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Thailand Trade Brief

Trade Policy

Thailand's latest MFN Tariff Trade Restrictiveness Index (TTRI)[1] of 6.6 percent shows the result of a gradual reduction in import tariffs over the past several years. Most of the progress was made in the non-agricultural goods sector, which now has a TTRI of 5.8 percent compared to 21.1 percent for agricultural goods. Thailand is less open to trade than an average East Asia and Pacific (EAP) country (TTRI of 4.8 percent) but more open than an average lower-middle-income country (TTRI of 8.4 percent). Based on the MFN TTRI, it ranks 74th out of 125 countries (where 1st is least restrictive). The simple average of the MFN applied tariff rate has decreased significantly since 2000 and was 9.9 percent as of 2006, latest available year, yet remains only slightly lower than the average of 10.5 percent for the EAP region. Thailand's maximum tariff on all goods (excluding alcohol and tobacco) was 136.2 percent as of 2006. The trade policy space, as measured by the wedge between bound and applied tariffs (the overhang), was 17.1 percent. Regarding the extent of its commitment to trade liberalization in services, Thailand ranked 69th out of 148 countries on the GATS Commitment Index.

Rising food prices prompted the government to remove tariffs on soybean meal in March 2008. Export bans were placed on pigs to prevent further escalation in the price of pork.[2] Moreover, in October 2008, the government banned maize and tobacco imports and bartered rice for Iranian oil.[3] In the context of the global economic downturn, in March 2009, a stimulus package was announced that included measures to support the tourism sector.

Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at http://www.worldbank.org/wti.

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External Environment

Thailand's exports have worse access to international markets that those of its comparators. Its latest Market Access TTRI[4] (including preferences) of 4.3 percent is higher than that of an average EAP or lower-middle-income country (3.8 and 2.4 percent, respectively). The weighted average rest of the world tariff faced by Thai exports is 4.5 percent. In 2008, Thailand had 13 anti-dumping investigations initiated against it, which was an increase from 8 in 2007. This is much higher than the regional average (excluding China), which was less than two per country. Three additional investigations have been initiated against the country in 2009. Over the course of 2008 the real effective exchange rate of the Thai baht appreciated by 2.4 percent, making exports relatively less competitive abroad.

As a member of the Association of South-East Asia Nations (ASEAN), Thailand signed a free trade agreement (FTA) with Japan in March 2008, whereby Japan will remove tariffs on 93 percent of ASEAN exports. In February 2009, a comprehensive free trade deal was signed between ASEAN members and Australia and New Zealand and is expected to come into effect by the end of 2009. In August 2009, an FTA was signed between India and ASEAN countries and is expected to take effect on January 1, 2010.[5] Over the course of 2008, the Thai baht appreciated by 3.5 percent in relation to the U.S. dollar.[6]

Behind the Border Constraints

Thailand has a favorable business environment, ranking 12th out of 183 countries in the 2010 Ease of Doing Business Index, which ranks institutional environments based on their conduciveness to business. The Logistics Performance Index, a measure of the extent of trade facilitation, rates Thailand at 3.31 on a scale from 1 to 5 with 5 being the highest performance, compared with 2.58 for the EAP region. It ranked 31st in the world and 3rd in the EAP region (with Malaysia leading the regional group). Its strongest performance was in the timeliness of shipments in reaching their destination, while its weakest performance was in customs procedures. In late 2008 and early 2009, as trade financing grew scarce, the Export-Import Bank of Thailand petitioned for funds from the central government to boost the availability of credit, and the government put in place policies designed to increase the availability of credit for exporters. [7,8]

Trade Outcomes

The downturn in global trade coupled with the recent political instability is expected to lead to a contraction of the economy in 2009.[9] Thailand's growth rate of total trade has stayed relatively steady in recent years and continued to grow in 2008 at an estimated 6.4 percent in real (constant 2000 U.S. dollars) terms. Thai exports of goods and services grew in real terms by an estimated 5.5 percent in 2008. Real import growth more than doubled from its 2007 rate to an estimated 7.5 percent

In nominal U.S. dollar terms, total trade grew by an estimated 20.7 percent in 2008. Thailand, the leading exporter of rice in the world, experienced a rise in exports during the first half of 2008 as prices of rice rose. In the second half of 2008, prices and demand for rice declined. Despite the decline, total exports rose by an estimated 17.9 percent for the year. The increase was led by an increase in services exports of 20.6 percent, although tourism, which accounts for half of all services exports in Thailand, fell due to the recession in many developed countries and the ongoing domestic political instability.[10] In the first quarter of 2009, exports fell by 24.9 percent in nominal U.S. dollar terms, with rice and rubber exports falling by 19.8 and 49.6 percent.[11] Exports of high-tech products, which account for 65 percent of all goods exports, fell by 31 and 27 percent in the first and second quarters of 2009, respectively, over the same quarters of 2008.[12] Goods exports continued to fall through June 2009, but at a slower rate, such that exports in the first half of the year dropped by 23.5 percent on a year-on-year basis. Exports dropped significantly to other ASEAN partners, as well as to the United States, EU, and Japan, and to a lesser extent China. Total imports grew by an estimated 26.8 percent in 2008, due in part to the increases in commodity prices, but are expected to significantly fall in 2009. Imports of goods in dollar terms dropped by 35.1 percent on a year-on-year basis in the first half of 2009. Foreign direct investment as a share of GDP fell to 3.8 percent in 2008 from 4.8 percent in 2007.

Notes

1. TTRI calculates the equivalent uniform tariff that would keep domestic welfare constant. It is weighted by import shares and import demand elasticity.
2. ESCAP, 2008, pp. 4 and 6.
3. FAO, 2009, and World Bank PREM Trade Group, 2009, p. 15.
4. MA-TTRI calculates the equivalent uniform tariff of trading partners that would keep their level of imports constant. It is weighted by import values and import demand elasticities of trading partners.
5. Bilaterals.org, 2009a–c.
6. IMF, 2009.
7. World Bank PREM Trade Group, 2009, p. 15.
8. Chauffour and Farole, 2009, p. 13.
9. World Bank, April 2009, p. 52.
10. Asian Development Bank, 2009, p. 257.
11. IMF, 2009.
12. Bank of Thailand, 2009.

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