

EU statement at the Trade Policy Review of Thailand, 24/11/15

Statement by EU Deputy Ambassador Detlev Brauns

I would first like to welcome the Delegation of Thailand, led by Ms. Sunanta Kangvalkulkij, Deputy Director-General of Department of Trade Negotiations. My appreciation is extended to the Discussant, H.E. Mr. Wayne McCook (Jamaica), for getting us started today with his remarks.

Mr. Chairman, since the last review in 2011, Thailand was upgraded by the World Bank to an upper-middle income country. This upgrade was the outcome of Thailand's strong fundamentals and appropriate policy mix that had helped maintaining macro-financial stability and ensured the resilience of its economy despite several endogenous and exogenous challenges. Trade played a big role in this strong performance.

Yet, Thailand seems to be faced now with the typical challenges of an upper-middle income country and for Thailand to sustain its growth and avoid the middle income trap, it is important to pay attention to raising its productivity and further enhance its economic potential through long-term reforms to improve its overall investment environment.

The EU welcomes that the Government's top policy priority is to boost public investment, which - combined with stronger exports - is expected to help real GDP growth to gradually recover. In this respect, the EU appreciates that a series of reforms are currently under consideration by the Government and looks with a particular interest to the measures that will be implemented to further open foreign trade and investment. The EU is fully aware that the reforms and measures are not easy to push through, but we can only encourage Thailand to pursue the work undertaken.

The EU is an important trade partner of Thailand both bilaterally and regionally in the context of ASEAN. Trade between the EU and Thailand amounted to approximately € 31 billion in 2014. The same year, exports from Thailand to the EU totalled some €18.5 billion, making the EU Thailand's third largest export market. The EU is also Thailand's third overall trade partner.

Regionally, Thailand - as member of ASEAN - is engaged in a regional economic integration agenda and Thailand is playing an important role in this process. We trust that Thailand will continue to



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pull its full weight in the region which has arrived at the critical juncture of the realization of the ASEAN Economic Community (AEC) by end 2015. As a strong believer in regional integration, the EU supports and encourages full implementation of these regional integration processes, including the adoption of regional ASEAN policies to remove current obstacles and improve trade facilitation across the region.

Mr Chairman, despite these positive aspects, the EU would like to highlight some issues that also appear in our advance written questions.

First of all, Thailand's investment policy, and the many impediments investors are facing. In particular, despite the fact that Thailand's services sector has continued to grow, there have been no major changes to the regulatory and institutional framework governing investment over the review period. While licensing requirements have been simplified in certain sectors, the horizontal restrictions for foreign investment in the service sector such as the 49 % foreign equity cap (notably in the banking, insurance and telecom sectors) do not attract potential investors and is not conducive to make of Thailand a hub in the region for trade in services.

Secondly, let me mention the tax system and labelling requirements. Despite some adjustment during the review period, we are notably concerned about the continuous discretionary excise taxes on alcoholic beverages, but also on automobiles. Equally in the area of alcoholic beverages, labelling rules are burdensome and costly. Therefore, the EU calls on Thailand to review and simplify its tax structure, especially on excise duties as well as to consider less trade restrictive labelling requirements.

Thirdly, the EU has concerns on several aspects related to SPS import requirements. The current import application procedure of Thailand is considered burdensome and requires a re-audit every two years. In addition to the requirement of a health certificate, Thailand maintains a system of import permits which is having a trade restrictive effect. Moreover, Thailand should follow international standards and recognise disease- and pest free areas instead of putting country-wide bans in place where regionalisation measures have been implemented.

Fourthly, while we welcome the regular and constructive EU-Thailand IPR dialogue, more needs to be done towards effective enforcement of intellectual property rights.

Mr. Chairman, the EU is confident that this TPR will help Thailand in reviewing and strengthening its policies and enhance its competitiveness. We look forward to receiving the full set of replies to our advance questions and wish Thailand a very productive and successful review.