



ITC

TRADE IMPACT
FOR GOOD

50 YEARS

1964-2014

Non-Tariff Measures (NTMs) in Thailand



What are non-tariff measures (NTMs)?

- **Official policy measures on export and import, other than ordinary customs tariffs**, that can potentially have an economic effect on international trade in goods, changing quantities traded, prices or both
- **Mandatory requirements, rules or regulations** legally set by the government of the exporting, importing or transit country (in contrast to private standards which are not legally set)
- **Can affect both export and import:** import vs. export-related measures
- Include technical measures and standards, as well as regulations on customs procedures, para-tariff measures, financial measures, prohibition, etc.

Example:

France – Product characteristics requirements on oranges

2007R1580 — EN — 01.07.2009 — 006.002 — 90

▼ M8

PART 2: MARKETING STANDARD FOR CITRUS FRUITS

1. DEFINITION OF PRODUCE

This standard applies to the following fruit, classified as 'citrus fruit', to be

Oranges with light green colour are allowed, provided the colour does not exceed one fifth of the total surface of the fruit

(iii) Oranges

Colouring must be typical of the variety. Fruits with light green colour are allowed, provided it does not exceed one fifth of the total surface of the fruit. Fruits must show the following minimum juice content:

Blood oranges:	30 %
Navels group:	33 %
Other varieties:	35 %

- intact,
- free of bruising and/or extensive healed over cuts,
- sound produce affected by rotting or deterioration such as to be unfit for consumption is excluded,
- clean practically free of any visible foreign matter,
- practically free from pests,
- practically free from damage caused by pests,
- free of signs of internal shrivelling,
- free of damage caused by low temperature or frost,
- free of all abnormal external moisture,
- free of any foreign smell and/or taste.

The citrus fruit must have been carefully picked and have reached appropriate degree of development and ripeness account being taken of criteria proper to the variety, the time of picking and the growing conditions.

The development and state of ripeness of the citrus fruit must be such as to enable them:

- to withstand transport and handling, and
- to arrive in satisfactory condition at the place of destination.

Citrus fruit meeting the ripeness requirements of this Annex 'degreened'. This treatment is permitted only if the other natural characteristics are not modified.

III. PROVISIONS CONCERNING SIZING

Size is determined by the maximum diameter of the equatorial section of the fruit.

A. Minimum size

Fruits of less than the following minimum sizes are excluded:

Lemons:	45 mm
Mandarins, excluding clementines:	45 mm
Clementines:	35 mm
Oranges:	53 mm

Example:

Mayonnaise for a Swiss supermarket – labeling requirements



BIO. Private standard
by Swiss retailer MIGROS

Nutrition Facts			
Serving Size 1 cup (228g)			
Servings Per Container 2			
Amount Per Serving			
Calories 260		Calories from Fat 120	
% Daily Value*			
Total Fat	13g		20%
Saturated Fat	5g		25%
Cholesterol	30mg		10%
Sodium	660mg		28%
Total Carbohydrate	31g		10%
Dietary Fiber	0g		0%
Sugars	5g		
Protein 5g			
Vitamin A	4%	*	Vitamin C 2%
Calcium	15%	*	Iron 4%
* Percent Daily Values are based on a 2,000 calorie diet. Your daily values may be higher or lower depending on your calorie needs:			
	Calories	2,000	2,500
Total Fat	Less than	65g	80g
Sat Fat	Less than	20g	25g
Cholesterol	Less than	300mg	300mg
Sodium	Less than	2,400mg	2,400mg
Total Carbohydrate		300g	375g
Dietary Fiber		25g	30g
Calories per gram:			
Fat	9	Carbohydrates 4	* Protein 4

Mandatory
requirements
by Switzerland

Information is
provided in 3
languages

The NTM Survey classification

Non-tariff measures classification for 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 his product. From the perspective of an importer, these are the measures applied by his own country on the goods that he imports.

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 his own country on the goods he exports from his country. From the perspective of an importer, these measures are imposed by the country of origin on the goods he import from this country.

P.O. List of procedural obstacles

This list provides a categorization of the problems related to NTMs that exporters and importers experience.

NTM survey – Methodology

➔ **2- steps approach, implemented by local survey specialist:**

a) Phone screens to identify companies affected by burdensome NTMs

- 6-8 minutes per interview
- Random sampling from each sector

b) Face-to-face interviews to understand by product, partner and NTM the problems company experiences

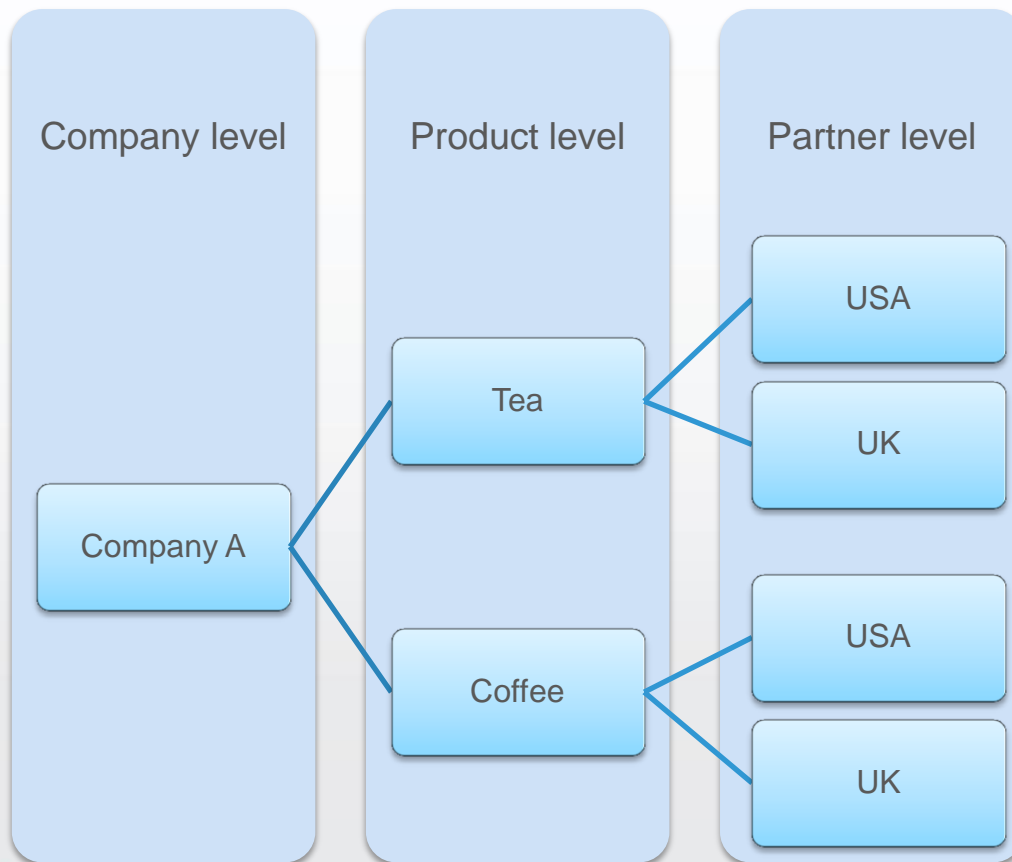
- depends on results of phone screen interviews and on enterprises willing to participate in longer FTF interviews.
- 50-70 minutes per interview;
- Information captured by product, destination, burdensome NTM. Specific reasons making NTMs difficult are captured for each case and in detail (e.g. requirements are too strict; lack of accredited laboratory, delays etc)

Definitions: NTM case

Export Cases

If measures are applied by partner country

Each case is counted for a unique **Company-Product-Measure-Partner** level



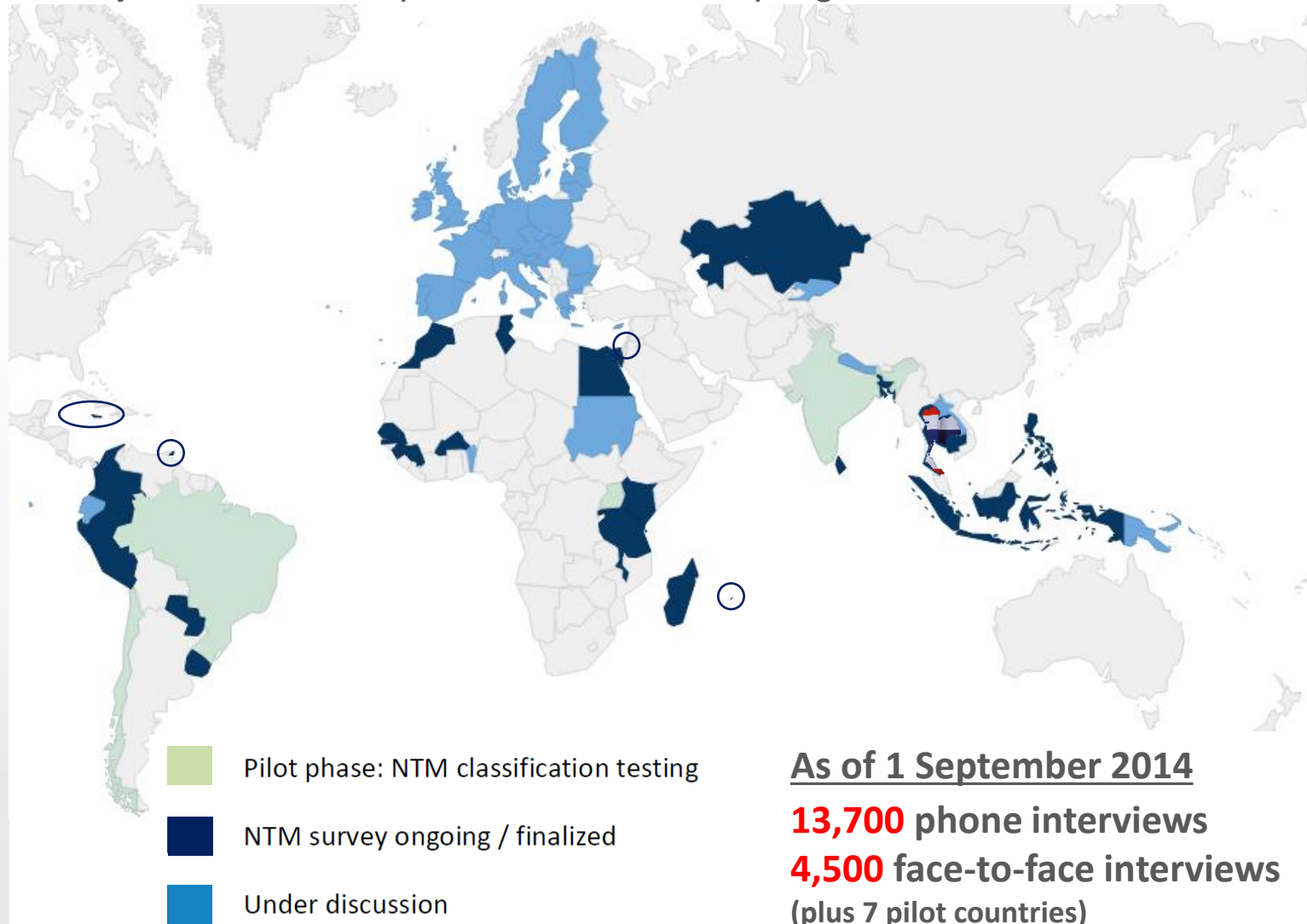
Example: If both the USA and UK require both Tea and Coffee to be tested before allowing entry

1
1
1
1

4 NTM Cases

ITC Programme on NTMs

The survey in Thailand is part of a worldwide programme



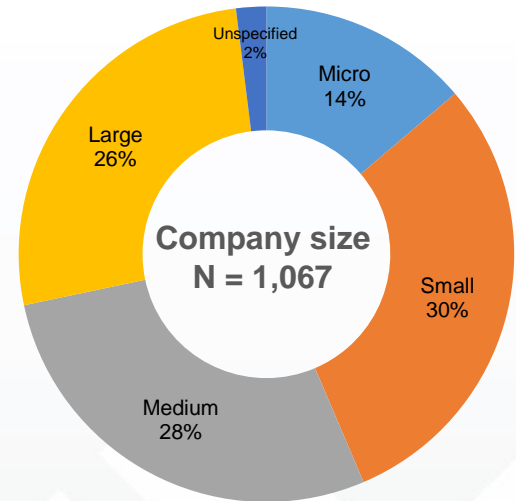
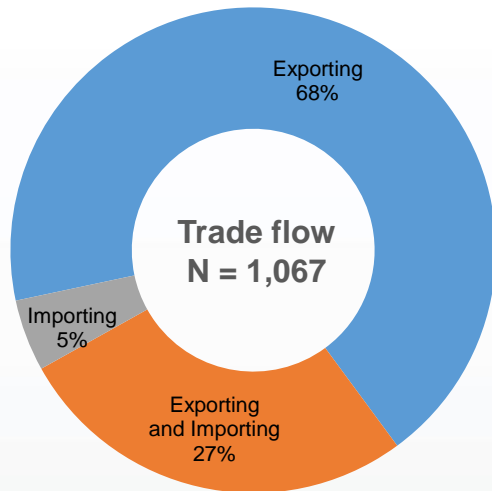
Survey Implementation in Thailand

Sampling, timeline and objective

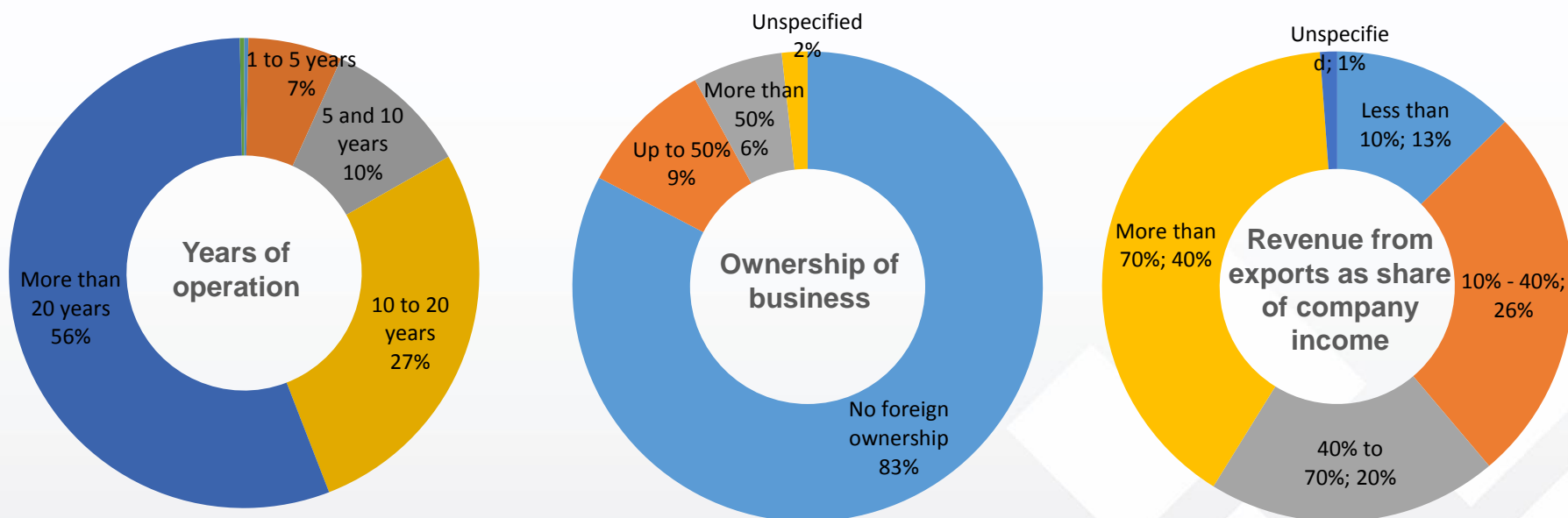
Thailand: NTM Sample Frame



Surveyed companies, by type (1/3)



Surveyed companies, by type (2/3)

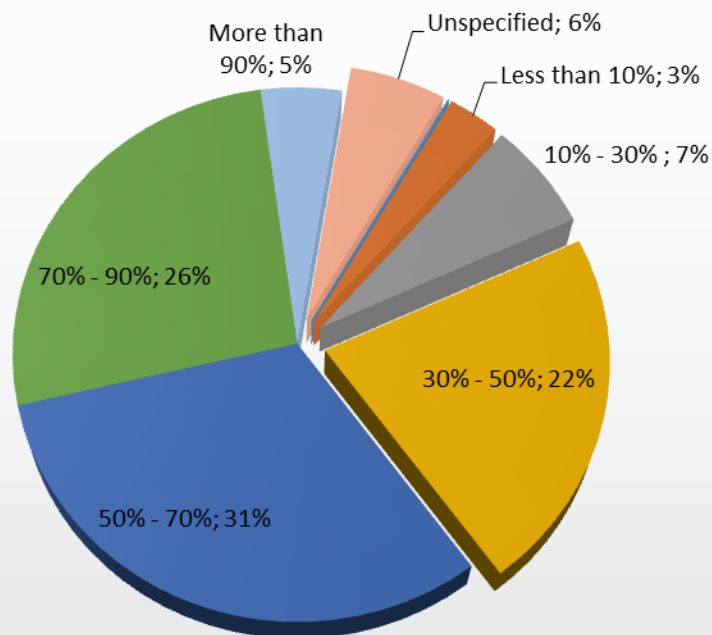


Note: Information based on second stage face-to-face interviews

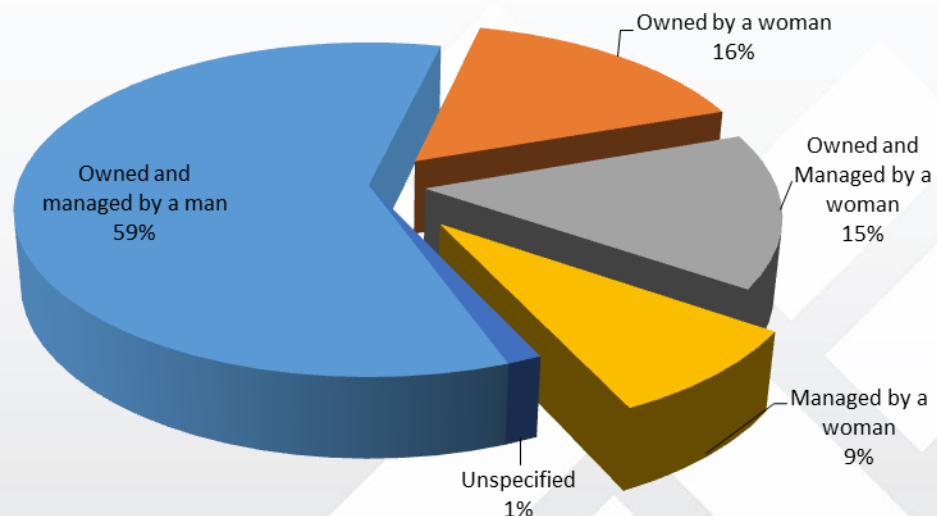
Surveyed companies, by type (3/3)

Gender Perspective

Share of female employees
in the company



Ownership and management
profile of the company



N = 1067

Surveyed companies: geographical coverage



Companies from the following cities and town were interviewed:

- Ayutthaya,
- Bangkok,
- Chachoengsao,
- Chiang Mai,
- Chonburi,
- Chumphon,
- Karnchanaburi,
- Krabi,
- Lampang,
- Lamphun,
- Nakhon Pathom,
- Nakhon Ratchasima,
- Nakhon Si Thammarat,
- Nonthaburi,
- Pathum Thani,
- Prachin Buri,
- Rayong,
- Samut Prakan,
- Samut Sakhon,
- Surat Thani,
- Trang,
- Yala,
- Sukothai, and
- Uttaradit.

Survey Implementation: Challenges faced

- Some instances of difficulties in scheduling appointments with company representatives for the interview;
- Mistrust that interviewers were working for the government or competing firms;
- Some concerns from firms that they were too small for their views to be taken seriously;
- Complains that questionnaires were long and that they should be mailed or completed faster, which was not possible. A guided discussion is necessary to ensure a detailed and complete information on the difficulties faced by the companies is captured;

SESSION I: BACKGROUND AND OVERALL RESULTS

Aggregate results

Trade barriers affecting Thai exporters and importers

Companies facing difficulties with NTMs

Affected exporters

Affected importers

TOTAL

38%

26%

AGRICULTURE

47%

25%

MANUFACTURING

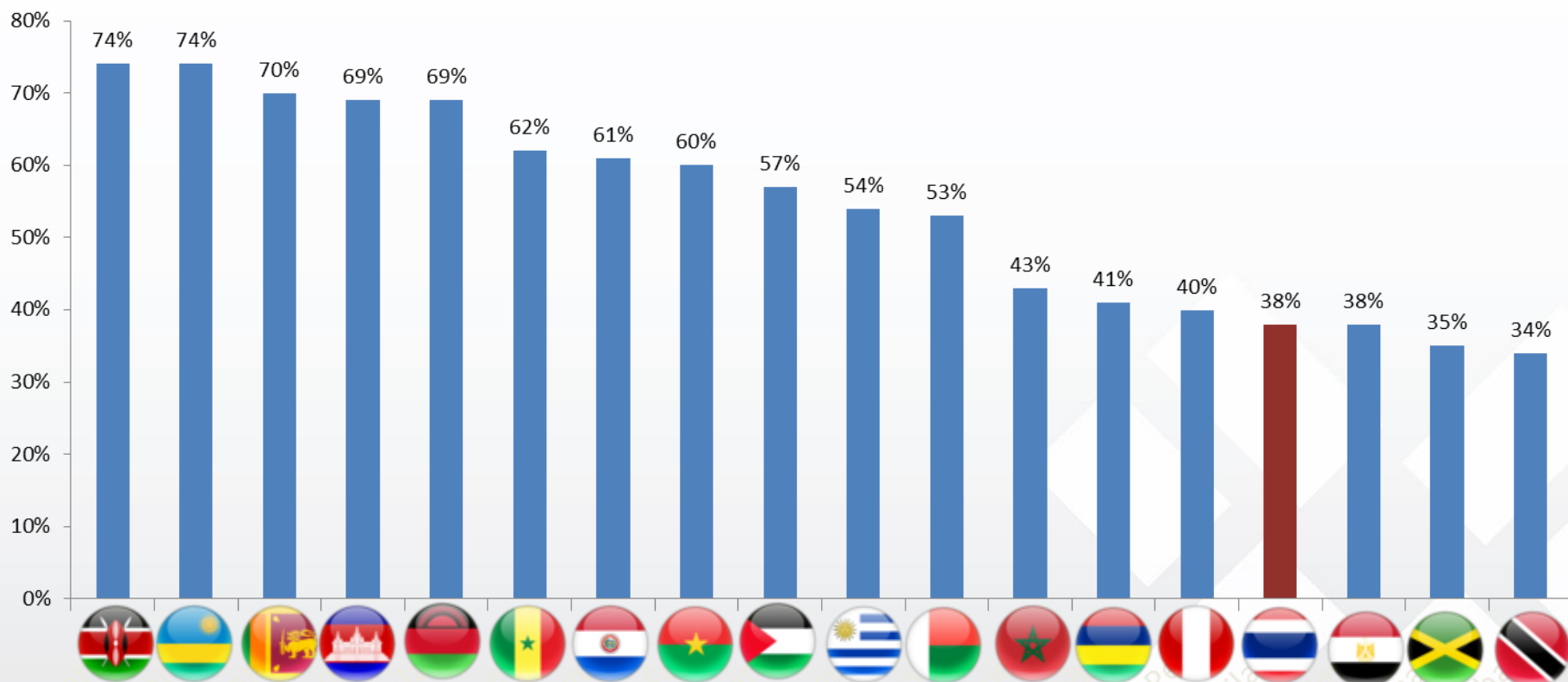
36%

26%

ITC survey in Thailand covered 1016 exporting companies and 339 importing companies

Share of affected companies by country

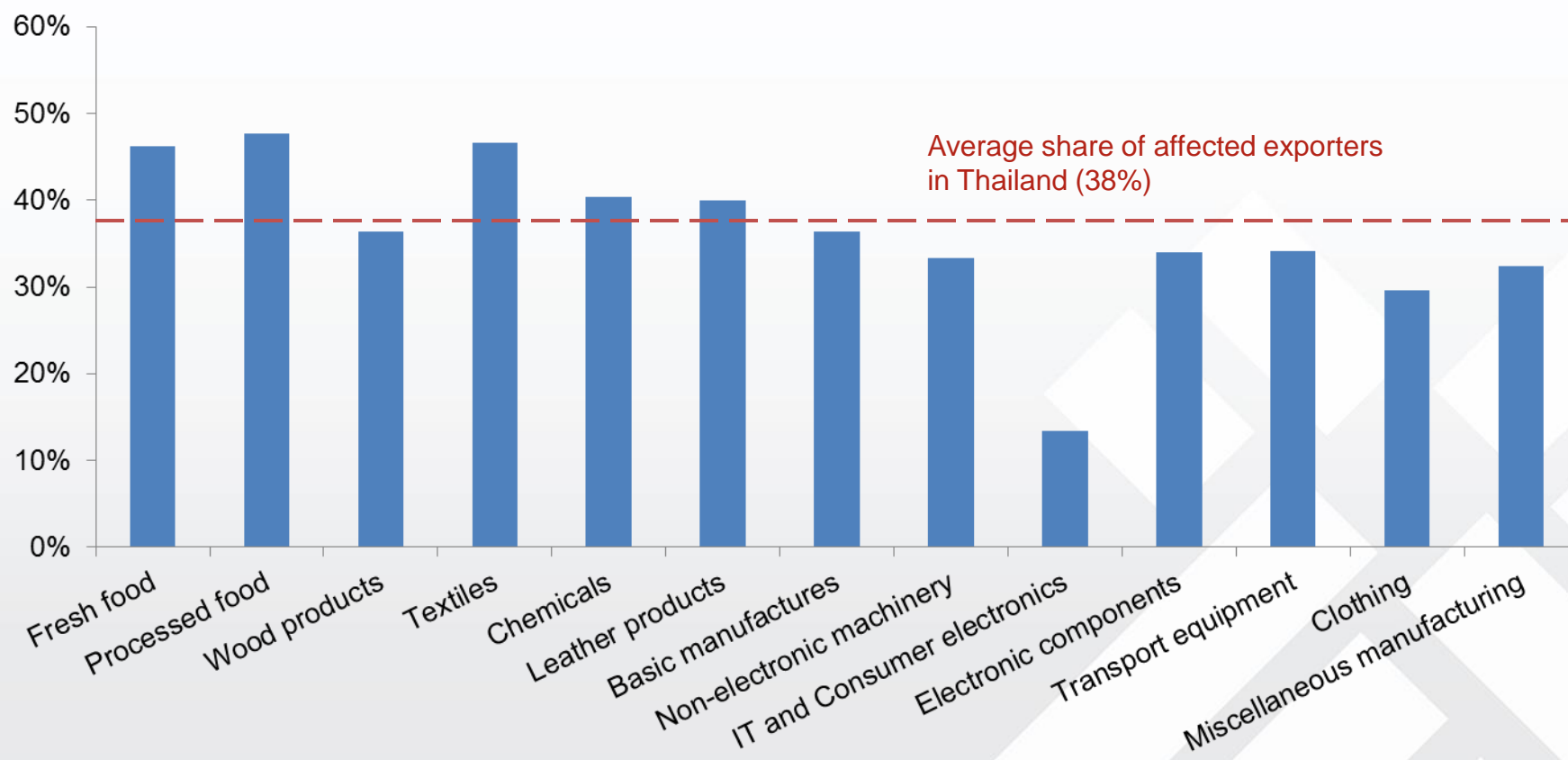
Share of exporters facing burdensome NTMs



Source: ITC Business Survey (2009-2014)

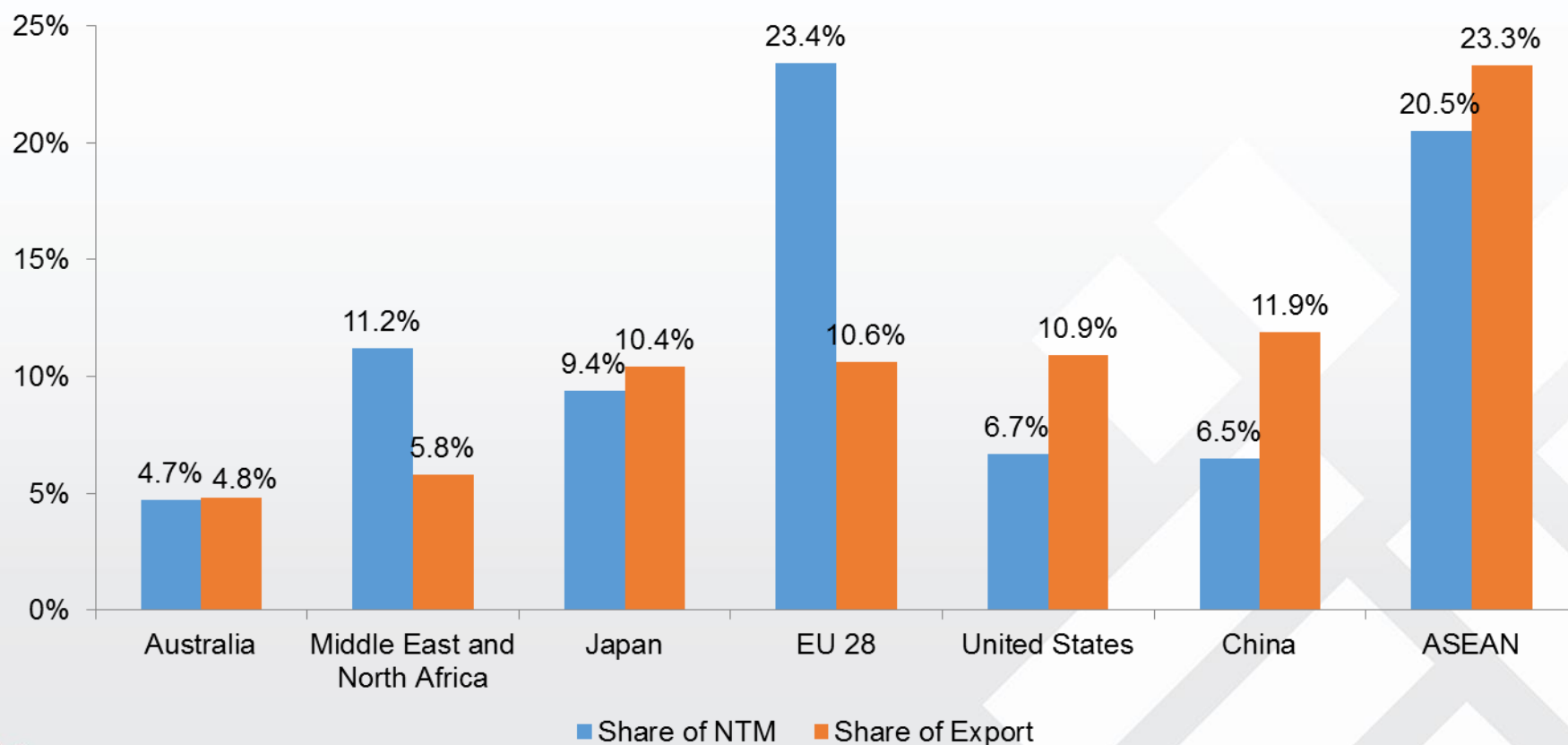
Aggregate results: NTMs faced by exporters

Overall, 38% of the surveyed exporters reported to have faced difficulties with NTMs

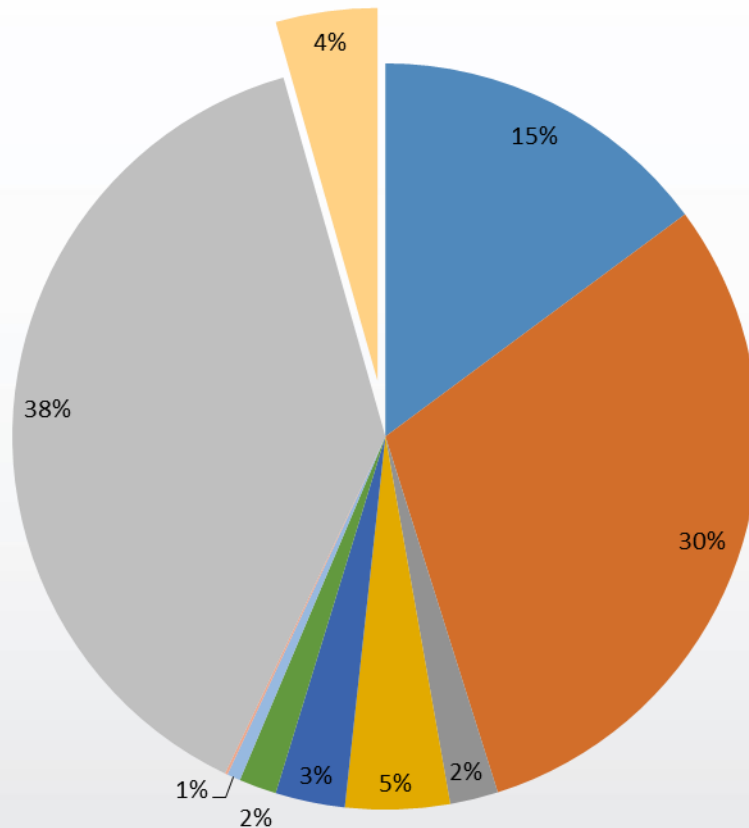


Aggregate results: NTMs faced by exporters

96% of the reported burdensome NTM cases relate to partner country regulation.
(Only 4% of the cases relate to Thai regulations)



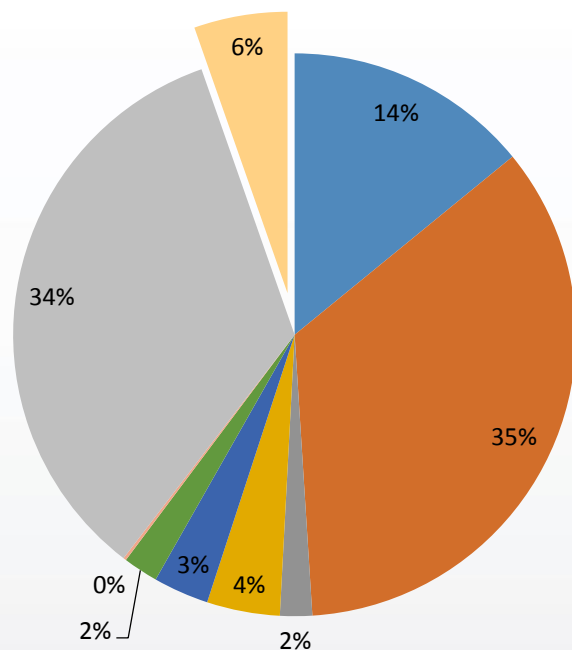
NTMs faced by exporters



- Technical requirements
- Conformity assessment
- Pre-shipment inspection and other entry formalities
- Charges, taxes and other para-tariff measures
- Quantity control measures
- Finance Measures
- Price control measures
- Anti-competitive measures
- Rules of origin and related certificate of origin
- Export Related Measures (Thai regulation)

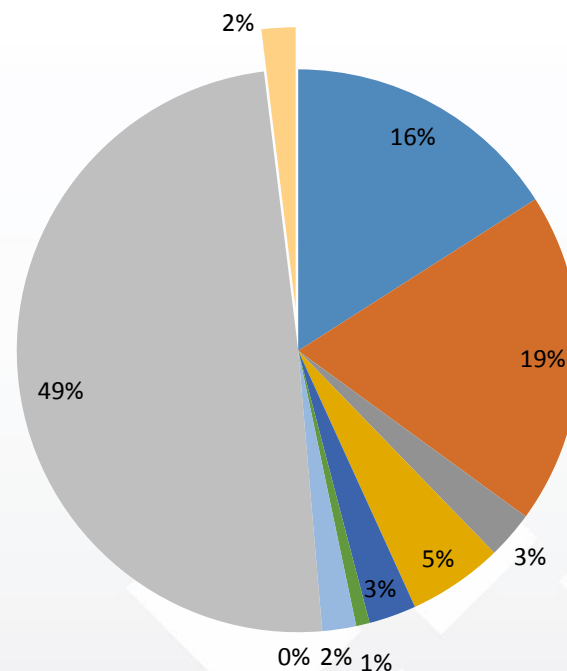
NTMs faced by exporters, by size

SMEs



N = 596

Large



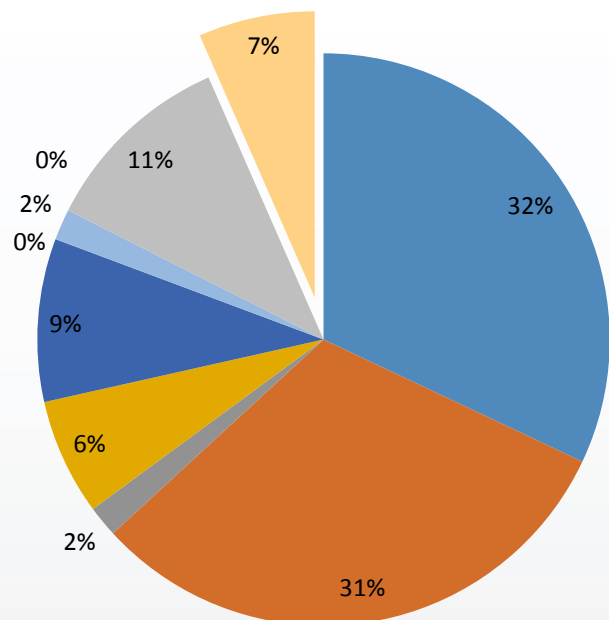
N = 257

- Technical requirements
- Pre-shipment inspection and other entry formalities
- Quantity control measures
- Price control measures
- Rules of origin and related certificate of origin

- Conformity assessment
- Charges, taxes and other para-tariff measures
- Finance Measures
- Anti-competitive measures
- Export Related Measures (Thai regulation)

NTMs faced by exporters, by sector

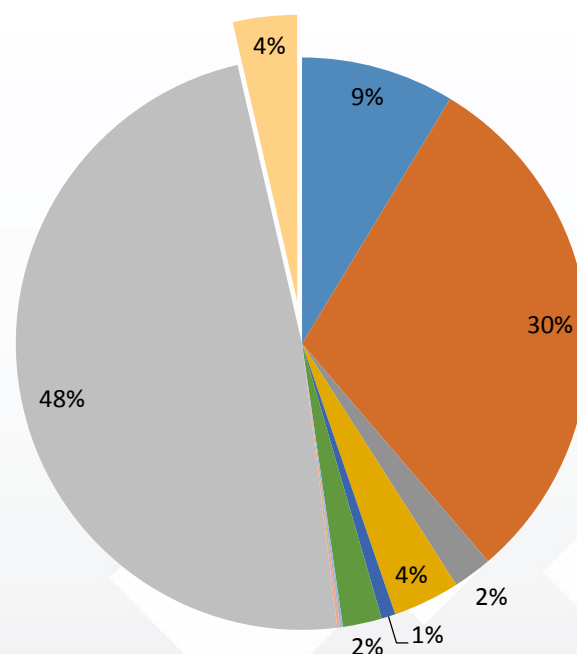
Agro-food



N = 228

- Technical requirements
- Pre-shipment inspection and other entry formalities
- Quantity control measures
- Price control measures
- Rules of origin and related certificate of origin

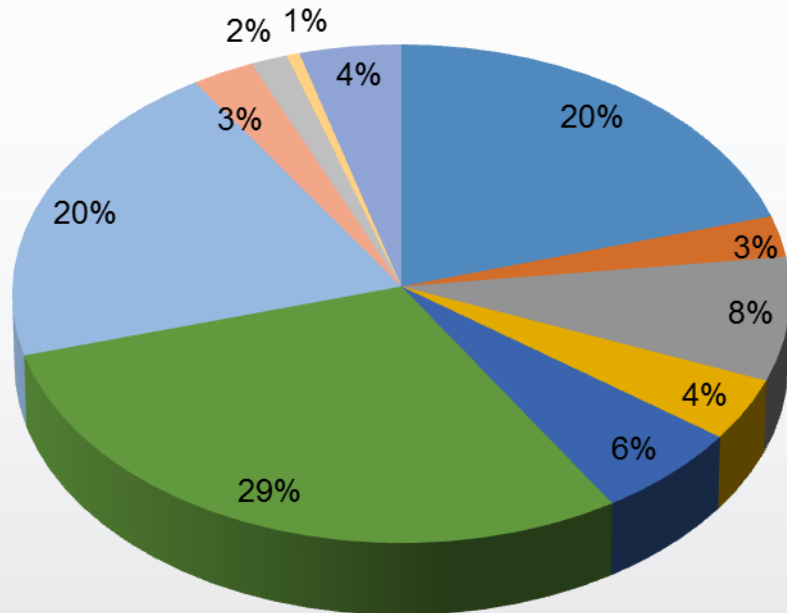
Manufacturing



N = 635

- Conformity assessment
- Charges, taxes and other para-tariff measures
- Finance Measures
- Anti-competitive measures
- Export Related Measures (Thai regulation)

Procedural Obstacles faced by exporters in Thailand



Total PO cases occurring in
Thailand = 897

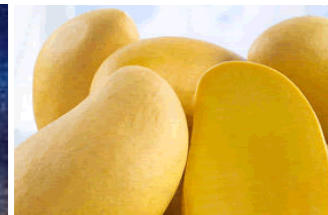
- Large number of different documents
- Documentation is difficult to fill out
- Numerous administrative windows or organizations involved, redundant documents
- Information on selected regulation is not adequately published and disseminated
- Arbitrary behavior of officials
- Delay related to reported regulation
- High fees and charges for reported certificate or regulation
- Limited or inappropriate facilities
- Problems with international recognition
- Informal payment
- Other procedural obstacles

SPS/TBT MEASURES AND RELATED CONFORMITY ASSESSMENT

Perception of exporters on quality requirements

NTM and Quality Requirements

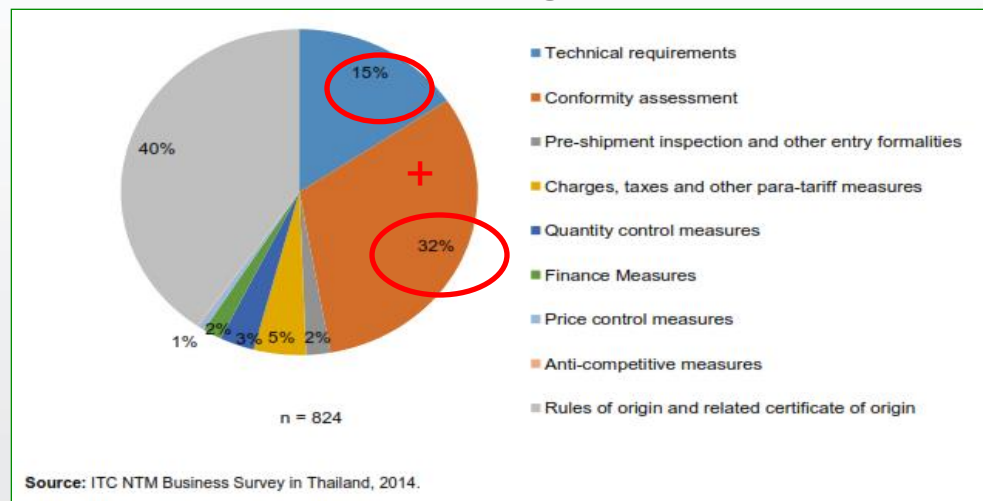
Thai Exporters indicated that they feel **more obstacles from the NTMs applied by trading partner countries rather those applied by Thailand.** 2014 ITC NTM survey showed that more than 95% of these reported NTM cases (824 cases) concern regulations applied by partner countries, while only 5%(38 cases) relate to NTMs applied by Thailand.



NTM and Quality Requirements

--Applied by Thailand's Partner Countries

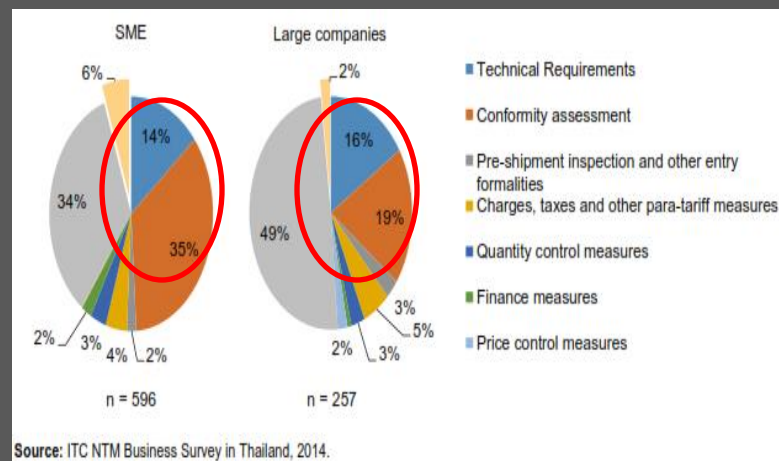
- **Technical requirements** (related to product-specific properties) added with **conformity assessment** (measures that determine whether a product or process complies with a technical regulation) are the major burdensome NTMs hindering the exports growth from Thai companies to partner countries.
- Thai exporters face more problems solving their compliance with regulations (32%) than with the regulations themselves (15%).



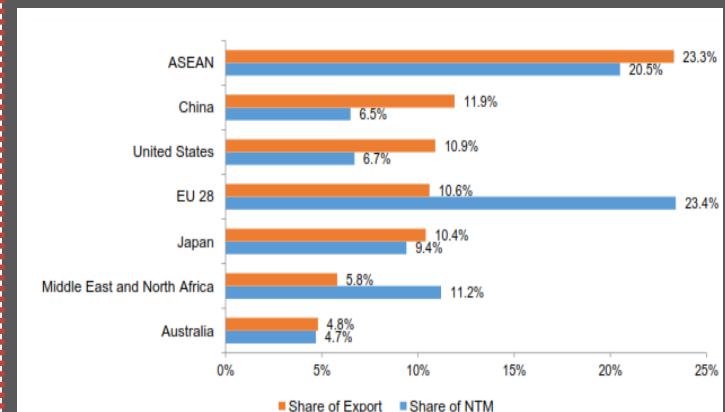
NTM and Quality Requirements

--Applied by Thailand's Partner Countries

• **SMEs are proportionally more vulnerable to conformity assessment than large companies.** This may be because of the capacity limits by the company size.



A large portion of NTMs are applied by **Thailand's big regional partner countries** including ASEAN (20.5%), EU28 (23.4%), the U.S. (6.7%), Japan (9.5%) and China (6.5%), which may due to the frequent trade flows to these markets.



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

Company Perceptions on Quality Requirement -- Agricultural Exporters

Agricultural exporters faced the most difficulties with technical measures applied by partner countries. They faced **more problems with technical requirement compared to conformity assessment.**



• Technical requirement is especially burdensome for **fish, crustaceans, mollusks and other aquatic invertebrates and cereal preparations and preparations of flour or starch or fruits or vegetables.**



• Compared to large agricultural exporters, **small and medium agricultural exporters** suffered the most from conformity assessment



• Less affected by the technical measures in **China, Japan and ASEAN** probably due to the signed Free Trade Agreement, but more affected by **EU28** mainly because of the strict EU regulations on food safety and related conformity assessments.

Company Perceptions on Quality Requirement

-- Agricultural Exporters (Cases Studies)



Strict EU regulations on food safety and conformity assessment:

- Processed seafood exporters find it difficult to meet the tolerance limit of chemical substances and they need provide HACCP certificate attesting the safety and quality standards of the company

Specific requirements on packaging and fumigation requirements:

- Rice and fresh food exporters are required to fumigate and pack their products in plastic sacks if exporting to Australia and New Zealand

Insufficient information of quality and safety requirements of some certain countries:

- Processed food exporters emphasized that they are struggling to find relevant information in South Africa, Nepal, South Korea, Papua New Guinea, Bangladesh, and Nigeria

High standard of costly specified testing and technical inspections:

Fresh food exporters find some countries (such as EU and the U.S) only accept its own testing and inspections which cost both money and time

Company Perceptions on Quality Requirement

-- Manufacturing Exporters

Different from agricultural exporters, manufacturing exporters faced more problems with conformity assessment rather than technical requirements.



•Technical requirement is burdensome for furniture and parts; whereas **conformity assessment** is more troublesome for perfumery, cosmetic, or toilet preparations, soap, cleansing, and polishing preparations , and foot wares



•Compared to large agricultural exporters, **small and medium manufacturing exporters** suffered the most from conformity assessment



•More affected by **ASEAN** and **EU28**

Company Perceptions on Quality Requirement

-- Manufacturing Exporters (Cases Studies)



Inspection on the production process on labor standards:

- Exports of hi-ball or tumbler, stem glass, pitcher, bowl, and vase to the U.S. need to be provided with the proof of production process on labor standard

Mandatory requirements of providing bio-degradable certificates by assigned bodies:

- Exports of furniture to Europe are forced to provide bio-degradable certificates- the Belgian EN 13432 and the American ASTM

Testing for dangerous chemicals residues:

- Exports of leather to the U.S. are required to testing products for dangerous chemicals residues and these testing should be done in the labs of the U.K or the U.S.

Lack of information on conformity assessment:

Exports of furniture to Canada require the certificate of Technical Standard and Safety Authority (TSSA) , but how to obtain the information is at loss

Policy Options and Recommendations



Better and More Frequent Communication

- Thai government and private sectors are encouraged to communicate more to fill in the gap between public expectation and the government's capacity to deliver.

Online information-sharing and Online licensing Registration

- It is suggested that both the Thai government and other countries can use more online information and online licensing registration to cut down services time and broaden services to a wider range of companies.

More complied with the technical requirements

- Private sectors need to prepare more and comply with the important technical requirements before they decide to export to the targeted countries.

CUSTOMS CLEARANCE AND BORDER CONTROLS

Perception of exporters on customs clearance and border control in Thailand and partner countries

Custom Clearance and Border Controls -- Exporter Perspectives



- Custom clearance and border controls are regarded the major **Procedural Obstacles (POs)** confronting the Thai exporters.
- The **PO cases** happened more in Thailand (897 cases) than in partner countries (282 cases) [Thai exporters reported 1,179 PO cases during the 2014 ITC NTM Survey].



Perceptions of Thai Exporters

--Agricultural Exporters

- For agricultural exports, according to the 2014 ITC NTM survey, 312 POs cases were reported, more cases caused by Thai authorities (195 cases) than happened in partner and/or transit countries (117 cases):



Examples: Agricultural exports to countries in the Middle East and North Africa s through the customs, all documents have to be attested and cleared by the embassy of respective countries, leading to high costs and delays.

Malaysian authorities does not allow the import of Thai rice or rice flour in the part of the country that shares a border of with Thailand.

Perceptions of Thai Exporters --Agricultural Exporters

Most common
obstacles for
Thailand and
partner and
transit
countries

High fees and
charges for reported
certificate/regulation

Delay related to
reported regulation

Large number of
different documents

SMEs suffer most.

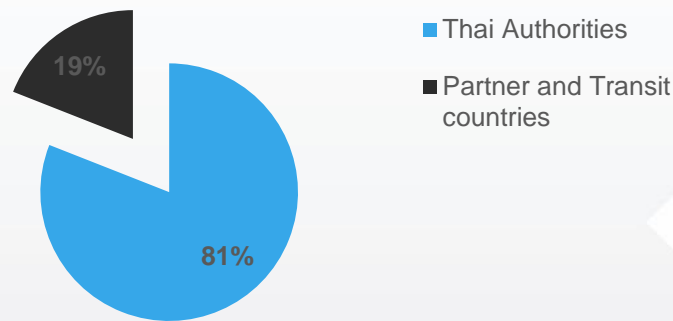
POs and inefficient business environment	In Thailand (and agencies involved, if specified)		In partner or transit countries	Subtotal
A1. Large number of different documents	40	FDA - Thailand (10), Ministry of Commerce. (4), UAE Embassy (4), Department of Fisheries (1), Department of Foreign Trade (2), Department of Internal Trade (1), Mahidol Institute of Nutrition (1), Private Lab (2), Thai Chamber of Commerce And Board of Trade (4), Thai Customs (1), Thai Industrial Standards Institute (10)	5 Canada (1), Switzerland (1), United States of America (3),	45
D1. Delay related to reported regulation	51	Ministry of Commerce. (4), UAE Embassy (4), Central Lab - Chiang Mai (2), Department of Agriculture (7), Department of Fisheries (2), Department of Foreign Trade (8), Department of Science Service (1), FDA - Thailand (3), Fumigation Company (2), Ministry of Commerce (1), Ministry of Foreign Affairs (1), Ministry of Public Health (4), Others (1), Private Lab (2), Thai Chamber of Commerce And Board of Trade (4), Thai Customs (5).	26 Australia (1), Austria (3), Canada (2), China (1), France (3), Germany (2), Indonesia (2), Italy (2), Japan (1), Malaysia (1), Philippines (1), Romania (1), Russian Federation (1), Turkey (1), Egypt (2), United Kingdom (1), United States of America (1),	77
E1. Unusually high fees and charges for reported certificate/regulation	40	FDA - Thailand (10), Central Lab - Chiang Mai (2), Department of Agriculture (2), Department of Science Service (1), FDA - Thailand (6), Fumigation Company (2), Indonesian Customs (1), Malaysian Halal Food Agency (1), Ministry of Public Health (1), Others (2), Thai Customs (1), Thai Industrial Standards Institute (10), US FDA (1),	48 Australia (1), Austria (3), Canada (4), China (2), France (5), Germany (3), Hong Kong, China (2), Indonesia (1), Iran (Islamic Republic of), (4), Iraq (1), Italy (2), Japan (1), Jordan (1), Libyan Arab Jamahiriya (2), Malaysia (1), Philippines (1), Russian Federation (1), Switzerland (1), Syrian Arab Republic (1), United Arab Emirates (3), Egypt (2), United Kingdom (3), United States of America (3),	88

Source: ITC NTM Business Survey in Thailand, 2014.

Perceptions of Thai Exporters

--Manufacturing Exporters

- POs occurred more in manufacturing exports rather than agricultural exports.
- According to the 2014 ITC NTM survey, 867 POs cases were reported, more cases caused by Thai authorities (702 cases) than happened in partner and/or transit countries (165 cases):



Perceptions of Thai Exporters

--Manufacturing Exporters

Most common obstacles for Thailand and partner and transit countries

High fees and charges for reported certificate/regulation

Numerous administrative windows/organizations involved

Delay related to reported aregulation

Large number of different documents

SMEs suffer most.

A1. Large number of different documents	143	Ministry of Industry (1), Bank (8), Bureau Veritas (1), Company Agent (1), Department of Foreign Trade (77), Department of Industrial Works (1), FDA - Thailand (13), MTEC (1), Manufacturing Companies (1), Ministry of Commerce (23), Supplier Factory (4), Thai Chamber of Commerce (5), Thai Customs (5), Third Party Company (2)	29	Bangladesh (1), China (2), France (2), Germany (1), Indonesia (3), Iraq (4), Japan (1), Malaysia (3), Netherlands (1), Philippines (3), Saudi Arabia (1), United Kingdom (1), United States of America (6)	172
A4. Numerous administrative windows/organizations involved, redundant documents	60	Chamber of Commerce (21), Embassy (2), Fumigation Laboratory (2), Ministry of Commerce (1), UAE Embassy (1), MTEC (1), Ministry of Commerce (5), Not Available (1), Revenue Department (21), Testing Laboratory (2), Thai Chamber of Commerce (1), Thai Chamber of Commerce And Board of Trade(2).	4	Kazakhstan (1), United Arab Emirates (3),	64
D1. Delay related to reported regulation	213	Intertech (1), Ministry of Commerce (1), Ministry of Industry (1), UAE Embassy (1), Bahrain Embassy (1), Bureau Veritas (2), Company Agent (1), Custom Authority (1), Department of Cultural Extension (1), Department of Fisheries (1), Department of Foreign Trade (111), Department of Industrial Works (2), Department of Internal Trade (4), Department of Livestock Development (1), Department of Medical Sciences (2), Department of Science Service (1), FDA - Thailand (18), Fumigation Company (3), Health Agency (1), IGS (1), Inspection Agency (1), Intertech (3), Kuwait Embassy (1), MTEC (1), Ministry of Commerce (13), Others (1), Pollution Control Department (1), Private Certification Body (2), Royal Forest Department (3), SGS (8), SNI (1), Saudi Arabian Embassy (1), Supplier Factory (4), Testing Laboratory (2), Thai Chamber of Commerce (6), Thai Customs (9), UAE Embassy (1).	52	Australia (2), Bangladesh (3), Sri Lanka (1), France (1), Germany (1), Hong Kong, China (2), Indonesia (5), Iran (Islamic Republic of), (1), Japan (2), Malaysia (4), Netherlands (1), Philippines (3), Romania (1), Saudi Arabia (3), South Africa (2), Spain (2), Switzerland (2), United Arab Emirates (4), Turkey (2), Egypt (1), United Kingdom (1), United States of America (8),	265
E1. Unusually high fees and charges for reported certificate/regulation	144	Bureau Veritas (1), Intertech (26), NORD (3), SGS (7), Bahrain Embassy (1), Bank (1), Bureau Veritas (2), Burmese Customs (1), Chinese Customs (1), Customs of Thailand (2), Department of Foreign Trade (4), Department of Industrial Works (2), Department of International Trade Promotion(1), Department of Science Service (2), FDA - Thailand (4), Fumigation Company (4), IGS (1), Intertech (7), Kuwait Embassy (1), Ministry of Commerce (4), Ministry of Industry (1), N/A (1), Needawan (Thailand), (2), Others (1), Private Lab (2), Private Third-Party Company (4), Qatar Embassy (1), Royal Forest Department (1), SGS (30), SNI (1), Saudi Arabian Embassy (1), TUV (3), Testing Laboratory (3), Thai Chamber of Commerce (1), Thai Chamber of Commerce And Board of Trade(5), Thai Customs (4), Thai Shipping Agency (1), Thai Third Party Companies (1), Third Party Company (4), UAE Embassy (2),	51	Australia (2), Bangladesh (2), Canada (2), China (1), France (2), Germany (3), Indonesia (3), Iran (Islamic Republic of), (1), Italy (1), Japan (4), Malaysia (2), Oman (1), Netherlands (2), New Zealand (2), Philippines (1), Russian Federation (1), Saudi Arabia (3), India (1), Slovakia (1), Viet Nam (1), Switzerland (1), United Arab Emirates (1), Egypt (1), United Kingdom (5), United States of America (7),	195

Source: ITC NTM Business Survey in Thailand, 2014.

Issues related to Customs Clearance

Bill of Lading (B/L) and Form A is requested to be sent to client company 4-5 days prior the shipment, but it often occurs that some Customs officials interpret the content in Form A differently and therefore, sometimes disapprove the document. According to the regulation of Thai government, invalid Form A cannot be revised, but re-issued only, so the company has no choice but to request for a new Form A, which each time the fee costs THB 1,000, and if the officials do not approve again; the process repeats. Hence, this issue caused by unstandardized behavior of the officials could take up a lot of money and time, and in some case the company also has to indemnify partner company due to delayed delivery as well.

Documents attestation requirement by the MENA countries – just additional bureaucratic procedures which involves a fee but more importantly it leads to delays in processing the paper works in the embassy. Exporters' difficulties with document attestation when exporting to countries in the Middle East and North Africa such as Egypt, Iran, Libya, Saudi Arabia, and Jordan. To export to these destinations all documents have to be attested and cleared by the embassy of respective countries. This is an entirely bureaucratic procedure which is usually accompanied by high costs and delays. 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, and hence the exporters have to get these documents attested by the Libyan embassy in the Philippines.

Exporters of furniture expressed concern with the new Thai regulation that does not allow products to be knocked down when being shipped (for example, the wooden cupboard needs to be put together in one piece, not as parts when being shipped). This, exporters allege, is imposed to prevent them from exporting lumber. For the exporters, they have to pay higher shipping cost, as assembled product takes up more space compared to disassembled products.

Policy Options and Recommendations



1. Suggested reform on the customs system for efficiency improvement

- *Simplifying and harmonizing customs procedures;*
- *Encouraging the use of technologies and e-commerce as productivity tools in keeping with developments of the new economy;*
- *Enhancing cross-border co-operation in the movement of goods and services.*

Policy Options and Recommendations



2. Fully use single window initiatives, FTAs and other trade agreement

- *Thailand should fully implement her National Single Window and ASEAN Single Window initiatives;*
- *Thailand's growing involvement in FTAs with other countries help eliminate the procedural barriers. Private sectors, under the guidance of Thai government and other organization should learn how to better utilize the FTAs for business expansion.*



Thailand Free Trade Agreements

2013



2015



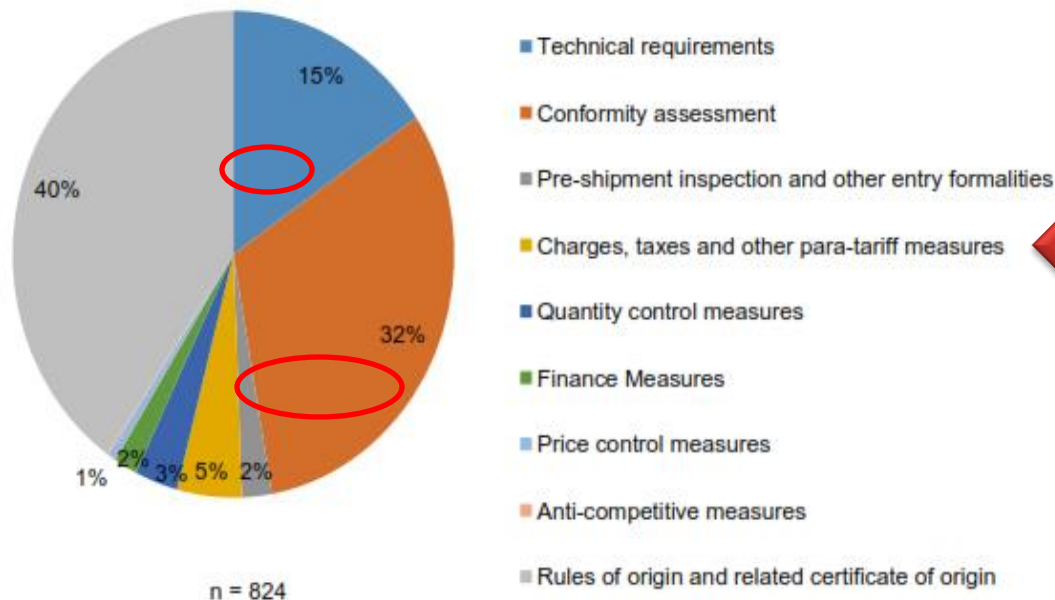
Thai AutoBook 2013
www.thaiautobook.com

RULES OF ORIGIN AND OTHER TRADE-RELATED MEASURES

Company experiences with rules of origin and other trade-related measures

RoOs and other Trade Related Measures -Exporter Perspectives

- Complaints regarding **rules of origin and other trade related measures in partner countries** (such as taxes, charges, quantity controls and finance measures) account for over a half of problems reported by Thai exporter interviewees.



Providing origin turns out to be a challenge for Thai exporters due to complexity of rules, high compliance costs, and delays involved in getting the relevant documents.

Source: ITC NTM Business Survey in Thailand, 2014.

RoOs and Thailand's FTAs

- **Importance of RoOs to Thai trade along with rising number of FTAs**

- To benefit from these preferential tariffs in various FTAs which Thailand involved, Thai exporters must certify that their product was made in Thailand or that adequate value addition has taken place.

- **Thai exporters and importers indicated multiple RoOs in Thailand's FTAs added business costs (time, money and labor)**

- More complexity in product manufacturing and processing, more difficult for the companies to address multiple RoOs.

- The **deeper market penetration** a company has, the much easier it can take advantage of FTAs and prove origin of goods.



Companies' Experience -- Agricultural Companies



- Apply to the process of obtaining the relevant certificate of origin from the **Department of Foreign Trade at the Ministry of Commerce.**


- Most common complaints** include time required by the Ministry to process the request, the complexity of the process, and the different HS code of the product specified in the certificate of origin

Companies' Experience -- Agricultural Companies



Export Inspection and Certification

- Apply mostly to rice, vegetables, and feeding stuff for animals.
- Ministry of Commerce in Thailand specifies that these control vegetables must go through inspections and obtain a health certificate before exporting.




Case Study: An exporter of fresh food to the Netherlands indicated that the Thai Ministry of Agriculture and Cooperatives announced 13 controlled vegetable list (high risk of photochemical/phytotoxins) for exports to the Netherlands.

Companies' Experience -- Agricultural Companies



Export Licences and Quantitative Restrictions

- Apply mostly to rice, fruit and nuts, tea, and edible products and preparations.
- Some countries have quantitative limitations on imports due to the demand of protecting domestic industries



Cases Studies: Indonesia allegedly imposes a quota of 1 container (down from previously 3 containers) for imports of onions and durians.

A rice exporter complained that the Thai Department of Internal Trade requires that rice exporters must obtain export license. The requirement to get the license is very strict and includes a large number of documents submission.

Companies' Experience

-- Manufacturing Exporter Companies



- Manufacturing sectors, in particular, face the bigger number of burdensome NTMs in **rules of origin and certificate of origin (52%, 317 cases)** caused by **partner countries** than by **Thai authorities** (more issues on export inspection and certification, export licenses and quantitative restrictions as well as taxes and charges).

In Partner Countries

NTM (Chapter)	Measure too strict or difficult	Due to related procedural obstacles	Both
C. Pre-shipment inspection and other entry formalities	5	7	2
D. Charges, taxes and other para-tariff measures	1	10	13
E. Quantity control measures	5		
F. Finance Measures	1	10	3
G. Price control measures	1		
H. Anti-competitive measures	1		
O. Rules of origin and related certificate of origin	28	184	95

By Thai Authorities

NTM (Chapter)	Measure too strict or difficult	Due to related procedural obstacles	Both
PA1. Export inspection		5	3
PA2. Certification required by the exporting country	1		1
PA9. Other export technical measures	1		
PB1. Export prohibitions			1
PB3. Licensing or permit to export		4	1
PB4. Export registration		2	
PC0. Export taxes and charges		1	
PE0. Measures on re-export	1		
PZ0. Other export related measures		1	1

Companies' Experience

-- Manufacturing Importer Companies

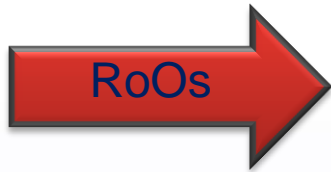
- Rules of origin and related certificate of origin and pre-shipment inspections are most common with 12 cases (40%) and 9 cases (33%) respectively to burden the **Thai manufacturing imports**.

Number of NTM cases for reported for each type of measure and the reason making the measure burdensome			
NTM (Chapter)	Measure too strict or difficult	Due to related procedural obstacles	Both
A. Technical requirements		2	1
B. Conformity assessment		3	1
C. Pre-shipment inspection and other entry formalities	1	6	2
E. Quantity control measures	1	1	
G. Price control measures	2		
O. Rules of origin and related certificate of origin	1	9	2
Grand Total	5	21	6

Source: ITC NTM Business Survey in Thailand, 2014.

Companies' Experience

-- Manufacturing Companies



- **Particular for exporters** of perfumery, cosmetic, or toilet preparations trunks, suitcases, vanity cases, executive cases, car parts and articles of plastics.
- Almost all of these cases relate to the **process of obtaining the relevant certificate of origin** from the Department of Foreign Trade at the Ministry of Commerce.
- Another highlight is the **HS code of the product specified in the certificate of origin and related forms.**



Cases Studies: An exporter of wood products to United Arab Emirates, for example, complained about the requirement of UAE to declare the origin of all wooden parts used in the product.

An exporter of textiles to Japan complained about the different HS codes between Thailand and Japan which in turn caused difficulty in the documentation process.

Companies' Experience

-- Manufacturing Companies

Lengthy Process

- Long time processing by the authorities to check the import quota or process the relevant documents.

Case Study: An importer of textiles from China complained about the lengthy process (6-month) it took for the Ministry of Agriculture to check the quota the company can import silks from China.

Price Control Measures

- Some countries use price control policies to protect their domestic industries and drive up their competitiveness.

Case Study: An importer of hot rolled iron/steel, for example, complained about the anti-dumping/safeguard duties applied to steel products from China, South Korea, Vietnam, and Taiwan, which increases production price for the company.

Most of the issues relate to issuing of COs

Obtaining the certificate of origin takes a long time, the officers take long to check the documents, and too many documents required such as the factory certificate, company registration, etc. We will have to submit all these documents for every shipment. We want the government to reduce these steps, if the exporters have already submitted the documents before they don't have to submit again.

However, exporters of manufactured goods eg machineries face a long time in arranging their documents for the application. The documentation requirements is very strict. As the final component is made of different parts from different suppliers compiling all the required documents can take much time – for some exporters it might take a month or two

Forms can be submitted online but the original has to be submitted in the ministry.

Thai Customs requests for **Antiques Export Product Permit**, even though the company's Buddha image products are newly produced, aged not more than 5 years. The company got an approval (that the product is not an antique and can be exported without a permit) from Fine Art Department, Ministry of Culture of Thailand, but the Customs did not accept and insisted on the Permit requirement. The process to obtain the Permit from Fine Art Department is complicated (but free of charge), as it requires the company to submit many documents every week, product inspection appointment must be made every Monday, and all the documents must be signed approved by Chiang Mai Mayor. Even though there is an alternative procedure to obtain the Permit without the signature of the Mayor, but the fee is THB 300 per each Buddha image (size 100 cm height), which the company cannot afford (if exported 100 Buddha images, the cost would be THB 30,000) to pay such high fee, hence the company basically does not have choice but to bear the cost.

Some of the difficulties relate to conditions in obtaining export licenses or permits from the Thai authorities. Companies exporting products made of **teak** must request for Teak Export Product License, as teak is restricted wood species for exports.

The license is issued by Royal Forest Department of Thailand. For the exporters fees for this license fee is very costly, and the validity of 3 days too short. As a result, licenses cannot be issued in advance, but only when there is a confirmed shipment schedule.

Ministry of Commerce allocates the quota for duty free **rice exports** to the EU among Thai companies. 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 US\$ 175 per ton.

Rice exporters have also reported that their businesses have been badly affected due to the government's **rice mortgage scheme**. Under the scheme the government buys directly from the producers at above market price. Since most farmers are now selling to the government, exporters are finding it difficult to find adequate supply to export. In addition, the scheme has led to increased prices leading the Thai exporters to lose their competitiveness in the international market. Some surveyed rice exporters reported up to 60% reduction in profits.

Policy Options and Recommendations



More online systems are encouraged to be applied that can deal with the wider requests for certificates of origin.

More trainings to the relevant stakeholders in both public sectors and private sectors to better acknowledge the use of multiple RoOs within Thailand's FTAs.

The government is suggested to accelerate the harmonization of HS code with partner countries to help fasten the process of certification of origin issuance.

THANK YOU