

Overview of the Thai Government Agencies Engaged in Formulation and Implementation of Export Promotion Policies: Industrial Products*

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Introduction

This report briefly discusses major Thai government agencies engaged in formulation and implementation of export promotion policies, particularly for industrial products.

1. Major Thai Government Agencies Engaged in Formulation of Export Promotion Policies

At present, there are at least five major Thai Government organizations connected with export promotion policy making: (1) the Cabinet; (2) the Economic Ministers Committee; (3) the National Economic and Social Development Board (NESDB); (4) the Board of Investment (BOI); and (5) the Export Promotion Development Committee (EPDC).

1.1 The Cabinet. The Cabinet, the supreme policy-making body of the executive branch of government, is responsible for all policy decisions of the nation including export promotion policies. Presently there are 45 Cabinet members (including the Premier and Deputy Premiers).¹ This number of cabinet members is large compared with other countries such as England and tends to impede effective decisions on complex policy issues by the cabinet.² This was a major reason for the Cabinet to recently appoint the Economic Ministers Committee to act on behalf of the Cabinet in making economic policy decisions and later inform the latter of their decisions.

As shown in Chart 1, at the policy making level, a broad and general statement of Government policies including export promotion policy is usually presented at the National Assembly by the Cabinet for discussion and comments before the Cabinet assumes responsibility. But after that, the Economic Ministers Committee is delegated by the Cabinet to make all economic policy decisions on behalf of the Cabinet and inform the Cabinet of the decisions. In brief, the Cabinet is responsible for making policy guidelines including export promotion policy.

* For further information see Thavan Voratheputipong, Thummanoon Pongssikul and Minoru Ouchi, *Administration of Thai Export Promotion Policies and Japan's Cooperation* (Tokyo: Institute of Developing Economy, 1989), pp. 1-121.

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1.2 The Economic Ministers Committee. As illustrated in Chart I, the Economic Ministers Committee (EMC) was recently appointed by the Cabinet to act as "the central policy coordinating body" and decide all economic policy issues on behalf of the Cabinet and inform the latter of their decisions. The EMC consists of 21 members headed by the Prime Minister, all Deputy Premiers as Deputy Chairpersons, Ministers from the Ministries of Finance, Industry, Communications, Commerce, Agriculture and Cooperatives, Foreign Affairs, Interior, etc. as members, with the Secretary-General of the NESDB serving as secretary.³ The EMC has considerably eased the burden of the entire Cabinet.

1.3 National Economic and Social Development Board (NESDB). The NESDB, an arm of the government in national economic and social development planning, transforms a general export policy into a national production and marketing plan, particularly through the Government and Private Cooperation Division. NESDB is basically responsible for coordinating between the public sector and private sector, especially in trade and industry. However, the formal sector's role in export production and marketing promotion has been very limited relative to that of the informal sector's because of several factors such as bureaucratic red tape and the present tax system which is based upon traditional industries and not on modern industries and services.⁴

In addition, the NESDB also conducts evaluation of plans by using official reporting evaluation forms and not comprehensive evaluation forms.⁵ As a result, the evaluation system is not as effective as intended.

1.4 Board of Investment (BOI). Another major government agency responsible for export promotion policy making is the Board of Investment (BOI). The BOI which has been created to attract domestic and foreign investors, particularly export investors, formulates investment promotion policies and sets investment promotion goals which are implemented by the BOI office, the secretariat office of the BOI. The BOI gives various incentives to private investment under the Investment Promotion Act: (1) exemption from or grant of 50 percent reduction in import duties and business taxes on machinery and equipment used in the promoted activities; (2) reduction of up to 90 percent of import duties and business taxes on raw materials; and (3) exemption from corporate income tax for a period of 3-8 years.

There are also protective measures, such as imposition of import surcharges up to 50 percent of the import value (for not more than one year at a time), and import ban on competitive products as the BOI deems necessary.⁶

Since non-BOI promotion investors are also eligible for the rebates on duties and taxes paid on raw materials, and because most manufactured products are not subject to export duties, the special incentives provided to BOI promoted investors seem not so significant as compared with non-BOI promoted investors. However, the most important advantages for the promoted investors can be found in the regular promotional privileges of exemption (or reduction) of import duties and business taxes on capital goods and the income tax holiday.⁷

1.5 Export Promotion Development Committee (EPDC). Another important public agency connected with policy making on export promotion is the Export Promotion Development Committee (EPDC). The EPDC which was upgraded in 1987 from a non-policy making committee headed by the Commerce Minister to a policy making body chaired by the Deputy Premier, is basically responsible for formulating export promotion development policies and setting export promotion goals. The EPDC is assisted by the Department of Commercial Relations which serves as the secretariat office of the former.

2. Thai Government Agencies Engaged in Implementation of Export Promotion Policies

At the policy implementation level, there are several public organizations connected with the export production promotion process which may be divided into at least four major steps: pre-production, production, marketing and export.

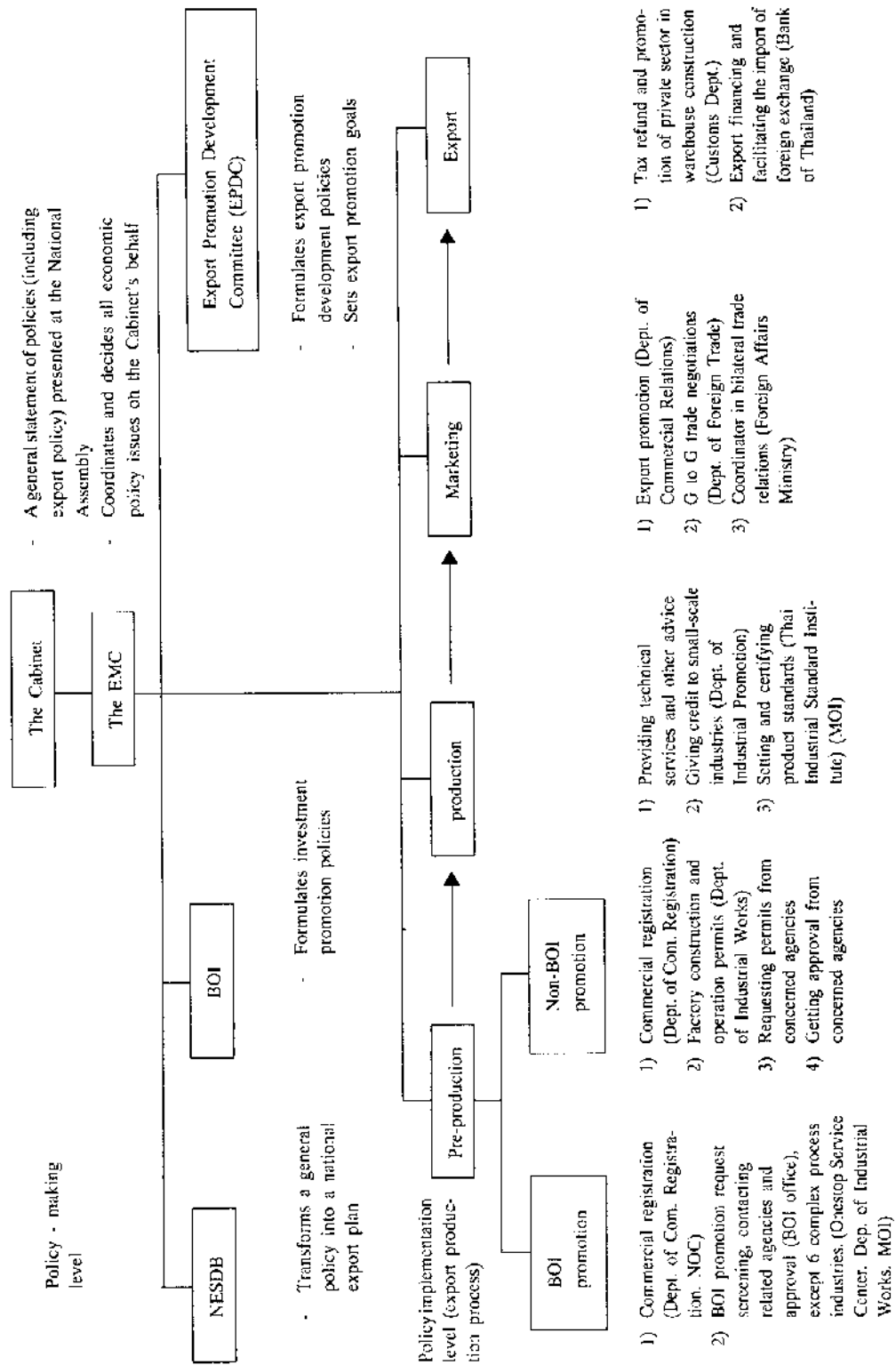
2.1 Major public agencies connected with pre-production promotion. As for the pre-production stage, several public agencies are involved in various capacities. First, the Department of Commercial Registration, Ministry of Commerce, is responsible for approval of commercial registration requests submitted by all export investors. The BOI Office, on the other hand, facilitates all investors who want BOI promotion by screening requestors' project feasibility, serving on behalf of investors in contacting other government agencies concerned, and informing them about final decisions made by concerned units within a specified time. Except for six major complex-process industries (processed food, textiles, cosmetics, poisonous products, wooden products, and pet food), the Onestop Service Center, Department of Industrial Works, Ministry of Industry, will take care of export investors at the BOI Office. Moreover, the Department of Industrial works is also responsible for issuing factory construction and operation permits to all BOI-promotion and non-BOI promotion investors. (See Chart I).

2.2 Major public agencies connected with production promotion. Concerning production, the Department of Industrial Promotion, Ministry of Industry Promotion, provides technical services such as factory management training and other advice to investors. It also renders a maximum credit of 3 million baht to small scale industries. In addition, to make sure that industry products exported to importing countries are quality products, the Thai Industrial Standards Institute, Ministry of Industry, sets, tests, and certifies standards of export products. However, the Institute's performance is not as effective as intended because of several factors, such as the lack of qualified personnel, inadequate budget, non-cooperation of certain export industries in complying with the standards, and the lack of an effective information system.⁸

2.3 Major public agencies connected with marketing promotion. Regarding marketing promotion, apart from serving as the secretariat office of the EPDC and the Export promotion Development Fund Subcommittee, the Department of Commercial Relations, Ministry of Commerce, cooperates with the Business Economics Department of the same Ministry in setting export promotion goals. It also deals with export promotion development by using various means such as supply study, product design development, training services, and market penetration. In the case of Government to Government trade negotiations, the Department of Foreign Trade, Ministry of Commerce is empowered to perform this mission.⁹ Moreover, the Foreign Affairs Ministry also serves as coordinator in bilateral trade relations. The Thai-Japanese Economic Relations Structure Adjustment Committee in which staff members of the Foreign Affairs Ministry serve as committee coordinators provides a good example of the said role.¹⁰

2.4 Major public agencies connected with export promotion. With respect to export promotion, the Customs Department, Ministry of Finance, is responsible for tax and customs refunds to export investors and promotion of private sector warehouse construction. In addition, the Bank of Thailand provides export financing to export industries through commercial banks, particularly in the form of packing credit and soft loans. However, the amount of credit provided to export investors is too limited to have a significant impact upon export industries.

Chart 1: Major Thai Government Agencies Engaged in Formulation and Implementation of Export Promotion Policies



NOTES

1. "Thailand's Constitution 1978". **Government Gazette**. Vol.95, No.146 (December 22, 1978), article 146.
2. For further information, see Amara Raksataya and Thavan Vorathepputipong. **Research Report on Thai Civil Service System Improvements: Organizational Aspects**. September 1986, pp.20-21.
3. For further details, see **ibid.**, pp.21-22.
4. Information obtained from correspondence with the Director of the Government and Private Cooperation Division, NESDB, on September 7, 1988.
5. **Ibid.**
6. See Somsak Tambunlertchai and Ippei Yamasawa, **Manufactured Export Promotion: The Case of Thailand** (Tokyo: Asean Economic Press, Ltd., 1983), pp.22-23.
7. See **ibid.**, p.24.
8. Information collected from a correspondence with the Director of the Standards Setting Division, Thai Industrial Standards Institute, on October 4, 1988.
9. Information obtained from a correspondence with the Director of the Planning Division, Department of Commercial Relations, on September 15, 1988.
10. For further information, see NESDB, **Thai-Japanese Economic Relations Structure Adjustment, June 1984**, pp.1-20.