%
	Lao People's Democratic Republic	2,686,981	1.3%	15	13.3%	2	0.2%
	Brunei Darussalam	164,766	0.1%	3	0.0%	0	0.0%
	ASEAN subtotal	48,168,258	23.3%	297	42.8%	169	20.5%
Asia (excluding ASEAN and MENA)	Japan	21,617,314	10.4%	105	59.1%	77	9.4%
	China	24,605,782	11.9%	62	59.7%	54	6.5%
	Hong Kong, China	10,932,480	5.3%	34	26.5%	12	1.5%
	Republic of Korea	3,892,369	1.9%	24	37.5%	10	1.2%
	India	4,697,390	2.3%	23	43.5%	15	1.7%
	Chinese Taipei	3,271,345	1.6%	17	35.3%	16	2.0%
	Bangladesh	806,713	0.4%	14	57.1%	16	2.0%
	Russian Federation	1,156,790	0.6%	11	45.5%	6	0.6%
	Asia (excluding ASEAN) subtotal	73,969,100	35.7%	311	49.8%	224	27.2%
EU28	Netherlands	4,424,598	2.1%	14	78.6%	20	2.4%
	Germany	4,000,318	1.9%	50	58.0%	42	5.1%
	United Kingdom	3,706,151	1.8%	43	46.5%	24	2.9%
	France	1,717,349	0.8%	37	64.9%	35	4.2%
	Italy	1,425,493	0.7%	19	52.6%	15	1.8%
	Belgium	1,273,975	0.6%	14	64.3%	9	1.1%
	Spain	803,080	0.4%	12	66.7%	17	2.1%
	Sweden	528,538	0.3%	9	88.9%	18	2.2%
	Denmark	423,986	0.2%	5	40.0%	2	0.2%
	EU28 subtotal	21,872,956	10.6%	217	59.0%	193	23.4%
North America	United States	22,505,290	10.9%	86	45.4%	55	6.7%
	Canada	1,454,476	0.7%	14	50.0%	9	1.1%
	Other North America	28,820	0.0%	0	.	0	0.0%
		North America subtotal	23,988,586	11.6%	100	46.0%	64
Middle East and North Africa (MENA)	Saudi Arabia	2,977,976	1.4%	19	73.7%	19	2.2%
	United Arab Emirates	2,930,750	1.4%	34	58.8%	29	3.6%
	Egypt	910,296	0.4%	9	55.6%	9	1.1%
	Iraq	737,848	0.4%	4	75.0%	6	0.7%
	Iran (Islamic Republic of)	330,199	0.2%	7	57.1%	9	1.1%
		MENA subtotal	12,042,626	5.8%	104	61.5%	92
Oceania	Australia	9,925,556	4.8%	60	58.3%	39	4.7%
	New Zealand	1,148,618	0.6%	12	33.3%	5	0.6%
		Oceania subtotal	11,545,325	5.6%	74	55.4%	47
Others	Europe (excl. EU28) subtotal	1,352,277	0.7%	10	50.0%	8	1.0%
	Latin America subtotal	8,099,677	3.9%	16	31.3%	5	0.6%
	Sub-Saharan Africa subtotal	6,004,926	2.9%	24	41.7%	22	2.7%
	Total	207,043,731	100.0%	1153*	50.4%	824	100.0%

Source: ITC NTM Survey in Thailand, 2014; and ITC Trade Map, 2013.

*Companies exporting to several destinations are counted once for each destination. As a result, the total in this table is higher than the total number of companies interviewed.

**Excluding services, minerals and arms.

A vast majority (62%) of all burdensome regulations originating in the region relate to rules of origin requirements. This suggests that despite regional economic integration among ASEAN countries more effort is required to facilitate trade. Difficulties with technical requirements and related conformity assessment make up 27% of the reported NTMs in the region.

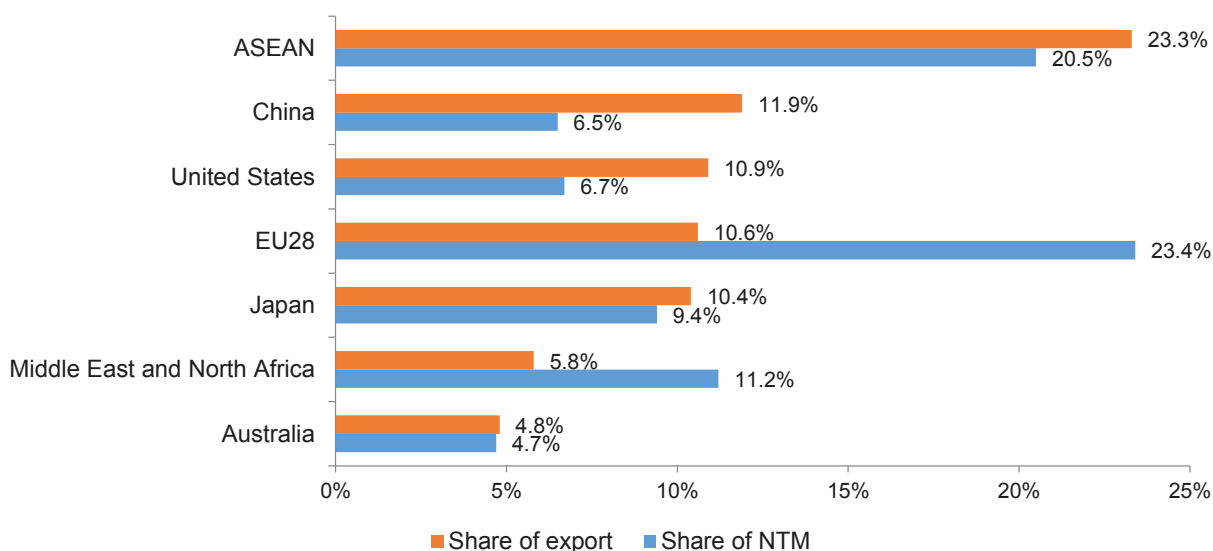
The Asian market, excluding ASEAN, imported goods valued at close to \$74 billion from Thailand in 2013. It is a relatively easy for Thai exporters to access when comparing the share of exports to the region (36%). China and Japan are the two big markets for Thailand, importing 12% and 10% respectively of Thai exports. Exporters, however, face fewer regulatory hindrances exporting to China (6.5% of NTMs) compared to Japan (9.4%). Technical regulations and rules of origin requirements are the two major concerns of Thai exporters to this region.

The EU28 turns out to be a relatively difficult market for Thai exporters to access. While 10.6% of Thai exports (\$21.9 billion) go to the EU28 countries, they account for a disproportionate share of burdensome NTM cases (23.4%) experienced by exporters. Among the 217 companies that export to the EU28 countries, 59% reported to have experienced burdensome regulations in at least one of the countries. The Netherlands is the biggest EU market for Thailand (\$4.4 billion), but still remains a difficult market to access. Around 2.4% of reported NTM cases are Dutch regulations. Germany and France account for the most number of burdensome NTMs experienced by Thai exporters in the EU28 with 5.1% and 4.2% of all cases respectively. Technical requirements and conformity assessment are the main difficulties faced by exporters followed by rules of origin requirements.

The United States imports about the same amount (\$22.5 billion) from Thailand as the EU28. However, compared to the EU28, Thai companies find exporting to the United States much easier. Only 6.7% of the burdensome regulations reported relate to American regulations compared to 23.4% related to EU regulations. Technical regulations are the main concern of companies exporting to the United States.

MENA countries are also a difficult market for Thai exporters to access. Countries in this region import 5.8% of Thai exports but are responsible for more than 11% of all burdensome NTMs.

Figure 15. Share of total exports and share of NTMs applied by selected partner countries, 2013

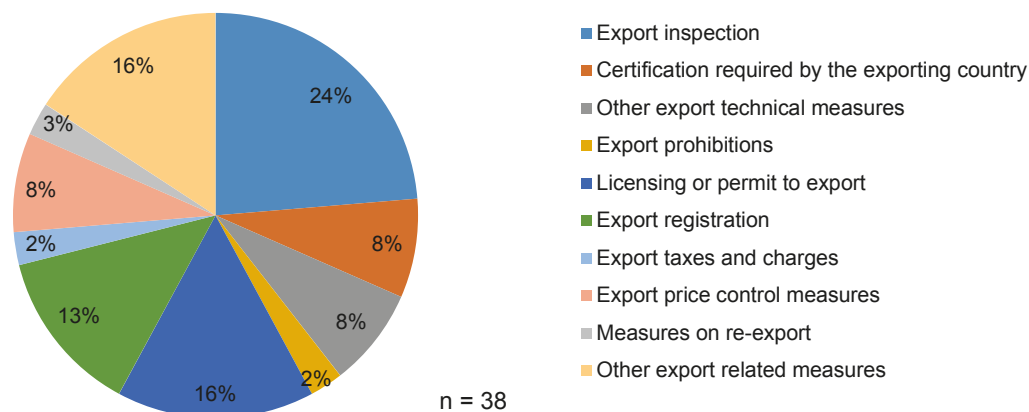


Source: ITC NTM Survey in Thailand, 2014; and ITC Trade Map, 2013

1.3.2. Non-tariff measures applied by Thai authorities

Very few exporters faced difficulties with Thai regulations when exporting. Of the 38 reported cases of burdensome regulations more than half are related to lengthy and onerous inspection and documentation related to exports, including export inspections (24%), licensing or permit to export (16%), other export related measures (16%), and export registration (13%) (Figure 16).

Figure 16. Burdensome NTMs applied by Thai authorities on exports



Note: Exporters report a further 21 NTMs that were related to private standards rather than official regulations

Source: ITC NTM Survey in Thailand, 2014.

1.3.3. Procedural obstacles and inefficiencies in the trade-related business environment

POs are a major cause of concern for Thai exporters. As shown in Figure 14, 84% of all reported NTM cases are perceived as burdensome by exporters due to various POs. It is also noteworthy that more than half (53%) of all reported NTM cases are deemed burdensome exclusively due to POs that make compliance with NTMs difficult, and not due to regulations being too strict or difficult.

Thai exporters reported 1,179 incidents of POs that make compliance to any given regulations difficult. While a vast majority of regulatory difficulties exporters faced were regulations of partner countries, most of the POs occurred in Thailand. The majority (76% of cases) of POs are encountered in Thailand, compared to 24% of PO cases occurring in partner countries (Figure 17).

Three main types of POs hinder the export process. Delays in obtaining relevant documents, certification or approval from concerned authorities (342 cases) is the most frequently mentioned PO by exporters, accounting for 29% of all POs occurring in Thailand and 28% in partner countries. High fees and charges (281 cases) imposed by different agencies for various processes relevant to the regulation account for 20% of POs occurring in Thailand and 35% of the POs in partner countries. Exporters also feel burdened by the fact that they have to submit many different kinds of documents to authorities (217 cases) in the export process, accounting for 20% of the POs occurring in Thailand and 12% of the POs in partner countries.

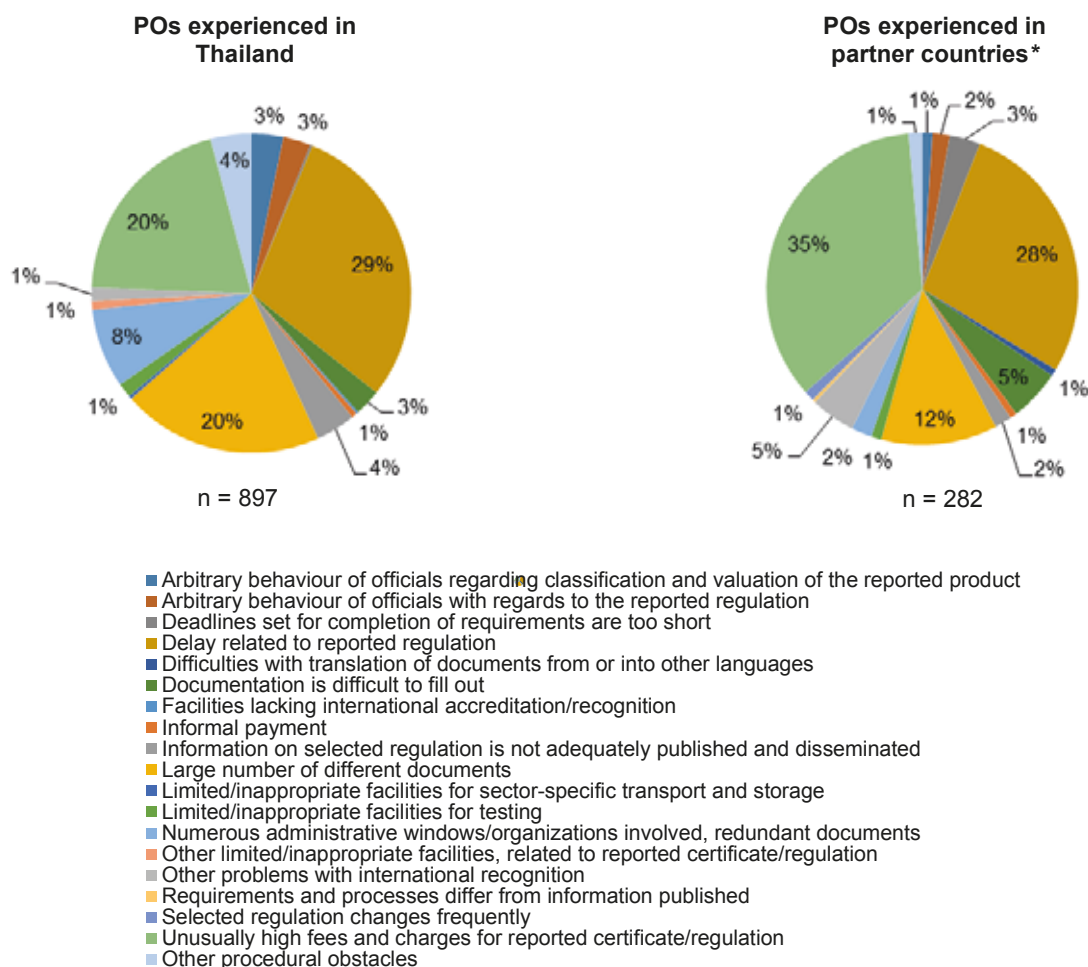
Multiple administrative windows (8%), arbitrary behaviour of officials in public agencies (6%), information not adequately published or disseminated (4%), and documentation being difficult to fill out (3%) are other POs frequently faced by exporters. Exporters report other POs, such as issues of transparency or with international recognition, but these occur much less frequently. Cases related to corruption (bribes) make up less than 1% of the cases – one of the lowest shares reported among the countries surveyed by ITC to date.

During the interviews, companies were asked to specify where they encountered the POs. In Thailand, most of the reported POs occurred at the Department of Foreign Trade – Ministry of Commerce, which is the responsible agency for issuing certificates of origin (COs). These POs were mostly delays or

administrative burdens when applying for the CO. Other agencies reported frequently include the Food and Drugs Administrations, the Thai chamber of commerce and Thai customs, as well as private testing and certification bodies.

Exporters report that POs occur in embassies of some partner countries, especially those from the MENA region, which require exporters to have their paperwork and certificates attested by the respective embassies. Exporters complain of additional time and cost due to this procedure.

Figure 17. Cases of POs and inefficient TBE faced by exporters in Thailand and partner countries



Note: Of the reported 282 POs experienced by exporters in partner countries, nine were experienced in transit countries. A total of 1,179 cases of POs were reported by Thai exporters occurring in all locations.
Source: ITC NTM Survey in Thailand, 2014.

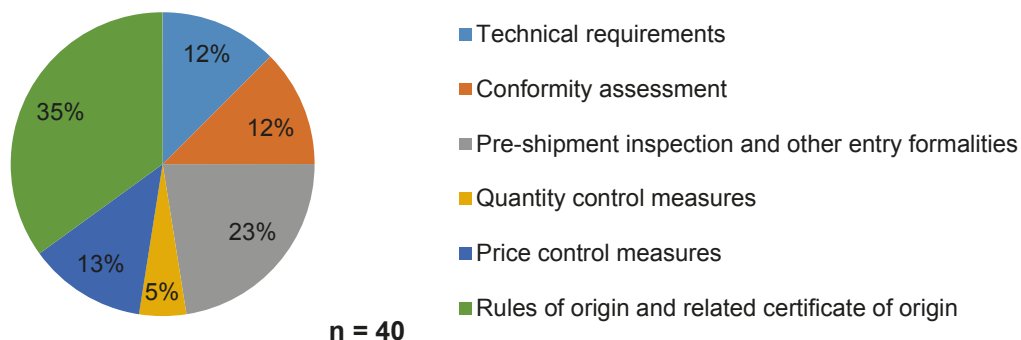
1.4. Most common problems faced by importers

Among the companies interviewed, 339 were active importers, with 46 importing agricultural products and 293 manufactured products. These companies were importing products either to use as inputs in their manufacturing process or to directly resell to consumers in Thailand. As described earlier, importers in general are less affected by difficulties associated with NTMs and related POs compared to exporters. Only about one-quarter of importers reported to be facing regulatory obstacles to trade.

Detailed face-to-face interviews with affected importers identified 40 cases of burdensome NTMs in Thailand. Similar to the problems faced by exporters, rules of origin and related certification of origin (14 cases, 35%); technical requirements (five cases, 12%); and conformity assessment (five cases, 12%) are

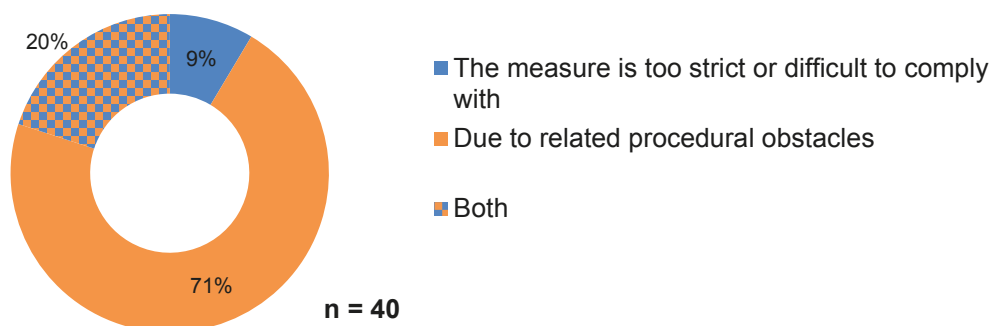
the most burdensome NTMs faced by importers (Figure 18). Other major burdensome NTMs include pre-shipment inspection and other entry formalities (nine cases, 23%), including difficulties involving customs procedures.

Figure 18. Burdensome NTMs faced by importers in Thailand



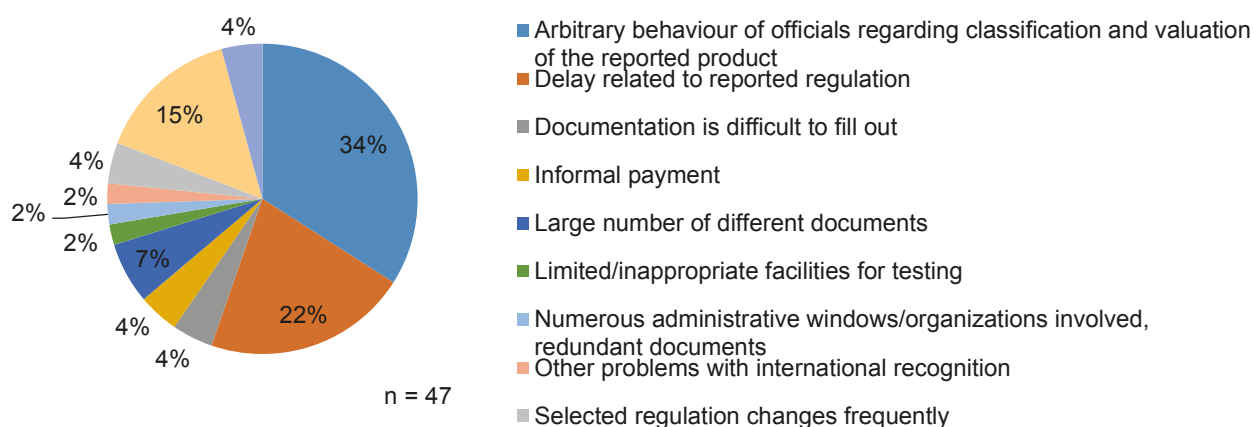
Source: ITC NTM Survey in Thailand, 2014.

Figure 19. Why importers face difficulties with NTMs



Source: ITC NTM Survey on NTMs in Thailand (2014).

Figure 20. Cases of POs and inefficient TBE faced by importers in Thailand



Note: Importers reported only one incident of a PO occurring in partner country.

Source: ITC NTM Survey in Thailand, 2014.

Similar to export cases, importers may find compliance with regulations difficult for a variety of reasons. In Thailand, 29% of the reported import cases are deemed burdensome due to the regulation being too strict or complex for importers to comply with. In contrast, more than 90% of the reported cases are deemed burdensome in part due to some POs. In 20% of the cases, both strict requirements and procedural obstacles make compliance difficult for importers.

Among the POs experienced by importers, 47 cases occurred in Thailand and only one in a partner country. Arbitrary behaviour of officials regarding classification and valuation of the reported product is by far the largest obstacles with 16 cases accounting for 34% of POs cases by importers in Thailand, followed by delay related to reported regulation (10 cases, 22%) and high fees and charges for reported certificate/regulation (seven cases, 15%, Figure 20), suggesting that reforms in customs procedure with respect to transparency and standardization of procedures are need.

Some of the cases reported by importers include some concerns from food importers who expressed difficulties due to various documentation requirements for Thai Food and Drugs Administration (FDA) as officers reportedly requested different documents each time.

Many of problems reported by companies include manufactured goods imported from the China. Certain products imported from China are eligible for preferential tariffs under the ASEAN-China FTA. Importers are required to submit Form E (ASEAN–China FTA Certificate of Origin) specifying the products imported and their respective HS Codes. However, in many cases importers reported that Thai customs do not accept the HS codes specified in Form E by the Chinese authorities, which leads to the importers missing out on duty concessions.

In a few cases, even when the HS codes were in order, Thai customs were not granting the preferences. For instance, a company imported air conditioners of various models and capacity that fall under different HS codes (under HS 8415). Depending upon the type, the air conditioners are subject to different tariff rates ranging from 0%–30%. However, Thai Customs applied the highest rate (30%) on all models, which caused the company to lose out on the preferences. According to the company, numerous attempts to negotiate with the customs on this issue have been unsuccessful.

Similar difficulties were reported by companies importing from Japan using the J-Tepa form to benefit from duty preferences. Thai Customs did not accept the product HS codes.

Customs clearance for some companies is perceived as burdensome for a variety of reasons even when it does not involve duty concessions or HS code mismatch. A company importing X-Ray medical devices, for instance, explained that it is required to obtain a Certificate of Free Sale for customs clearance. However the process to request this certificate is very complicated as all spare parts of the device, which can be in the hundreds, must be presented. The company finds this requirement to be very strictly implemented as even a small mismatch in parts, descriptions or diagrams can lead to the application being rejected.

A few companies complained of increased costs due to additional duties placed on import of steel products. Thailand applied a temporary safeguard on imported hot-rolled steel flat products. This safeguard will be in effect during the investigation into damage from dumping of imported hot-rolled steel dumping, following complaints by local domestic producers regarding cheap imports, mainly from China in early 2013.⁴²

As of 31 December 2014, 36 anti-dumping measures in the form of duties were in force on 13 products, mainly several types of steel or steel alloys (nine items).⁴³ The Ministry of Commerce is the agency responsible for policy on contingency measures, including safeguards. Its Department of Foreign Trade conducts investigations while the Committee on Dumping and Subsidies is responsible for making preliminary and final determinations.⁴⁴

⁴² *Steel Times International* (2013). Thailand acts against cheap Chinese steel.

⁴³ WTO, 2015. Trade Policy Review: Thailand

⁴⁴ *Ibid.*

Restrictions on imports due to quotas imposed by the Thai government on certain products are among the difficulties expressed by the companies. Import of silk yarn is subject to quotas issued by the Ministry of Agriculture. Individual companies must make a request to the ministry for their quota. Some complain that they have to wait months to get their quotas assigned. To protect the domestic silk yarn producers, the Thai government obliges companies importing silk yarn to buy local equivalents worth at least half the total imported amount. Importers view this as a burden as they do not use Thai silk yarn in their products and must resell the local silk at a lower price.

In addition to the interviews with importers, ITC held discussions with trade experts in Thailand to validate the issues reported by companies and to gain a more holistic perspective on issues that companies may not be familiar with. According to some of the trade experts, while the goal of ASEAN is to promote free trade, countries including Thailand have some measures in place to restrict the import of certain products to protect domestic producers.

The trade experts cited the example of the rice trade, which is one of the largest Thai agricultural exports and a very sensitive commodity for the government. While Thailand does not officially prohibit the import of rice, permits to import rice are extremely restrictive with the alleged goal of protecting Thai farmers. Experts question the benefit of such government policy as rice continues to be imported via informal channels from neighbouring Cambodia, Myanmar and Lao People's Democratic Republic. In addition, similar measures have been replicated by some ASEAN countries that in turn have hurt Thai exports.

2. The agri-food sector

This section presents an overview of the agricultural sector and its importance to the Thai economy, followed by a detailed analysis of the burdensome regulations and obstacles to trade faced by Thai businesses.

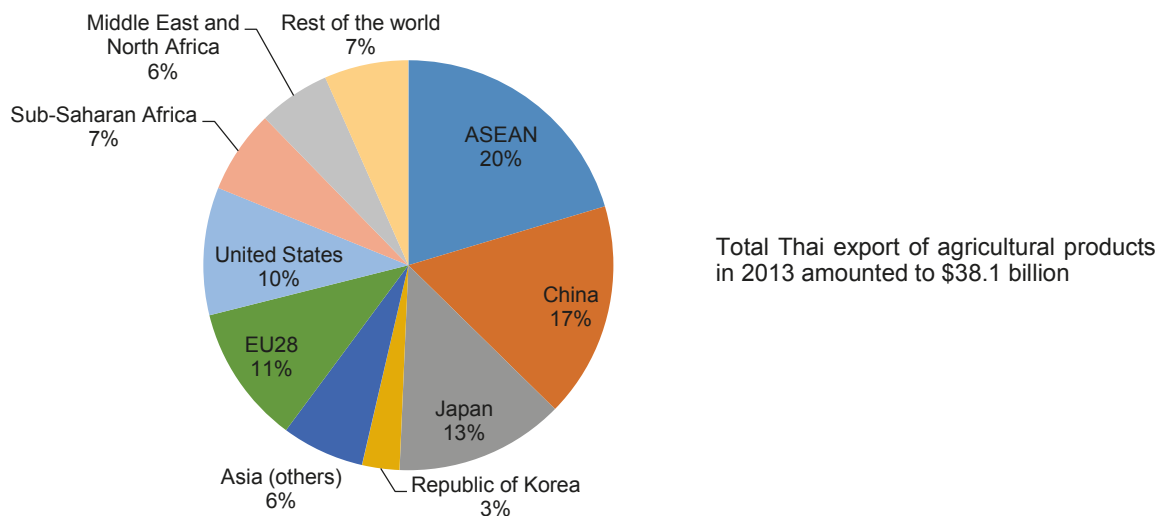
2.1. The role of the sector

The agricultural sector is an important part of the Thai economy. Despite its relatively small contribution to GDP (8.3%) at 4.18 billion Thai Baht in 2013, the agricultural sector employs 40% of the total labour force, approximately 18 million workers.

Major agricultural products include rice, rubber, tapioca, corn and palm oil, as well as meat, fish and shrimp. The agricultural sector is vulnerable to changes in weather and other natural disasters such as droughts, floods or plagues, as well as fluctuations in commodity prices. Recent drops in rice and rubber prices have affected the livelihood of rice and rubber farmers. For instance, during the first seven months of 2015, rice and rubber production declined by 36.2% and 9.5% respectively, resulting in an 11.6% decline in farmers' income and their livelihood.⁴⁵

In the last few years the export of agricultural products has been declining following the peak in 2011 when \$45 billion worth of agri-food products were exported. In 2013, agricultural exports from Thailand were valued at \$38 billion. While most of the agricultural products are consumed domestically, some are exported to countries all over the world. ASEAN (20%), China (17%), Japan (13%), the EU28 (11%) and the United States (10%) are major markets for Thai agricultural exports (Figure 21).

⁴⁵ Office of Agricultural Economics, Ministry of Agriculture and Cooperatives.

Figure 21. Major markets for Thai agricultural exports, 2013

Source: ITC calculation based on Trade Map, 2012.

Rice plays a crucial role in Thai living conditions

Thailand is the second biggest exporter of rice in the world, with an export value of \$5.4 billion or 22% of total world rice exports in 2014.⁴⁶ During this period, close to 11 million metric tons of rice were exported. Overall, rice production accounts for 26% of the agricultural sector in the country, and is an important component of Thai economic and social well-being. The sector employs the majority of the Thai labour force and plays a crucial role in Thai living conditions.

In the past, various government policies aimed to improve the livelihood of rice farmers through favourable financial access, debt extension and reduction, as well as rice pledging and price guarantee schemes. To support rice farmers, the government has implemented short- and medium-term plans to reduce production costs by providing income tax exemption and loans, and to improve rice productivity and quality.

The government's rice pledging policy affected rice exports in 2013–2014. Large quantities of rice were purchased from the farmers at a higher than market price, resulting in large stockpiling and reduced exports. The recent termination of the rice pledging policy and the release of the government stockpile has put downward pressure on rice prices.

Weather conditions also play a big role in the sector. In 2015, rice cultivation was the most affected by a delay in the rainy season and a severe drought. The rice production index for the first eight months of 2015 contracted by 39.2% from the same period last year. Although, the drought was relieved by the rainy season, the water quantity in major dams is still low. The water quantity in Bhumibol dam on 8 October 2015 was at 4.79 billion cubic metres, which accounted for 36% of total storage. But just 10% of the total storage of water can be used, which is inadequate for the second rice crop in 2015–2016.

Thailand – the top natural rubber exporter in the world

Rubber is an important product for Thailand accounting for more than 20% of agricultural production, with an average production growth of 4.8% per year from 2006 to 2014. With export of approximately \$6 billion, Thailand is the top natural rubber exporter in the world. More than 35% of natural rubber in the international market comes from Thailand.

⁴⁶ ITC, Trade Map, 2013.

Traditionally, rubber plantations were concentrated in southern Thailand. However, the increase in rubber prices due to Chinese demand in the early 2000s resulted in a surge in Thai rubber production throughout the country. Similar to rice, many public measures exist to support rubber farmers.

Global rubber prices dropped from \$4,731 per ton at the end of 2010 to \$1,352 per ton in September 2015. A sharp drop in rubber price impacts Thai rubber farmers' incomes. To reduce the dependency on global rubber prices, the government created a rolling stock system and buys rubber during a period of low rubber market price. In addition, production costs were eliminated through a subsidy and loan channels. The government also supports rubber farmers to restructure the production system and rubber processing procedures.

Thailand among the top 10 fish producers and exporters

Thailand has developed the fishery sector from subsistence to commercial farming and is among the top 10 producers and exporters in the world. In 2014, the fishery sector was valued at THB108 billion. More than \$2 billion worth of fishery products were exported in 2013 down from a peak export of \$3 billion in 2011. The Early Mortality Syndrome in shrimp contributed to drops in production and export volume.

The growth in the fishery industry has led to increased production costs for Thai companies, particularly for labour. This has led some companies to resort to employing illegal workers with cheaper wages. The Trafficking in Persons Report 2014, which categorizes countries into different tiers based on their compliance to Trafficking Victims Protection Act standards, downgraded Thailand from Tier 2 to Tier 3 and indicated that Thailand does not fully comply with the act's minimum standards and is not making an adequate effort to do so.⁴⁷ According to the report, 57% of the 430 workers surveyed experienced conditions of forced labour.

Thailand is also facing the prospect of sanctions due to illegal and unregulated fishing. The EU has issued Thailand a yellow card⁴⁸ due to its shortcomings in its fisheries monitoring, control and sanctioning systems and the government's inadequate effort to address this problem. The EU has not taken any direct action and has given Thailand some time to rectify the problem before banning Thai fishery products.

In January 2015, the Thai government issued the New Fisheries Act and Thailand Roadmap on Eliminating Illegal, Unreported and Unregulated fishing, which consists of six action plans:

- Fishing vessel registration and fishing licensing;
- Monitoring, control and surveillance;
- A vessel monitoring system;
- Improving the traceability system;
- A new Fisheries Act and its secondary legislation;
- National Plan of Action is expected to prevent, deter, and eliminate illegal, unreported and unregulated fishing.

2.2. Affected companies

ITC interviewed 194 exporters of agricultural products during the telephone interview phase. Among these companies, 145 companies are SMEs with fewer than 200 employees and 46 companies are large companies with more than 200 employees.⁴⁹ Almost half of the surveyed companies (47%) reported to have faced difficulties with NTMs and associated POs.

Face-to-face interviews were conducted with 69 affected companies that included 54 SMEs and 15 large companies to get an accurate picture of the nature and cause of the problems they experienced. Overall, exporters reported 227 cases of burdensome NTMs.

⁴⁷ United States of America, Department of State (2014). Trafficking in Persons Report.

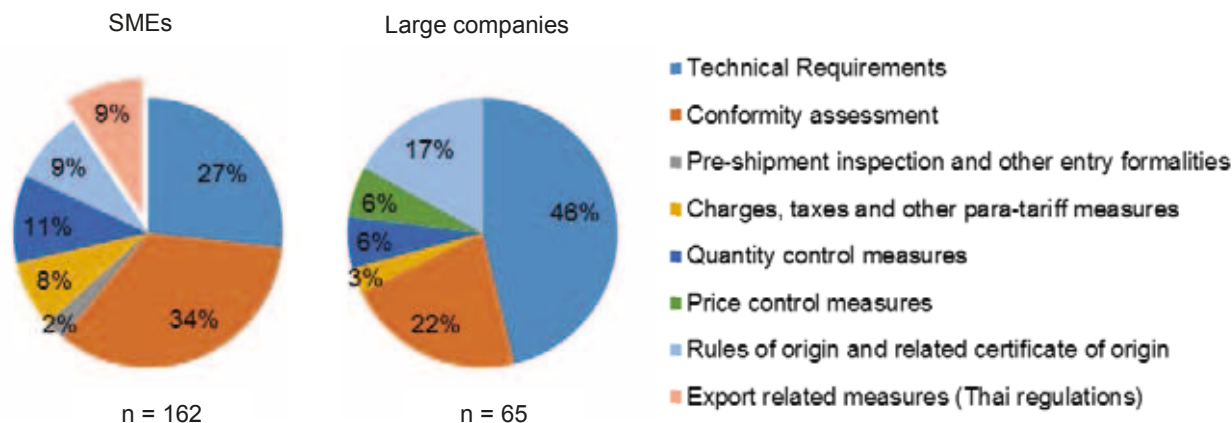
⁴⁸ A soccer player who has been cautioned with a yellow penalty card may continue playing in the game; however, a player who receives a second caution in a match must leave the field immediately and take no further part in the game. The EU uses a similar warning system in its fishery policy.

⁴⁹ The size of three companies is unknown.

Comparing the types of NTMs faced by exporters of different sizes reveals that SMEs are proportionally more affected by conformity assessment. That is, 34% of the NTM cases faced by SMEs are from conformity assessment, as compared to 22% faced by large agricultural exporters. This is consistent with NTM Survey results in other countries and with the stylized facts that SMEs often lack the knowledge and resources necessary to comply with burdensome regulations and measures.

In contrast, technical requirements as well as rules of origin and related certificates of origin are much more burdensome for large agricultural exporters, with 46% and 17% of the reported NTM cases respectively, as compared to 27% and 9% of reported NTM cases for SMEs.

Figure 22. Types of NTMs faced by agricultural exporters, by company size



Note: For one case, the size of the affected company was unknown. SMEs (fewer than 200 employees) include micro, small and medium-sized enterprises as captured during the telephone interviews. Company size is based on the number of employees as defined by the government. One case reported by agri-food exporters related to private standards.

Source: ITC NTM Survey in Thailand, 2014.

2.3. Exporters’ experience with non-tariff measures applied by partner countries

ASEAN is the biggest export market for agricultural products, accounting for 20% of exports (Figure 23). Survey results show that ASEAN is proportionally less burdensome for Thai agricultural exporters with only 15.6% reported NTMs being ASEAN regulations. This could be explained by the fact that Thailand is a member of the 10-nation AEC, which has made progress towards becoming a single market and production base and aims to eliminate NTMs among ASEAN member countries.

China and Japan are the next big export markets for Thai agricultural products after ASEAN, importing 17% and 13% respectively. The Chinese and Japanese markets are also proportionally less burdensome for exporters, accounting for 7.5% and 5.2% of reported NTMs, respectively. Thailand has free trade agreements with China and Japan.

The EU28 countries together import 11% of Thai agricultural exports. However, in terms of market access, the EU is the most difficult for exporters. More than 28% of the reported NTMs originate from EU countries. Most of these regulations are related to strict regulations on food safety and related conformity assessments.

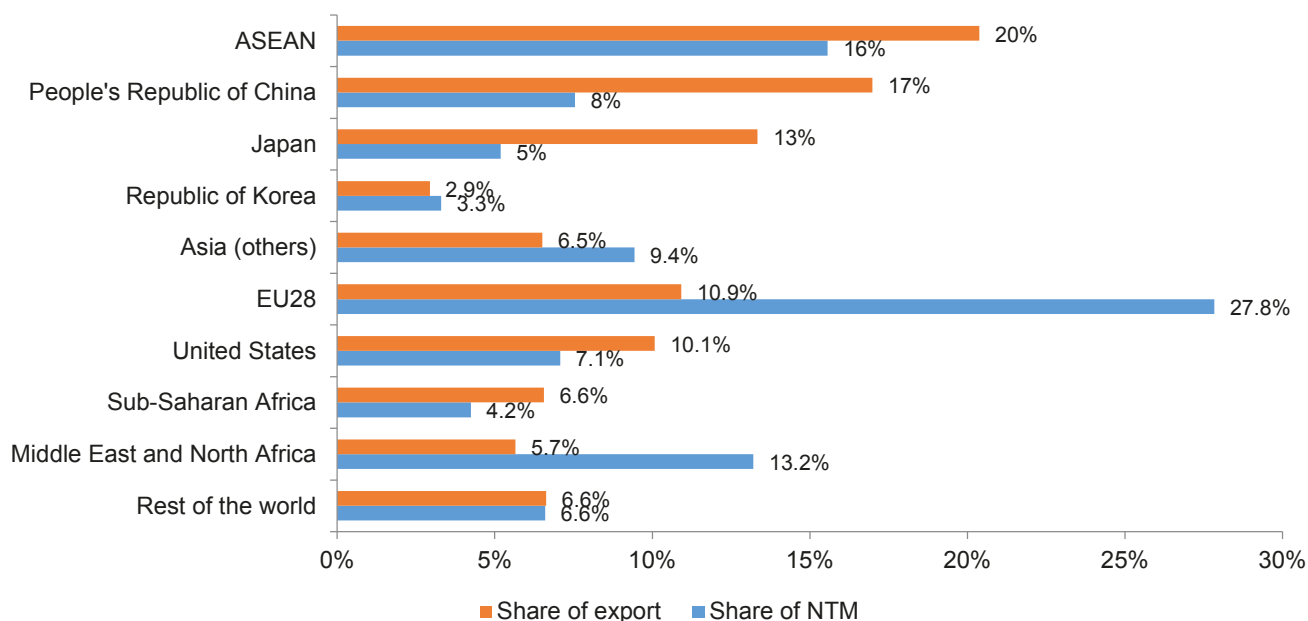
In contrast to the EU, the United States imports roughly the same amount from Thailand (10% of Thai agricultural exports), but is proportionally less burdensome with only 7% of reported NTMs.

Other countries in Asia and the MENA region are also difficult for market access as they account for a proportionally higher share of reported NTMs compared to their share of imports from Thailand.

As noted earlier in this report, the differences in degree of burdensome regulations and measures across a region have an important implication in determining Thailand’s trade policy. For example, if certain

products are targeted for EU28 market, which has strict product standards, Thailand must improve upon its product standards and increase exporters' awareness of ever-changing regulations and thereby lower compliance costs for exporters. If certain products are targeted for less restrictive markets, NTMs are less of an issue.

Figure 23. Share of agricultural exports and share of NTMs applied by partner countries, 2013



Source: ITC NTM Survey in Thailand, 2014; and ITC Trade Map, 2013.

Overall, 67.5% of all burdensome regulations cases faced by agricultural exporters were technical measures (Table 5). Exporters faced more problems with technical requirements (73 cases) compared to conformity assessment (70 cases). Technical requirements are especially burdensome for exporters of fishery products (20 cases) and cereal products (21 cases), whereas conformity assessment is more evenly spread out among different product categories.

Around 11.8% of all burdensome regulations cases (25 cases) faced by agricultural exporters were rules of origin and related certificates of origin. Around 9.9% of all burdensome regulations cases (20 cases) faced by agricultural exporters were quantity control. This is especially applied to exports of rice, where 13 cases out of 20 quantity control cases were reported as burdensome NTMs applied by partner countries. This is consistent with the fact that rice is a highly regulated product. Many of Thailand's partner countries apply import quantitative restrictions such as import licences.

Table 5. Export of agri-food products – NTMs applied by partner countries and reasons making them burdensome

Number of NTM cases for reported for each type of measure and the reason making the measure burdensome				POs making the measure difficult and the location where it occurs			
NTM (Chapter)	Measure too strict or difficult	Procedural Obstacles	Both	PO	Home	Partner country	Transit country
Technical requirements	19	39	15	High fees and charges for reported certificate/regulation	26	13	
				Large number of different documents	20		
				Information on regulation not adequately published and disseminated	18		
				Delay related to reported regulation	4	6	
				Selected regulation changes frequently		3	
				Other procedural obstacles.	1	2	
Conformity assessment	5	40	25	Facilities lacking international accreditation/recognition	2		
				Delay related to reported regulation	22	16	
				High fees and charges for reported certificate/regulation	11	26	1
				Other problems with international recognition.		12	
				Large number of different documents	7	4	
				Numerous administrative windows/organizations involved	3	1	
				Limited/inappropriate facilities for testing	1	3	
				Information on selected regulation is not adequately disseminated		3	
				Documentation is difficult to fill out	1	1	
				Difficulties with translation of documents from or into other languages		2	
Pre-shipment inspection and other entry formalities	1	2	1	Arbitrary behaviour of officials with regards to the reported regulation	1		
				Other limited/inappropriate facilities, related to reported regulation	1		
				Other POs	1		
				Delay related to reported regulation		1	
Charges, taxes and other para-tariff measures	7	8		Documentation is difficult to fill out		2	
				High fees and charges for reported certificate/regulation		6	
Quantity control measures	10	3	8	Delay related to reported regulation	9	1	
				Large number of different documents	9		
				Numerous administrative windows/organizations involved, redundant documents	9		
				Arbitrary behaviour of officials with regards to the reported regulation	6		
				Information on regulation is not adequately published		1	
Price control measures	4			High fees and charges for reported certificate/regulation		1	
				Delay related to reported regulation			
Rules of origin and related certificate of origin	1	18	6	Delay related to reported regulation	13		
				Documentation is difficult to fill out	3	1	8
				Arbitrary behaviour of officials regarding classification and valuation	5		
				Large number of different documents	2		
				Information on regulation not adequately published	2		
				Other limited/inappropriate facilities, related to reported certificate/regulation	1		
Total NTM cases	47	110	55	Total PO Cases	181	105	9

Source: ITC NTM Survey in Thailand, 2014.

Table 6. Export of agri-food products – burdensome NTMs applied by partner countries

Subsector description	Subsector		Number of reported NTM cases							Subtotal
	Export to the world	Share in sector's export value	Technical requirements	Conformity assessment	Pre-shipment inspection and formalities	Charges, taxes and other para-tariff measures	Quantity control measures	Price control measures	Rules of origin	
012. Other meat and edible meat offal, fresh, chilled or frozen	224,745	0.6%					2			2
016. Meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal	167,951	0.4%					1			1
017. Meat and edible meat offal, prepared or preserved, n.e.s.	2,305,984	6.1%		2						2
022. Milk and cream and milk products other than butter or cheese	231,660	0.6%		1						1
036. Crustaceans, molluscs and aquatic invertebrates,	433,226	1.1%							4	4
037. Fish, crustaceans, molluscs and other aquatic invertebrates, prepared or preserved, n.e.s.	3,433,696	9.0%	20	3		2				25
042. Rice	4,420,373	11.6%	7	2		1	13			23
045. Cereals, unmilled (other than wheat, rice, barley and maize)	9,287	0.0%		1						1
047. Other cereal meals and flours	135,784	0.4%					2			2
048. Cereal preparations and preparations of flour or starch of fruits or vegetables	569,460	1.5%	21	4					2	27
054. Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried	1,521,248	4.0%		6			1	2		10
056. Vegetables, roots and tubers, prepared or preserved, n.e.s.	377,355	1.0%	2	2				2		6
057. Fruit and nuts (not including oil nuts), fresh or dried	995,204	2.6%	5	7	3		1			16
058. Fruit, preserved, and fruit preparations (excluding fruit juices)	885,888	2.3%	3	5		1				14
059. Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	231,632	0.6%	5	3		5				13
061. Sugars, molasses and honey	1,521,551	4.0%		7					1	8
071. Coffee and coffee substitutes	194,865	0.5%	3	3			1		1	8
073. Chocolate and other food preparations containing cocoa, n.e.s.	22,557	0.1%		1						1
074. Tea and mate	39,909	0.1%		3					2	5
075. Spices	7,114	0.0%		3						3
081. Feeding stuff for animals (not including unmilled cereals)	1,432,235	3.8%		1						1
098. Edible products and preparations, n.e.s.	2,185,965	5.7%		4					3	7
111. Non-alcoholic beverages, n.e.s.	798,603	2.1%		3		6			1	10
211. Hides and skins (except furs), raw	13,227	0.0%	1							1
223. Oil-seeds and oleaginous fruits, whole or broken, of a kind used for the extraction of other fixed vegetable oils (including flours and meals of oil-seeds or oleaginous fruit, n.e.s.)	861	0.0%							3	3
265. Vegetable textile fibres (other than cotton and jute), raw or processed but not spun;	14,594	0.0%							1	1
292. Crude vegetable materials, n.e.s.	275,547	0.7%	5		1					6
422. Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft"	583,145	1.5%		6					1	7
551. Essential oils, perfume and flavour materials	99,891	0.3%	1	3						4
Other products	14,935,890	39.2%								0
Total	38,069,447	100.0%	73	70	4	15	21	4	25	212

Source: ITC NTM Survey in Thailand, 2014.

2.3.1. Difficulties with technical requirements and related conformity assessment

The vast majority of the difficulties faced by agricultural exporters are technical measures applied by importing partner countries. Technical measures are product specific regulations that include technical requirements as well as conformity assessment. Technical requirements are specifications of a product or the production process and post-production treatment that exporters must comply with. Conformity assessments are measures to determine whether a product or a process complies with a technical requirement.

Together, technical requirements and conformity assessment make up two-thirds of all burdensome NTM cases reported by agri-food exporters. Among large companies, issues related to technical requirements are more prominent. For SMEs, conformity assessments are a more pressing issue (Figure 22).

Technical requirements are a major concern for agricultural exporters especially when exporting to the EU as it has very strict quality standards on imported food products. Most of the difficulties with technical requirements relate to food safety issues such as product characteristics and quality, tolerance limit for residues or contamination by certain substances and hygienic practices during production.

Seafood exports face strict inspections

Exporters from the seafood industry, which account for about 10% of Thai agricultural exports, reported 25 cases of difficult technical measures. Some exporters of processed seafood products find it difficult to meet the tolerance limit of chemical substances such as edetic acid. The tolerance limit set by the EU, in particular, is difficult for these companies to comply with.

Exporters also indicated that Thai products are now subject to stricter inspections at EU customs due to some companies' products not meeting the required standards. According to them, a Thai shipment of tuna and crabmeat to Spain was found to have not met the EU sanitary requirement. As a result, all Thai companies exporting similar products are now subject to a more strict inspection at customs.

Fruit and vegetable exports face difficult technical requirements

Fruit and vegetable exports account for roughly 10% of Thai agriculture exports. Exporters of these products report 30 cases of difficult technical measures, most of which relate to the use of preservatives and product treatment. For instance, an exporter complained that Germany does not allow any residue of chemicals used as preservatives on mangoes. This requirement is burdensome for the company as they risk the product rotting during shipment.

The irradiation requirement of the United States and the Republic of Korea when exporting mangoes and mangosteens represents another difficulty, as the irradiation process is considered lengthy (seven to 10 days) and costly. In addition, the required heat treatment accelerates the rotting of the fruit.

Thai rice exporters and others face procedural obstacles

Thai rice exporters face numerous POs when exporting to the United States. Exporters need to be registered with the Thailand Food and Drugs Administration (FDA). However, according to exporters the United States requires this registration to be renewed every few months, which is considered problematic because of the registration cost of 40,000 to 50,000 Thai Baht and the time involved – registration takes about four days.

In other markets such as Australia and New Zealand, rice and fresh food exporters faced difficulties with fumigation and packaging requirements, as the products must be fumigated using methyl bromide and packaged in plastic sacks. The surveyed companies found these additional requirements costly and time consuming. This echoes the concerns voiced by rice exporters in Cambodia.⁵⁰

⁵⁰ ITC NTM Survey in Cambodia (2014).

Some of the companies producing processed foods pointed out that they are struggling to find information about the quality and safety requirements of some countries, such as South Africa, Nepal, Japan, South Korea, Chinese Taipei, Papua New Guinea, Ghana, Bangladesh, and Nigeria. This lack of information occasionally leads to shipments being denied at customs.

Conformity assessment a major concern

In addition to the technical requirements, conformity assessment is a major concern. Testing and certification requirements are the most common type of reported conformity assessment. Most of these measures appear to be problematic due to various Pos, including delays, high fees and charges, as well as other administrative procedures.

The majority of the difficulties related to testing and technical inspections experienced by exporters of vegetables and fruits exporters occur in the EU. According to these exporters, EU countries do not easily accept product certification issued in Thailand and insist on doing their own testing, notably the test for genetically modified organisms (GMOs). This test takes five- to-seven days and costs approximately €600. This additional cost, together with the possibility of fresh food perishing because of the delay is a big financial risk to the exporter.

For some exporters located outside of Bangkok, for example palm oil producers, obtaining a phytosanitary certificate certifying that the product is free from diseases as required by the destination countries can be a hurdle. This is primarily due to the limited availability of certifying agencies outside of the capital. The Bangkok-based Department of Agriculture issues the certificate.

Most agri-food exporters affected by burdensome NTMs also report facing difficulties obtaining US Food and Drug Administration certification. Obtaining this certification can take a few months and costs several thousand baht depending upon the product.

EU countries require Business Social Compliance Initiative and Hazard Analysis & Critical Control Points (HACCP) certification issued by their own agencies. For example, companies exporting canned fish to the EU are required to have the HACCP certificate that attests the safety and quality standards. To obtain this certification, an external agency has to inspect the production process and the company must prepare many documents. Reportedly, the certification must be re-issued every two months and costs 4,000 to 5,000 Thai Baht each time. The frequency of the renewal requirements and associated costs are a burden to exporters.

The United States and Hong Kong, China, require certificates issued by the United States Food and Drug Administration. Exporters of processed food report that an Acidified and Low-Acid Canned Foods registration at the Food and Drug Administration is required to export to the US. The approval process involves multiple tests and analysis, and can take up to five months.

In China, provinces have different food safety agencies and standards. These agencies also require different documentation from exporters, including product certification, certificate of free sales, and nutrition certificates. For these reasons, companies exporting to China described the export process as cumbersome and inconvenient because they must adhere to multiple standards and processes in different provinces.

Exporters face complex red tape with fishery products

Some processed food exporters have faced difficulties proving compliance of condiments used as inputs rather than the main product itself. For instance, a company that exported boiled chicken in fish sauce explained that the United Kingdom requires it to present a Catch Certificate issued by the Department of Fisheries. The objective is to prevent Illegal, Unreported and Unregulated (IUU) fishing. The company finds it difficult to provide the required documentation for a relatively small ingredient.

The EU has stepped up efforts to combat IUU fishing since the EU Regulation to prevent, deter and eliminate IUU fishing entered into force on 1 January 2010.⁵¹ In April 2015, the European Commission

⁵¹ European Commission (2015). Illegal Fishing.

found serious shortcomings in Thailand's fish monitoring, control and sanctioning systems and cautioned the government to step up its efforts to prevent IUU fishing or risk facing an embargo on its fish exports in October 2015.⁵² Thailand's fight against IUU fishing has been pursued by the Department of Fisheries through the control of vessel registration, issuing licences and enforcing fishing regulations under the Thai Fisheries Act 1947 (B.E. 2490), and with the follow-up on fishing logbooks.⁵³

Some Middle Eastern countries' lack of appropriate testing and certifying is a hurdle for Thai exporters. Exporters of canned fish products faced difficulties exporting to Egypt and Syria, as they require the companies to obtain a health certificate issued by a private agency in the respective country. However, obtaining the necessary certification is burdensome due to the limited number of laboratories in the destination markets that have the capacity to do the required testing.

2.3.2. Exporters face difficulties with rules of origin procedures

Around 11% of the burdensome cases (25) reported by agricultural exporters relate to the process of obtaining the relevant certificate of origin from the Department of Foreign Trade at the Ministry of Commerce. The most common complaint relates to the time required to process the request, the complexity, the different HS code of the product specified in the certificate of origin, and the cost of the certificate.

For example, an exporter of processed food to South Korea complained that the HS code for Thailand is not updated and does not match the South Korean HS code. As a result, the Thai Ministry of Commerce would not issue the certificate of origin. The company eventually had to negotiate with its partner company to send an original copy of purchase order as proof, which shows the HS code category from South Korea. Only then would the Thai Ministry of Commerce agree to issue the certificate of origin.

Another fresh food exporter to Germany complained that obtaining the certificate of origin from the Department of Foreign Trade's provincial office is difficult as the process is still manual and employees use typewriters instead of an online system.

The Department of Foreign Trade, Ministry of Commerce, generally approves the certificate of origin within 30 minutes. However, for complex cases, such as the certificate of origin for automobiles, involving thousands of items, the process takes longer as the responsible official needs to match each item with corresponding invoices and the HS code description. However, once issued the certificate of origin is valid for two years, which means the time required for subsequent exports will not be as burdensome to exporters.

It is important to note that certificates of origin rejected by importing countries will result in the export companies being put on a 'watch list' by the Department of Foreign Trade. Subsequent requests for certificates by companies on the watch list are subjected to stricter scrutiny than usual, which could lead to a longer approval process.

To reduce the complexity of the process, the Department of Foreign Trade has made progress by simplifying forms and adopting technologies to reduce paperwork. For example, to expedite the approval process, exporters can pre-submit the required documentation prior to shipment. However, there is room for further improvement towards a self-certification process, which would enable exporters to self certify their shipments.

While countries harmonize their HS classification up to the 6-digit level, each has their own classifications at 8 or 10 digits to suit their needs. As such, the HS code for exporting and receiving countries may differ, which leads to confusion in filling out the form. While it is clearly stated in the instructions to use the HS code of the importing country, incomplete or wrong HS codes on forms is still common, which suggests a lack of understanding by exporters.

⁵² The Guardian (2015). EU threatens Thailand with trade ban over illegal fishing.

⁵³ Thailand, Royal Thai Embassy, Berlin (2014).

The Department of Foreign Trade confirmed that the cost of 30Baht (less than \$1) per page of the certificate of origin is among the lowest in the region.

For the Thai Customs Department, the Ministry of Finance has continually improved upon its customs facilitation. For example, electronic customs services such as the National Single Window have been established. The National Single Window has proven to facilitate international trade better than the document-based system. With the electronic system, the number of documents companies need to complete has been greatly reduced. The electronic system, however, is not yet fully integrated with neighbouring countries, which means cross-border trade still needs to be conducted using paper documents.

2.3.3. Other difficulties

NTM Survey results reveal numerous other issues, including exporters' difficulties with document attestation when exporting to countries in the MENA region such as Egypt, Iran, Libya, Saudi Arabia and Jordan. To export to these destinations, all documents must be attested and cleared by the country's embassy. This bureaucratic procedure is usually accompanied by high costs and delays. Similar issues were reported in ITC NTM Surveys in other countries. For exports to Libya, this process is rendered even more burdensome due to the fact that there is currently no official representation of Libya in Thailand, which means exporters must have these documents attested and cleared by the Libyan embassy in the Philippines.

The results also point to a few regulations applied by partner countries, including within ASEAN, involving quantitative restrictions. According to one exporter, to protect the value of Malaysian rice production, the authorities do not allow the import of Thai rice or rice flour in the part of the country that shares a border with Thailand. Similar problems are reported in Indonesia, where exporters reported that the country imposes a quota of one container instead of three for the export of onions and durian. This is reportedly to protect domestic producers in Indonesia.

The EU grants Thailand annual duty-free access to 21,455 tons of white polished rice and 52,000 tons of broken-milled rice. The Ministry of Commerce allocates this quota for duty-free exports among Thai companies. Some interviewed companies reported that the process of granting the allocated quota is not transparent and claimed that only a few large companies are benefiting from this concession. Smaller companies find it difficult to get a fair share of the quota, if any. Without the allocated quota, exporters are required to pay duties of €175 per ton.

Thai exports of canned sweet corn are faced with anti-dumping duties in EU countries. According to surveyed companies, the duty has gone up to 11%. This has harmed the companies. Repeated attempts to negotiate with the EU have not succeeded.

2.4. Exporters' experiences with regulations in Thailand

This section investigates regulations applied by the Thai authorities that are deemed burdensome by the exporters of agricultural products. In the agricultural sector, a total of 15 burdensome NTMs applied by Thai authorities were reported (Table 7). These issues are mostly related to export inspection and certification, export licences and quantitative restrictions, as well as taxes and charges.

Table 7. Export of agri-food products – burdensome NTMs applied by Thai authorities

Subsector description	Export to the world		Number of reported NTM cases							Subtotal
	Export value in 2013, \$ '000	Share in sector's export value	Export inspection	Certification required by the exporting country	Other export technical measures	Licensing or permit to export	Export registration	Export price control measures	Other export-related measures	
042. Rice	4,420,373	11.6%			1		1	3		5
054. Vegetables, roots, tubers and other edible vegetable products, fresh or dried	1,521,248	4%	1	1						2
057. Fruit and nuts, fresh or dried	995,204	2.6%				1			3	4
074. Tea and maté	39,909	0.1%					1			1
081. Feeding stuff for animals	1,432,235	3.8%			1					1
098. Edible products and preparations	2,185,965	5.7%					1		1	2
Other products	27,474,513	72.2%								
Total	38,069,447	100%	1	1	2	1	3	3	4	15

Source: ITC NTM Survey in Thailand, 2014.

2.4.1. Export inspection and certification

Four reported cases of difficulties with regulations of Thai authorities relate to export inspection, certification and other technical measures. Exporters of rice, vegetables, and animal feed products faced these difficulties.

For instance, an exporter of fresh food reported difficulties with the Thai Ministry of Agriculture and Cooperatives' list of 13 controlled vegetables for exports to the EU due to a high risk of phytochemical/phytotoxins. The Ministry specifies that these vegetables must go through inspection and obtain a health certificate before export. The exporter reported a troublesome inspection process, which added costs and reduced product competitiveness. The requirements include but are not limited to:

- Three years of preparation of the plantation, vegetable plot and cultivation tools. The company would need to hire a consultant company to oversee the procedure.
- The requirement to obtain Good Agricultural Practices certification.
- Present a farm contract. If the company does not own the farm, it must submit a farm toxin-free certificate.

The interviewed exporters understand the need for these requirements because of health and safety concerns and are willing to abide by it. However, for small companies the cost of compliance is very high. They have requested that the government subsidize some of the inspection costs, which are currently borne solely by the exporter.

2.4.2. Export licences, quantitative restrictions and other difficulties

Another four reported cases involve difficulties due to export licences and quantitative restrictions imposed by Thai authorities. These measures applied to rice, fruit and nuts, tea and maté, as well as edible products.

Rice exporters complained about the Thai Department of Internal Trade's requirement for an export licence. The licensing requirements are perceived to be very strict and include the need to submit numerous documents. Also, the Ministry of Commerce allocates the quota for duty-free rice exports to the EU among Thai companies. Some interviewed companies find the process of granting the allocated quota not transparent and claim that only a few large companies are benefiting from this concession. Smaller

companies find it difficult to get a fair share of the quota, if any. Without the allocated quota, exporters are required to pay duties of around €175 per ton.

Rice exporters have reported that their businesses have been negatively affected by the government's rice mortgage scheme. Under the scheme, the government buys directly from the producers at above market prices. Because most farmers are now selling to the government, exporters are finding it difficult to source an adequate supply to export.

The scheme has led to increased prices, which has resulted in Thai exporters losing their competitiveness in the international market. Some surveyed rice exporters reported up to a 60% reduction in profits. In addition to the high prices, according to the exporter the scheme also affects the quality of rice as farmers have an incentive to produce more rather than focus on quality. In addition to hampering exports, the government's stockpiling of rice has led to increased rice imports from Viet Nam and Cambodia.

In another case, a rice exporter explained that there is a demand for cheaper, lower-quality Jasmine rice from countries such as Nigeria and Libya. However, the Thai government permits export of only high-quality Jasmine rice. As a result, the exporter is unable to access these markets.

Table 8. Export of agri-food products – NTMs applied by Thailand and reasons making them burdensome

Number of NTM cases for reported for each type of measure and the reason making the measure burdensome				POs making the measure difficult and the location where it occurs		
NTM (Chapter)	Measure too strict or difficult	Due to related procedural obstacles	Both	PO	Home	Partner country
Export inspection			1	High fees and charges for reported certificate/regulation	1	
Certification required by the exporting country			1	Delay related to reported regulation	1	
				High fees and charges for reported certificate/regulation	1	
Other export technical measures	2					
Licensing or permit to export			1	Numerous administrative windows/organizations involved, redundant documents		1
Export registration		2	1	Large number of different documents	2	
				Delay related to reported regulation	2	
				Other procedural obstacles	1	
Export price control measures	2		1	Other procedural obstacles	1	
Other export-related measures		3	1	Arbitrary behaviour of officials with regards to the reported regulation	1	
				Limited/inappropriate facilities for sector-specific transport and storage	1	
				Other procedural obstacles	3	
Total NTM Cases	4	5	6	Total PO cases	14	1

Source: ITC NTM Survey in Thailand, 2014.

2.5. Procedural obstacles and the inefficient trade-related business environment

Difficulties with POs play a major role in hindering agricultural exports. Even with some of the most frequently reported NTMs, such as technical regulations and conformity assessment, the real problems were obstacles such as delays in administrative procedures and high fees, both at home and abroad. More than three-quarters of the NTMs reported by agri-food exporters are deemed burdensome, in part due to POs.

The majority of POs experienced by agri-food exporters occur in Thailand. Overall, exporters report 312 incidents of POs that hindered export of agricultural goods, among which around two-thirds (195 cases) were experienced in Thailand and the remainder (117 cases) either in partner or transit countries (Table 9).

The major types of POs reported include high fees and charges for certification, delays related to regulations, and large number of different agencies (Table 9). Among the agencies in Thailand most of the POs occurred in various departments of the Ministry of Commerce, FDA of Thailand, the Thai Industrial Standards Institute, and the Thai Chamber of Commerce and Board of Trade. Issues related to high fees were more specific to obtaining the necessary certifications from the Thai FDA and the Thailand Industrial Standards Institute. Among partner countries, most of the POs related to high fees occurred in the EU.

Administrative delays, mostly to due paperwork and certifications occur more frequently at the Department of Foreign Trade, the Department of Agriculture and the Thai Chamber of Commerce and Board of Trade. Exporters also face difficulties when submitting multiple documents for certification, most frequently at the FDA and the Thai Industrial Standard Institute.

Table 9. Export of agri-food products – POs at domestic institutions and in partner or transit countries

Type of PO		PO occurring in		Sub-total
		Thailand	Partner or transit country	
Administrative burdens related to regulations	Large number of different documents	40	5	45
	Documentation is difficult to fill out	4	10	14
	Difficulties with translation of documents		2	2
	Numerous administrative windows/organizations involved, redundant documents	12	2	14
Information/transparency issues	Information on selected regulation is not adequately published and disseminated	20	4	24
	Selected regulation changes frequently		3	3
Discriminatory behaviour of officials	Arbitrary behaviour of officials regarding classification and valuation of the reported product	5		5
	Arbitrary behaviour of officials with regards to the reported regulation	8		8
Time constraints	Delay related to reported regulation	51	26	77
Informal or high payments	High fees and charges for reported certificate/regulation	40	48	88
Lack of sector-specific facilities	Limited/inappropriate facilities for testing	1	3	4
	Limited/inappropriate facilities for sector-specific transport and storage	1		1
	Other limited/inappropriate facilities, related to reported certificate/regulation	3		3
Lack of recognition/accreditation	Facilities lacking international accreditation/recognition	2		2
	Other problems with international recognition		12	12
Other	Other POs	8	2	10
	Total	195	117	312

Source: ITC NTM Survey in Thailand, 2014.

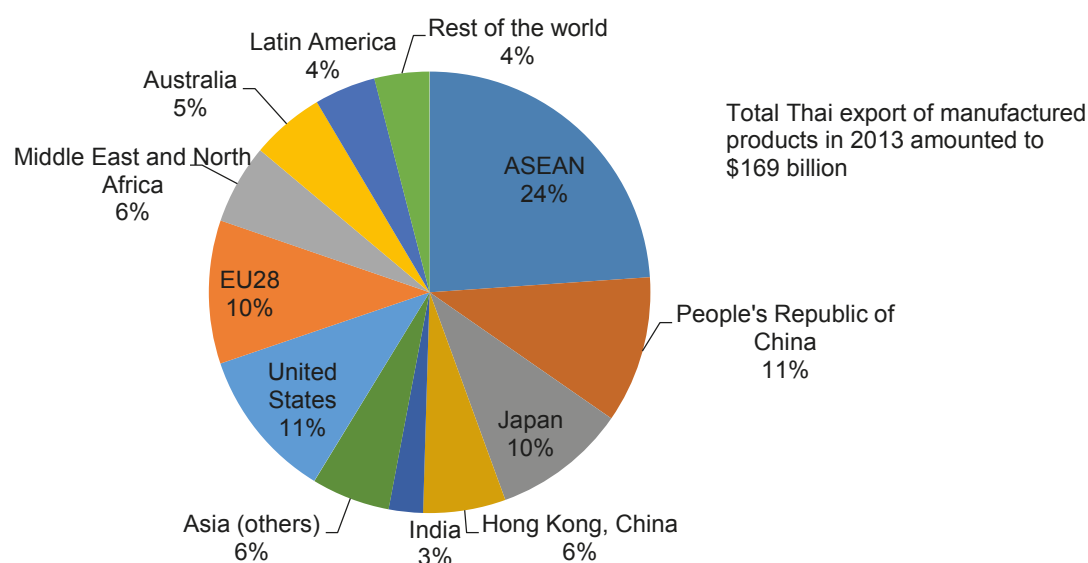
3. The manufacturing sector

This section discusses the role of the manufacturing sector and the perceptions of businesses concerning NTMs and related obstacles to trade.

3.1. The role of the sector

The manufacturing sector is a big contributor to the Thai economy with outputs valued at close to THB20 billion in 2014 – 28.5% of GDP. Major manufacturing products include automobiles (5.4%), computer parts (7.2%), electrical appliances (3.7%), rubber products (4.0%), and jewellery (7.5%). Similar to the agricultural sector, ASEAN, China, the United States, Japan and the European Union are the main markets for Thai manufactured goods (Figure 24).

Figure 24. Thai manufactured goods exports – major markets, 2013



Source: ITC calculation based on ITC Trade Map, 2013.

During the past few years, the Thai manufacturing sector has been affected by various internal and external events. Heavy flooding in 2011 damaged several industrial estates in central Thailand and disrupted production and export of automobiles, computer parts and electrical appliances. The global financial crisis resulted in a decline in production volumes, lower use of manufacturing capacity and fewer incentives for expanding investment.

The domestic political situation, including the street rally and the coup in 2014, led to delayed investment decisions and the relocation of some industries to neighbouring countries. A notable example is the relocation of flat screen TV and solid-state hard disk drive production to Viet Nam.

The automobile industry has been affected by government's First Car Policy that refunds excise tax of purchases of consumers' first cars. The policy was implemented during 2012 to 2013 to revive the automotive sector in the wake of flooding and the financial crisis. However, surges of automotive production during 2012 and 2013 resulted in a sharp decline in domestic demand for automobiles once the programme ended. The Manufacturing Production Index of the automobile sector declined by 22.5% in 2014.

The government's policy to increase the minimum wage by up to 40% coupled with the EU's cancellation of GSP resulted in many labour-intensive industries, such as textiles, to relocate to neighbouring countries with lower wages and that benefit from GSP.

The Thai government has implemented many measures to revive its manufacturing sector. It revised the Board of Investment incentives to focus more on strategic industries, such as eco cars and high-tech industries. The government also made permanent the lower corporate income tax incentives from 30% to 20% and eliminated or lowered tariffs of inputs and intermediate products of more than 1,500 items. More tax and non-tax incentives are also given to multinational companies that choose to locate their headquarters in Thailand. Tax incentives are further enhanced for Board of Investment and non-Board of Investment companies to frontload their investment in 2014 and 2015.

The automotive industry – Thailand is a production hub

Thailand is a production hub for automobiles in the Southeast Asian region, with annual production of close to 2 million passenger and commercial vehicles. Most of the vehicles produced in Thailand are developed and licensed by foreign producers, mainly Japanese and European companies. During the past decades, the industry has enjoyed benefits from government tax policies as well as regional economic integration that enable sourcing of parts in ASEAN.

Large-scale flooding in 2011 disrupted the industry due to damages to production facilities. The government introduced the First Car Policy in 2011, a tax rebate programme for first-time car buyers to support the industry and the economy. The policy resulted in rapid expansion of the automobile sector in subsequent years with production figures reaching 2.46 million units in 2012. Among them, 1.33 million units were sold domestically and 1.13 million units were exported.

Slower global growth together with the saturated domestic demand as the result of the First Car Policy resulted in a drastic decline in production to 1.88 million units in 2014, with 881,572 units sold domestically. The Manufacturing Production Index of the automobile sector declined by 22.5% in 2014.

Since then, the automobile industry has gradually picked up. Given some pickup in export markets, the Ministry of Industry expected Thailand to produce close to two million vehicles in 2015, with close to 1.2 million units sold abroad.

Electronics and electrical appliances – Thailand's largest export sector

Thailand is one of the largest electronics assembly bases in Southeast Asia. Electronics is also Thailand's largest export sector, with a value of \$55 billion in 2014. The electrical and electronics industry has played an important role in Thailand's economy as the main driver of growth. The sector's main export products are computer components and integrated circuits, which accounted for approximately 56% and 24% of total electronics exports respectively.

Various factors such as the severe floods in 2011 and higher minimum wages have increased production costs for the businesses. This has caused manufacturers to relocate to countries, such as Viet Nam with lower labour costs

The Thai government recognizes the crucial role of this sector by offering Board of Investment incentives to attract foreign investment, such as an eight-year corporate income tax holiday, an exemption of import duty on machinery and raw or essential materials used in manufacturing export products, and non-tax incentives.

3.2. Affected exporting companies

The telephone interviews covered 822 active exporters of manufactured products. Among these, 574 companies were SMEs and 232 were large companies.⁵⁴ Compared to the agricultural sector, a smaller proportion of exporters of manufactured products are affected by burdensome NTMs. Overall, 36% of the interviewed companies reported regulatory and procedural difficulties when exporting their goods. Face-to-face interviews were conducted with 265 of the affected exporters of manufactured goods. These

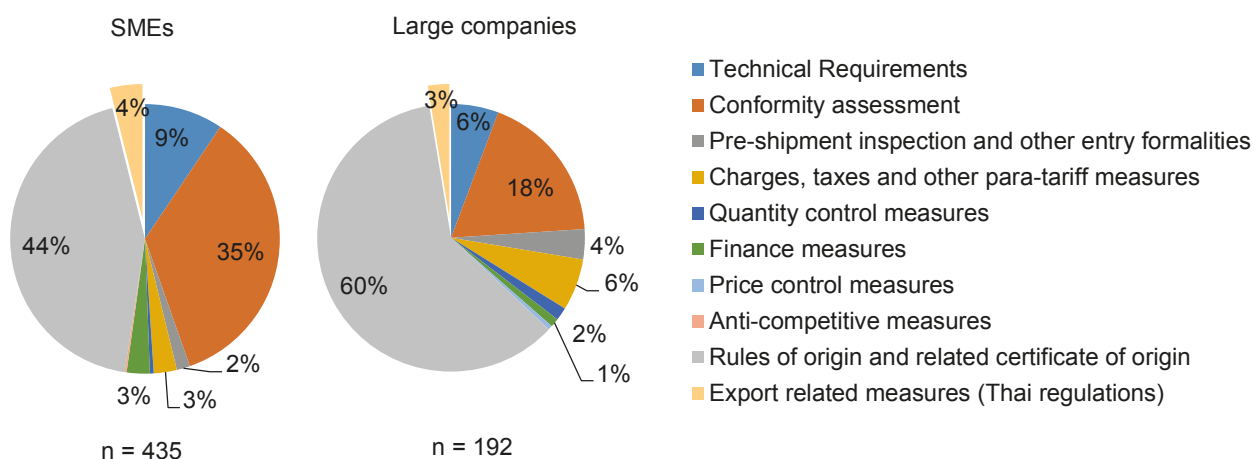
⁵⁴ The size of 16 companies remains unknown.

companies reported a total of 635 cases of burdensome NTMs encountered either in Thailand or in partner countries.

Similar to exporters of agricultural products, technical requirements and conformity assessment, as well as rules of origin and related certificates of origin, are the three most common types of NTMs faced by Thai manufacturing exporters. Around half of the reported difficulties relate to regulations concerning rules of origin or procedures in obtaining certificates of origin. Difficulties with technical requirements and conformity assessment make up 9% and 30% of the reported NTM cases respectively.

There are some differences in the types of problems faced by exporters of different sizes. Difficulties with rules of origin and related certificates of origin are proportionally more common for large exporters (60% of the reported cases), compared to SMEs (44%). Conformity assessment related difficulties are proportionally more common for SMEs with 153 NTMs cases (35%) reported, as compared to 18% for large exporters. Fewer than 4% of the reported NTM cases relate to difficulties with Thai regulations on exports.

Figure 25. Types of NTMs face by manufacturing exporters, by company size



Note: For eight cases, the size of the affected company was unknown. SMEs, fewer than 200 employees, include micro enterprises as captured during the telephone interviews. Company size is based on the number of employees as defined by the government. An additional 20 cases reported by exporters relate to private standards.

Source: ITC NTM Survey in Thailand, 2014.

3.3. Exporters' experience difficulties with partner country regulations

A vast majority (96%) of the regulatory difficulties reported by exporters of manufactured products were import regulations of partner countries. Among the partner country regulations that exporters found burdensome, 40% (246 out of 612 NTM cases) concerned technical requirements or related conformity assessments (Table 10). Exporters reported more problems with conformity assessment (191 cases) than technical requirements (55 cases).

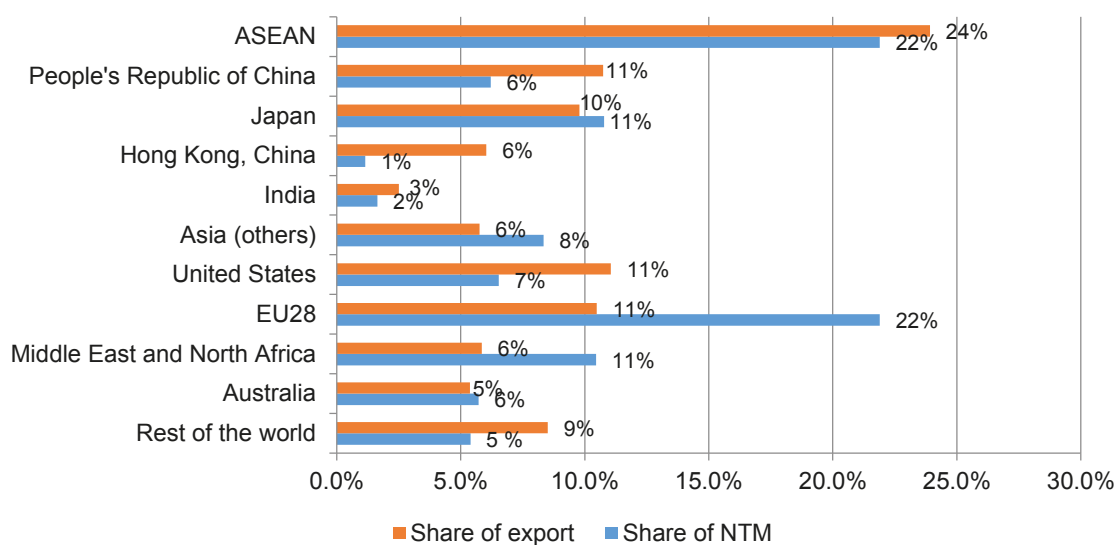
Difficulties with conformity assessment were reported by exporters of cosmetic products (44 cases); soap, cleansing and polishing preparations (23 cases); and footwear (14 cases). Difficulties with rules of origin and the process of obtaining certificates of origin are especially burdensome for exporters of perfumery and cosmetic products (24 cases); trunks and suitcases (21 cases); and plastic articles (20 cases).

ASEAN countries are the largest importers of Thai manufactured goods (24% of exports). Thai exporters' difficulties with regulations of ASEAN countries make up 22% of the reported NTMs cases (Figure 26). Despite ASEAN economic integration, which resulted in a substantial reduction of tariffs on manufactured products among member countries, the proportion of NTMs faced by Thai exporters is still high. Difficulties with rules of origin or procedures related to obtaining certificates of origin are the most common problems when exporting to the ASEAN market (70% of the reported NTM cases). Technical requirements and

conformity assessments make up an estimated 20% of the reported problems in ASEAN. Close to 75% of the reported regulatory problems in the ASEAN region were applied by three member countries: Malaysia, Indonesia and Viet Nam.

China and Japan are large export markets accounting, for 11% and 10% of total Thai manufactured exports respectively. China is relatively less burdensome in term of NTMs as it accounts for only 6% of reported burdensome NTMs cases. Thailand and ASEAN have free trade agreements with China. In contrast, difficulties with Japanese regulations make up 11% of the reported NTMs. The main regulatory problem in both countries is regulations related to rules of origin; 45% of the NTMs in China and 60% in Japan. Technical difficulties make up 43% of the NTMs faced in China and 31% in Japan.

Figure 26. Share of manufactured exports and share of NTMs applied by partner countries, 2013



Source: ITC NTM Survey in Thailand, 2014; and ITC Trade Map, 2013.

The United States is Thailand's second biggest market, importing 11% of the manufactured exports but accounting for 6.5% of the reported burdensome NTMs cases. Among the problems faced when exporting to the United States, two-thirds relate to technical regulations, primarily product testing and certification requirements.

The EU28 countries, in contrast to the United States, appear to be a relatively more difficult market to access. Close to 22% of the reported NTM cases were EU28 regulations, yet the EU28 imports the same amount of goods as the United States, about 11%. Difficulties with rules of origin and related certificates of origin comprise more than half (56%) of the reported problems in EU28 countries; 39% relate to conformity assessment. Germany, France, the Netherlands, the United Kingdom and Sweden are the countries where Thai manufacturing exporters reported the most regulatory difficulties.

The MENA region accounts for a relatively high number of burdensome NTM compared to their trade share. Over 10% of the regulatory difficulties relate to regulations of MENA countries, while together the MENA countries import around 6% of Thai manufactured exports. Two countries apply the majority of these burdensome regulations: the United Arab Emirates and Saudi Arabia. Almost 50% of all of the difficulties in this region are related to conformity assessment; 25% relate to rules of origin; and 25% are related to charges and additional taxes, primarily payments and additional procedures required for attestation from the embassies.

Table 10. Export of manufactured products – NTMs applied by partner countries and reasons making them burdensome

Number of NTM cases for reported for each type of measure and the reason making the measure burdensome				POs making the measure difficult and the location where it occurs			
NTM (Chapter)	Measure too strict or difficult	Due to related POs	Both	PO	Home	Partner country	Subtotal
Delay related to reported regulation	10	5	15				
Large number of different documents	2	6	8				
Arbitrary behaviour of officials with regards to the reported regulation		4	4				
Other POs	5	2	7				
Documentation is difficult to fill out		2	2				
Numerous administrative windows/organizations involved	2		2				
Conformity assessment	25	110	56	High fees and charges for reported certificate/regulation	98	26	124
				Delay related to reported regulation	46	33	79
				Large number of different documents	19	19	38
				Limited/inappropriate facilities for testing	12		12
				Other problems with international recognition	12		12
				Numerous administrative windows/organizations involved	7		7
				Other POs	9	3	12
Pre-shipment inspection and other entry formalities	5	7	2	Deadlines set for completion of requirements are too short		4	4
				High fees and charges for reported certificate/regulation	3	1	4
				Delay related to reported regulation	1	1	2
				Documentation is difficult to fill out		1	1
				Other limited/inappropriate facilities, related to reported certificate/regulation	1		1
				Other POs	1		1
Charges, taxes and other paratariff measures	1	10	13	High fees and charges for reported certificate/regulation	5	11	16
				Delay related to reported regulation	6	8	14
				Numerous administrative windows/organizations involved	4	1	5
				Large number of different documents		1	1
				Information on regulation not adequately published and disseminated	1		1
Quantity control measures	5						
Finance Measures	1	10	3	Large number of different documents	8	1	9
				Delay related to reported regulation		3	3
				Other POs		1	1
Price control measures	1						
Anti-competitive measures	1						
Rules of origin and related certificate of origin	28	184	95	Delay related to reported regulation	137	1	138
				Large number of different documents	112	1	113
				Numerous administrative windows/organizations involved, redundant documents	47		47
				Arbitrary behaviour of officials regarding classification and valuation of the reported product	23	3	26
				Documentation is difficult to fill out	15	1	16
				Other POs	16		16
				Information on regulation not adequately published and disseminated	14		14
				Arbitrary behaviour of officials with regards to the reported regulation	14		14
				Unusually high fees and charges for reported certificate/regulation	9	5	14
				Deadlines set for completion of requirements are too short	1	5	6
				Informal payment	2		2
				Other limited/inappropriate facilities,	2		2
				Grand Total	82	333	197

Source: ITC NTM Survey in Thailand, 2014.

3.3.1. Difficulties with technical requirements and conformity assessment

Most of the regulatory difficulties faced by exporters of manufactured products are technical measures. These technical measures or product-specific regulations include technical requirements and conformity assessment. Technical requirements are specifications of a product or the production process, and post-production treatment that exporters must comply with. Conformity assessment concerns measures to determine whether a product or a process complies with a technical requirement.

Evidence from the NTM Survey suggests that exporters of manufactured products face many more difficulties to prove compliance with technical regulations (conformity assessment 30%), such as inspection, testing and certification, than they do with meeting the technical requirements themselves (9%). Exporters reported 55 cases of difficult technical regulations compared to 191 cases of conformity assessment.

Among the 55 reported difficulties with technical requirements, 15 cases were burdensome because of the regulations being too strict or difficult to comply with; 12 were burdensome because of the POs. The remaining 28 cases were burdensome because of the regulation being too strict and the related POs. High fees and charges together with time delays associated with the regulation were the two most common POs that made it difficult to comply with technical requirements.

Exporters reported 25 cases of difficulties with conformity assessment because of the requirements being too strict. However, a vast majority of the cases (110) are difficult because of the related POs. In addition, 56 conformity assessment cases are difficult due to both strict requirements as well as the POs. Similar to the technical requirement cases, high fees and charges together with time delays associated with the regulation were the two most common POs that made it difficult to comply with conformity assessment requirements.

Asian countries (excluding ASEAN members), in particular Japan and China, were responsible for the most number of reported technical measures (62 cases) by the exporters of manufactured goods. EU28 countries (55 cases), ASEAN countries (30 cases), the United States (27 cases) and Australia (18 cases) were other markets where exporters faced a high number of difficulties with technical regulations.

Chemicals and cosmetics products

Exporters of chemical and cosmetics products reported a large number of difficulties with NTMs (76 cases), primarily related to conformity assessment requirements such as difficulties with testing and certification. Many of the affected companies complained of the high cost of testing or certifying their products in laboratories – usually SGS or Intertek⁵⁵ – as recommended by the partner countries.

When exporting to China, some exporters reported difficulty in meeting some of the high Chinese requirements, for instance requiring certification that the product is 100% anti-allergy. However, Thai exporters claimed this requirement is impossible to meet and they cannot provide the required document. Each Chinese province often requests different documents, which creates additional procedural hurdles.

Exporting cosmetic products to the EU is also difficult as each product must be registered and notified. Authorities in the EU countries require a safety assessment and an additional report for product notification. However, there are no certification bodies in Thailand that could issue the safety assessment report. As a result, companies obtain this report from European certification bodies, which is usually very costly. For example, according to one exporter one such report, Toilet Soap – Safety Assessment Report for Cosmetics Product – costs 10,000 Thai Baht per item.

Wood products

Exporters of wood products reported 31 NTM cases related to technical requirements (13) and conformity assessment (18). Difficulties with fumigation requirements seem to be a common issue faced by exporters

⁵⁵ SGS is a well-known inspection, verification, testing and certification company. Intertek is a global group of testing laboratories for the textile, footwear, toys, petroleum and chemicals industries.

of furniture and wooden products. Many importing countries have fumigation requirements, however, exporters cited that Australia has a different and strict requirement that increases costs and takes longer. In addition, there are few fumigation service providers in Thailand that can fulfil the Australian requirements. Each shipment must be fumigated for 24 hours and has to be accompanied by a certificate of fumigation. The cost of fumigating furniture intended for Australia can cost up to 25,000 Thai Baht in contrast to around 5,000 Thai Baht for other countries.

Exporters of wood products are also required to acquire biodegradable certificates: the Belgian EN 13432 and the American ASTM, which cost €1,300 and €250 per year respectively. The certificates must be issued by private entities such as TUV, NORD, and SGS because Thailand's FDA is not recognized internationally. The total cost of this certificate requirement is a burden to some companies.

Paper exports

Some paper exporters were concerned about the high cost associated with certification requirements to export to the EU. Thai companies are required to obtain biodegradable certificates for their products: the Belgian EN 13432 and the American ASTM cost €1,300 and €250 per year respectively. The certificates must be issued only by private certification bodies, usually TUV, NORD and SGS, as Thailand's FDA is not recognized internationally.

Another company that exports handmade mulberry paper, which contains flower seeds imported from the United States, reported difficulties in obtaining the right documentation needed to export. When exporting the product to the United States, US customs request a Plant Guarantee Certificate that certifies that the flower seeds were imported from the US and that they being exported back to the US as mulberry paper. This type of certificate is unknown by any Thai government offices, and there is no government or private certification body in the country to issue the certificate.

Leather products

The majority of the leather product exporters' concerns are also related to testing and certification. Exporting footwear to the EU or the US requires the products to undergo several tests for residuals of substances, including carcinogenic substances. Most of the tests can be undertaken by Thailand-based agencies such as SGS and Intertek, although high fees (in excess of THB10,000 per product) remain an issue. For some specific tests required by the US and the EU, for example on dangerous chemicals such as lead and ketone, there are no accredited testing bodies in Thailand and tests done in China are not accepted. As a result, companies must have their products tested in laboratories in the EU or US, which can be very expensive costing in excess of 100,000 Thai Baht.

Crocodile skin and related products

Environmental regulations such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) to protect endangered animals are a burden to some exporters. The US does not allow import of crocodile skin and related products from two species of crocodile, *Crocodylus Porosus* and *Crocodylus Siamensis*, which are listed as endangered under CITES. Exporters specified that none of the crocodiles are sourced from the wild, but rather from crocodile farms and that it is easy to breed them. These farms are registered with CITES.

Each of these items must be accompanied by an export certificate (CITES Export Permit), issued by the Department of Fisheries. Because there are very few officers at the Department of Fisheries, getting all of the permits issued can take some time. Some of the interviewed companies reportedly export up to 3,000 items per week and need to get permits issued for each item.

Shoes, glass products and furniture

Technical requirements when exporting to ASEAN countries are also a burden for some exporters. For example, companies exporting shoes to Indonesia require Indonesian National Standard certification because quality certificates issued by Thai agencies are not accepted. To obtain certification, Thai exporters must bring in inspectors from Indonesia. Exporters find the costs associated with this

requirement quite high, which increases their production costs and reduces their competitiveness. Thai exporters believe Indonesia imposed this requirement to protect its domestic producers.

An exporter of glass products to the US, including highball glasses, tumblers, stem glass, pitchers, bowls and vases, complained that the importer required inspection of the labour standard used in the production process. This inspection takes two days and requires considerable documentation.

Other issues with technical regulations

There were some reports of difficulties due to lack of information. For example, an exporter reportedly needed a certificate of Technical Standard and Safety Authority to export furniture to Canada. However, the company found it extremely difficult to find information on how to obtain the certification. According to the company, the Department of International Trade Promotion at the Ministry of Commerce was unable to provide sufficient information on this regulation.

3.3.2. Rules of origin and related procedures

NTM Survey results indicate that exporters' difficulties with rules of origin are more specific to the manufacturing sector. Almost all of the reported cases relate to the process of obtaining the relevant certificate of origin from the Thai Department of Foreign Trade at the Ministry of Commerce. The most common complaint relates to the time required to process the request, which could be a few days or up to a month. Some exporters also find it inconvenient to go to the ministry every time they want to obtain a certificate.

For example, a company exporting manufacturing materials to Indonesia complained about the process of obtaining certificates of origin at the Thai Department of Foreign Trade. According to the company, although it is now possible to submit the forms online, they are still required to submit the supporting documents to the Department of Foreign Trade. If there are any mistakes, companies cannot revise the documents at the ministry but must bring back the documents for correction, which takes time. In addition to the online form, exporters recommended an online submission of documents and electronic payments, which can speed up the process.

Part of the problem, especially for SMEs, is that the exporters are unfamiliar with the necessary requirements and processes. Companies have reported that officers at the Ministry of Commerce request different documentation from exporters and often the companies must resubmit the forms, which leads to lost time.

The documentation requirements for the certificate of origin create an obstacle for many companies. Processing companies, in particular, that source their inputs from multiple suppliers find it difficult to get the necessary documentation from each supplier to obtain the certificate of origin for the final product. An exporter of wood products to United Arab Emirates, for example, complained about the requirement to declare the origin of all wooden parts used in the product. Because the company's products are made from various kind of wood, it is difficult and complicated to gather the information required.

Companies exporting to Indonesia have also reported that they cannot request certificates before the actual shipping process. As the shipping time to Indonesia is not long, exporters have a relatively short window to apply and obtain the certificates. Frequently it takes a long time for the certificates to be issued and the cargo has to wait in the Indonesian ports for the paperwork to arrive, which leads to additional storage costs.

Another issue highlighted by exporters concerns the HS code of the product specified in the certificate of origin and related forms. The ministry specifies the product code at the National Tariff Line level, which is not uniform across countries. As a result, exporters have experienced problems in several countries such as China and Japan, where the product description did not correspond to the National Tariff Line product code of the importing country.

Progress has been made to simplify the certificate of origin process. However, there is still scope to improve upon exporters' understanding of the process as well as making progress towards a self-certification process.

3.3.3. Licences, restrictions and other difficulties

A few of the difficulties faced were due to technical issues in the online system. For instance, automobile exporters to the Middle East require a certificate of free sale, which is issued by the Thai Chamber of Commerce and Board of Trade for a fee of 10,000 Thai Baht. This certificate can be requested online, but exporters complain of frequent errors while accessing the online site and delays of a few days to resolve the problem.

3.4. Exporters' experiences with regulations at home

This section explains the difficulties exporters of manufacturing products face with Thai regulations on exports. In the manufacturing sector, a total of 23 burdensome NTMs applied by Thai authorities were reported (Table 11). These issues are related to export inspection and certification, export licences and quantitative restrictions, as well as taxes and charges. Most of the complaints were related to the costs and delays of processes as well as the large number of required documents.

Exporters of wood products and handicrafts, in particular, have voiced their concerns about export regulations implemented to control illegal smuggling. Wood furniture exporters expressed concern with the new Thai regulation that does not allow products to be disassembled when being shipped. All furniture for export needs to be put together in one piece, not as parts, when shipped. The Thai government imposed this requirement to control the illegal export of lumber. Exporters report that because of this regulation they must pay higher shipping costs because assembled products take up more space, which negatively affects them.

Some of the difficulties reported concern obtaining export licences or permits from Thai authorities. Companies exporting teak products must request a Teak Export Product Licence, as teak is a restricted wood species for export. The licence is issued by the Royal Forest Department of Thailand. Exporters report that the licence fee is very costly and is only valid for three days, which is not enough time. As a result, licences cannot be issued in advance, but only when there is a confirmed shipment schedule.

Exporters of handicraft goods faced obstacles with Thai Customs' requests for an Antiques Export Product Permit, even though the company's Buddha statues are newly produced. One company based in Chiang Mai did get approval from the Fine Art Department of the Ministry of Culture that the product is not an antique and could be exported without a permit. However, this was not acceptable to Thai customs. The process to obtain the permit is complicated, but free of charge. The company must submit many documents every week, a product inspection appointment must be made every Monday, and the mayor must approve all of the documents. There is an alternative procedure to obtain the permit without the mayor's signature, but the fee is THB300 per each statue, which the company cannot afford.

The product certification requirement of Thai authorities for export of medical devices caused difficulties for some companies, primarily smaller ones. Exporters of medical devices must follow the regulations imposed by the Ministry of Industry, which requires the company to comply with Good Manufacturing Practice and ISO standards. ISO 13485 compliance creates an obstacle for small companies that are unable to comply with this standard as it specifies certain qualifications of eligible companies, such as number of employees and size of manufacturing potential. Because SMEs cannot meet the ISO requirements, they are unable to export.

Table 11. Export of manufactured products – NTMs applied by Thailand and reasons making them burdensome

Number of NTM cases reported for each type of measure and the reason making the measure burdensome				POs occurring in Thailand that make the measure difficult to comply with	
NTM (Chapter)	Measure too strict or difficult	Due to related POs	Both	PO	No. of POs
Export inspection		5	3	Delay related to reported regulation	5
				High fees and charges for reported certificate/regulation	3
				Informal payment	2
				Documentation is difficult to fill out	1
				Arbitrary behaviour of officials with regards to the reported regulation	1
				Limited/inappropriate facilities for sector-specific transport and storage	1
Certification required by Thailand	1		1	Arbitrary behaviour of officials with regards to the reported regulation	1
				Delay related to reported regulation	1
Other export technical measures	1				
Export prohibitions			1	Arbitrary behaviour of officials regarding classification and valuation of the reported product	1
Licensing or permit to export		4	1	High fees and charges for reported certificate/regulation	3
				Delay related to reported regulation	2
				Large number of different documents	1
				Documentation is difficult to fill out	1
				Arbitrary behaviour of officials with regards to the reported regulation	1
				Deadlines set for completion of requirements are too short	1
Export registration		2		Large number of different documents	1
				Documentation is difficult to fill out	1
				Delay related to reported regulation	1
Export taxes and charges		1		Informal payment.	1
Measures on re-export	1				
Other export related measures		1	1	High fees and charges for reported certificate/regulation	1
				Limited/inappropriate facilities for sector-specific transport and storage	1
Total NTM cases	3	13	7	Total PO cases	31

Source: ITC NTM Survey in Thailand, 2014.

3.5. Companies' experiences with procedural obstacles affecting the manufacturing trade

POs create obstacles to trade in manufactured exports. Difficulties faced by exporters include 867 PO cases; 702 cases (81%) in Thailand and 165 cases (29%) in partner or transit countries (Table 12).

Unusually high fees and charges for certification, delays related to reported regulations, numerous administrative windows and organizations involved, as well as a large number of different documents are the most common reported PO issues in both Thailand and partner or transit countries.

Table 12. Export of manufactured products – POs at domestic institutions and in partner or transit countries

Types of POs		PO occurring in		Sub-total
		Thailand	Partner or transit countries	
Administrative burdens related to regulations	Large number of different documents	143	29	172
	Documentation is difficult to fill out	20	5	25
	Numerous administrative windows/organizations involved, redundant documents	60	4	64
Information/transparency issues	Information on selected regulation is not adequately published and disseminated	16	1	17
	Requirements and processes differ from information published		1	1
Discriminatory behaviour of officials	Arbitrary behaviour of officials regarding classification and valuation of the reported product	24	3	27
	Arbitrary behaviour of officials with regards to the reported regulation	17	5	22
Time constraints	Delay related to reported regulation	213	52	265
	Deadlines set for completion of requirements are too short	2	9	11
Informal or high payments	High fees and charges for reported certificate/regulation	144	51	195
	Informal payment	5	2	7
Lack of sector-specific facilities	Limited/inappropriate facilities for testing	12		12
	Limited/inappropriate facilities for sector-specific transport and storage	2		2
	Other limited/inappropriate facilities, related to reported certificate/regulation	5		5
Lack of recognition/accreditation	Other problems with international recognition	12	1	13
Other	Other procedural obstacles, please specify	27	2	29
Total		702	165	867

Source: ITC NTM Survey in Thailand, 2014.

Chapter 4. Public sector perspectives and new developments

This report focuses on the private sector's perspectives of regulatory obstacles and POs hindering trade. To have a more meaningful understanding of the issues hindering Thai companies, it is important to consider the perspectives of the Thai public sector, especially those agencies involved in product quality and standards, trade facilitation, customs clearance and related activities.

Following the completion of the NTM Survey of companies, the study team conducted additional research on new developments and initiatives on trade facilitation taken by the Thai government at the national and regional ASEAN level. Trade experts and representatives from various business associations, research institutes and development agencies were also consulted on these issues. Preliminary results of the NTM Survey were presented to representatives of the Thai public sector, private sector and other relevant stakeholders in Bangkok on 29 October 2014.

A summary of the Thai public sector's perspective on the NTMs reported by businesses, new developments since the completion of this survey and opinions of other stakeholders are presented in this section.

1. Issues in the agricultural sector

Issues related to SPS requirements, including conformity assessments such as testing and certification, are the main regulatory difficulties reported by exporters of agricultural products. Difficulties related to SPS-related issues make up two-thirds of all burdensome NTMs cases reported by agri-food exporters. In particular, exporters face difficulties with EU regulations on food safety and standards.

Representatives from the public sector and business associations acknowledged the difficulties reported by affected companies and agreed that EU SPS requirements are more demanding than the internationally recognized food standards, the Codex Alimentarius,⁵⁶ and requirements of other markets. SPS measures are intended to protect human, animal or plant life or health from risks arising from plant pests, additives, residues, contaminants, toxins or disease-causing organisms in foods, beverages or feedstuffs, and diseases carried by animals. The Sanitary and Phytosanitary Agreement of the WTO sets out the rules that members are obliged to follow when they set SPS measures governing food and feed safety, animal health and plant health.

The agreement permits WTO members to take necessary SPS measures to protect the life and health of its population and flora and fauna. However, the measures must be transparent, based on international standards and science based, in proportion to the potential risk involved, and equally applied⁵⁷ to national and imported products to avoid any discrimination.

Thai stakeholders believe that while some companies perceive these measures as difficult, they are justified and non-discriminatory. In the past, non-compliance by some Thai companies has caused some loss of Thailand's reputation as an exporter to the EU. As a result, consignments from Thailand were subject to higher scrutiny making it even more difficult for exporters. Trade experts believe these requirements will not become easier in the future and may become even more demanding. To continue exporting to the lucrative EU market, Thai companies, especially the SMEs, should acknowledge these realities and improve production and product standards in line with market requirements. Capacity building of SMEs is paramount and they may need assistance from the government, business associations and trade support networks.

Some of the difficulties faced by companies to export to the United States, such as HACCP certification and registration, seem to arise from companies having the wrong information or not having enough

⁵⁶ The Codex Alimentarius, or Food Code, was established by the Food and Agricultural Organization of the United Nations and the World Health Organization in 1963 to develop harmonized international food standards that protect consumer health and promote fair practices in food trade. www.fao.org/fao-who-codexalimentarius/en/

⁵⁷ European Commission (2013). Sanitary and phytosanitary (SPS) issues.

information. According to Thai food safety experts, exporting food products to the EU requires HACCP certification that is issued following a formal assessment and is valid for three years. To export to the United States, exporters are required to be registered every two years under the Food Safety Act.

Public sector representatives believe that exporters are unaware of new regulations and usually become aware only after facing difficulties with their shipments due to non-compliance. Business associations and individual companies should be more proactive, more aware about changes to regulations, and they should assess the impacts on their production and exports. The National Bureau of Agricultural Commodity and Food Standards (ACFS) under the Ministry of Agriculture and Cooperatives is the national information centre for agricultural and food standards and also acts as the focal point for WTO SPS/TBT related issues, Codex and the International Plant Protection Convention.⁵⁸ New SPS-related notifications by WTO members are summarized and distributed by ACFS to various Thai public agencies and business associations to assess their impact on Thailand. Private sector concerns are typically voiced through trade associations.

Responsibilities of the National Bureau of Agricultural Commodity and Food Standards

- Standard setting for agricultural systems, commodity and food items, and food safety;
- Accreditation of certification bodies;
- Dialogue and negotiation with international trade partners on disputes concerning SPS/TBT issues;
- Food standards control;
- Promotion of standard compliance for farms and food establishments.

Source: <http://www.acfs.go.th/eng/>

Exporters face difficulties with treatment of fresh foods such as mangosteen, for example, which requires irradiation and heat treatment. Trade experts agree the process can be costly and difficult. Heat treatment, as required by several import markets prior to shipping, causes the fruit to rot faster, which is a main concern of fruit exporters. There are no immediate solutions to this issue. Research is ongoing to determine how to extend the shelf life of fresh foods that have undergone this treatment.

To address problems arising due to different product standards in the ASEAN region, several agencies under the Ministry of Agriculture are working with their ASEAN counterparts to harmonize around 800 standards for horticulture products. Some of the standards have been finalized. Given that harmonization of each product standard requires detailed evaluation of specific scientific principles and agreement among all concerned parties, this process may require considerable time. Once harmonized and successfully implemented in all the ASEAN countries, regional trade in agricultural commodities is expected to be facilitated and expanded.

2. The manufacturing sector's difficulties with technical regulations

Difficulties with TBT and related conformity assessment measures are very specific to the manufacturing sector and are one of the main issues reported by exporters (see under 3.3.1). Overall, 40% of the difficult NTM cases reported by exporters of manufactured products relate to technical measures or related conformity assessment. The majority of these cases are measures applied by the EU, ASEAN or other Asian countries.

According to trade experts, several factors create difficulties for Thai companies and for government agencies that need to adapt to the fast-changing technical standards in the international market. An important issue is the variation in the level of standards across different markets and their interpretation. For example, the EU is much more demanding on product standards than other markets and has additional requirements on parameters such as environmental standards and the level of heavy metals permitted in products.

⁵⁸ The National Bureau of Agricultural Commodity and Food Standards, www.acfs.go.th/eng/

The use of these measures is governed by the WTO's Technical Barriers to Trade Agreement, which allows WTO members to adopt technical regulations, standards and conformity assessment procedures for legitimate objectives such as protecting the environment, preventing deceptive practices, and protecting human, animal or plant life or health provided the measures do not create unnecessary obstacles to trade. The agreement obliges WTO members to practice the following:

- Use international standards whenever possible, as a basis for technical regulations.
- Practice non-discrimination of imported products – the same regulation applies for both domestic and imported products.
- Adhere to equivalence. Re-testing or recertification should not be required if the technical regulation in the exporting country has been recognized as equivalent or the results of conformity assessment procedures are covered by a mutual recognition agreement.
- Practice proportionality. Ensure that a given measure is not more trade restrictive than necessary to achieve the legitimate goal.
- Practice transparency. Member countries are to notify the WTO and consider comments from other WTO members before finalizing technical regulations. Members are required to provide at least 60 days for other members to comment on technical regulations.⁵⁹

Ensuring exporters comply with required technical standards is occasionally problematic for Thai agencies. Countries specify detailed requirements of the product or production process, but the method to evaluate compliance is not always specified in detail. This sometimes results in different interpretations of requirements due to differences in understanding, which leads to distortion in complying with the standards. In other cases, the testing and certifying agencies in Thailand may not have the necessary accreditations and the test results may not be accepted. Some new regulations may require investment in new infrastructure to perform the necessary compliance tests. Some of the testing equipment is very expensive and only a few companies require the services. In these situations companies must seek testing abroad, which is time consuming and expensive.

Similar to the SPS issues, differences in technical standards among ASEAN countries make it difficult for Thai companies to export manufactured products in the region. To tackle this issue, especially in priority sectors, the ASEAN Consultative Committee on Standards and Quality (ACCSQ) has endeavoured to harmonize national standards with international standards and implement mutual recognition arrangements on conformity assessment to achieve its goal of 'One Standard, One Test, Accepted Everywhere'.⁶⁰

ACCSQ has been successful in the harmonizing standards for 20 priority products and 81 standards for safety and electromagnetic compatibility. In November 2014, ASEAN members signed the ASEAN Medical Device Directive, complementing the ASEAN Harmonized Cosmetic Regulatory Scheme and the ASEAN Harmonized Electrical and Electronics Equipment Regulatory Regime. ACCSQ also identified new areas for harmonization, giving priority to standards used in technical regulations of ASEAN member countries.⁶¹

Adopting common ASEAN standards for products is ongoing. ACCSQ is working on the Mutual Recognition Arrangements (MRAs) among member countries for a variety of products. Guidelines have been prepared for developing MRAs. MRAs can facilitate transactions, in particular by avoiding double inspections, which reduces time and costs. ACCSQ meets twice a year to discuss MRAs concerning electronic, automotive, wood, cosmetic, medical, health and food products.

The Thai Industrial Standards Institute (TISI) under the Ministry of Industry is the focal point for TBT regulations and is responsible for informing the private sector about new regulations. New TBT notifications by WTO members are circulated by TISI to various Thai agencies and private sector organizations for their comments. However, TISI reportedly does not receive sufficient feedback from the private sector on any impact the new regulations may have on them until it is too late. According to the WTO Technical Barriers to Trade agreement, up to 60 days is available for comments from member countries. After this period it is very difficult to suggest changes to the new regulations that have been adopted.

⁵⁹ International Trade Centre (2011). Export Quality Management.

⁶⁰ ASEAN Secretariat (2015). Standards and Conformance.

⁶¹ Ibid.

3. Rules of origin and related administrative processes

The agricultural and manufacturing sectors face the same issues related to customs clearance procedures, rules of origin and administrative processes. Difficulties related to rules of origin and the procedures to obtaining the necessary certificate of origin make up more than two-thirds of the difficulties reported by Thai exporters. Complementary studies focusing on rules of origin and the benefits to Thai companies have confirmed the difficulties faced by exporters and importers regarding benefits from preferential agreements. Thai exporters and importers, while trading with 15 partner countries covering 10 FTAs, demonstrate a low use of tariff preferences at 49% and 52% respectively.⁶²

The Department of Foreign Trade (DFT), under the Ministry of Commerce, is the responsible agency for issuing COs. Applications for COs can be submitted either at the DFT or online. However, online applications may still require originals of the documents to be presented at the DFT offices and online payment is not yet possible. According to DFT, it typically takes 30 minutes to issue a CO if the exporter submits all necessary documents. If the exporter requests a CO based on cumulation, the agency requires additional documents on the companies' imports for verification. This process usually takes more time. DFT officers issue around 100 COs daily and up to 200 during busy days.

Officially, according to trade agreements, exporters do not need to submit documents for verifications each time they export. Once the documents are verified a verification certificate is issued that remains valid for a few months to up to a year, providing there are no changes in the production process or content. Subsequent requests for COs can be made using the verification certificate without the need to re-submit all the documents for verification during that period. DFT charges THB30 for a CO, which is one of the lowest fees for a CO in the region. Each CO can list up to 3,000 individual products.

To reduce costs and the time to issue and verify COs (Form D) in the ASEAN region, Thailand is participating in a pilot project on exporter self-certification. This scheme under the ASEAN Trade in Goods Agreement (ATIGA) allows trusted and qualified exporters to self-certify the origin of their products in their invoice declaration or other commercial documents instead of requesting the CO (Form D) from the DFT. Exporters should have adequate knowledge of the ASEAN rules of origin and not be on the 'watch list' if they wish to participate in this project. They should also be authorized and registered with national authorities that will communicate their details to agencies of other participating countries. In Thailand, DFT is responsible for exporter registration.

Currently there are two pilot projects aimed to create a self-certification system among ASEAN members. Thailand is participating in the first pilot project together with Brunei Darussalam, Malaysia and Singapore. Thailand is also set to participate in the second pilot project being tested by Indonesia, Lao People's Democratic Republic and the Philippines. There are some technical differences between the two pilot projects, for example on the types of certified exporters, the self-certification declaration and the types of products covered. At the end of the pilot project, ASEAN will decide which of the two systems to implement for the region in the long term or if any convergence or modification of the systems is required.

⁶² Thailand Development Research Institute, 2013.

ASEAN pilot self-certification systems compared

	First pilot project	Second pilot project
Participating countries	Brunei Darussalam, Malaysia, Singapore and Thailand.	Indonesia, Lao People's Democratic Republic and the Philippines.
Active since	November 2010. Thailand joined in October 2011.	May 2013.
Potential new members	Cambodia and Myanmar.	Viet Nam and Thailand.
Certified exporters	302	14
Criteria to be a certified exporter	Exporter need not be the manufacturer of the goods.	Exporter must be the manufacturer of the goods.
Declaration	Declaration of origin can be made in the invoice, billing statement, delivery order or packing list.	Declaration of origin must be made in the invoice.
HS code	HS code of products is not stated in the declaration.	HS code of products must be stated in the declaration.
Dissemination of specimen signature of certified exporter	Not applicable.	Competent authority of the exporting country needs to send specimen signatures of the certified exporters to the competent authorities of participating countries.
Limitation on number of authorized signatures	Not applicable.	Not more than three persons per certified exporter.
Third country invoicing	Permitted.	Not permitted.
Goods covered	No specific exclusion.	Only approved products.

Source: Ernst & Young (2015). All you need to know about the ASEAN Economic Community 2015. Removal of trade barriers: Self-certification of origin.

The origin criteria for ASEAN are straightforward and specified in ATIGA. For imports from one member country to another, a good is considered as 'originating' if it is wholly obtained or produced in the exporting member country. Not wholly obtained or produced goods are considered originating if the goods have a regional value content of at least 40% or if all non-originating materials used in the production of the goods have a change in tariff classification at the HS four-digit level. Originating goods can benefit from preferential access in other ASEAN markets. Depending on the trade agreements, Thai exporters can also benefit from accumulation. Information on specific requirement for different agreements is available from the DFT website.⁶³

Problems with rules of origin reported by exporters include complaints that Indonesia accepted COs that were issued only on the day of the shipment. Logistically this requirement was difficult for the Thai exporters as the shipping time is often shorter than the time needed to obtain the certificate. In principle, the trade agreements allow COs to be issued in advance. Discussion with the Indonesian authorities has already taken place at the ASEAN level and the Thai government expects this issue to be resolved.

⁶³ Thailand, Department of Foreign Trade, Ministry of Commerce, www.dft.go.th/.

Differences in HS product codes in COs have caused exporters to lose duty preferences in multiple occasions. At the ASEAN level, member countries have established the ASEAN Harmonized Tariff Nomenclature (AHTN), a common eight-digit commodity nomenclature based on the HS system. The ASEAN Directors General of Customs is the responsible body for monitoring, reviewing and implementing AHTN. AHTN is expected to establish uniformity of application in the classification of goods in ASEAN, enhance transparency, and simplify the tariff nomenclature to facilitate trade in the region.⁶⁴

Despite the establishment of AHTN, customs authorities in ASEAN continue using different classifications and traders continue to face difficulties due to HS code mismatches. Government authorities insisted that companies must clearly describe the product to obtain the correct HS code and that they need to use the HS codes being used in the destination market. DFT and Thai customs provide services to help companies identify the HS product codes.

Customs clearance and other procedures

Similar to DFT, many of the procedural difficulties occur at Thai customs. This does not imply severe inefficiencies at the two agencies. As all companies have to pass through these agencies for exports, it is more likely that they report more frequently about these two agencies compared to others. Both agencies recognize the importance of international trade to the Thai economy and have made significant efforts to facilitate trade.

The Customs Department of Thailand evolved from a fully paper-based system to an Electronic Data Interchange (EDI) system in 1998. Within 10 years, the Thai government fully migrated from EDI to the current electronic customs service or e-customs system of today, which is paperless. The full nationwide implementation of e-customs was completed in July 2008. Using this online system companies or their agents can request export clearance. Exporters must submit an export declaration in the ebXML⁶⁵ message to the e-customs system. They can also fill out a paper form and submit it to the customs officer who will enter it in the online system.

An automatic verification of data is completed and a Goods Declaration number is generated. The system also classifies the shipment into 'green line' or 'red line', which determine the type of inspection required at the port. Green line shipments are cleared immediately. Following the export of the cargo, shipping agents submit the manifest information to the e-customs system. The system automatically loads the Goods Declaration and transmits the response message back to the exporter. If the shipment is determined to be in the red line, the cargo is removed for additional physical inspection. According to customs officials, 97% of export products are considered green line and clearance for most products is swift.

Thai Customs understands that export procedures for certain products can be more burdensome than others for exporters due to additional inspection or documentation requirements. However, because customs has been tasked with enforcing compliance, requirements for certain products are bound to stay in place for some time. For example, one of the exporters' concerns was the additional documentation to export statues (see Chapter 3, Section 3.4), which is checked by Thai customs prior to export.

Controlling antique products

The Thai government controls the smuggling of antique products such as statues out of the country and customs is the final checkpoint for verifying these types of shipments. However, Thai customs does not have the expertise to distinguish between original antique products and newly manufactured products that imitate antiques. As a result, exporters are required to have their products verified and obtain an export permit from the Department of Fine Arts. At the same time, the increase in smuggling of valuable wood disguised as furniture items has led to additional checks by customs. These measures undertaken by Thai customs are not intended to be a trade barrier, but rather to protect national heritage and the environment.

⁶⁴ The ASEAN Harmonized Tariff Nomenclature Primer: www.tariffcommission.gov.ph/previous-website/Primer_AHTN.pdf

⁶⁵ ebXML or Electronic Business Extensible Markup Language is a global standard for electronic business that enables users to conduct transactions over the Internet.

Mismatching Harmonized System codes

Customs has experienced problems with companies due to mismatches in HS product codes. However, customs finds this problem more specific to importers than exporters. This is understandable because exporters usually face difficulties due to incorrect HS codes only after the shipment arrives in the destination market. Thai customs provides advisory services to companies on identifying HS codes of their products and has a team to review the decisions of its officers. Should companies continue to have problems determining the correct HS code, Thai customs can dispute the issue at the World Customs Organization, which makes the final decision.

Thai customs provides advance tariff ruling services for importers. Importers may submit an application for an advance tariff ruling for their products accompanied by all of the required documents at least 30 days prior to the proposed date of import. The ruling provided by customs outlines how existing laws and regulations apply to the concerned product.

Implementing the national and ASEAN single windows

Thailand is successfully implementing the National Single Window (NSW), with the aim to connect all relevant Thai agencies under one system. The NSW enables the sharing of electronic data and information among various government bodies and businesses for export, import and logistics. Companies can file a single submission of electronic documents and customs declarations for clearance or pay duties. The NSW aims to reduce time and costs with a single submission of data for export. It also aims to facilitate data and information sharing between Thailand and other countries.⁶⁶

Because Thai agencies were using different IT systems, integrating them into a single system has not been straightforward. However, good progress has been made over the years, led by the Customs Department. POs occurring in domestic agencies such as delays and multiple documentation requirements are expected to be reduced once Thailand fully implements the NSW and the ASEAN Single Window (ASW) initiatives. As of November 2015, 31 agencies had successfully integrated their licensing processes with the NSW, four agencies are in the testing stage, and one agency is in the process of development.

At the regional level, ASW will connect and integrate the National Single Windows of ASEAN members to expedite the electronic exchange of customs data that traders can use to obtain customs clearances, permits and other documentation for trade with ASEAN countries. The NSW is expected to expedite the cargo clearance process, reduce costs and time of doing business, enhance trade efficiency, and boost competitiveness.⁶⁷

Five ASEAN Members – Indonesia, Malaysia, Singapore, Thailand and Viet Nam – are in the process of connecting their NSWs. They have already tested the ASW enabling architecture and are currently in the process of ratifying the system domestically. ASW should be fully operational by the end of 2016. Other ASEAN members, such as Brunei and the Philippines, have expressed interest in joining the ASW in 2016. Cambodia, Lao People's Democratic Republic and Myanmar are developing their NSWs. With NSW and ASW fully implemented, POs and inefficiencies in the TBE are expected to be greatly reduced.

⁶⁶ Thailand National Trade Repository (2014). National Single Window.

⁶⁷ ASEAN (2016), [ASEAN](#) Single Window.

Implementing the National Single Window, November 2015

Agencies that have integrated their systems into the NSW include:

1. Customs Department, Ministry of Finance
2. Department of Foreign Trade, Ministry of Commerce
3. Department of Livestock Development, Ministry of Agriculture and Cooperatives
4. Industrial Estate Authority of Thailand
5. Department of Industrial Works, Ministry of Industry
6. Excise Department, Ministry of Finance
7. Board of Investment
8. Ministry of Fisheries, Ministry of Agriculture and Cooperatives
9. Food and Drug Administration, Ministry of Public Health
10. National Bureau of Agricultural Commodity and Food Standards, Ministry of Agriculture and Cooperatives
11. Fine Arts Department, Ministry of Culture
12. Department of Energy Business, Ministry of Energy
13. Office of the Cane and Sugar Board, Ministry of Industries
14. Defence Industry Department, Ministry of Defense
15. Rubber Authority of Thailand
16. Department of Land Transport, Ministry of Transport
17. Department of Forestry, Ministry of National Resources and Environment
18. Port Authority of Thailand
19. Office of Atoms for Peace, Ministry of Science and Technology
20. Department of Mineral Resources, Ministry of National Resources and Environment
21. Electrical and Electronics Institute
22. Department of Natural Park, Wild Life, and Plant
23. Department of Medical Sciences, Ministry of Public Health
24. Department of Internal Trade, Ministry of Commerce
25. Office of the National Broadcasting and Telecommunications Commission
26. The Thai Chamber of Commerce and Board of Trade of Thailand
27. Department of Agriculture, Ministry of Agriculture and Cooperatives
28. Department of Provincial Administration, Ministry of Interior
29. Marine Department, Ministry of Transport
30. Department of Primary Industries and Mines, Ministry of Industries
31. Department of Mineral Fuels

Agencies in the testing stages

1. Department of Disease Control, Ministry of Public Health
2. Airports of Thailand Public Limited Company
3. Department of Civil Aviation, Ministry of Transport
4. Federation of Thai Industries

Agency in the process of development

1. Thai Industrial Standard Institute

4. Thai customs is efficient but can still improve

Thai customs is very efficient compared to other customs agencies in the region. In 2015, Thailand was ranked 56th in the World Bank's annual Doing Business report, ranked behind Singapore and Malaysia among ASEAN member countries. On average, it takes 51 hours for export consignments to clear border compliance and costs around \$223. In comparison, the average cost for exports associated with border compliance in other ASEAN countries is \$322.⁶⁸

⁶⁸ World Bank (2015), Doing Business.

Other studies, such as the UN Economic and Social Commission for Asia and the Pacific's Business Processes Analysis, evaluated the various procedures, time and costs required for export. A case study of Jasmine rice exported to the United States showed that it takes 16 days for the full process from conducting the sales contract and trade terms to claiming payment for goods. During this period, approximately one day is spent on customs clearance.⁶⁹

Customs officers are responsible for the compliance of most Thai regulations related to export and import. There are many regulations they must implement – some of which are overlapping but may have different penalties and are also implemented by various other Thai agencies. Due to this, mistakes by Thai customs officers are likely. A more streamlined regulatory framework is necessary to eliminate these difficulties. Thai customs is also working to control any obstacles created by officers' discretion. It has created a committee to study the logistics issues regarding customs procedures and formalities, and to identify where problems exist and what can be done to resolve them.

5. Information sources and businesses' concerns

One reason why Thai exporters face difficulties with NTMs is lack of access to information. Business owners, especially SMEs, have limited financial and human resources to obtain relevant information on trade measures. To address this, the Thai government recently developed the Thailand National Trade Repository (NTR),⁷⁰ an online information gateway on international trade regulations such as import tariffs, preferential tariffs, rules of origin, NTMs, national trade and customs laws and regulations, and lists of authorized traders. The Thai NTR will assist traders and facilitate trade. The Department of Trade Negotiations under the Ministry of Commerce is the responsible agency for NTR, while all Thai agencies are required to provide information related to trade measures and regulations, which will be compiled into the Thai NTR.

The development of Thai NTR is aligned with ASEAN's commitment to eliminate barriers to trade. Other ASEAN members have developed or are developing their own NTRs. In line with ATIGA, the ASEAN Trade Repository (ATR)⁷¹ was launched in November 2015 to provide transparency on the trade and customs laws of all member states. The ATR serves as a regional interface through a single portal, linking the NTR of each ASEAN member.

To familiarize companies with export and import processes DFT organizes more than 10 free seminars for company representatives. DFT officers also participate in seminars organized by other agencies. However, company attendance at these seminars remains low. DFT also operates a hotline for exporters regarding queries about HS product classification or other export procedures and requirements.

With the objective of assisting regional traders facing trade-related difficulties in any ASEAN member country, ASEAN has developed ASEAN Solutions for Investments, Services and Trade (ASSIST),⁷² which is an internet-based portal for receiving, processing and responding to complaints submitted by traders. ASSIST was established to implement the ASEAN Consultations to Solve Trade and Investment Issues (ACT) mandated under ATIGA. ASSIST reaffirms the consultative and non-binding characteristics of ACT, while modernizing its structure and enabling the mechanism to operate in a more effective and efficient manner.

⁶⁹UNESCAP (2012).

⁷⁰ Thailand National Trade Repository (<http://www.thailandntr.com/>).

⁷¹ ASEAN Trade Repository (<http://atr.asean.org/>).

⁷² ASEAN Solutions for Investments, Services and Trade (<http://assist.asean.org/>).

How does ASSIST work?

ASSIST is based on a simple and streamlined online process:

- The ASEAN-based enterprise submits a complaint on the ASSIST website.
- The Central Administrator reviews the complaint and may return it to the ASEAN-based enterprise for possible amendment and re-submission if necessary.
- When accepted by the Central Administrator, the Destination Contact Point reviews the complaint and may reject it if it considers that ASSIST is not the appropriate forum for consultation or if it does not wish to address it. In this case, a justification must be given.
- If the Destination Contact Point accepts the complaint, the responsible authority or authorities in that country will search for a solution to the issue.
- If a solution can be proposed, the Central Administrator will notify the complainant (the ASEAN enterprise) and the Home Contact Point.
- The ASEAN-based enterprise may accept the proposed solution or reject it and seek other dispute resolution avenues.

ASEAN-based enterprises can expect practical solutions to be found through ASSIST in 40 to 60 days maximum. All solutions must be in full conformity with existing ASEAN commitments and applicable ASEAN member states' laws and regulations.

If the ASEAN enterprise that lodged the complaint is dissatisfied with the outcome, it may refer the case, through its ASEAN member state of business registration, to the ASEAN Compliance Body or to the ASEAN Enhanced Dispute Settlement Mechanism.

The ASEAN enterprise may also decide to pursue national litigation or an alternative dispute resolution mechanism within national ASEAN jurisdictions, such as mediation, conciliation or arbitration.

The information provided by the complainant are used within ASSIST and by the actors involved only for purposes of addressing the specific ASSIST complaint. Appropriate steps are taken to safeguard commercially sensitive or personal data at all times, especially when transferring data across the network.

Source: ASEAN Solutions for Investments, Services and Trade.

In line with ASEAN's initiative to address NTMs, the ASEAN Trade Facilitation Joint Consultative Committee (ATF-JCC) has been reactivated. The ATF-JCC brings together public sector representatives and the private sector to ensure that the voice of the business community on issues related to trade and trade facilitation is heard and taken into consideration when resolving their concerns. The committee is developing ASEAN Trade Facilitation Indicators based on trade indicators from the OECD, establishing National Coordinating Committees, and developing a strategic action on trade facilitation for AEC.⁷³

⁷³ UNESCAP (2015).

Chapter 5 Policy options and the way forward

NTMs have become a major concern in international trade for developing and least developed countries. While NTMs may be applied for legitimate purposes, they can still impede trade. Given their nature and complexity, NTMs are often difficult to evaluate. The ITC NTM Survey in Thailand has been implemented to review the business community's perspectives on NTMs and their effects.

To provide a more accurate picture, the survey also analyses POs and inefficiencies in the TBE. This approach identifies the NTMs the business community finds difficult as well as the underlying reasons why they face difficulties complying with NTMs. This allows for more precise recommendations for policy and government action.

The NTM Survey in Thailand reveals that 38% of exporters 26% of importers are affected by burdensome NTMs and related obstacles to trade. The majority of burdensome NTM cases (96%) relate to partner country regulations; a small number (4%) are related to Thai regulations. This is consistent with stricter NTMs in partner countries, especially in the EU28 market. For small exporters, POs, such as the process of obtaining COs, are more problematic than the strict rules and regulations themselves. A majority of these POs (76%) occurred in Thailand.

Much progress has been made by government agencies to streamline and digitize their processes, for example through implementing an NSW and harmonizing customs procedures among ASEAN regulators. However, there are many areas where government agencies and the private sector can make improvements. This chapter presents concrete options for action at the national and international level, which were discussed at the stakeholder meeting based on the NTM Survey analysis.

The NTM Survey was implemented with the aim to identify obstacles to trade faced by the business community in Thailand and to liaise with national stakeholders to formulate concrete and realistic policy options. For this purpose, analysis of the NTM Survey data was complemented by discussions with experts and representatives from various Thai institutions and associations.

ITC, together with its national partner, the Department of Foreign Trade under the Ministry of Commerce, organized a full-day stakeholder meeting in Bangkok, Thailand on 29 October 2014. The purpose of the meeting was to present and validate the results of the NTM Survey, discuss the public sector's perspective and identify policy recommendations. Representatives from various government agencies, the business sector, research institutes and international organizations attended the meeting. For the agenda and list of speakers and participants, please refer to Appendix IV.

Following is a set of policy options Thailand can implement at the national and international level to facilitate trade.

Streamline national regulations and procedures

Thailand should form a taskforce involving relevant agencies and representatives from the private sector to review the scope and implementation of its existing regulations with a view to streamlining its regulatory framework. While it is important that government introduce new rules and regulations to keep up with the fast-changing international business environment and practices, many regulations are outdated, unnecessary and often conflict with each other.

There are laws that overlap and have different objectives, methods of implementation, and are under the authority of various agencies. This may lead to confusion and incoherence in decisions made by customs officers in the field who must follow these laws in customs clearance procedures. A streamlined, transparent and up-to-date regulatory framework is the first step to facilitate trade and would clarify ambiguities for trading companies and customs officers.

Enhance Thailand's national standards

Thailand's national standards for many of its products have lower requirements than those of its major markets such as the European Union and the United States. Most of the high requirements demanded by

importing markets are in place for legitimate reasons such as food safety and consumer protection. The Thai government should make an effort to enhance the standards up to international requirements for goods destined for the local and international markets. This will likely have a short-term impact on Thai producers, especially SMEs. However, in the long term exporters will adapt to the higher requirements and find that compliance with most international requirements is not difficult. This will enhance Thailand's image as a country with high-quality products.

ASEAN's initiative to harmonize the standards of member countries to meet internationally recognized standards is a welcome step. Thailand should assist SMEs to upgrade their production processes and product quality to meet these international requirements.

Develop the capacity of SMEs through training and networking

Many SMEs cannot export to large lucrative markets due to lack of knowledge about issues such as rules of origin and export requirements, as well as inadequate product standards. Attempts to export non-compliant products to the EU in the past have led to shipments being rejected and Thai products being subject to increased scrutiny.

The Thai government should liaise with sector-specific business associations to help develop the capacity of SMEs. This can be done through training on rules of origin and custom procedures; guidance and assistance on improving production process and quality; and knowledge sharing through networking and mentoring.

Implement the Thailand National Trade Repository and promote information sharing

The recent creation of the Thailand NTR is a very positive step, which is intended to increase transparency to trade. The portal, developed by the Ministry of Commerce, provides access to all trade-related regulations under the authority of various Thai agencies and the tariff schedule of Thailand under MFN and various other agreements. The NTR also allows access to rules of origin criteria, procedural and documentary requirements for export and import, and information on best practices for trade facilitation. NTR, together with the trade repositories of other ASEAN member states under the umbrella of the ATR, provides a comprehensive information portal for regional trade.

Regular updates of information are key for the NTR to remain relevant. The Thai government should encourage all of its agencies to report any changes or additions to regulations and procedures under their authority. Proper information dissemination on the existence of the Thai NTR and the ATR to businesses and training on how to use these tools are extremely important.

Enhancing the Thai NTR by including information on major partner countries' regulations, in addition to the ASEAN countries covered by ATR, would be helpful to exporters. Information such as the database on NTMs jointly collected by ITC, UNCTAD and the World Bank and the tariff schedule of most countries, together with information on trade remedies and rules of origin, already exist. (See ITC's Market Access Map.)⁷⁴ Collaboration and data sharing with development partners can add to the information already available to Thai companies through the Thai NTR.

Review the discrepancies in the Harmonized System product classification between Thailand and major trading partners and find an acceptable solution

The Department of Customs and DFT should engage in dialogue with counterparts in ASEAN and other major trading countries such as Japan and China to resolve difficulties due to differences in HS code classification. Disagreements in product classification have caused exporters and importers to miss out on tariff preferences. The AHTN was established to eliminate such differences among ASEAN member countries by harmonizing the HS codes up to the eight-digit level. However, the problem persists.

⁷⁴ ITC Market Access Map (www.macmap.org).

Implementing advance ruling with some countries will alleviate the problem for some; however, more transparency on product classification acceptable to Thailand and its partner countries is necessary.

Implement the Thai National Single Window and the ASEAN Single Window

Thailand should finalize and implement the NSW. The system that connects Thai agencies to facilitate trade processes eliminates duplication and connects 36 agencies. Properly implementing the NSW will greatly benefit the private and public sectors. The Thai government estimates savings of at least \$3.2 billion annually in logistics-related costs in Thailand.⁷⁵

Thailand is advanced in implementing the NSW, however full implementation of ASEAN's Single Window may take longer as some ASEAN members, such as Cambodia and Lao People's Democratic Republic, require more time to implement their National Single Windows.

Evaluate the self-certification scheme

The exporter self-certification of origin, if implemented properly, will reduce the cost and time involved in processing COs. Thailand has been testing this scheme together with three other ASEAN countries since 2011 with the aim of full implementation in the ASEAN region. Thailand should evaluate the effectiveness of this system. A study may be required to identify difficulties faced by companies.

There are some reports of self-certification not being recognized by partner country customs and products being held up until the company and its self-certification has been verified. A full and proper implementation of this scheme will require coordination among trading countries to avoid any unnecessary obstacles.

Thailand should conduct a feasibility study and engage in dialogue with other major trading partners on the potential for exporter self certification.

Avoid unnecessary restrictions on rice trade

More transparency and fewer restrictions are necessary for rice exports. The Thai government should improve transparency on licensing procedures and quota allocation for rice exports.

Thailand is one of the world's major rice exporters. Rice is one of the country's most important crops. Major domestic policy changes have had a negative impact on rice exports. Prices of Thai rice rose sharply and as a result lost out to its competitors in the world market. The country's controversial rice policy has been reversed, but there are still transparency related issues that must be addressed.

There must be more transparency about how export licences are issued and how quotas are allocated among companies that export to the EU. For imports, more clarity is needed about how import licences are issued and unnecessary restrictions should be removed. Some of the country's neighbours' protectionist behaviour has hindered trade and encouraged the informal rice trade.

Develop a national reporting mechanism for trade obstacles

Actively engage and encourage the private sector to report trade difficulties faced in the ASEAN region. The Thai government should encourage its traders to use the ASSIST mechanism to report regulatory or procedural difficulties they face when engaging in intra-ASEAN trade. Thai authorities, together with the ASEAN Secretariat should address companies' complaints. Data obtained from company complaints should be used to identify bottlenecks in the export and import process.

The Thai government should consider developing a national trade obstacle reporting mechanism that can also receive and resolve companies' complaints involving non-ASEAN trade.

⁷⁵ Thailand National Trade Repository (2014). Thailand National Single Window. www.thailandntr.com/Topic8/EN/ThailandNSW_EN.pdf

Review procedural guides and training for customs officers

In addition to streamlining national rules and regulations related to trade, it is necessary to regularly update operating manuals and provide training to officers from customs and DFT to enhance efficiency and to minimize officers' discretion. Clear and updated operating manuals will help to eliminate questionable judgements by officers, which will help to create transparent and business-friendly customs procedures.

Properly regulate and monitor the fishing practices in the country

Thailand has already been cautioned by its major trading partners due to illegal and unregulated fishing taking place in Thai territory. Reports of improper working conditions and forced labour in Thai shipping vessels have harmed the Thai fishing industry's image. The Thai government should urgently respond to these issues and make necessary policy changes to properly regulate and monitor fishing practices in the country. Failure to do so may risk Thai fishery exports being banned from the European Union and the United States.

Enhance private-public dialogue

Government and businesses should actively engage in private-public dialogue both formally and informally to troubleshoot and improve trade-related processes.

The way forward

In conclusion, the results of the NTM Survey in Thailand highlights the potential for further improvements in the domestic trade environment, particularly at the procedural level, as some important trade impediments persist. The relatively low incidence of burdensome NTMs and the types of problems reported demonstrate that Thailand has already undertaken considerable efforts to facilitate trade.

The results of the ITC NTM Survey will contribute to optimizing existing policies and processes, in particular with a view to supporting deeper regional integration within ASEAN. These NTM Survey results complement NTM Surveys carried out in Cambodia, Indonesia and the Philippines.

The NTM Survey provides a comprehensive picture of the challenges encountered by Thai businesses. The stakeholder meeting in Thailand built upon the analysis of the results by initiating a private dialogue and formulating policy options. Addressing the identified problems requires continuous cooperation among the ministries, agencies and the private sector.

Appendix I Non-tariff Measures Surveys: global methodology

Non-tariff Measure Surveys

Since 2010,⁷⁶ ITC has completed large-scale company-level surveys on burdensome NTMs and related trade obstacles (NTM Surveys hereafter) in over 25 developing and least-developed countries on all continents.⁷⁷ The main objective of the survey is to capture how businesses perceive burdensome NTMs and other obstacles to trade at a most detailed level – by product and partner country.

All surveys are based on a global methodology consisting of a core part and a country-specific part. The core part of the NTM Survey methodology described in this Appendix is identical in all survey countries, enabling cross-country analyses and comparison. The country-specific part allows flexibility in addressing the requirements and needs of each participating country. The country-specific aspects and the particularities of the survey implementation in the Thailand are covered in Chapter 2 of this report.

Scope and coverage of the ITC Non-Tariff Measure Surveys

The objective of the NTM Survey requires a representative sample allowing for the extrapolation of the survey result to the country level. To achieve this objective, the NTM Survey covers at least 90% of the total export value of each participating country (excluding minerals and arms). The economy is divided into 13 sectors, and all sectors with more than a 2% share in total exports are included in the survey.

The NTM Survey sectors are defined as follows:

1. Fresh food and raw agro-based products
2. Processed food and agro-based products
3. Wood, wood products and paper
4. Yarn, fabrics and textiles
5. Chemicals
6. Leather
7. Metal and other basic manufacturing
8. Non-electric machinery
9. Computers, telecommunications and consumer electronics
10. Electronic components
11. Transport equipment
12. Clothing
13. Miscellaneous manufacturing

Companies trading arms and minerals are excluded. The export of minerals is generally not subject to trade barriers due to a high demand and the specificities of trade undertaken by large multinational companies. The export of arms is outside of the scope of ITC activities.

⁷⁶The work started in 2006, when the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) established the Group of Eminent Persons on Non-Tariff Barriers. The main purpose of the group was to discuss the definition, classification, collection and quantification of non-tariff barriers – to identify data requirements, and consequently advance understanding of NTMs and their impact on trade. To carry out the technical work of the group, a Multi-Agency Support Team (MAST) was set up. Since then, ITC is advancing the work on NTMs in three directions. First, ITC has contributed to the international classification of non-tariff measures (NTM classification) that was finalized in November 2009 and updated in 2012. Second, ITC undertakes NTM Surveys in developing countries using the NTM classification. Third, ITC, UNCTAD and the World Bank jointly collect and catalogue official regulations on NTMs applied by importing markets (developed and developing). This provides a complete picture of NTMs as official regulations serve as a baseline for the analysis, and the surveys identify the impact of the measures on enterprises and consequently on international trade.

⁷⁷Pilot NTM Surveys were carried out in cooperation with UNCTAD in 2008–2009 in Brazil, Chile, India, the Philippines, Thailand, Tunisia and Uganda. The pilot surveys provided a wealth of materials allowing for the significant improvement to both the NTMs classification and the NTM Survey methodology. Since then, ITC has implemented NTM Surveys based on the new methodology in 25 developing and least developed countries.

The NTM Surveys cover companies exporting and importing goods. Companies trading services are excluded, as a survey on NTMs in services would require a different approach and methodology. The NTM Survey includes companies specialized in the export-import process and services, such as agents, brokers, and forwarding companies (referred to collectively as 'trading agents'). These companies can be viewed as service companies because they provide trade logistics services. The answers provided by trading agents are in most cases analysed separately from the answers of the companies that export their own products.

The NTM Surveys cover legally registered companies of all sizes and types of ownership. Depending on country size and geography, one-to-four geographic regions with high concentrations of economic activities (high number of firms) are included in the sample.

Two-step approach

The representatives of the surveyed companies, generally export/import specialists or senior-level managers, are asked to report trade-related problems experienced by their companies in the preceding year that represent a serious impediment for their operations. To identify companies that experience burdensome NTMs, the survey process consists of telephone interviews with all companies in the sample (step 1) and face-to-face interviews undertaken with the companies that reported difficulties with NTMs during the telephone interviews (step 2).

Step 1: Telephone interviews

The first step includes short telephone interviews. Interviewers asked respondents to identify the main sector of activity of their companies and the direction of trade (export or import). The respondents are then asked whether their companies have experienced burdensome NTMs. If a company does not report any issues with NTMs, the interview is terminated. Companies that report difficulties with NTMs are invited to participate in an in-depth face-to-face interview, and the time and place for this interview is scheduled.

Step 2: Face-to-face interviews

The interviews are required to obtain all the details of burdensome NTMs and other obstacles at the product and partner country level. These interviews are conducted face-to-face due to the complexity of the issues related to NTMs. Face-to-face interactions with experienced interviewers helps to ensure that respondents correctly understand the purpose and the coverage of the survey, and accurately classify their responses in accordance with predefined categories.

The questionnaire used to structure face-to-face interviews consists of three main parts. The first part covers the characteristics of the companies: number of employees, turnover and share of exports in total sales, whether the company exports its own products or represents a trading agent providing export services to domestic producers.

The second part is dedicated to exporting and importing activities of the company, with all trade products and partner countries recorded. During this process, the interviewer also identifies all products affected by burdensome regulations and countries applying these regulations.

During the third part of the interview, each problem is recorded in detail. A trained interviewer helps respondents identify the relevant government-imposed regulations, affected products (six-digit level of the Harmonized System), the partner country exporting or importing these products, and the country applying the regulation (partner, transit or home country).

Each burdensome measure (regulation) is classified according to the NTM classification, an international taxonomy of NTMs, consisting of over 200 specific measures grouped into 16 categories (see Appendix II). The NTM classification is the core of the survey, making it possible to apply a uniform and systematic approach to recording and analysing burdensome NTMs in countries with idiosyncratic trade policies and approaches to NTMs.

The face-to-face questionnaire captures the type of burdensome NTMs and the nature of the problem (so-called procedural obstacles [POs] explaining why the measures represent an impediment), the place where each obstacle takes place, and the agencies involved, if any. For example, an importing country can require the fumigation of containers (NTM applied by the partner country), but fumigation facilities are expensive in the exporting country, resulting in a significant increase in export costs for the company (POs located in the home country). The companies can also report generic problems unrelated to regulation, but that affect exports or imports. These problems include corruption and lack of or inadequate export infrastructure. These issues are referred to as problems related to business environment (see Appendix III).

Local survey company

A local partner selected through a competitive bidding procedure carries out the telephone interviews and face-to-face interviews. The partner is usually a company specializing in surveys. Generally, the NTM Surveys are undertaken in local languages. The telephone interviews are recorded either by a Computer Assisted Telephone Interview system, computer spreadsheets or on paper. The face-to-face interviews are initially captured using paper-based interviewer-led questionnaires that are then digitalized by the partner company using a spreadsheet-based system developed by ITC.

Open-ended discussions

During the surveys of companies and preparation of the report, open-ended discussions are held with national experts and stakeholders, for example trade support institutions and sector/export associations. These discussions provide further insights, quality check and validation of the survey results. The participants review the main findings of the NTM Survey and help to explain the reasons for the prevalence of the issues and propose possible solutions.

The open-ended discussions are carried out by the survey company, a partner in another local organization or university, or by graduate students participating in the special fellowship organized in cooperation with Columbia University in the United States.

Confidentiality

The NTM Survey is confidential. Confidentiality of the data is paramount to ensure the greatest degree of participation, integrity and confidence in the quality of the data. The paper-based and electronically captured data is transmitted to ITC at the end of the survey.

Sampling technique

The selection of companies for the phone screen interviews of the NTM Survey is based on the stratified random sampling. In a stratified random sample, all population units are first clustered into homogeneous groups ('strata'), according to some predefined characteristics, chosen to be related to the major variables being studied. In the case of the NTM Surveys, companies are stratified by sector, as the type and incidence of NTMs are often product specific. Then simple random samples are selected within each sector.

The NTM Surveys aim to be representative at the country level. A sufficiently large number of enterprises should be interviewed within each export sector to ensure that the share of enterprises experiencing burdensome NTMs is estimated correctly and can be extrapolated to the entire sector. To achieve this objective, a sample size for the telephone interviews with exporting companies is determined independently for each export sector.⁷⁸

⁷⁸The sample size depends on the number of exporting companies per sector and on the assumptions regarding the share of exporting companies that are affected by NTMs in the actual population of this sector. The calculation of a sample size will be based on the equation below, (developed by Cochran, 1963) to yield a representative sample for proportions in large populations based on the assumption of normal distribution.

For importing companies, the sample size is defined at the country level. The sample size for importing companies can be smaller than the sample size for exporters, mainly for two reasons. First, the interviewed exporting companies are often import intermediaries and provide reports on their experiences with NTMs as both exporters and importers. Second, problems experienced by importing companies are generally linked to domestic regulations required by their home country. Even with a small sample size for importing companies, the effort is made to obtain a representative sample by import sectors and the size of the companies.

Exporting companies have difficulties with both domestic regulations and regulations applied by partner countries that import their products. Although the sample size is not stratified by company export destinations, a large sample size permits a good selection of reports related to various export markets (regulations applied by partner countries). By design, large trading partners are mentioned more often during the survey because it is more likely that the randomly selected company would be exporting to one of the major importing countries.

The sample size for face-to-face interviews depends on the results of the telephone interviews.

Average sample size

Based on the results of the NTM Surveys in the first 10 countries, the number of successfully completed telephone interviews can range from 150 to 1,000, with subsequent 150 to 300 face-to-face interviews with exporting and importing companies. The number of telephone interviews is mainly driven by the size and the structure of the economy, availability and quality of the business register and the response rate. The sample size for the face-to-face interviews depends on the number of affected companies and their willingness to participate.

Survey data analysis

The analysis of the survey data consists of constructing frequency and coverage statistics along several dimensions, including product and sector, NTMs and their main NTM categories (e.g. technical measures or quantity control measures), and various characteristics of the surveyed companies (e.g. size and degree of foreign ownership).

The frequency and coverage statistics are based on ‘cases’. A case is the most disaggregated data unit of the survey. By construction, each company participating in a face-to-face interview reports at least one case of burdensome NTMs, and, if relevant, related POs and problems with the business environment.

Each case of each company consists of one NTM (a government-mandated regulation, for example sanitary and phytosanitary certificate), one product affected by this NTM, and partner country applying the reported NTM. For example, if there are three products affected by the same NTM applied by the same partner country and reported by one company, the results would include three cases. If two different companies report the same problem, it would be counted as two cases.

$$n_o = \frac{t^2 * p(1-p)}{d^2}$$

Where

n_o : Sample size for large populations

t : t-value for selected margin of error (d). In the case of the NTM Survey 95% confidence interval is accepted, so t-value is 1.96.

p : The estimated proportion of an attribute that is present in the population. In the case of the NTM Survey, it is a proportion of companies that experience burdensome NTMs. As this proportion is not known prior to the survey, the most conservative estimate leading to a large sample size is employed, that is $p=0.5$.

d : Acceptable margin of error for the proportion being estimated. In other words, a margin of error that the researcher is willing to accept. In the case of NTM Survey $d=0.1$.

Source: Cochran, W. G. 1963. *Sampling Techniques*, 2nd Ed., New York: John Wiley and Sons, Inc.

The scenario where several partner countries apply the same type of measure is recorded as several cases. The details of each case, for example, the name of the government regulations and its strictness, can vary as regulations mandated by different countries are likely to differ. However, if the home country of the interviewed companies applies an NTM to a product exported by a company to several countries, the scenario will be recorded as a single NTM case. When an interviewed company both exports and imports, and reports cases related to both activities, it is included in the analysis twice – once for the analysis of exports and once for the analysis of imports. The distinction is summarized in the table below.

Dimensions of an NTM case

Country applying the measure		
Dimensions	Home country (where the survey is conducted)	Partner countries (where goods are exported to or imported from) and transit countries
Reporting company	X	X
Affected product (HS six-digit code or national tariff line)	X	X
Applied NTM (measure-level code from the NTM classification)	X	X
Trade flow (export or import)	X	X
Partner country applying the measure		X

Cases of POs and problems with the business environment are counted in the same way as NTM cases. The statistics are provided separately from NTMs, even though in certain instances they are closely related. For example, delays can be caused by the pre-shipment inspection requirements. As many of the POs and problems with the business environment are not product specific, the statistics are constructed along two dimensions: type of obstacles and country where they occur, as well as agencies involved.

Enhancing local capacities

The NTM Surveys enhance national capacities by transmitting skills and knowledge to a local partner company. ITC does not implement the surveys, but guides and supports the local survey company and experts.

Before the start of the NTM Survey, the local partner company, including project managers and interviewers, are fully trained on the different aspects of the NTMs, the international NTM classification and the ITC NTM Survey methodology. ITC representatives stay in the country for the launch of the survey and initial interviews, and remain in contact with the local partner during the duration of the survey, usually around six months, to ensure a high quality of survey implementation. ITC experts closely follow the work of the partner company, providing a regular feedback on the quality of the captured data (including classification of NTMs) and the general development of the survey, helping the local partner to overcome any possible problems.

ITC also helps to construct a business register (list of exporting and importing companies with contact details), which remains at the disposal of the survey company and national stakeholders. The business register is a critical part of any company-level survey, but unfortunately it is often unavailable, even in the advanced developing countries. ITC puts much time, effort and resources into constructing a national business register of exporting and importing companies. The initial information is obtained with the help of national authorities and other stakeholders such as sectoral associations. In cases where it is not available

from government sources or a sectoral association, ITC purchases information from third companies, and in certain cases digitalizes it from paper sources. The information from various sources is then processed and merged into a comprehensive list of exporting and importing companies.

Upon completion of the NTM Survey, the local partner company is fully capable of independently implementing a follow-up survey or other company-level surveys, as it is equipped with the business register and trained on the survey, trade and NTM-related issues.

Caveats

The utmost effort is made to ensure the representativeness and the high quality of the survey results, yet several caveats must be kept in mind.

First, the NTM Surveys generate perception data, as the respondents are asked to report burdensome regulations representing a serious impediment to their exports or imports. The respondents may have different scales for judging what constitutes an impediment. The differences may further intensify when the results of the surveys are compared across countries, stemming from cultural, political, social, economic and linguistic differences. Some inconsistency may be possible among interviewers (e.g. related to matching reported measures against the codes of the NTM classification) due to the complex and idiosyncratic nature of NTMs.

Second, in many countries a systematic business register covering all sectors is not available or is incomplete. As a result, it may be difficult to ensure random sampling within each sector, and a sufficient rate of participation in smaller sectors. Whenever this is the case, the survey limitations are explicitly provided in the corresponding report.

Finally, certain NTM issues are not likely to be known by the exporting and importing companies. For example, exporters may not know the demand-side constraints behind the borders, for example 'buy domestic' campaigns. The scope of the survey is limited to legally operating companies and does not include unrecorded trade, for example shuttle traders.

Following up the ITC Non-Tariff Measure Survey

The findings of each ITC NTM Survey are presented and discussed at a stakeholder workshop. The workshop brings together government officials, experts, companies, donors, non-governmental organizations and academics. It fosters a dialogue on NTM issues and helps identify possible solutions to the problems experienced by exporting and importing companies.

The NTM Survey results serve as a diagnostic tool for identifying and solving predominant problems. This can be realized at the national or international level. The survey findings can also serve as a basis for designing projects to address the problems identified and for supporting fundraising activities.

Appendix II Non-tariff measures classification

Importing countries are very idiosyncratic in the ways they apply NTMs. This called for an international taxonomy of NTMs, which was prepared by the Multi-Agency Support Team, a group of technical experts from eight international organizations, including the Food and Agricultural Organization of the United Nations, the International Monetary Fund, ITC, OECD, UNCTAD, United Nations Industrial Development Organization, the World Bank and WTO. It was finalized in November 2009 and updated in 2012. It is used to collect, classify, analyse and disseminate information on NTMs received from official sources such as government regulations. For the purpose of the large-scale company surveys on NTMs, ITC uses a simplified version of this international classification.

The NTM classification for surveys differentiates measures according to 16 chapters (denoted by alphabetical letters, see below), each comprising sub-chapters (denoted by two letters) and the individual measures (denoted by two letters and a number). The following sketches the content of each of the 16 chapters.

Chapter A, on technical regulations, refers to product-related requirements. They are legally binding and set by the importing country. They define the product characteristics, technical specifications of a product or the production process and post-production treatment and comprise the applicable administrative provisions, with which compliance is mandatory. Technical requirements include sanitary and phytosanitary measures, which are generally implemented to protect human, animal and plant life, and health.

Chapter B, on conformity assessment, refers to measures determining whether a product or a process complies with the technical requirements specified under Chapter A. Conformity assessments include control, inspection and approval procedures – such as testing, inspection, certification and traceability – which confirm and control that a product fulfils the technical requirements and mandatory standards imposed by the importing country, for example to safeguard the health and safety of consumers.

Chapter C, on pre-shipment inspection and other formalities, refers to the practice of checking, consigning, monitoring and controlling the shipment of goods before or at entry into the destination country.

Chapter D, on charges, taxes and other para-tariff measures, refers to measures other than tariffs that increase the cost of imports in a similar manner, i.e. by a fixed percentage or by a fixed amount. They are also known as para-tariff measures. Customs surcharges and general sales taxes are examples.

Chapter E, on licences, quotas, prohibitions and other quantity control measures, includes measures that restrain the quantity of goods that can be imported, regardless of whether they come from different sources or from one specific supplier. These measures can take the form of restrictive licensing, fixing of a predetermined quota or through prohibitions.

Chapter F, on finance measures, refers to measures that are intended to regulate the access to and cost of foreign exchange for imports and define the terms of payment. They may increase import costs in the same manner as tariff measures.

Chapter G, on price control measures, includes measures implemented to control the prices of imported articles in order to: support the domestic price of certain products when the import price of these goods is lower; establish the domestic price of certain products because of price fluctuation in domestic markets, or price instability in a foreign market; and counteract the damage resulting from the occurrence of 'unfair' foreign trade practices.

Chapter H, on anti-competitive measures, refers to measures that are intended to grant exclusive or special preferences or privileges to one or more limited groups of economic operators.

Chapter I, on trade-related investment measures, refers to measures that restrict investment by requesting local content, or requesting that investment be related to export to balance imports.

Chapter J, on distribution restrictions, refers to restrictive measures related to the internal distribution of imported products.

Chapter K, on restrictions on post-sales services, refers to measures restricting the provision of post-sales services in the importing country by producers of exported goods.

Chapter L, on subsidies, includes measures related to financial contributions by a government or government body to a production structure, be it a particular industry or company, such as direct or potential transfer of funds (e.g. grants, loans, equity infusions), payments to a funding mechanism and income or price support.

Chapter M, on government procurement restrictions, refers to measures controlling the purchase of goods by government agencies, generally by preferring national providers.

Chapter N, on intellectual property, refers to measures related to intellectual property rights in trade. Intellectual property legislation covers patents, trademarks, industrial designs, layout designs of integrated circuits, copyright, geographical indications and trade secrets.

Chapter O, on rules of origin, covers laws, regulations and administrative determinations of general application applied by the governments of importing countries to determine the country of origin of goods.

Chapter P, on export-related measures, encompasses all measures that countries apply to their exports. It includes export taxes, export quotas or export prohibitions, among others.

The structure of the Non-Tariff Measures classification for ITC surveys

A to O. Import related measures

Measures imposed by the country importing the goods. From the perspective of an exporter, these are the measures applied by the destination country of your product. From the perspective of an importer, these are the measures applied by your own country on the goods that you import.

Technical measures	A. Technical requirements	
	B. Conformity assessment	
Non-technical measures	C. Pre-shipment inspection and other entry formalities	
	D. Charges, taxes and other para-tariff measures	
	E. Quantity control measures (e.g. licences, quotas, prohibitions)	
	F. Finance measures	
	G. Price control measures	
	H. Anti-competitive measures	L. Subsidies
	I. Trade-related investment measures	M. Government procurement restrictions
	J. Distribution restrictions	N. Intellectual property
	K. Restriction on post-sales services	O. Rules of origin and related certificate of origin

P. Export related measures

Measures imposed by the country exporting the goods. From the perspective of an exporter, these are the measures imposed by your own country on the goods you export from your country. From the perspective of an importer, these measures are imposed by the country of origin on the goods you import from this country.

Source: International Trade Centre, NTM classification adapted for ITC NTM Surveys, January 2012 (unpublished document).

Appendix III Procedural obstacles

A list of procedural obstacles related to compliance with non-tariff measures, an inefficient business environment and infrastructure issues

A.	Administrative burdens	A1. Large number of different documents A2. Documentation is difficult to fill out A3. Difficulties with translation of documents from or into other languages A4. Large number of checks (e.g. inspections, checkpoints, weighbridges) A5. Numerous administrative windows/organizations involved
B.	Information/transparency issues	B1. Information is not adequately published and disseminated B2. No due notice for changes in procedure B3. Regulations change frequently B4. Requirements and processes differ from information published
C.	Inconsistent or discriminatory behaviour of officials	C1. Inconsistent classification of products C2. Inconsistent or arbitrary behaviour of officials
D.	Time constraints	D1. Delay in administrative procedures D2. Delay during transportation D3. Deadlines set for completion of requirements are too short
E.	Payment	E1. Unusually high fees and charges E2. Informal payment, e.g. bribes) E3. Need to hire a local customs agent to get shipment unblocked
F.	Infrastructural challenges	F1. Limited/inappropriate facilities (e.g. storage, cooling, testing, fumigation) F2. Inaccessible/limited transportation system (e.g. poor roads, road blocks) F3. Technological constraints, e.g. information and communications technology
G.	Security	G1. Low security level for persons and goods
H.	Legal constraints	H1. No advance binding ruling procedure H2. No dispute settlement procedure H3. No recourse to independent appeal procedure H4. Poor intellectual property rights protection, e.g. breach of copyright, patents, trademarks, etc. H5. Lack of recognition, e.g. of national certificates
I.	Other	I1. Other obstacles

Appendix IV Agenda of stakeholder meeting

WEDNESDAY 29TH OCTOBER 2014, 08:30 – 16:30

UNITED NATIONS ECONOMIC AND SOCIAL COMMISSION FOR ASIA (ESCAP), BANGKOK, THAILAND

STAKEHOLDER MEETING ON NON-TARIFF MEASURES APPLIED ON THAI EXPORTS AND IMPORTS

08:30 Registration

09:00 Welcome and opening remarks

- On behalf of the Ministry of Commerce
- On behalf of the International Trade Centre (ITC)
- On behalf of ESCAP

SESSION I BACKGROUND AND OVERALL RESULTS

09:15 The ITC programme on non-tariff measures and its implementation in Thailand

Ms. Ursula Hermelink, NTM Programme Manager, ITC

Questions and Answers

09:45 Coffee break

10:00 General results of the survey: Trade barriers affecting Thai exporters and importers

Mr. Samidh Shrestha, Market Analyst, ITC

Questions and answers/Open discussion

SESSION II SPS AND TBT MEASURES AND RELATED CONFORMITY ASSESSMENT

10:45 Perception of exporters on quality requirements

Dr. Watcharas Leelawath, Mekong Institute

Discussants

Mr. Chusak Chuenprayoth, President, Kamphaeng-saen Commercial. Co. Ltd (KC Fresh)

Dr. Pornthep Sritanatorn, Senior Professional Level of Plan and Policy Analyst, National Bureau of Agricultural Commodity and Food Standards

Mr. Chaiyavat Tangkrock-olan, Chief of MRA Negotiation Group, Thai Industrial Standards Institute

Open discussion

12:00 **Lunch**

SESSION III CUSTOMS CLEARANCE AND BORDER CONTROLS

13:30 **Perception of exporters on customs clearance and border control in Thailand and partner countries**

Dr. Watcharas Leelawath, Mekong Institute

Discussants

Mr. Kongrit Chantrik, Thai National Shippers' Council

Mr. Adisorn Sitthichobtham, Director of Customs Service Division III, Bangkok Port Customs Bureau, Customs Department

Mr. Tengfei Wang, ESCAP

Open discussion

14:45 **Coffee break**

SESSION IV RULES OF ORIGIN AND OTHER TRADE-RELATED MEASURES

15:00 **Company experiences with rules of origin and other trade-related measures**

Dr. Watcharas Leelawath, Mekong Institute

Discussants

Ms. Natruja Chaikongla, Senior Trade Officer, Department of Foreign Trade

Mr. Rajan Sudesh Ratna, ESCAP

Open discussion

CONCLUSION AND RECOMMENDATIONS

16:15 **Concluding remarks and recommendations**

Mr. Xuejun Jiang, Chief, Office for Asia and the Pacific, ITC

16:30 **End of Programme**

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