

THAILAND: COMPANY PERSPECTIVES

AN ITC SERIES ON
NON-TARIFF MEASURES



*Draft prepared for discussion at the NTM Stakeholder Meeting
(Bangkok, 29 October 2014)*

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Executive Summary

Introduction

In the global context of increasing economic liberalization and a widespread tendency to eliminate or reduce tariffs, the importance of trade barriers resulting from non-tariff measures (NTMs) has risen in recent decades. Because consumers are demanding more information about products, importing countries are implementing more regulations such as sanitary and phytosanitary measures (SPS) 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). Analyses of the commercial impact of NTMs as well as technical cooperation with developing countries to build government and business capacities are hence becoming increasingly important.

In this context, the Ministry of Commerce of Thailand requested the Geneva-based International Trade Centre (ITC), joint agency of the United Nations (UN) and the World Trade Organisation (WTO), to carry out an in-depth analysis of the business perspectives on NTMs with an objective to reduce existing trade impediments.

The following provides a summary of the results of the analysis and serves as background document for the stakeholder meeting on NTMs on 29 October 2014 in Bangkok, Thailand.

Implementation of the NTM survey in Thailand

The ITC, in collaboration with the Department of Trade Negotiations (DTN) of the Thai Ministry of Commerce, officially launched a survey of Thai exporters and importers in August 2013. The Bangkok-based company Rapid Asia Co., Ltd., implemented the survey on behalf of and under the guidance of ITC. The survey concluded in July 2014 with 1,067 companies interviewed.

The aim of the 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 government in creating an enabling environment for private-sector development and improved export competitiveness for Thailand and the region.

Prior to the start of the survey, ITC compiled a business registry of exporting and importing companies in Thailand, based on information provided by DTN. This registry contains information such as contact details, location and major export or import products of over 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 interview process itself consisted of two steps. The first step involves screening of exporting and importing companies through a basic telephone interview (phone screening). The aim of this telephone interview is to confirm the main sector of activity, the direction of trade and whether the company experienced difficulties with NTMs. Companies interviewed in the phone screening phase are selected based on stratified random sampling. 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).

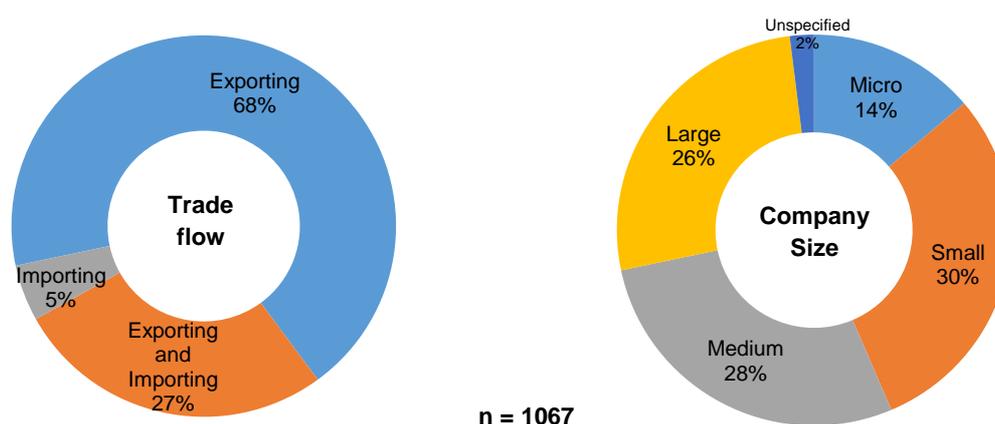
Overall, 1,067 companies were interviewed during the telephone screening about their experience with non-tariff measures. 68% of the sampled companies were exporters, 5% importers, while the remaining 27% were involved with both exporting and importing business. Likewise, 72% of the sampled companies were SMEs with 14% of them being micro enterprises. Large companies made up 26% of the sample (figure 1).

The second step involves a detailed face-to-face interview with those companies that reported having experienced obstacles to trade and are willing to participate. In Thailand, 340 companies that were affected and were willing to participate in a more detailed interview were questioned about the specific nature of the problems they faced. Typically, the 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.

Surveyed companies were based in the following locations: 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.

Figure 1: Company surveyed in phone screens, by type



Source: ITC business survey on NTMs in Thailand (2014).

Aggregate results and cross-cutting issues

Survey results reveal that around 38% of the exporters in Thailand are affected by burdensome regulations. The share of affected companies in Thailand is below the cross-country average of 56% (based on results of 21 other countries surveyed by ITC). The ITC survey also finds important differences between sectors with regard to difficulties with NTMs. Exporters in agro-food sector are more affected than exporters in manufacturing sector. This is consistent with the fact that countries often regulate agro-food product more vigilantly for reasons of consumer and environmental protection.

Companies exporting fresh food and processed food are among the most affected with 46% and 47% of the companies affected. Among companies in the manufacturing sector exporters of leather products, chemicals, and textiles are the most affected. Exporters of electronics, consumer and IT products – Thailand's largest export product – are relatively less affected (figure 2). Compared to exporters, the share of importers in both the agro-food and manufacturing sector which is affected by NTMs is much lower (less than one-quarter).

Partner (importing) countries applying NTMs

Comparing the share of Thai exports for various economic regions with the share of NTM cases concerning regulations applied by these partners allows assessing the degree of difficulty to access a specific market (figure 3).

Across partner countries, quite distinct regional differences are evident. The EU28, in particular, appears to be a relatively difficult market to access for Thai exporters. Countries in EU28 import less than 11% of Thai exports but account for 23% of NTM cases reported by Thai exporters to be burdensome. In total, 59% of interviewed companies exporting to EU28 reported to be facing difficulties complying with their regulations.

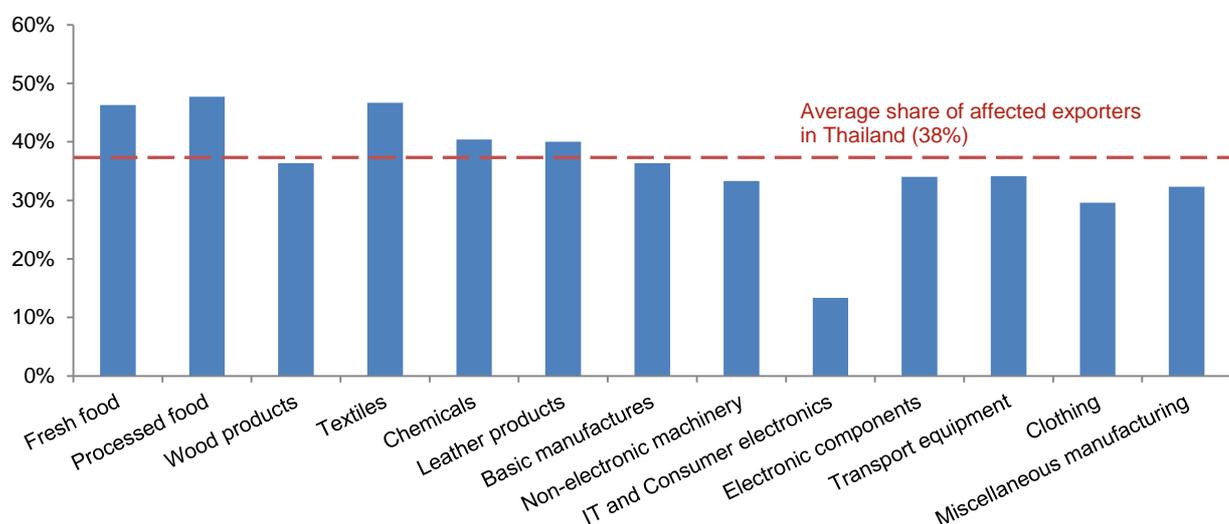
In contrast to the EU28, less than 7% of the problems reported by exporters are related to regulations applied by China and the United States each, while both countries import roughly the same value from Thailand as EU28 countries. In the case of Japan, the share of NTMs relative to the export share is somewhat higher.

Overall, the ASEAN bloc is one of Thailand's largest trading partners with ASEAN members importing 23% of Thai exports. Despite the regional economic integration among ASEAN countries, which

results in increased trade, the share of NTM cases originating from ASEAN countries (20.5%) is also relatively high.

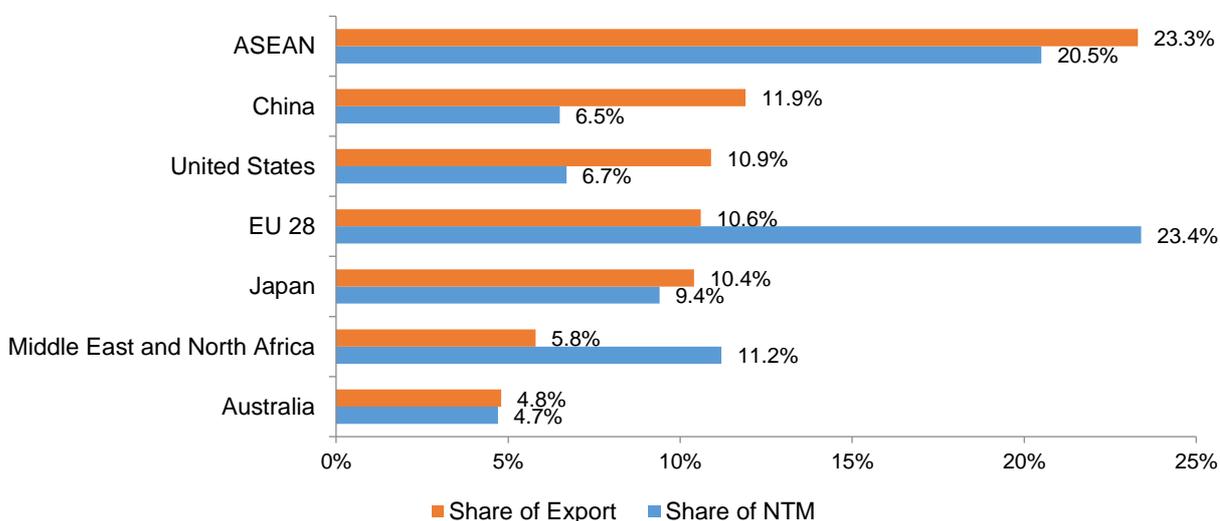
Thai exporters also seem to be facing difficulties exporting to countries in the Middle East and North Africa (MENA) region. The region overall imports 6% of Thai exports but more than 11% of the reported problems relate to regulations originating from these countries.

Figure 2: Share of exporting companies affected by NTMs, by sector



Source: ITC business survey on NTMs in Thailand (2014).

Figure 3: Share of total exports¹ and share of NTM cases applied by partner countries (selected partners), 2013



Source: ITC business survey on NTMs in Thailand (2014) and Trade Map (2013).

The reasons for rendering partner country regulations burdensome can be both the strictness of the NTM itself or related procedural obstacles, which render compliance with the regulation difficult. These procedural obstacles can be encountered abroad but also in Thailand. It is hence important to keep in mind that the problem with accessing a partner country may very well be located in Thailand (see section on procedural obstacles further below).

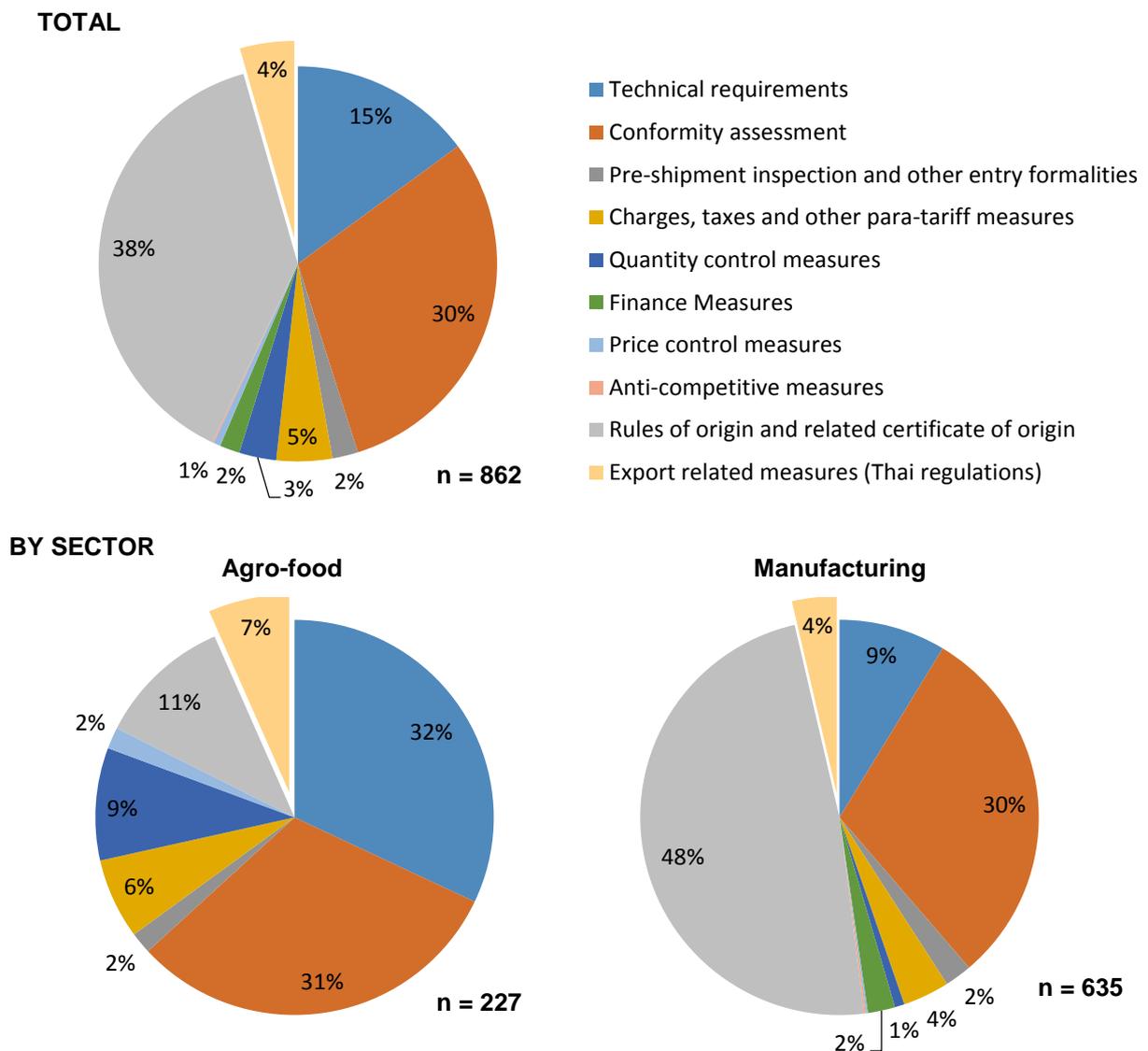
¹ Excludes export of mineral and arms

Types of NTMs experienced by exporters

In Thailand, the exporting companies reported 862 cases of burdensome regulations, the vast majority all of which (96%) are applied by partner (importing) countries. There are only few incidents of difficulties related to export regulations imposed by Thailand in addition to a few cases concerning private standards. This contrasts with the results in other countries where ITC business surveys finds 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.

Overall, 47% of the burdensome NTM cases experienced by Thai exporters are technical measures (figure 4). Technical measures include 'technical requirements', which are product specifications that exported products need to comply with (including sanitary and phytosanitary [SPS] measures) as well as '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 30% relate to conformity assessment. This suggests that exporters face more problems proving their compliance to regulations than with the regulations itself.

Figure 4: Types of burdensome regulations experienced by Thai exporters



Source: ITC business survey on NTMs in Thailand (2014).

Issues related to rules of origin or the process of obtaining certificate of origin has also been frequently reported by exporters to be a problem (38%).

Interestingly, there are significant differences between the agricultural and the manufacturing sector in the incidence of the different burdensome technical measures (figure 4, lower panel): for exporters of agro-food products, technical requirements themselves are more often reported as burdensome than measures of conformity assessment (32% of cases versus 31%), while the opposite holds true for exporters of manufactured products, where difficulties related to conformity assessment (30% of cases) is more prominent than technical requirements (8%).

Complaints regarding rules of origin and the related certificate of origin account for 38% of all problems reported by the exporters (figure 4, upper panel). It is interesting to note that a vast majority of these difficulties are reported by exporters from the manufacturing sector (48%). Regulations concerning charges, taxes and para-tariff measures and quantity control measures were mostly reported by agro-food exporters and account for 5% and 3% of all reported problems, respectively.

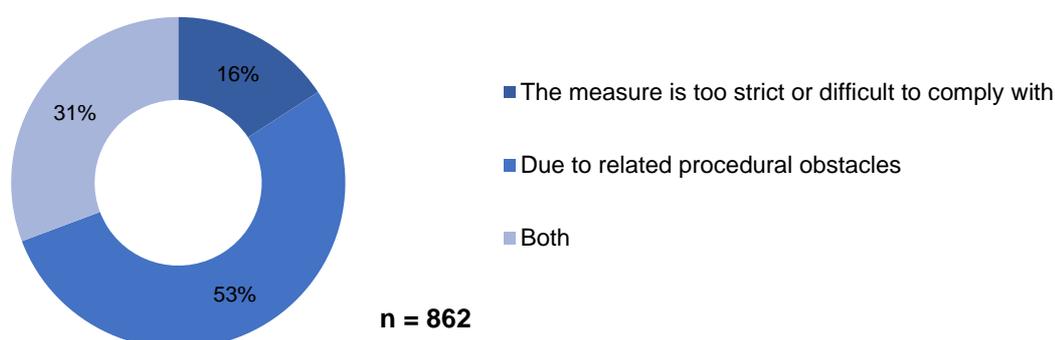
Only 4% of the reported problems were related to regulations applied by the Thai government on its exports. It is also worthwhile noting that a few problems faced by the exporters were regulations regarding voluntary (private) standards.

Difficulties with Procedural Obstacles (POs)

To have a better understanding of the nature of problems faced by exporters, the NTM survey methodology identifies both the measures that are burdensome to the exporters as well as the underlying reason to 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 procedural obstacles (POs). While 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, only 16% of all problems faced by exporters seem to be problematic due to the given regulations being too strict or difficult to comply with (figure 5). In contrast, 53% of NTMs are difficult to the exporters due to various procedural obstacles, most of which occur in Thailand itself. In the remaining 31% of the reported NTM cases both the measure and the related procedural obstacles are regarded as problematic.

Figure 5: Why exporters face difficulties with NTMs



Source: ITC business survey on NTMs in Thailand (2014).

Overall, exporters report 1,179 incidents of procedural obstacles which make compliance to a given regulation difficult. 76% of these incidents (897 cases) occur in Thai agencies. There are three main types of procedural obstacles hindering export process in Thailand (figure 6). Delay in obtaining relevant documents, certification or approval from concerned authorities in Thailand is the most frequently mentioned type of PO experienced by exporters (29% of reported POs). Likewise, high fees and charges imposed by various agencies for various processes relevant to the regulation account for 20% of POs. Exporters also feel burdened by the fact that they have to submit many different kinds of documents to authorities in the export process (24% of all POs), multiple administrative windows (8%) and documentation being difficult to fill out (3%). Exporters also report

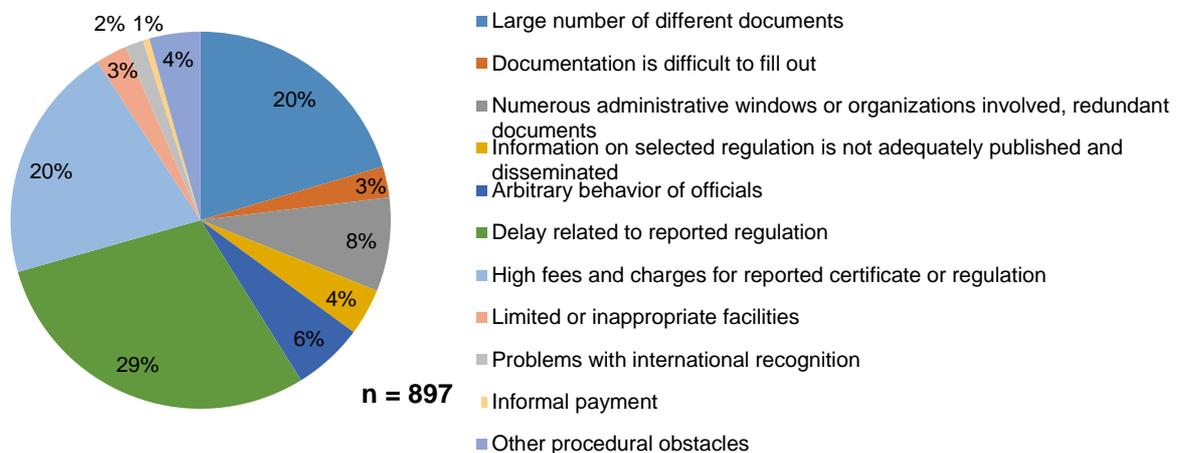
other kinds of POs, such as issues of transparency or with international recognition, but which are of much less prominence.

Cases related to corruption (informal payments) make up less than 1% of the cases, which is one of the lowest shares reported among the countries surveyed by ITC.

During the interviews, companies were asked to specify where the procedural obstacles are encountered. Most of the reported POs occurred at the Department of Foreign Trade – Ministry of Commerce, which is the responsible agency for issuing certificate of origins. These POs were mostly delays or administrative burdens when applying for the certificate of origin. Other agencies which are reported frequently include the Food and Drugs Administrations, Thai chamber of commerce, Thai customs, as well as private testing and certification bodies.

Furthermore, exporters also report of POs occurring in embassies of some partner countries, especially countries from the MENA region, that require exporters to have their paper works and certificates attested by the respective embassies. Exporters complain of additional time and cost due to this procedure.

Figure 6: Procedural obstacles faced by exporters in Thailand



Source: ITC business survey on NTMs in Thailand (2014).

Snapshot of major issues faced by exporters

Technical requirements

As described earlier, technical requirements are a major concern for agricultural exporters. Especially the EU has very **strict quality standards on imported food products**. Thai exporters of processed sea food products find it for example difficult to meet the **tolerance limit of chemical substances**

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