The Pakistan Business Council

FOSTERING ECONOMIC GROWTH

(A Company set up under Section 42 of the Companies Ordinance 1984)

A Review of the Proposed Pakistan Thailand Free Trade Agreement

2018

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The Pakistan Business Council: An Overview

The Pakistan Business Council (PBC) is a business policy advocacy platform, established in 2005 by 14 (now 70) of Pakistan's largest private-sector businesses and conglomerates, including multinationals. PBC businesses cover nearly all sectors of the formal economy. It is a professionally-run organization headed by a full-time chief executive officer.

The PBC is a not-for-profit entity, registered under Section 42 of the Companies Ordinance 1984. Though it is not required under the law to do so, the PBC follows to the greatest extent possible, the Code of Corporate Governance as applicable to listed companies.

The PBC is a pan-industry advocacy group. It is not a trade body nor does it advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers to allow Pakistani businesses to compete in regional and global arenas. The PBC conducts research and holds conferences and seminars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan.

The PBC works closely with the relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues which impact the conduct of business in and from Pakistan. It has submitted key position papers and recommendations to the government on legislation and other government policies affecting businesses. PBC also serves on various taskforces and committees of the Government of Pakistan as well as those of the State Bank, SECP and other regulators with the objective to provide policy assistance on new initiatives and reforms.

The PBC's Founding Objectives:

The major objectives of the PBC as stated in its founding documents are:

- To provide for the formation and exchange of views on any question connected with the conduct of business in and from Pakistan.
- To conduct, organize, set up, administer and manage campaigns, surveys, focus groups, workshops, seminars and field works for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.
- To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.
- To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.
- To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

The PBC's Member Companies

Abbott A Promise for Life	AkzoNobel	AlliedBank	Artistic Milliners	AMRELI STEELS Building for Life	mayfair
Atlas	Bank Alfalah Limited	CHERAT CEMENT	Coca-Cola	COLGATE-PALMOLIVE	Dalda
Dawood Hercules	DESCON	efu	The Legend Lives... English Biscuit Manufacturers	engro corp	engro foods
faysabank	FEROZSONS LABORATORIES LIMITED	GATRON	Getz pharma	gsk GlaxoSmithKline	gsk GlaxoSmithKline Consumer Healthcare
GulAhmed TEXTILE MILLS LIMITED, KARACHI	HASCOL	HBL	HUBCO	ICI PAKISTAN	interloop
IIL International Industries Ltd.	INDUS GROUP	JS BANK	JDW	KE Energy That Moves Life	K&Ns

LOTTE	LUCKY CEMENT	Martin Dow Pharmaceuticals for a Changing World	MAHMOOD GROUP	MEGA CONGLOMERATE	Millat Tractors Ltd.
National FOODS SINCE 1970	Nestlé	NISHAT MILLS LTD	PACKAGES Limited	pakarab FERTILIZERS LIMITED	PSL PAKISTAN SERVICES LTD.
ptcl hello to the future	PAKISTAN TOBACCO COMPANY		Reckitt Benckiser	SAIF GROUP	Sapphire
Shan	SICPA	SIEMENS	Soneri Bank	SOORTY	HUTCHISON PORTS PAKISTAN South Asia Pakistan Terminals
Standard Chartered	SPEL Synthetic Products Enterprises Limited	TOYOTA DAIHATSU INDUS MOTOR COMPANY LIMITED	TAPAL	TCS WE MOVE YOU	PROTECTS WHAT'S GOOD Tetra Pak
TPL Holdings Tomorrow Delivered Today	Tufail Chemical Industries Limited	UBL	Unilever		

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Executive Summary:

Pakistan and Thailand conducted their 9th round of negotiations for the proposed Pakistan Thailand Free Trade Agreement in November 2017. Before the start of the 9th Round, it was widely reported that the two countries would finalize their offer lists which were exchanged earlier and that the FTA would be signed on 15th January 2018. The current status of this FTA as this study went into print is unknown. The Pakistan Business Council (PBC), has been closely following the progress of negotiations of the FTA since 2015 and this report, ***''A Review of the Proposed Pakistan Thailand Free Trade Agreement''*** is the third in the series.

Thailand, over the years, has transformed itself from an agrarian to an industrial economy, the country is considered a major exporter of manufactured goods globally. Pakistan, on the contrary, is still an agrarian economy. The differences in both economies are reflected in their GDP per capita, the balance of trade (BOT), and exchange rates. The following table shows a comparison of the key economic and social indicators for both Pakistan and Thailand.

Economic and Social Indicators of Pakistan and Thailand		
	Pakistan	**Thailand**
GDP per Capita-2016	USD 1,443.63	USD 5,910.62
Balance of Trade-2016	USD (-26.46) billion	USD 17.87 billion
Exchange Rate-2016 average	104.77 per USD	35.3 per USD
Industrial Output as a % of GDP-2016	19%	36%
Population-2017	197.02 million	69.04 million

Pakistan's trade balance has been deteriorating over the years; by the end of calendar year 2016, exports were down to USD 20.53 billion from USD 24.61 billion in 2012. Imports had risen to almost USD 47 billion from USD 43.81 billion in the same period. Thailand on the other hand exported goods worth USD 213.59 billion in 2016, down from USD 229.54 billion in 2012. Thailand's imports fell, from USD 247.56 billion to USD 195.72 billion in the same period.

Bilateral trade between Pakistan and Thailand, in 2016 was worth USD 1.03 billion. Pakistani exports to Thailand were USD 110.17 million while imports were worth USD 920.02 million. Exports from Pakistan to Thailand, were dominated by different varieties of seafood, plastic articles, textile and apparel articles and chemicals, whereas imports are primarily of automobiles, auto parts, rubber and rubber articles and downstream petrochemicals. Since the objective of any FTA is to boost bilateral trade, three different methodologies have been used to forecast the products promising growth post-FTA, these three methods are; the indicative trade potential methodology, bilateral revealed comparative advantage methodology and, a simulation (SMART) based on the partial-equilibrium framework.

Results of the indicative trade potential methodology have revealed that Pakistan could have potentially exported, USD 1.49 billion worth of goods to Thailand for the top 25 products at the six-digit level in 2016 compared to actual exports of USD 110.17 million during the same period. Thailand on the other hand, exported products worth USD 1.00 billion in 2016 to Pakistan, whereas the top 25 exports from Thailand at the six-digit level had a total potential of USD 5.49 billion. The vast difference between Pakistan's actual and potential exports compared to the relatively smaller difference between Thailand's actual and potential exports is an indication of Thai products being more popular in the Pakistani market than our exports in the Thai market.

The second methodology, the bilateral revealed comparative advantage (BRCA), provides a better idea in identifying the products in which either country has a comparative advantage. The BRCA of a particular commodity can then be used as a basis for incentivizing the related industry. Calculation of the BRCA for Pakistan's top 25 exports to Thailand, at the six-digit level, has revealed Pakistan's edge in products with low value-addition, such as frozen seafood, plastics, and raw cotton. The calculation for Thailand's BRCA for its top 25 exports to Pakistan at the six-digit level portrays Thailand's comparative advantage in high-value consumer and capital goods with a much higher value-addition such as CBU vehicles, auto-parts, and synthetic textiles.

Lastly, a simulation was conducted, assuming that an FTA is signed between Pakistan and Thailand and both countries allow free movement of goods across borders. Extrapolating from trade figures of 2015, we find that for the top 50 products at the six-digit level, Pakistan's exports to Thailand would increase by USD 8.64 million against an increase of USD 297.64 million of Thai exports to Pakistan. Simply put, this means, for every $ 1 increase in Pakistan's exports to Thailand, Thai exports to Pakistan could increase by as much as $ 35.

Results of all three methodologies have revealed that Pakistan's overall trade balance is set to worsen post signing of an -FTA with Thailand.

Thailand's journey from an import-dependent, agrarian economy to an exporter of high-value manufactured goods, is commendable. In the GDP composition of Thailand, the share of the industrial sector in 2016 was almost 36%, this figure was only 19% in 1960. The agricultural sector's contribution on the other hand has fallen from 36% in 1960 to just 8% in 2016. This study does a brief historical analysis of Thailand's manufacturing sector to show how a set of appropriate policies followed by the Thai government and its collaboration with the private sector resulted in the influx of large sums of FDI. From Thailand's export point-of-view, an analysis of three manufacturing industries, namely; the automobile industry, the auto parts industry and the petrochemical industry has been conducted.

Thailand, is regarded as a major player in the global automotive sector. As of 2016, Thailand produced more than 1.9 million vehicles making it the 12th largest vehicle producer in the world. The Thai automotive sector is however dominated by Japanese brands, such as Toyota and Mitsubishi among many, who use the country as an export base. Thailand enjoys a unique-selling-point (USP) regarding the one-ton pickup and is the 2nd largest market after the USA.

Thailand exported USD 27.22 billion worth of vehicles and parts (HS-87) in 2016, making it the 14th largest exporter in the world. As compared to Thailand's production of more than 1.9 million vehicles in 2016, Pakistan's overall production was 258,000 units. Vehicle ownership in Thailand is maturing with 225 vehicles per 1,000 population, indicating that domestic demand in the coming years will be driven primarily by the replacement market. In pakistan however, the rate of motorization is only 17 per 1,000 inhabitants indicating market development in the coming years..

Unlike the automobile sector, Thailand's auto parts industry is relatively less export-oriented. Instead, it's primary purpose is to complement the automobile industry. The success of the auto parts industry is mainly owing to the Local Content Requirement (LCR) policies pursued from 1975 to 1990. This policy resulted in foreign corporations setting up production in Thailand. As of 2016, Thailand exported auto parts worth USD 11.40 billion against imports of USD 10.65 billion. Pakistan's total imports of auto parts during the same period equaled USD 724.23 million.

The automobile and the auto parts industry are not only vital for Thailand's export revenue but are relevant to the upcoming Pakistan-Thailand FTA. In case access is granted to Pakistan's auto & auto parts market for Thai manufacturers Pakistan's domestic manufacturers will be unable to compete in any meaningful manner.

The Thai petrochemical industry was conceived primarily to reduce imports of raw materials for other industries in the country. With this vision, the Map Ta Phut industrial estate was built under the umbrella of the Eastern Seaboard Development program. By the end of 2015, the Thai petrochemical sector had a capacity of 30,000 KTA, making it the 16th largest in the world. Furthermore, around 80% of the output from the upstream and intermediate sectors is consumed by Thailand's downstream petrochemical sector, which in-turn is consumed by the textile, packaging, automobile and electronics industry. Thailand also exports a significant share of its downstream output, and as of 2016, exports of downstream products, plastics, and articles (HS-39) amounted to USD 11.39 billion with imports amounting to USD 8.03 billion during the same period. Downstream petrochemicals are Thailand's leading export, so the impact of an FTA on our local industry might be beneficial. Pakistan imports specific raw materials from Thailand and an FTA would result in lower costs. Regarding, products such as PET resin, where Thailand serves as our export market, an FTA would make our products more competitive.

The PBC would like to restate its position that Pakistan needs to safeguard its manufacturing jobs. A country of 207 million at Pakistan's stage of development, can ill-afford to out-source jobs especially in the low-end of the manufacturing sector. An FTA with Thailand, or for that matter with any country, should only be signed if it leads to incremental jobs, exports and additional revenue for the government.

List of Acronyms:

ASEAN:	Association of South East Asian Nations
ATC:	Aromatics (Thailand) Company Limited
BMW:	Bayerische Motoren Werke
BOI:	Board of Investment
BOT:	Balance of Trade
BRCA:	Bilateral Revealed Comparative Advantage
CAGR:	Compound Annual Growth Rate
CBU:	Completely Built-up Units
CPFTA:	China Pakistan Free Trade Agreement
ECO:	Economic Corporation Organization
EPS:	Expanded Polystyrene
FDI:	Foreign Direct Investment
FTA:	Free Trade Agreement
FTCR:	Financial Times Confidential Research
GDP:	Gross Domestic Product
GM:	General Motors
HS:	Harmonized System
IFC:	Industrial Finance Corporation
KTA:	Kilo Tons per Annum
LCD:	Liquid Crystal Display
LCR:	Local Content Requirement
LPG:	Liquefied Petroleum Gas
MFN:	Most Favored Nation
MG:	Morris Garages
MGE:	Mono-ethylene glycol
MNE:	Multinational Enterprises
NGL:	Natural Gasoline
NPC:	National Petroleum Corporation
PBC:	Pakistan Business Council
PTA:	Purified terephthalic acid
PTT:	Petroleum Authority of Thailand
PVC:	Polyvinylchloride
SAFTA:	South Asian Free Trade Area
SMART:	Single Market Partial Equilibrium Simulation Tool
TAFTA:	Thailand-Australia Free Trade Agreement
TC:	Trade Complementarity
TOC:	Thai Olefins Company Limited
WITS:	World Integrated Trade Solutions

SECTION I

INTRODUCTION

Background:

The idea of a Free Trade Agreement (FTA) between Pakistan and Thailand was initially floated in early 2013. This was triggered by the volume of bilateral trade crossing the billion-dollar mark for the first time. Pakistan's foreign minister at that time, Ms. Hina Rabbani Khar, met with Thailand's Deputy Prime Minister and Foreign Minister, Surapong Tovichakchaikul and the two held an in-depth discussion on bilateral, regional and international issues of mutual interest. Both countries recognized that Pakistan's "Vision East Asia" and Thailand's "Look West" policy complemented each other. In addition, Foreign Minister Khar requested Thailand for its continued support for Pakistan's bid for a Full Dialogue Partnership with ASEAN.

Based on newspaper reports and Pakistan's previous experience with the In this regard, the Pakistan Business Council (PBC), which now represents 70 companies, providing livelihood to around 300,000+ people, initiated and a priori research. The PBC published a report titled ''***A detailed Study on the Proposed Pakistan Thailand FTA***" in 2015 and a follow-up report titled, ''***Second Review of the Feasibility of a Free Trade Agreement between Pakistan and Thailand***'' in 2016. Both of the reports concluded that Pakistan, which is suffering from premature de-industrialization is not appropriately equipped to utilize an FTA with a strong industrial economy such as Thailand. The PBC's efforts were however overlooked, and the FTA entered the negotiation phase on 27th September 2015, and till date, 9 of such negotiation talks have been held. According to The Express Tribune, Pakistan and Thailand have also exchanged offer lists, and the FTA was supposed to come into effect on 15th January 2018.

"***A Review of the Proposed Pakistan Thailand Free Trade Agreement***" is the third report, in the Pakistan-Thailand FTA series. Unlike the first two publications, this report is more inclined towards Thailand's manufacturing sector, which is the back-bone of Thailand's international trade. Analysis of the Thai manufacturing sector would aid the readers develop a more comprehensive idea regarding the differences between the two economies. The findings of the report should fall in line, with the findings of the previous reports, and should be a wake-up call for the Pakistani authorities. Moreover, Thailand's industrial development, transitioning the country from an import-dependent economy to an export oriented one is well known and can serve as an ideal for the Pakistani policy-makers.

It must be remembered, that this publication is meant to complement the broader macroeconomic objectives of Pakistan, which are also the PBC's objectives, such as accelerating growth, reducing unemployment and the balance of trade deficit to name a few. Moreover, Thailand's successes and Pakistan's shortcomings, regarding the previous FTAs signed by both countries should compel the policy-makers to be more cautious. Lastly, if the authorities still continue with an FTA with Thailand, disregarding all the evidence, they should design an appropriate offer-list. Pakistan's, all previous free trade agreements suffer from the chronic issue of ill-designed offer-lists, for instance Pakistan has only utilized 5% of 7,550 tariff lines offered by China to Pakistan under the CPFTA, whereas China has utilized 57% of 6,830 tariff lines offered by Pakistan.

SECTION II

COMPARISON OF ECONOMIC AND SOCIAL INDICATORS

Comparison of Economic and Social Indicators:

Indicator	Pakistan	Thailand
GDP-2016 (Current USD)	$278.91 billion	$407.03 billion
GDP Growth Rate-2016 (Constant 2010 Prices)	5.47%	3.24%
GDP per Capita-2016	$1,443.63	$5,910.62
Exchange Rate Period Average 2016 (LCU per USD)	104.77	35.30
Inflation %-2016	3.75	0.19
Area-2016	796,100 km	513,120 km
Population-2017	197,016,000	69,038,000
Population Growth Rate - 2016	2.00%	0.30%
Adult Literacy Rate - 2014	56.98%	92.87%
Infant Mortality Rate - 2016	64.2	10.5
School Enrollment Ratio - 2015	73.85	90.76
Dependent Population %	64.97	40.07

Table 1: Economic and Social Comparison

Composition of GDP:

The major difference between the two economies is contribution of the industrial sector to their respective GDP's. While Pakistan's industrial sector contributes 19% to the GDP, the contribution in Thailand of the industrial sector is 36%. From a policy perspective, the composition of the industrial sector is equally important with industry in Pakistan mostly producing products of a lower sophistication / technology as compared to their counterparts in Thailand. As an example: the top five exports of Pakistan at the two-digit level are cotton and textile products. Thailand's top five exports, on the other hand, majorly comprise of manufactured products such as vehicles and mechanical appliances indicating a comparatively value-added product mix.

THAILAND'S GDP CONPOSITION 2016

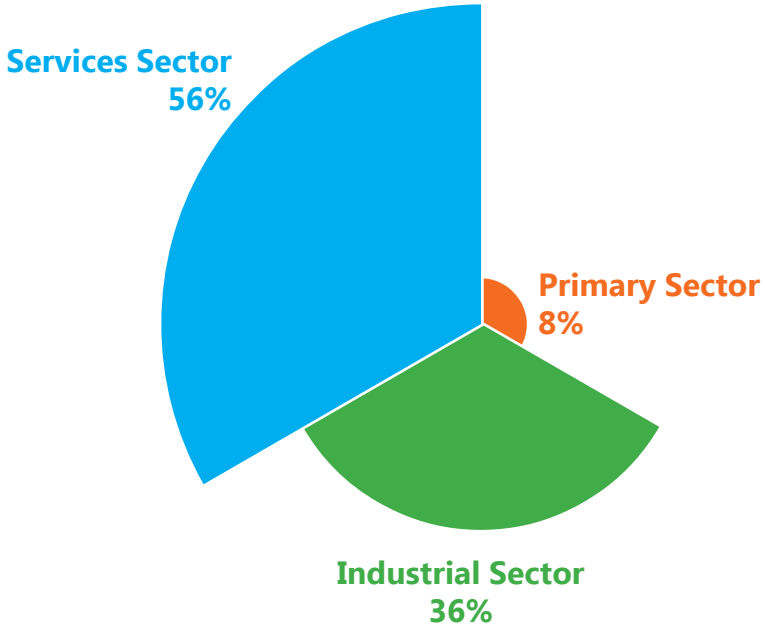

Figure 1: GDP Composition of Thailand

PAKISTAN'S GDP COMPOSITION 2016

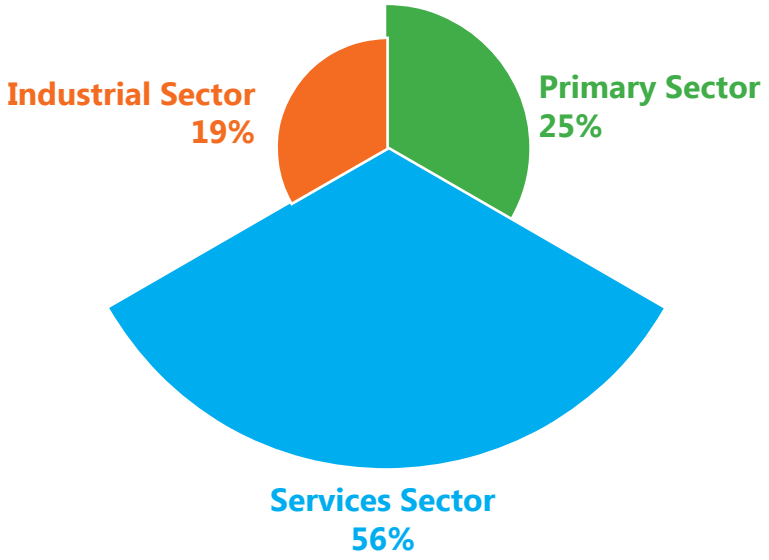

Figure 2: GDP Composition of Pakistan

Balance of Trade and the Exchange Rate:

Economic theory suggests that balance of trade and exchange rate are closely related to one another. The thoery suggests that either of the factors i.e. balance of trade or the exchange rate can release or exert pressure on the other factor. For instance, if the exchange rate of a country appreciates for any reason whatsoever, this would imply that imports will be cheaper for the residents whereas exports will be relatively costly for the foreign buyers leading to a worsening of the BOT. Secondly, economic theory also suggests that a favorable balance of trade translates into increased forex reserves for the country in question. And that this increased forex reserves result in appreciation of the local currency hence starting the cycle once again.

Thailand:

Figure 3 shows Thailand's balance of trade as well as the period average exchange rate for the past decade. Over the last decade, Thailand's BOT and exchange rate have moved in the direction suggested by theory. The correlation coefficient between the value of the Baht and the balance of trade comes out as 0.73. This strong positive correlation suggests that a depreciation in the exchange rate translates into a surplus in the BOT, i.e., an increase in exports and a fall in imports and vice versa. This is evident from the graph; except for 2012, a depreciation in the value of the Baht has been followed by an improved BOT in every following year. As for 2011-12, the deficit can be accounted for by a sizeable rise in imports coupled with a fall in exports due to floods in 2011 hindering prodction during the same period. Post-2014, Thailand's BOT has improved consistently whenever the Baht has depreciated. In 2016, the country had a trade surplus of USD 17.87 billion with an exchange rate of ฿ 35.30 per US $.

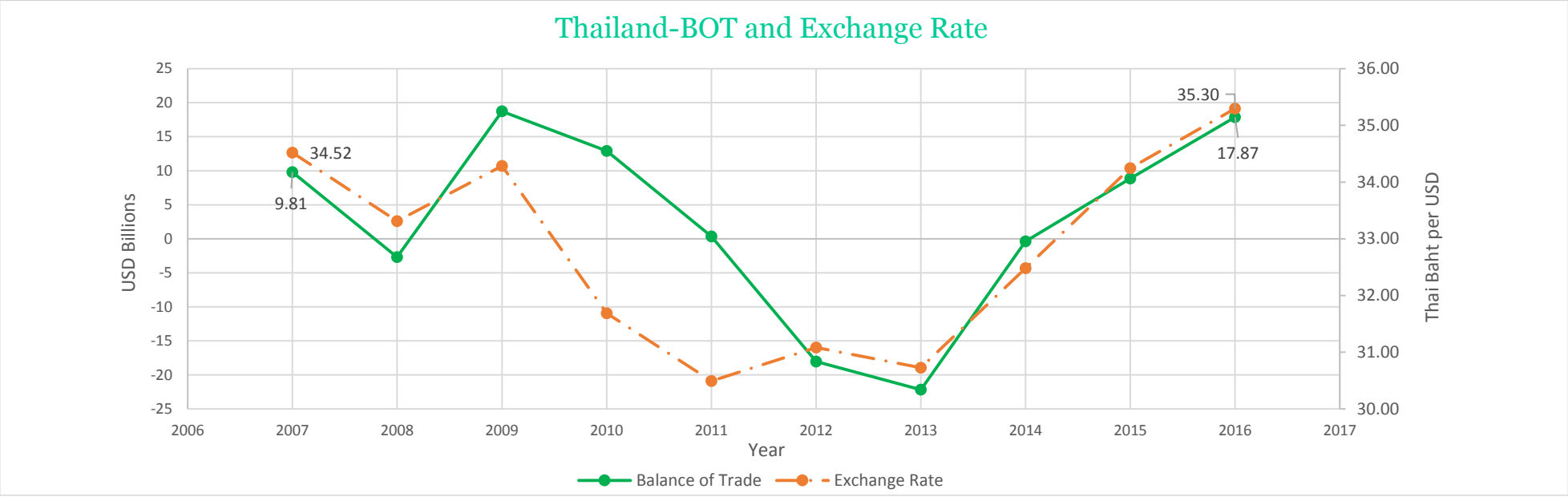

Figure 3: Thailand's BOT and Exchange Rate

Pakistan:

Pakistan's situation is different than Thailand's, the major reason being that Pakistan has been a net importer with the BOT being negative in the past decade. The coefficient of correlation between exchange rate and the BOT comes out to be (-0.60), loosely translated this means that a depreciation in the exchange rate will be accompanied by an increasing BOT deficit. Since Pakistan is an import-dependent country with mineral oil being the primary import this observation is not surprising. From 2007 to '08 the BOT deficit escalated considerably, 49% to be exact. This phenomenon could, however, be explained with the observation that the bill for imported oil and mineral fuel increased by 68% during the same period caused by a global price increase.

Following an improvement in the BOT during the 2008-09 period, owing mainly to a fall in the import bill for mineral fuel and oil, the BOT has been worsening ever since. As of 2016, Pakistan had a BOT deficit of USD 26.46 billion and an exchange rate of Rs. 104.77 per US $. Lack of competitiveness in local industry leading to import dependency and the hefty bills of imported fuels are quoted as the primary reasons for the deficit. This leads us to the conclusion that a deprecation in the value of the Rupee against the US$ might not lead to an increase in exports and a resulting decrease in the BOT.

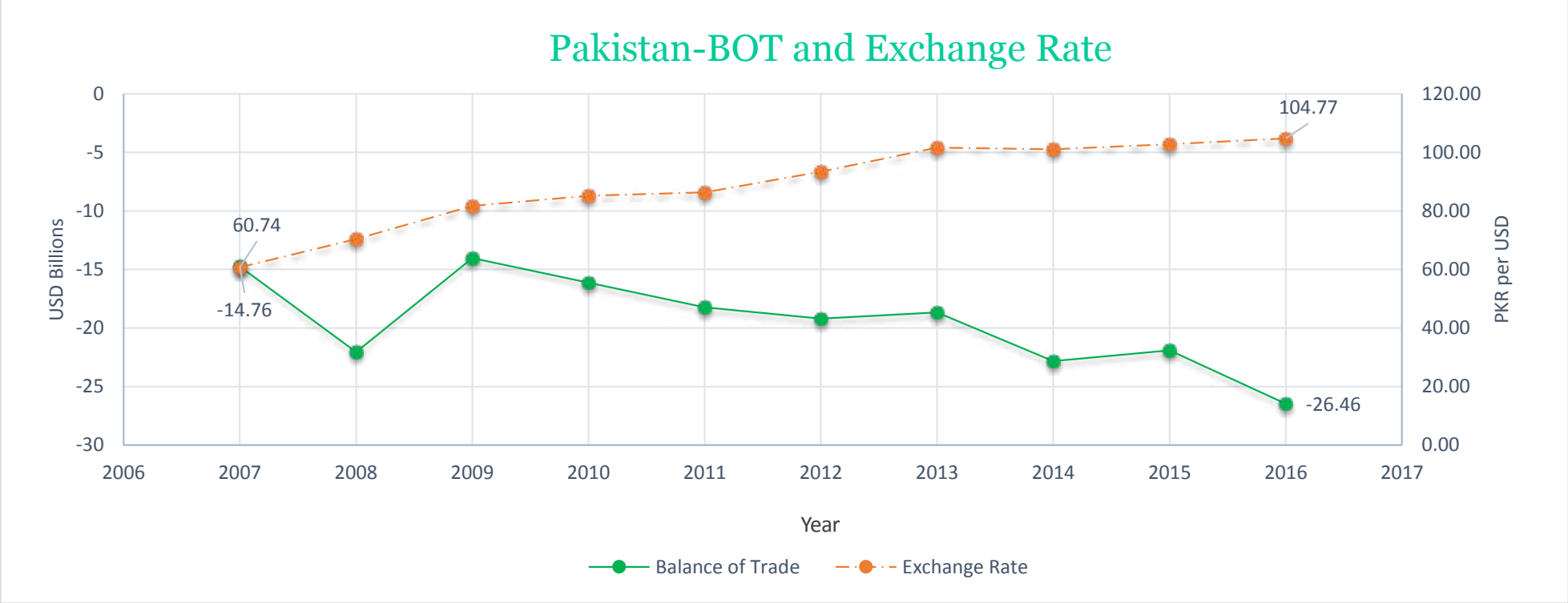

Figure 4: Pakistan's BOT and Exchange Rate

SECTION III

TRADE OVERVIEW

Trade Overview:

PAKISTAN - Trade Composition and Major Trading Partners:

In the five-year period ending 2016, Pakistani exports had a CAGR of -3.56%, falling from high of USD 25.1 billion in 2013 to USD20.5 billion in 2016. Cotton and textiles are the export base of Pakistan. Exports of raw cotton & yarn which fall under (HS-52), declined from USD 5.33 billion in 2013 to USD 3.5 billion in 2016. The decline of cotton exports, however, was somewhat compensated with an increase in exports of cotton products having higher-value addition, these include made-up textiles (HS-63) and articles of apparel (HS-61 & HS-62) with CAGRs of 2.97%, 3.19%, and 5.86% respectively.

Pakistan's Top 10 Exports at HS-02 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Total	**All Products**	**24,613.68**	**25,120.88**	**24,722.18**	**22,089.02**	**20,533.79**
Product Code	**Product Description**					
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	3,285.35	3,685.49	3,906.47	3,759.72	3,803.99
52	Cotton	5,225.69	5,333.78	4,731.37	4,040.27	3,497.37
61	Articles of apparel and clothing accessories, knitted or crocheted	2,006.29	2,105.32	2,402.62	2,359.61	2,347.47
62	Articles of apparel and clothing accessories, not knitted or crocheted	1,694.39	1,854.93	1,984.66	2,127.46	2,253.02
10	Cereals	2,060.80	2,181.05	2,211.32	1,942.27	1,717.09
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles . . .	673.82	743.54	742.03	687.62	644.93
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	714.07	722.82	694.24	507.57	448.06
08	Edible fruit and nuts; peel of citrus fruit or melons	347.80	434.23	424.83	415.33	435.23
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical . . .	319.11	348.08	364.57	369.21	364.22
41	Raw hides and skins (other than furskins) and leather	457.40	529.70	547.51	425.09	349.00

Table 2: Pakistan's Top 10 Exports at Two-digit level

At the six-digit level, rice is the leading export of Pakistan and accounted for 7% of the total exports in the calendar year 2016. The decline in cotton yarn is also prominent at the six-digit level with exports declining to USD 810.98 million in 2016 from USD 1.02 billion in 2015. The rise in exports of cotton articles and textiles; wearables, bed linen, and dishcloths, etc. is however encouraging. The most noticeable increase was observed in the ''Men's or boys' ensembles'' category (HS-620322), with exports increasing by more than 255.38% between 2015 & 2016.

Pakistan's Top 25 Exports at HS-06 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Total	**All Products**	**24,613.68**	**25,120.88**	**24,722.18**	**22,089.02**	**20,533.79**
Product Code	**Product Description**					
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	1,622.31	1,790.21	1,895.37	1,416.15	1,418.93
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear . . .	1,202.26	1,436.43	1,185.23	1,017.99	810.98
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton (excluding . . .	738.48	760.47	776.39	820.80	777.09
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	595.13	673.17	792.53	744.96	773.31
620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	98.78	100.76	231.75	199.45	708.81
630239	Bedlinen of textile materials (excluding of cotton and man-made fibres, printed, knitted or . . .	522.51	598.11	620.06	588.00	651.87
630210	Bedlinen, knitted or crocheted	487.82	669.80	683.99	654.70	606.93
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding . . .	611.32	653.12	664.53	762.16	543.87
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m^2, made of yarn of different . . .	458.65	495.94	445.68	447.17	461.85
630710	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	353.38	376.95	392.75	396.83	384.89
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding . . .	430.34	484.36	482.97	528.52	366.22

Pakistan's Top 25 Exports at HS-06 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Product Code	**Product Description**					
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	291.38	296.81	319.53	332.64	326.03
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footware . . .	342.10	385.10	378.66	320.98	297.99
252329	Portland cement (excluding white, whether or not artificially coloured)	546.94	506.66	502.14	337.38	293.40
610590	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made . . .	251.17	225.93	275.73	262.02	252.52
100640	Broken rice	258.88	253.70	205.61	490.36	251.85
220710	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	82.00	274.07	246.21	231.50	221.82
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets . . .	275.20	265.36	269.38	240.34	209.89
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	236.58	212.42	195.41	203.76	205.11
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves)	161.12	189.24	210.56	201.51	187.62
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 . . .	166.90	220.70	240.08	214.96	183.87
110100	Wheat or meslin flour	248.20	208.39	195.35	323.01	172.84
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m^2, in three-thread . . .	160.36	187.43	168.06	168.91	167.00
950662	Inflatable balls	149.25	155.80	195.56	168.83	163.57
610349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, . . .	75.74	80.77	123.68	135.66	159.06

Table 3: Pakistan's Top 25 Exports at Six-digit Level

The United States of America, was Pakistan's largest export market in 2016.with exports of USD 3.5 billion. The product composition follows similar trend to that of overall exports with articles of apparel, HS-63, HS-61 and, HS-62 leading the list. Following the USA, China and the U.K had an almost equal share, 8%, with Afghanistan as the fourth largest market with 7% share in total exports. Exports to Afghanistan were dominated by wheat flour, chilled vegetables and fruits and other edibles such as eggs and milk.

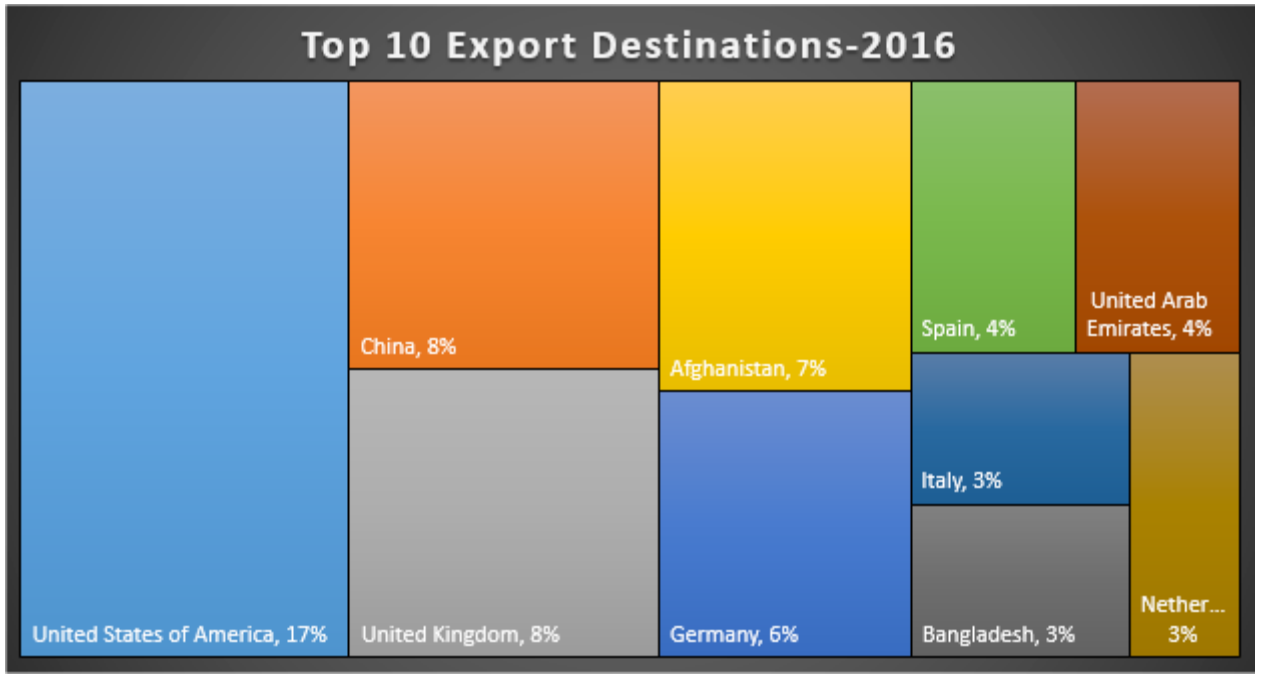

Figure 5: Top 10 Export Destinations in Pakistan in 2016

Pakistan imported goods worth USD 46.99 billion in 2016, showing an increase of more than USD 3.0 billion, over 2015. Mineral fuels have traditionally been the largest component of Pakistan's import basket. Falling oil prices in recent years however, have reduced the bill for imported fuels considerably. Other than mineral fuels, the Pakistani import basket at the two-digit level is dominated by high-value consumer and capital goods; vehicles, plastics, organic chemicals and steel.

Pakistan's Top 10 Imports at HS-02 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Total	**All Products**	**43,813.26**	**43,775.18**	**47,544.89**	**43,989.65**	**46,998.27**
Product Code	**Product Description**					
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral . . .	15,946.81	15,247.36	14,821.81	10,030.53	9,528.77
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	3,060.49	3,058.29	3,927.06	4,068.68	5,831.52
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	2,751.66	2,682.33	3,346.27	3,801.82	4,431.29
72	Iron and steel	1,847.69	1,840.94	2,301.83	2,551.75	2,756.02
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	1,595.50	1,238.25	1,313.91	1,744.61	2,101.45
29	Organic chemicals	2,037.77	2,015.50	1,964.34	1,863.99	1,944.04
39	Plastics and articles thereof	1,501.27	1,569.50	1,952.12	1,933.16	1,938.11
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal . . .	2,313.19	1,979.64	2,150.34	1,853.37	1,928.04
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal . . .	615.82	479.08	780.74	784.90	1,047.86
07	Edible vegetables and certain roots and tubers	595.10	499.69	665.88	674.48	936.07

Table 4: Pakistan's Top 10 Imports at Two-digit level

The top three imports at the six-digit level originate from the, HS-27XXXX category, i.e. mineral fuels and oils, and accounted for 16% of total imports in 2016. Palm oil, mobile phones, and cotton were also significant imports in 2016, and the top 25 imports at the six-digit level accounted for 39.7% of the total imports.

Pakistan's Top 25 Imports at HS-06 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Total	**All Products**	**43,813.26**	**43,775.18**	**47,544.89**	**43,989.65**	**46,998.27**
Product Code	**Product Description**					
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, . . .	8,427.97	7,164.59	6,266.72	3,715.14	3,532.11
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. . . .	1,538.08	2,091.87	2,291.33	2,182.84	2,217.54
270900	Petroleum oils and oils obtained from bituminous minerals, crude	5,270.31	5,473.30	5,609.12	3,022.86	1,983.03
151190	Palm oil and its fractions, whether or not refined (excluding chemically modified and crude)	1,702.00	1,610.01	1,862.52	1,568.48	1,629.57
271111	Natural gas, liquefied	0.03	0.00	-	356.08	849.82
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	700.95	634.35	643.12	749.99	707.65
520100	Cotton, neither carded nor combed	564.97	757.30	521.64	543.75	580.54
720449	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of . . .	321.06	416.10	560.43	563.67	571.12
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in . . .	10.63	114.29	205.56	445.39	493.70
090240	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings . . .	354.24	313.15	319.19	449.11	480.16
310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar . . .	366.62	282.54	477.72	619.44	472.96
310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar . . .	366.62	282.54	477.72	619.44	472.96
120510	Low erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content . . .	492.37	322.51	543.15	369.13	464.42
720441	Turnings, shavings, chips, milling waste, sawdust, filings, trimmings and stampings of iron . . .	243.31	199.77	302.19	414.97	426.13
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	290.44	206.74	283.22	345.87	402.11

Pakistan's Top 25 Imports at HS-06 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Product Code	**Product Description**					
890800	Vessels and other floating structures for breaking up	525.26	962.77	581.15	474.83	389.80
390210	Polypropylene, in primary forms	361.75	374.37	458.38	412.10	384.89
120110	Soya bean seed, for sowing	-	-	6.51	247.97	383.44
850231	Generating sets, wind-powered	20.09	79.71	5.79	323.76	380.43
722530	Flat-rolled products of alloy steel other than stainless, of a width of >= 600 mm, not further . . .	0.59	27.76	171.02	326.35	369.06
850239	Generating sets (excluding wind-powered and powered by spark-ignition internal combustion piston . . .	52.31	15.98	134.29	311.29	329.86
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	400.41	196.83	212.44	293.16	326.01
71310	Dried, shelled peas "Pisum sativum", whether or not skinned or split	116.25	97.98	119.96	251.18	325.71
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, . . .	215.82	244.77	279.62	283.66	318.48
841182	Gas turbines of a power > 5.000 kW (excluding turbojets and turbopropellers)	3.27	18.65	28.48	4.63	317.98
270119	Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal)	546.63	332.85	466.77	478.28	308.61

Table 5: Pakistan's Top 25 Imports at Six-digit level

Pakistan is highly dependent on imports from China primarily due to both their competitiveness and the China Pakistan Free Trade Agreement (CPFTA) which allows preferential duty access to Chinese imports. In 2016, China accounted for 29% of Pakistan's total imports i.e. USD 13.63 billion. Next in the list, was UAE with 13% of total imports, supplying mainly mineral fuel oil to Pakistan. Indonesia ranked 3rd in 2016 with a contribution of 4% to the total imports and was the primary a supplier of edible oil to Pakistan.

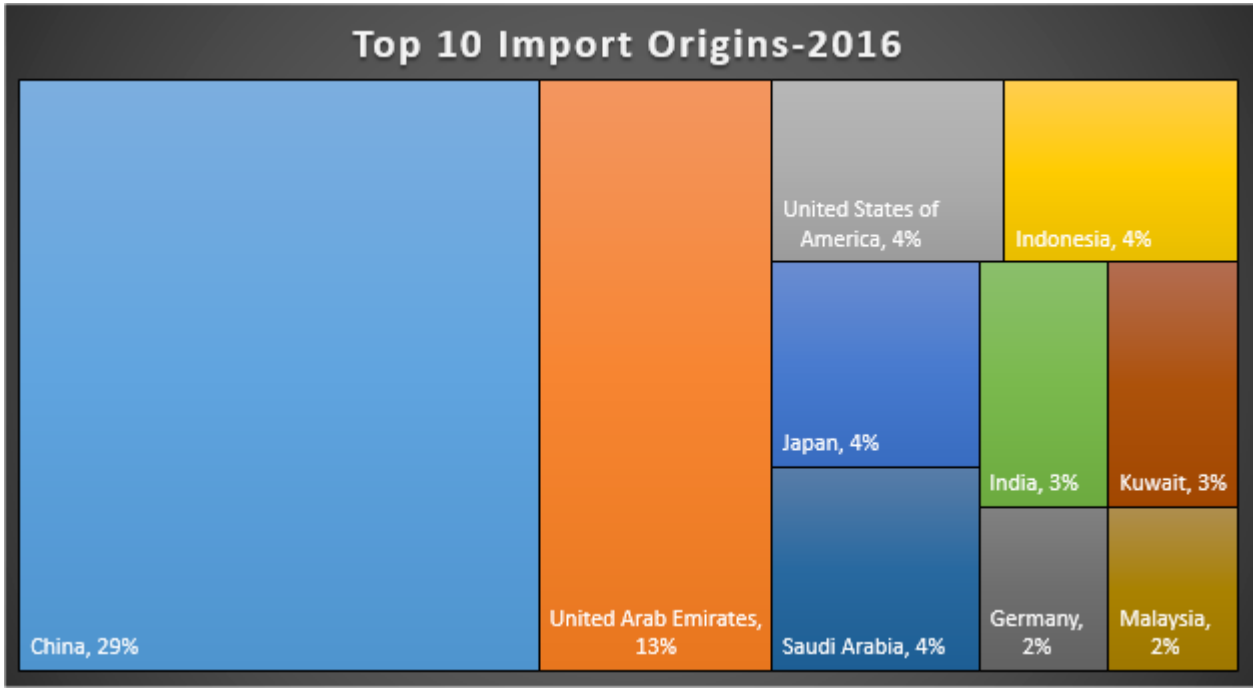

Figure 6: Top 10 Import Origins of Pakistan in 2016

THAILAND - Trade Composition and Trading Partners:

Thailand as an economy is highly export-oriented. Most of Thailand's exports originate from the country's industrial sector. Export revenue in 2016, equaled USD 213 billion. The year 2015, witnessed a fall in the export revenue, from 227.57 billion in 2014 to USD 210.81 billion in 2015. Due to the vision and the policies to support this vision – namely of developing Thailand as a manufacturing base in Asia, today Thailand exports high-value electrical equipment (HS-85), machinery and mechanical appliances (HS-84), and vehicles and auto-parts (HS-87). At the two-digit level, exports of HS-84, HS-85, and HS-87 combined, contributed 44% to the total export revenue.

Thailand's Top 10 Exports at HS-02 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Total	**All Products**	**229,544.51**	**228,527.44**	**227,572.76**	**210,813.56**	**213,593.67**
Product Code	**Product Description**					
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	37,158.32	37,238.86	38,672.18	37,119.72	37,158.34
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	28,975.86	29,532.11	30,735.31	29,295.49	29,717.18
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	24,290.55	26,169.90	26,022.82	26,546.81	27,217.06
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad . . .	13,147.03	10,084.41	10,079.45	10,812.03	14,194.74
40	Rubber and articles thereof	17,442.56	16,959.61	14,327.69	12,258.37	12,151.80
39	Plastics and articles thereof	11,935.27	12,562.22	13,504.18	11,722.82	11,392.33
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral . . .	14,939.92	14,316.68	11,984.93	8,291.53	6,252.48
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	7,520.45	7,118.00	6,520.16	5,916.46	5,914.14
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical . . .	4,127.48	4,483.10	4,676.07	5,206.58	5,311.13
10	Cereals	4,731.75	4,626.19	5,729.60	4,640.36	4,570.14

Table 6: Thailand's Top 10 Exports at Two-digit level

A breakup of exports at the six-digit level, reveals that data storage units such as hard-disk drives were Thailand's top export. The second largest component at the six-digit level was Gold & platinum jewelry HS-710812, followed by HS-870421, or commonly known as pickup trucks, in fact, Thailand is the largest pickup market in the world after the US as well as the largest exporter. Mineral fuels, rice and passenger cars are also significant exports.

Thailand's Top 25 Exports at HS-06 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Total	**All Products**	**229,544.51**	**228,527.44**	**227,572.76**	**210,813.56**	**213,593.67**
Product Code	**Product Description**					
847170	Storage units for automatic data-processing machines	13,177.11	11,792.18	11,733.60	10,939.81	9,843.62
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold . . .	6,286.60	2,941.11	2,482.63	3,542.84	7,033.54
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston . . .	7,677.97	7,566.21	7,596.58	6,796.63	5,933.64
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	4,053.03	4,005.47	4,859.10	4,076.94	3,784.08
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, . . .	8,780.75	7,966.28	7,443.23	5,425.98	3,561.55
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	1,582.83	2,366.80	1,692.92	2,610.12	3,455.46
847330	Parts and accessories of automatic data-processing machines or for other machines of heading . . .	3,358.19	3,788.12	3,567.30	3,252.39	3,069.22
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	2,070.87	2,437.15	2,971.79	3,008.20	3,020.78
841510	Window or wall air conditioning machines, self-contained or "split-system"	2,319.85	2,423.45	2,467.17	2,513.71	3,019.61
854239	Electronic integrated circuits (excluding such as processors, controllers, memories and amplifiers)	1,626.20	2,171.71	2,460.63	2,405.98	2,961.59
854231	Electronic integrated circuits as processors and controllers, whether or not combined with . . .	2,333.09	2,200.61	2,242.57	2,864.14	2,742.63
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, . . .	2,639.62	2,726.00	2,812.76	2,665.17	2,479.36

Thailand's Top 25 Exports at HS-06 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Product Code	**Product Description**					
400122	Technically specified natural rubber "TSNR"	4,204.53	3,919.27	2,929.65	2,670.00	2,342.48
870332	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	1,282.39	1,049.86	952.00	1,590.53	2,263.54
870333	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	369.84	474.59	516.05	1,555.11	2,251.46
401110	New pneumatic tyres, of rubber, of a kind used for motor cars, incl. station wagons and racing . . .	1,786.91	1,793.36	1,884.50	1,861.66	2,132.09
160232	Meat or offal of fowls of the species "Gallus domesticus", prepared or preserved (excluding . . .	2,006.17	1,997.27	1,907.76	1,949.55	2,032.24
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not . . .	2,233.02	2,109.94	2,143.34	2,065.14	1,982.51
160414	Prepared or preserved tunas, skipjack and Atlantic bonito, whole or in pieces (excluding minced)	2,673.48	2,650.58	2,378.20	1,969.89	1,978.15
844331	Machines which perform two or more of the functions of printing, copying or facsimile transmission, . . .	1,060.30	338.00	1,104.60	1,364.56	1,670.51
901390	Parts and accessories for liquid crystal devices "LCD", lasers and other appliances and instruments . . .	285.91	387.40	635.26	1,410.31	1,636.65
710239	Diamonds, worked, but not mounted or set (excluding industrial diamonds)	1,339.99	1,537.70	1,642.99	1,591.96	1,561.52
711311	Articles of jewellery and parts thereof, of silver, whether or not plated or clad with other . . .	1,519.45	1,603.65	1,693.99	1,560.35	1,550.19
852580	Television cameras, digital cameras and video camera recorders	2,295.69	2,109.55	1,846.27	1,714.77	1,442.18
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine", for . . .	896.64	950.74	1,010.73	957.31	1,379.78

Table 7: Thailand's Top 25 Exports at Six-digit level

In 2016, the USA was the largest importer of Thai goods, valued at USD 24.38 billion, exports to the US comprise primarily of: pneumatic tires; printing & scanning machines; and jewelry. China ranked 2nd as an export market for Thailand. As an economy, Thailand is quite similar to China in many respects including the industrial sector. China procures intermediate goods such as electronic circuits, varieties of rubber and LCDs from Thailand.

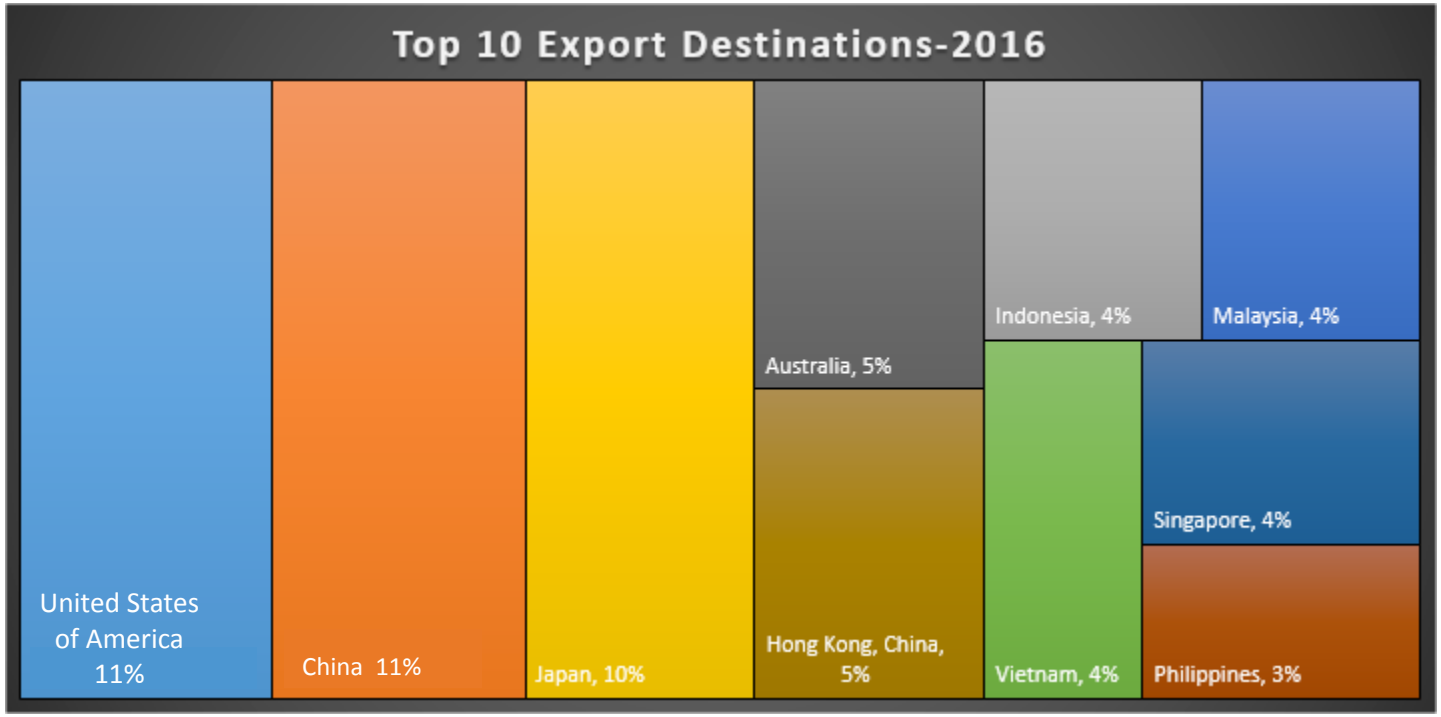

Figure 7: Top 10 Export Destinations of Thailand in 2016

Thailand's import bill which was USD 195.72 billion in 2016 did not have a very different composition from Thailand's exports. Commodities such as, HS-85, HS-27, HS-84, HS-87 and, HS-39 fall among the top ten exports as well as the top ten imports at the two-digit level. This overlapping is a result of various parts and components of manufactured goods being imported for further value-addition in the country.

Thailand's Top 10 Imports at HS-02 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Total	All Products	247,575.85	250,708.24	227,931.51	201,965.82	195,722.06
Product Code	Product Description					
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	38,755.59	37,111.54	38,018.12	37,679.47	38,522.46
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	35,962.60	31,803.29	29,736.31	27,277.94	26,224.84
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral . . .	47,859.26	52,185.14	48,084.09	30,177.69	24,617.94
72	Iron and steel	14,022.56	13,717.80	11,967.96	9,588.90	9,531.13
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	12,413.39	11,486.37	8,325.55	8,045.61	8,831.43
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad . . .	13,782.76	18,328.87	9,475.10	9,873.54	8,668.49
39	Plastics and articles thereof	8,461.00	8,072.90	8,171.67	7,908.26	8,034.23
73	Articles of iron or steel	6,697.36	6,589.40	6,588.31	7,010.22	6,797.34
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical . . .	6,402.99	5,844.25	5,333.73	5,370.43	5,414.76
29	Organic chemicals	5,112.27	4,946.60	4,975.32	4,048.78	3,717.52

Table 8: Thailand's Top 10 Imports at Two-digit level

The import composition at the six-digit level is led by petroleum oils (HS-270900). The falling oil prices, are reflected by the import bill falling to USD 15.24 billion in 2016. Moreover, oil is also used as a raw material in the petrochemical industry, another strength of the Thai manufacturing sector.

Thailand's Top 25 Imports at HS-06 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Total	**All Products**	**247,575.85**	**250,708.24**	**227,931.51**	**201,965.82**	**195,722.06**
Product Code	**Product Description**					
270900	Petroleum oils and oils obtained from bituminous minerals, crude	35,843.17	38,916.86	33,216.46	19,445.80	15,240.70
710812	Gold, incl. gold plated with platinum, unwrought, for non-monetary purposes (excluding gold . . .	10,398.43	14,739.68	6,448.45	7,060.42	5,770.46
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	2,759.88	3,234.95	3,824.80	3,871.99	3,765.18
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	2,617.86	2,549.82	2,546.02	3,400.74	3,360.88
854239	Electronic integrated circuits (excluding such as processors, controllers, memories and amplifiers)	2,866.64	3,246.06	3,183.13	2,987.70	3,225.43
854290	Parts of electronic integrated circuits, n.e.s.	2,929.95	3,104.74	3,253.79	2,967.38	2,980.57
854231	Electronic integrated circuits as processors and controllers, whether or not combined with . . .	3,174.13	2,632.05	3,010.08	3,135.71	2,975.07
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. . . .	2,105.71	2,441.03	3,848.01	2,220.12	2,392.05
870840	Gear boxes and parts thereof, for tractors, motor vehicles for the transport of ten or more . . .	2,835.46	2,745.27	2,024.91	2,076.13	2,388.25
847330	Parts and accessories of automatic data-processing machines or for other machines of heading . . .	3,773.52	3,100.84	2,946.20	2,642.19	2,138.93
271121	Natural gas in gaseous state	3,422.91	3,674.81	3,539.73	3,263.83	1,962.40
854370	Electrical machines and apparatus, having individual functions, n.e.s. in chapter 85	1,601.92	1,619.11	1,417.30	1,460.39	1,852.26
740311	Copper, refined, in the form of cathodes and sections of cathodes	1,949.61	1,853.07	1,807.69	1,571.83	1,664.94
880240	Aeroplanes and other powered aircraft of an of an unladen weight > 15000 kg (excluding helicopters . . .	2,027.84	3,869.19	2,741.18	2,799.72	1,645.78

Thailand's Top 25 Imports at HS-06 Level						
		2012	2013	2014	2015	2016
All Values in USD Millions						
Product Code	**Product Description**					
392690	Articles of plastics and articles of other materials of heading 3901 to 3914, n.e.s (excluding . . .	1,596.36	1,484.15	1,533.84	1,617.76	1,621.50
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or . . .	794.47	954.28	963.04	1,363.89	1,601.43
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution . . .	1,470.30	1,206.91	1,062.74	1,284.01	1,364.35
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, . . .	1,201.78	1,208.11	1,197.28	1,238.33	1,246.78
120190	Soya beans, whether or not broken (excluding seed for sowing)	1,281.72	1,018.12	1,076.53	1,116.19	1,220.98
847170	Storage units for automatic data-processing machines	1,890.33	1,395.38	1,301.77	1,313.65	1,181.91
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, . . .	1,315.60	1,180.06	1,570.84	754.56	1,160.27
840999	Parts suitable for use solely or principally with compression-ignition internal combustion . . .	1,140.84	1,112.68	852.29	949.44	1,160.17
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, . . .	2,672.61	2,456.88	1,308.72	1,153.27	1,152.59
853400	Printed circuits	1,053.71	1,139.22	1,345.96	1,233.32	1,118.08
230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting . . .	1,352.07	1,554.85	1,675.30	1,234.72	1,041.29

Table 9: Thailand's Top 25 Imports at Six-digit level

A major proportion, around 70%, of the total imports in 2016, originated from the top ten import partners. The Chinese ranked first, owing to their affordable products resulting from the ASEAN – China free trade agreement. Japan, has been significant historically, and ranked 2nd in 2016. The decades-long presence of Japanese corporations in Thailand have resulted in strong-ties between the two nations.

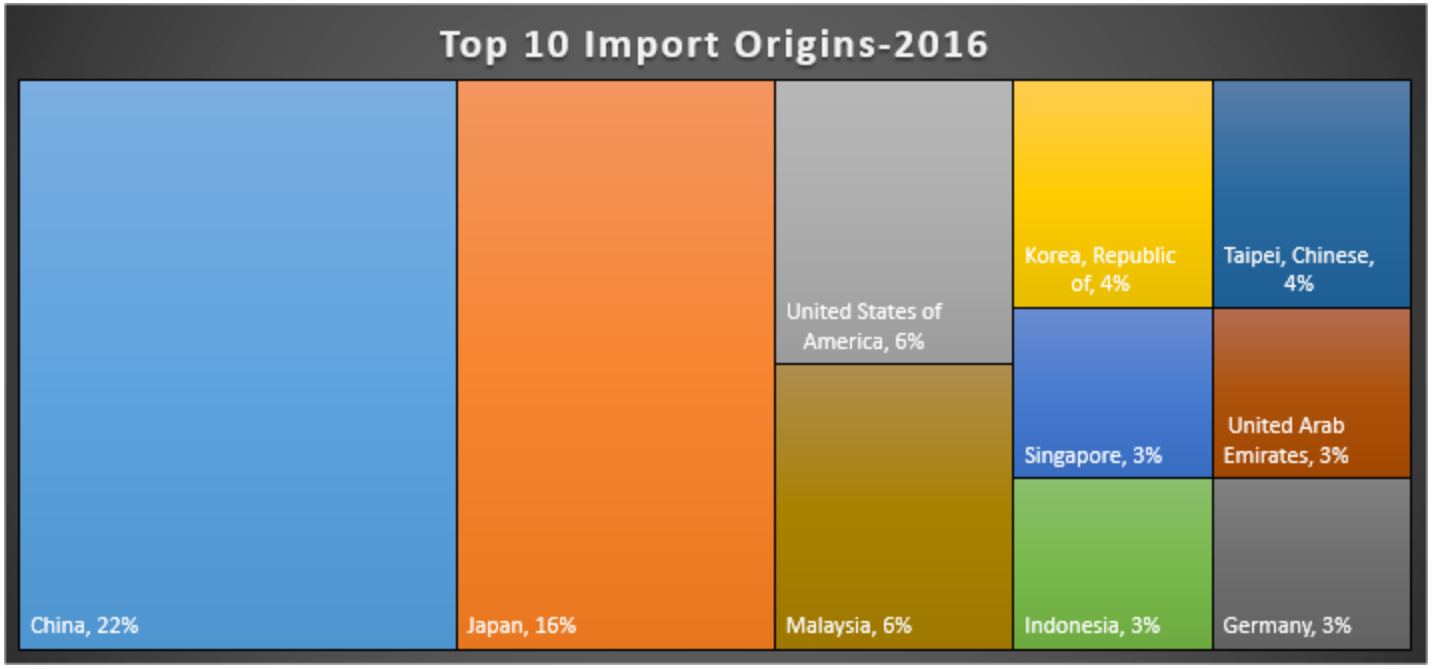

Figure 8: Top 10 Import Origins of Thailand in 2016

Pakistan-Thailand Bilateral Trade:

Accounting for a mere 1.5% of Pakistan's total bilateral trade, Thailand is not a major trading partner. On the export side, Thailand ranked 33rd in 2016; however, for imports, Thailand occupied the 11th position. The following figure shows Pakistan's exports to and imports from Thailand along with the balance of trade. For the five-year period ending 2016, the highest exports were recorded in 2015 when they amounted to USD 120 million thereafter exports declined by more than 8%, and in 2016, exports were valued at USD 110 million. Pakistan's imports from Thailand in 2016 were valued at USD920 million which was 28% higher than over the previous year. In 2016, the trade deficit was slightly more than USD 809 million.

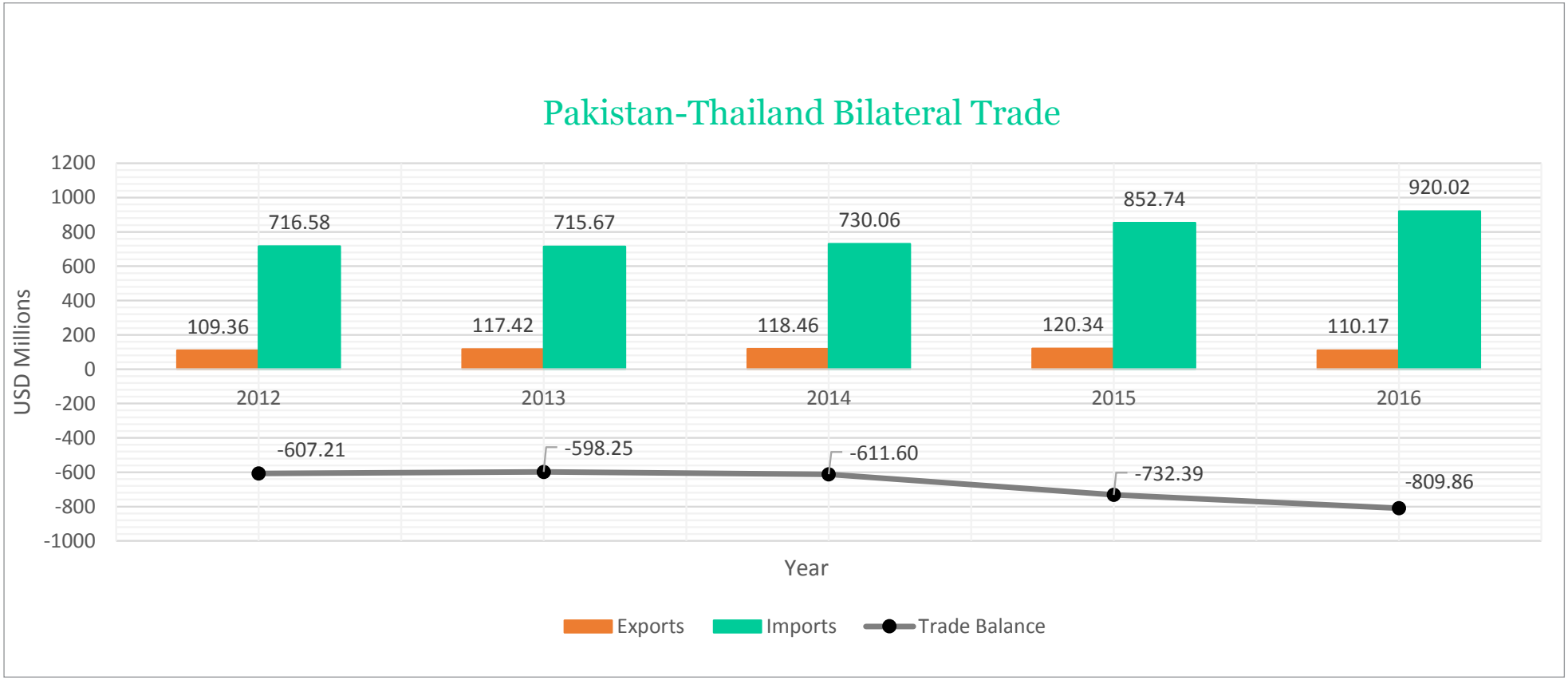

Figure 9: Pakistan-Thailand Bilateral Trade

Trade Complementarity Index:

Figure 10 shows the Trade Complementarity (TC)[1] Index for Pakistan's exports to Thailand and Thailand's exports to Pakistan. Irrespective of the current bilateral trade between the two countries, Thailand has an advantage; it is better suited to supply to the Pakistani markets than Pakistan is suited to supply to the Thai markets. Thailand, had a TC of 53.57 in 2016, up from 45.84 in 2013, an increment of 7.73 points. The increment is an indication that over the last four years, the Pakistani import basket and Thai export basket have become more similar. Pakistani exports however, have drifted in the opposite direction, with the TC falling from 20.08 in 2013, to 18.64 in 2016.

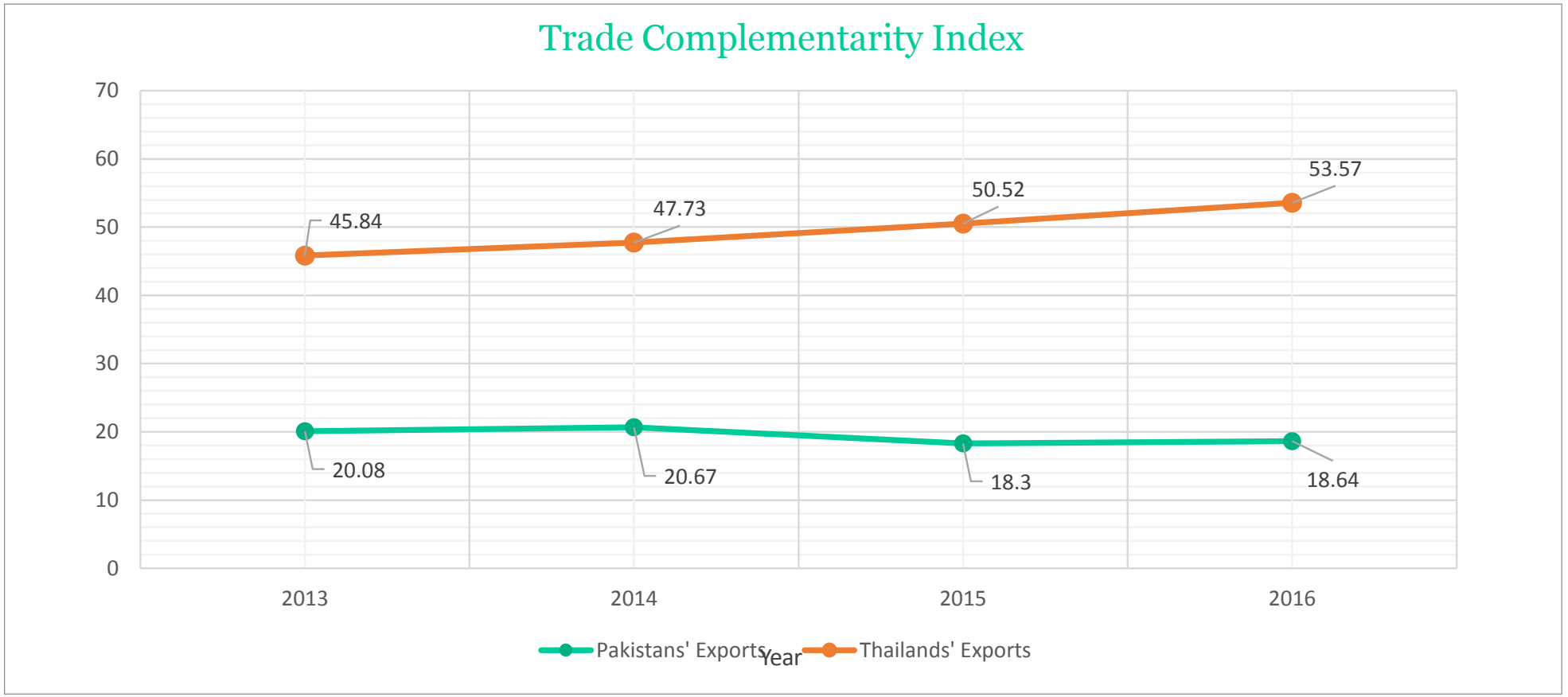

Figure 10: Pakistan-Thailand Trade Complementarity

1 Trade complementarity indices (TCIs) introduced by Michaely (1996) measure the extent to which two countries are "natural trading partners" in the sense that what one country exports overlaps with what the other country imports.

Pakistan's Exports to Thailand – an Overview:

At the two-digit level, 'Fish and crustaceans' is the leading category followed by cotton, 'paper and paperboard,' raw hides and plastic articles. The top-10 products at the two-digit level accounted for 89% of total exports to Thailand indicating that exports are highly concentrated. Pakistan's leading export to Thailand is of fish; this commodity, however, is not a leading export of Pakistan. In 2016 'Fish and crustaceans' ranked 11th on the list of products exported from Pakistan, accounting for a mere 1.6% or USD 110.17 million of Pakistan's total export revenue. Furthermore, the 'Fish and crustaceans' category ranked 15th in Thailand's total imports and Pakistan occupied the 14th position as a 'Fish and crustaceans' exporter to Thailand. One of the possible reasons leading to lower trade volume for Pakistan is the tariff rate Pakistani exporters face i.e. 5%. China is the top exporter of 'Fish and crustaceans' to Thailand, Table 11 shows that Chinese exporters face a zero tariff while their Pakistani counterparts have to pay a 5% ad-valorem tariff, hence making Pakistani exports expensive.

The favorable conditions for Chinese exporters are a direct result of the FTA between Thailand and China. Since the Pakistan-Thailand FTA is still in the pipeline with the offer-list not having been disclosed yet, it would be presumptuous to conclude the nature of post-FTA trade. Pakistan is the 4th largest cotton exporter representing 6.6% of the world's cotton export. Cotton is also Pakistan's 2nd largest export to Thailand, however, over the years, cotton exports have decreased dramatically. From, USD 40.6 million in 2012 to USD 15.35 million in 2016, cotton exports to Thailand, have declined by more than 62% over the course of just five years. Pakistan's declining market share can be attributed to, more efficient cotton producers like China and India having an FTA with Thailand.

Pakistan's Top 10 Exports to Thailand at HS-02 Level						
All Values in USD Millions						
		2012	**2013**	**2014**	**2015**	**2016**
TOTAL	**All products**	**109.36**	**117.42**	**118.46**	**120.34**	**110.17**
Product code	**Product label**					
03	Fish and crustaceans, molluscs and other aquatic invertebrates	30.46	40.56	53.08	56.28	53.70
52	Cotton	40.60	23.31	26.73	28.73	15.35
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	0.01	0.00	0.00	0.14	11.52
41	Raw hides and skins (other than furskins) and leather	2.35	2.07	3.32	5.30	3.59
39	Plastics and articles thereof	0.45	0.30	0.16	0.13	2.91
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical . . .	2.35	14.91	2.24	2.24	2.64
22	Beverages, spirits and vinegar	1.71	1.83	2.35	2.22	2.52
30	Pharmaceutical products	2.55	2.73	2.78	3.41	2.25
05	Products of animal origin, not elsewhere specified or included	0.88	1.66	3.40	3.44	2.13
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	5.04	4.52	1.45	1.15	1.55

Table 10: Pakistan's Top 10 Exports to Thailand at Two-Digit Level

Table 11 shows the prevailing MFN and preferential rates levied by Thailand on Pakistan and Thailand's other free trade partners. Although, HS-03, ''Fish and crustaceans…" is Pakistan's leading export to Thailand, it's weight in Pakistan's overall export basket is not significant. The prevailing rate, 5%, even if reduced to zero, may not lead to a large increase in exports from Pakistan. Pakistan's specialty lies in textiles and related products. Currently, Pakistani exporters face a 26% duty in the Thai market, against a maximum rate of 5% for their Indian counterparts, and duty-free entry from other free trade partners.

Ad-Valorem Tariff Comparison at HS-02 Level-2016							
All Values are Percentages							
Product Code	**Product Label**	**Pakistan**	**Australia**	**China**	**Japan**	**New Zealand**	**India**
03	Fish and crustaceans, molluscs and other aquatic invertebrates	5	0	0	1	0	2
05	Products of animal origin, not elsewhere specified or included	7	2	0	0	2	5
22	Beverages, spirits and vinegar	59	5	6	8	5	38
30	Pharmaceutical products	7	0	0	0	0	5
39	Plastics and articles thereof	27	0	0	0	0	0
41	Raw hides and skins (other than furskins) and leather	4	0	0	0	0	2
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	5	0	0	0	0	0
52	Cotton	3	0	0	0	0	1
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	26	0	0	0	0	5
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical . . .	3	0	0	0	0	0

Table 11: Ad-Valorem Tariff levied by Thailand at Two-digit Level

Pakistan's exports to Thailand at the six-digit level are more evenly distributed than at the two-digit level; the 25 leading exports at the six-digit level account for around 78% of Pakistan's total exports to Thailand. The export composition is dominated by various categories of frozen seafood such as Salmonidae, flatfish, mackerel, shrimps and prawns, and the Nile perch. At the six-digit level, Pakistani exporters face a 5% tariff on frozen mackerel against duty-free access for Chinese and Australian mackerel. Meanwhile, the paper and paperboard category, HS- 481159, faces a 7% tariff.

Pakistan's Top 25 Exports to Thailand at HS-06 Level						
All Values in USD Millions						
		2012	2013	2014	2015	2016
TOTAL	All products	109.36	117.42	118.46	120.34	110.17
Product code	Product label					
030319	Frozen salmonidae (excluding trout and Pacific, Atlantic and Danube salmon)	4.36	10.42	13.12	19.33	19.29
030339	Frozen flat fish "Pleuronectidae, Bothidae, Cynoglossidae, Soleidae, Scophthalmidae and Citharidae" . . .	11.74	15.54	19.10	21.60	13.36
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or . . .	0.00	0.00	0.00	0.13	11.52
030354	Frozen mackerel "Scomber scombrus, Scomber australasicus, Scomber japonicus"	0.29	1.44	5.67	2.84	8.02
030617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in . . .	4.82	5.12	6.02	6.47	3.39
030329	Frozen, Nile perch (Lates niloticus) and snakeheads (Channa spp.)	0.00	0.06	0.00	0.43	2.65
220720	Denatured ethyl alcohol and other spirits of any strength	1.71	1.61	2.35	2.19	2.52
392350	Stoppers, lids, caps and other closures, of plastics	0.00	0.00	0.00	0.00	2.43
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	1.99	1.65	1.86	1.93	2.13
050690	Bones and horn-cores and their powder and waste, unworked, defatted, degelatinised or simply . . .	0.51	0.83	2.47	2.98	2.00
410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine . . .	0.38	0.20	0.58	3.03	1.97
030614	Frozen crabs, even smoked, whether in shell or not, incl. crabs in shell, cooked by steaming . . .	0.02	0.61	0.83	0.57	1.61
300420	Medicaments containing antibiotics, put up in measured doses "incl. those in the form of transdermal . . .	1.26	1.23	1.58	2.24	1.58
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m^2, in three-thread . . .	1.37	1.87	1.85	1.10	1.50
520100	Cotton, neither carder nor combed	21.08	7.72	10.16	7.01	1.50
520912	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m^2, in three-thread . . .	0.07	0.14	1.11	3.23	1.44
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m^2, made of yarn of different . . .	1.99	2.50	2.25	1.30	1.33

Pakistan's Top 25 Exports to Thailand at HS-06 Level						
All Values in USD Millions						
		2012	2013	2014	2015	2016
Product code	**Product label**					
030389	Frozen fish, n.e.s.	0.56	0.53	1.22	1.09	1.27
520919	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m^2, unbleached . . .	0.51	0.29	0.89	3.34	1.25
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles . . .	0.83	0.76	1.04	0.95	1.23
521021	Plain woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed . . .	0.96	1.18	2.20	1.91	1.13
521032	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally . . .	0.31	0.90	1.56	1.35	1.09
320415	Synthetic organic vat dyes, incl. those usable in that state as pigments; preparations based . . .	0.00	0.00	0.00	0.00	1.04
950662	Inflatable balls	1.18	1.07	0.88	0.91	0.93
200911	Frozen orange juice, unfermented, whether or not containing added sugar or other sweetening . . .	0.69	1.00	1.05	0.73	0.82

Table 12: Pakistan's Top 25 Exports to Thailand at Six-Digit Level

Pakistan's Imports from Thailand- an Overview:

The most noticeable hike in Pakistan's imports from Thailand was recorded in 2010, USD 872 million, an increase of more than 45% over the previous year. That growth, if not solely but primarily, was a direct result of the sugar crisis prevailing in Pakistan leading to an almost 500% increase in the imports of White crystalline cane sugar from Thailand. Post-2010, overall imports from Thailand declined gradually before improving once again in 2015. The 2014-2015 period witnessed a decline in Pakistan's imports of petroleum oils from its traditional suppliers, i.e., Saudi Arab and UAE, the same year, however, also witnessed petroleum imports from Thailand growing from zero to USD 23 million. Disregarding such anomalies, the 'vehicles other than railway…'category, HS- 87, has been Thailand's leading export to Pakistan for several years.

Pakistan's overall imports from Thailand are dominated by high-value consumer and capital goods. In 2016, 'vehicles and parts' at the two-digit level accounted for almost 40% of total imports from Thailand, and the country ranked 3rd on the list of 'vehicles and parts' exporters to Pakistan. The auto-sector of Pakistan can only provide a limited number of options to the local consumers. Moreover, the automobile manufacturers in Pakistan rely heavily on their parent organizations for the parts being used in local vehicle assembly.

The government of Pakistan as a policy has protected the auto industry. None of Pakistan's trade agreements has granted preferential access to the auto sector to any partner. Newspaper reports in Pakistan indicate that Thailand is seeking preferential access to Pakistan's auto sector – a move that will most probably be resisted by the government of Pakistan.

Pakistan's Top 10 Imports from Thailand at HS-02 Level						
All Values in USD Millions						
		2012	**2013**	**2014**	**2015**	**2016**
TOTAL	**All products**	**716.58**	**715.67**	**730.06**	**852.74**	**920.02**
Product code	**Product label**					
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	239.56	274.07	252.86	324.22	363.86
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	55.45	68.84	70.00	65.41	81.04
40	Rubber and articles thereof	45.58	47.27	49.41	58.44	65.98
39	Plastics and articles thereof	61.73	55.78	60.41	77.64	65.05
55	Man-made staple fibres	50.69	38.31	50.45	67.66	52.48
29	Organic chemicals	44.40	39.27	32.22	22.93	50.34
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	40.43	33.82	27.86	33.48	31.18
38	Miscellaneous chemical products	7.18	8.72	13.69	8.76	16.55
54	Man-made filaments; strip and the like of man-made textile materials	17.36	11.40	12.82	8.75	13.99
10	Cereals	9.53	9.78	9.67	7.98	13.58

Table 13: Pakistan's Top 10 Imports from Thailand at Two-Digit Level

Table 14 shows the prevailing tariff rates applied on each country by Pakistan for selected commodities at the two-digit level along with the applicable tariff rates for Thailand. As can be seen from the table, the average tariff rate at the two-digit level is almost the same, irrespective of whether the country has a preferential or free trade agreement with Pakistan or not. Table 11 shows the tariff levied by Thailand on Pakistan and countries having an FTA with Thailand whereas Table 14 shows the tariff Pakistan levies on free trade partners along with Thailand from where imports are subject to MFN tariffs. As can be seen from the tables, Pakistan's MFN rates for Thailand are not very different from the rates offered to other partners, whereas Thailand's rates for Pakistan do show a considerable difference when compared to rates applied to FTA partners.

Ad-Valorem Tariff Comparison at HS-02 Level-2016								
All Values are Percentages								
Product Code	**Product Label**	**Thailand**	**China**	**Malaysia**	**Indonesia**	**Sri Lanka**	**Iran**	**Mauritius**
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	65	64	65	65	64	65	65
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	9	6	6	9	3	9	9
40	Rubber and articles thereof	13	11	12	13	9	13	14
39	Plastics and articles thereof	14	13	11	13	10	12	14
55	Man-made staple fibres	13	13	13	13	2	13	13
29	Organic chemicals	6	3	3	5	0	5	6
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	14	11	12	14	4	14	14
38	Miscellaneous chemical products	10	8	6	9	1	9	10
54	Man-made filaments; strip and the like of man-made textile materials	14	13	13	13	4	13	14
10	Cereals	10	9	9	10	0	10	10

Table 14: Ad Valorem Tariff Levied by Pakistan

At the six-digit level, the top 25 imports from Thailand represent 65% of the total imports from Thailand. The three leading imports at six-digit level belong to the HS-87 category. Motor vehicles for personal transport with an engine capacity of greater than 1000 CC but less than 1500 CC ranked first, followed by motor vehicles for personal transport with engines greater than 1500 CC but less than 3000 CC (luxury cars) being the top two imports. Apart from automobiles and motorcycles, most of the imports at the six-digit level are intermediate goods; which aid partly or wholly in the production of finished goods.

Pakistan's Top 25 Imports from Thailand at HS-06 Level						
All Values in USD Millions						
		2012	**2013**	**2014**	**2015**	**2016**
TOTAL	**All products**	**716.58**	**715.67**	**730.06**	**852.74**	**920.02**
Product code	**Product label**					
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	75.15	73.60	86.57	118.01	120.43
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	33.02	68.38	48.04	56.80	67.59
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston . . .	36.92	26.52	29.64	48.39	59.24
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more . . .	48.40	62.38	38.47	41.97	56.27
291736	Terephthalic acid and its salts	36.55	35.39	19.20	16.70	41.31
401120	New pneumatic tyres, of rubber, of a kind used for buses and lorries (excluding typres with . . .	16.69	17.25	16.41	29.92	33.66
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	21.07	11.09	12.55	20.17	28.56
840991	Parts suitable for use solely or principally with spark-ignition internal combustion piston . . .	6.45	16.76	15.22	12.32	22.52
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, . . .	13.43	15.92	20.08	20.48	17.46
851220	Electrical lighting or visual signalling equipment for motor vehicles (excluding lamps of heading . . .	9.02	8.00	11.28	17.65	16.48
400110	Natural rubber latex, whether or not prevulcanised	20.55	19.33	22.24	15.48	14.95
100510	Maize seed for sowing	9.50	9.70	9.61	7.89	13.51

Pakistan's Top 25 Imports from Thailand at HS-06 Level						
All Values in USD Millions						
		2012	**2013**	**2014**	**2015**	**2016**
Product code	**Product label**					
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	4.97	3.07	4.44	5.32	12.25
871120	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder . . .	11.92	13.13	12.75	11.81	11.31
381700	Mixed alkylbenzenes and mixed alkylnaphthalenes produced by the alkylation of benzene and naphthalene . . .	0.00	0.00	0.00	0.00	9.52
540233	Textured filament yarn of polyester (excluding that put up for retail sale)	12.71	9.42	9.37	4.83	9.46
390210	Polypropylene, in primary forms	6.38	6.46	10.75	13.26	9.03
390720	Polyethers, in primary forms (excluding polyacetals and goods of 3002 10)	0.80	0.16	0.03	6.30	8.87
940190	Parts of seats, n.e.s.	3.25	4.34	7.48	7.85	8.72
550330	Acrylic or modacrylic staple fibres, not carded, combed or otherwise processed for spinning	18.16	18.01	17.90	22.61	8.47
841590	Parts of air conditioning machines, comprising a motor-driven fan and elements for changing . . .	9.59	11.40	9.35	9.35	7.61
390410	Poly"vinyl chloride", in primary forms, not mixed with any other substances	7.34	7.65	6.80	9.84	7.51
480262	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, . . .	8.14	7.72	4.53	6.83	7.21
870880	Suspension systems and parts thereof, incl. shock-absorbers, for tractors, motor vehicles for . . .	3.96	2.76	4.68	8.38	6.95
091011	Ginger, neither crushed nor ground	1.48	11.70	7.48	2.64	6.94

Table 15: Pakistan's Top 25 Imports from Thailand at Six-Digit Level

Discrepancies:

Analyzing data of Pakistani exports to, and the imports from Thailand, we observe that the numbers do not add up. Some of the terms used in the Section below are briefly defined:

- Direct Data: Values reported by the reporting country.
- Mirror Data: Values reported by the partner country.
- Discrepancy: The difference between the values obtained from direct and mirror data.

Discrepancy: Direct Value – Mirror Value

- Under-invoicing: The act of deliberately recording a lower value on the invoice than the actual value of the commodity.
- Over-invoicing: The act of deliberately recording a higher value on the invoice than the actual value of the commodity.

Mis-invoicing goes hand-in-hand with international trade. Although every economy faces this issue to some extent, this problem is rampant in developing countries where tariffs and NTBs are high and domestic industries are heavily protected. Mis-invoicing is not only a major cause of discrepancies in bilateral trade data but also a tool for money laundering, evading import tariffs and availing export subsidies. The effects of such activities are far-reaching and not only result in loss of revenue for the government in the short-run but also hinders economic progress of a country in the long-run. The following figure is a matrix showing the possible benefits of under and or over-invoicing of trade figures.

	Imports	Exports
Under-Invoicing	Tariff Evasion	Capital flight (Money Laundering)
Over-Invoicing	Capital flight (Money Laundering) Tax Evasion (Corporate Tax)	Availing export subsidies

Table 16: Probable reasons for mis-invoicing

There is extensive literature present on the consequences of mis-invoicing for developing countries. However, studies pertaining specifically to Pakistan are sparse. The first study to investigate import under-invoicing was conducted by Sheikh (1974) for the period 1965 to 1968. The study concludes with the finding that goods falling in the restricted category tend to be under-invoiced furthermore there is also a positive correlation between tariff rate and the under-invoicing of imports. Studying the impacts of trade mis-invoicing is beyond the scope of this report.

Tables 17 and 18 show the direct and mirror values for Pakistan's exports to and imports from Thailand, for the years 2015 and 2016. The last two columns of the tables are the differences in values reported by Pakistan and Thailand. A negative difference implies that the value reported by Pakistan is less than the value reported by Thailand, i.e., under-invoicing whereas a positive value indicates over-invoicing. Furthermore, we will then zoom-in on the products which account for a major chunk of the overall misreported total.

Pakistan's Top 5 Exports to Thailand at HS 02 Level							
All Values in USD Millions							
		Direct Data		**Mirror Data**		**Discrepancy**	
		2015	**2016**	**2015**	**2016**	**2015**	**2016**
TOTAL	**All products**	**120.34**	**110.17**	**119.06**	**119.21**	**1.29**	**-9.04**
Product code	**Product label**						
03	Fish and crustaceans, molluscs and other aquatic invertebrates	56.28	53.70	52.05	57.25	4.23	-3.55
52	Cotton	28.73	15.35	23.46	10.27	5.27	5.09
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	0.14	11.52	0.01	11.31	0.13	0.21
41	Raw hides and skins (other than furskins) and leather	5.30	3.59	5.70	3.52	-0.40	0.07
39	Plastics and articles thereof	0.13	2.91	0.18	0.37	-0.05	2.54

Table 17: Discrepancy in export data of Pakistan

'Fish and crustaceans' were the top export to Thailand in 2016 followed by cotton and paper products at the two-digit level. Furthermore, Thailand is not a very popular market for Pakistani goods and accounted for a mere 0.05% of Pakistan's total export revenue in 2016. Since exports to Thailand have such a minuscule contribution to Pakistan's total exports, fraudulent activities are not very attractive. Hence, the total discrepancy of USD 9 million is not a grave concern.

Regarding imports, the 'Vehicles other than railway…' category has been the foremost import from Thailand for the past decade, followed by machinery and rubber articles as leading products in 2016. Although the total imports from Thailand were accountable for around 2% of the import bill in 2016, the contribution is four times that of exports. On an aggregate level, Pakistan's imports from Thailand seem to be under-invoiced. However, the discrepancy at the product level shows an interesting trend. The vehicles category which is the top import has been consistently over-invoiced, contrary to what is happening at the aggregate level.

Pakistan's Top 5 Imports from Thailand at HS 02 Level							
All Values in USD Millions							
		Direct Data		Mirror Data		Discrepancy	
		2015	2016	2015	2016	2015	2016
TOTAL	**All products**	**852.74**	**920.02**	**897.98**	**1008.48**	**-45.25**	**-88.45**
Product code	**Product label**						
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	324.22	363.86	216.28	230.47	107.94	133.39
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	65.41	81.04	97.25	116.23	-31.84	-35.19
40	Rubber and articles thereof	58.44	65.98	75.89	76.95	-17.45	-10.97
39	Plastics and articles thereof	77.64	65.05	87.56	80.29	-9.91	-15.24
55	Man-made staple fibres	67.66	52.48	75.93	56.69	-8.27	-4.22

Table 18: Discrepancy in import data of Pakistan

IMPORTS FROM THAILAND-2016

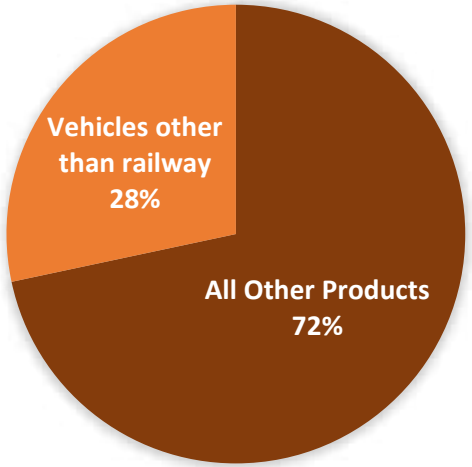

Figure 11: Pakistan's vehicle imports from Thailand

Figure on the left shows the percentage of the 'vehicles…' the category of the imports from Thailand for 2016. As of 2016, Thailand ranked third regarding exports of vehicles to Pakistan, HS-87, at the two-digit level.

The table below shows the leading exporters to Pakistani market ranked according to the magnitude of discrepancy rather than trade volume. Out of the top 10 exporters to Pakistan, Japan and Thailand combined accounted for more than two-thirds of the total imports of vehicles (HS-87) at two-digit level.

Discrepancies in Import of Vehicles at HS-02 Level-(HS code 87)					
All Values in USD Millions					
	2012	**2013**	**2014**	**2015**	**2016**
Exporting Country					
Thailand	70.81	87.18	67.52	107.94	133.39
Japan	142.26	75.29	13.88	139.41	94.26
Singapore	(1.80)	(13.49)	(5.50)	13.50	19.01
Indonesia	(1.35)	(1.99)	0.79	(1.96)	(2.96)
Belarus	(8.86)	(16.79)	(8.07)	(4.54)	(6.18)
Korea, Republic of	(9.01)	(1.12)	(0.96)	(6.85)	(7.59)
United States of America	6.73	55.06	9.63	(25.08)	(9.02)
United Kingdom	(28.50)	(14.47)	(19.14)	(13.05)	(11.55)
Germany	9.13	(3.79)	(6.84)	(15.01)	(28.79)
China	(16.79)	(38.00)	(30.03)	(40.26)	(68.83)

Table 19: Discrepancy in import of vehicles for Pakistan

**Discrepancy = Direct Value - Mirror Value*

***Figures in parentheses are negative numbers*

SECTION IV

POTENTIAL TRADE

Potential Trade:

With the Pakistan-Thailand FTA under negotiation, it would be beneficial to explore the anticipated impact of the tariff cuts offered by both the countries. According to multiple news reporting agencies, Pakistan has a comparative advantage in around 684 products over Thailand, whereas Thailand has the upper hand in over 1000 commodities. Moreover, it has been reported that Pakistan has asked for tariff concessions on around 100 products in which Thailand has provided tariff concessions to its existing free trade partners.

Indicative Trade Potential:

Pakistan's Potential Exports:

The indicative trade potential is, the maximum amount of a specific commodity, a country can export to its partner other than what it is already exporting. The formula provides us with a ceiling, regarding what can be achieved if the entire output is sold to a single country. Indicative trade potential is calculated using the following formula.

Minimum (Pakistan's export of X to the world,Thailand's import of X from the world) - Pakistan's export of X to Thailand

The following table shows a comparison between Pakistan's actual exports to Thailand and Pakistan's potential exports to the Thai market. The values are sorted in a descending order according to the trade potential. Moreover, exports of oil &fuel, HS-27XXXX, are excluded from the calculation.

'Instruments and appliances used in medical.' (HS-901890) ranks first in the list of potential exports from Pakistan to Thailand followed by 'Fresh or dried mandarins…' (HS-080520), and 'Polyethylene terephthalate.' (HS-390760). A brief analysis shows that the tariff levied by Thailand on the potential exports from Pakistan ranges from 0% (HS-901890) to as high as 128% (HS-080520). Apart from these products, the leading 25 high potential exports to Thailand comprise of textile products, wheat, and miscellaneous semi-manufactured products. Although, the list is not a comprehensive one, it does provide an idea as to what items should be included in the request list.

Pakistan's High Potential Exports at HS-06 Level							
All Values in USD Millions							
		Pakistan's Exports to Thailand			Indicative Trade Potential		
		2014	2015	2016	2014	2015	2016
TOTAL	All products	118.46	120.34	110.17	23,957.88	21,707.02	20,269.77
Product code	Product Description						
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	1.86	1.93	2.13	191.72	234.84	283.51

Pakistan's High Potential Exports at HS-06 Level							
All Values in USD Millions							
		Pakistan's Exports to Thailand			Indicative Trade Potential		
		2014	2015	2016	2014	2015	2016
Product code	**Product Description**						
080520	Fresh or dried mandarins incl. tangerines and satsumas, clementines, wilkings and similar citrus hybrids	0.01	0.08	0.00	111.33	106.28	123.83
390760	Poly"ethylene terephthalate", in primary forms	0.02	0.00	0.00	86.59	57.57	82.99
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses "incl. those in the form of transdermal administration" or in forms or packings for retail sale (excluding medicaments containing antibiotics, medicaments containing hormones or steroids used as hormones, but not containing antibiotics, medicaments containing alkaloids or derivatives thereof but not containing hormones or antibiotics and medicaments containing provitamins, vitamins or derivatives thereof used as vitamins)	0.80	0.58	0.55	85.77	80.10	72.77
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or covered with artificial resins or plastics, in rolls or in square or rectangular sheets, of any size (excluding bleached and weighing > 150 g/m^2, and adhesives)	0.00	0.13	11.52	42.01	40.04	70.70
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled with any material or of cellular rubber or plastics (excluding mattress supports, mattresses, sleeping bags, pneumatic or water mattresses and pillows, blankets and covers)	0.01	0.00	0.00	36.55	55.79	66.23
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	0.01	0.02	0.13	38.87	46.03	61.08
110100	Wheat or meslin flour	0.01	0.01	0.00	77.74	68.18	57.85
730690	Tubes, pipes and hollow profiles "e.g., open seam, riveted or similarly closed", of iron or steel (excluding of cast iron, seamless or welded tubes and pipes and tubes and pipes having internal and external circular cross-sections and an external diameter of > 406,4 mm)	0.00	0.00	0.00	96.20	77.09	53.25
151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared	0.00	0.00	0.00	83.17	59.59	53.00

Pakistan's High Potential Exports at HS-06 Level							
All Values in USD Millions							
		Pakistan's Exports to Thailand			**Indicative Trade Potential**		
		2014	**2015**	**2016**	**2014**	**2015**	**2016**
Product code	**Product Description**						
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather (excluding covering the ankle, incorporating a protective metal toecap, sports footwear, orthopaedic footwear and toy footwear)	0.00	0.00	0.03	55.05	57.97	50.33
030617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in shell, cooked by steaming or by boiling in water (excluding cold-water shrimps and prawns)	6.02	6.47	3.39	69.40	48.87	48.89
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	0.02	0.00	0.04	36.81	38.50	39.59
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excluding knitted or crocheted, underpants and swimwear)	0.01	0.26	0.03	34.93	36.41	43.34
520100	Cotton, neither carded nor combed	10.16	7.01	1.50	170.79	98.59	39.38
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)	0.00	0.00	0.00	48.61	31.80	38.95
740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted copper waste and scrap, ashes and residues containing copper, and waste and scrap of primary cells, primary batteries and electric accumulators)	0.00	0.00	0.00	63.24	48.29	38.30
520812	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 100 g to 200 g/m^2, unbleached	0.05	0.03	0.00	44.05	28.72	37.24
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	0.00	0.00	0.05	22.06	24.29	36.97
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics, put up in measured doses "incl. those in the form of transdermal administration" or in forms or packings for retail sale (excluding medicaments containing insulin or corticosteroid hormones, their derivatives or structural analogues)	0.13	0.08	0.00	21.45	33.56	36.70
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding knitted or crocheted, panties and swimwear)	0.03	0.02	0.08	29.79	31.31	36.60

Pakistan's High Potential Exports at HS-06 Level							
All Values in USD Millions							
		Pakistan's Exports to Thailand			Indicative Trade Potential		
		2014	2015	2016	2014	2015	2016
Product code	**Product Description**						
392490	Household articles and toilet articles, of plastics (excluding tableware, kitchenware, baths, shower-baths, washbasins, bidets, lavatory pans, seats and covers, flushing cisterns and similar sanitary ware)	0.00	0.00	0.00	12.22	28.86	34.32
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	0.00	0.00	0.00	19.82	25.92	31.36
721049	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled "cold-reduced", not corrugated, plated or coated with zinc (excluding electrolytically plated or coated with zinc)	0.00	0.00	0.00	8.10	6.70	27.38
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections, towers and lattice masts, doors and windows and their frames, thresholds for doors, props and similar equipment for scaffolding, shuttering, propping or pit-propping)	0.44	0.00	0.00	49.64	25.53	24.48
Total	**Top 25 Products**	**19.58**	**16.62**	**19.45**	**1,535.91**	**1,390.83**	**1,489.04**

Table 20: Pakistan's Top 25 High Potential Exports to Thailand

Thailand's Potential Exports:

It is also important to come up with a list of potential items that Thailand might want put on Pakistan's concession list, this is important to better understand the products that the Thai negotiators would be pushing for inclusion.

The following formula is used for calculating Thailand's indicative trade potential with Pakistan at the six-digit level.

Minimum (Thailand's export of X to the world,Pakistan's import of X from the world) - Thailand's export of X to Pakistan

Potential exports from Thailand majorly comprise of intermediate goods and capital goods such as polypropylene, compressors for refrigerators and semi- conductor devices to name a few. Apart from these, great potential also lies in selected consumer goods such as automobiles and mobile phones. However, we should bear in mind that most of Thailand's potential can only be realized if the Pakistani industrial sector develops. Since most of the high potential Thai exports are intermediate goods, such goods have a derived demand rather than a direct demand; thus, depending on the manufacturing output of Pakistan.

Thailand's High Potential Exports at HS-06 Level							
All Values in USD Millions							
		Thailand's exports to Pakistan			Indicative Trade Potential		
		2014	2015	2016	2014	2015	2016
TOTAL	**All products**	**876.30**	**897.98**	**1,008.48**	**37,690.67**	**38,048.58**	**37,614.32**
Product code	**Product Description**						
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	0.00	0.00	0.00	506.57	532.42	556.03
854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in . . .	0.01	0.33	0.48	205.56	324.45	493.22
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	0.00	0.02	0.01	247.98	345.84	390.23
390210	Polypropylene, in primary forms	7.81	5.55	1.71	450.57	406.55	383.18
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	0.09	1.69	5.33	212.35	291.47	320.67
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	2.54	4.03	2.91	301.93	288.39	283.95
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or . . .	0.00	0.00	0.00	346.31	240.89	263.86
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, . . .	0.04	0.05	0.02	215.97	234.12	260.23
290243	P-Xylene	0.00	0.00	0.00	349.34	265.85	257.50
390120	Polyethylene with a specific gravity of > = 0,94, in primary forms	6.54	13.67	13.70	215.40	249.44	252.70
401120	New pneumatic tyres, of rubber, of a kind used for buses and lorries (excluding typres with . . .	19.33	28.65	30.22	170.86	202.23	216.01
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. . . .	0.39	0.40	0.14	161.62	187.91	214.82
841430	Compressors for refrigerating equipment	9.08	5.25	4.89	123.17	139.86	168.92
382490	Chemical products and preparations of the chemical or allied industries, incl. those consisting . . .	1.95	1.78	1.79	169.49	209.31	167.35
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	12.43	17.21	27.46	110.53	129.22	142.99

Thailand's High Potential Exports at HS-06 Level							
All Values in USD Millions							
		Thailand's exports to Pakistan			Indicative Trade Potential		
		2014	2015	2016	2014	2015	2016
Product code	**Product Description**						
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	12.43	17.21	27.46	110.53	129.22	142.99
847130	Data-processing machines, automatic, portable, weighing <= 10 kg, consisting of at least a . . .	0.00	0.00	0.03	104.71	111.24	130.60
841199	Parts of gas turbines, n.e.s.	0.21	0.11	0.04	102.48	79.26	127.69
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections, . . .	0.03	0.03	6.29	42.49	68.05	124.21
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, . . .	0.63	1.28	1.69	68.25	85.76	116.12
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	0.57	0.22	0.26	98.40	88.64	112.44
540233	Textured filament yarn of polyester (excluding that put up for retail sale)	9.86	4.95	10.86	147.28	119.42	110.66
961900	Sanitary towels (pads) and tampons, napkins and napkin liners for babies, and similar articles, . . .	0.05	0.04	0.09	109.64	113.02	105.50
390230	Propylene copolymers, in primary forms	11.79	12.00	12.23	112.85	105.92	101.66
271600	Electrical energy	0.00	0.00	0.00	0.00	16.72	98.60
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston . . .	5.70	5.82	6.45	57.72	70.11	93.94
Total	**Top 25 Products**	**89.05**	**103.08**	**126.60**	**4,631.47**	**4,906.09**	**5,493.08**

Table 21: Thailand's Top 25 High Potential Exports to Pakistan

Bilateral Revealed Comparative Advantage:

The Bilateral Revealed Comparative Advantage (BRCA) is an index, which indicates whether or not a country has a revealed comparative advantage over its partner or not. The value obtained, ranges from zero to positive infinity; a value between zero and one implies the partner country having a comparative advantage whereas a value greater than one indicates the country having a comparative advantage over its partner. The reason for discussing the BRCA, is to determine the products where Pakistan has a comparative advantage over Thailand. These findings will then enable us in determining the products where our local industries have the upper hand as well as where they lack. Thus, identifying the winners and losers once the FTA comes into effect.

$$BRCA\ of\ country\ i\ for\ exporting\ X\ to\ country\ j = \frac{\left(\frac{Country\ i's\ exports\ of\ X\ to\ Country\ j}{Country\ i's\ total\ exports\ to\ Country\ j}\right)}{\left(\frac{Country\ i's\ exports\ of\ X\ to\ the\ world}{Country\ i's\ total\ exports\ to\ the\ world}\right)}$$

Pakistan's Potential Exports:

Table 22 shows, Pakistan's BRCA over Thailand for the leading 25 exports at the six-digit level in 2016. The calculation shows that Pakistan enjoys a comparative advantage in, 24 out of the 25 leading exports to Thailand at the six-digit level. Pakistan enjoys the highest comparative advantage in frozen mackerel (HS-030354), followed by bones and horn-cores (HS-050690). The presence of these items is majorly due to these commodities occupying a significant share in the current Pakistani export basket to Thailand and simultaneously, Thailand fulfilling its demand mostly through Pakistani imports. Regarding products, with a relatively smaller BRCA, such as woven fabrics of cotton and denim (HS-5209XX), the share of exports to Thailand is insignificant considering Pakistan's overall export of the product in question.

Pakistan's BRCA over Thailand at HS-06 Level-2016		
		BRCA
		Range: 0 - + ∞
Product Code	Product Description	
030319	Frozen salmonidae (excluding trout and Pacific, Atlantic and Danube salmon)	54.90
030339	Frozen flat fish "Pleuronectidae, Bothidae, Cynoglossidae, Soleidae, Scophthalmidae and Citharidae" . . .	24.60
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or . . .	26.11
030354	Frozen mackerel "Scomber scombrus, Scomber australasicus, Scomber japonicus"	176.42
030617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in . . .	12.09
030329	Frozen, Nile perch (Lates niloticus) and snakeheads (Channa spp.)	38.06

Pakistan's BRCA over Thailand at HS-06 Level-2016		
		BRCA
		Range: 0 - + ∞
Product Code	Product Description	
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	1.22
050690	Bones and horn-cores and their powder and waste, unworked, defatted, degelatinised or simply . . .	100.66
410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine . . .	3.17
030614	Frozen crabs, even smoked, whether in shell or not, incl. crabs in shell, cooked by steaming . . .	50.96
300420	Medicaments containing antibiotics, put up in measured doses "incl. those in the form of transdermal . . .	20.64
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m^2, in three-thread . . .	1.67
520100	Cotton, neither carded nor combed	6.83
520912	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m^2, in three-thread . . .	2.04
520942	Denim, containing >= 85% cotton by weight and weighing > 200 g/m^2, made of yarn of different . . .	0.54
030389	Frozen fish, n.e.s.	58.89
520919	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m^2, unbleached . . .	3.34
630900	Worn clothing and clothing accessories, blankets and travelling rugs, household linen and articles . . .	20.20
521021	Plain woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed . . .	1.81

Table 22: Pakistan's Bilateral Revealed Comparative Advantage over Thailand

Thailand's Potential Exports:

Thailand enjoys a comparative advantage over Pakistan in 96% of its 25 major exports to Pakistan at the six-digit level. 20% of the products mentioned in the table below, belong to the HS-87XXXX category, resulting in Thai exports enjoying a considerable comparative advantage over Pakistan. Moreover, it has been reported that Thai officials have asked for tariff concessions for the said lines in the under negotiation FTA. If the Pakistani officials, accept Thailand's demand for preferential tariffs, this would make vehicle imports from Thailand cheaper, resulting in increased competition. Although the resulting lower prices and increased choices would be beneficial for the local consumer, it could force local manufacturers out of business. Moreover, such a policy could also worsen the BOT deficit; considering that, around 8% of the BOT deficit originated from vehicular imports at the 2-digit level.

Secondly, it is worth mentioning, that the polymer sector which mostly imports its raw material; i.e. terephthalic acid and its salts, HS-291736, from Thailand, could be among the industries to benefit from the FTA. Since this sector procures its raw material and some intermediate goods from Thailand and faces a 10% duty, reduced tariffs owing to the FTA would result in lower costs thereby enhancing competitiveness.

Thailand's BRCA over Pakistan at HS-06 Level-2016		
		BRCA
		Range: 0 - + ∞
Product Code	Product Description	
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, . . .	8.59
291736	Terephthalic acid and its salts	28.29
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more . . .	7.28
401120	New pneumatic tyres, of rubber, of a kind used for buses and lorries (excluding typres with . . .	6.45
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	34.13
870894	Steering wheels, steering columns and steering boxes, and parts thereof, for tractors, motor . . .	12.05
840991	Parts suitable for use solely or principally with spark-ignition internal combustion piston . . .	9.28
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine", for . . .	2.34
400110	Natural rubber latex, whether or not prevulcanised	2.74
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	2.20
870870	Road wheels and parts and accessories thereof, for tractors, motor vehicles for the transport . . .	8.51
830230	Base metal mountings, fittings and similar articles suitable for motor vehicles (excluding . . .	7.28
851220	Electrical lighting or visual signalling equipment for motor vehicles (excluding lamps of heading . . .	8.26
390230	Propylene copolymers, in primary forms	5.83
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles for the transport of . . .	5.20
540233	Textured filament yarn of polyester (excluding that put up for retail sale)	18.93
392690	Articles of plastics and articles of other materials of heading 3901 to 3914, n.e.s (excluding . . .	2.46
401699	Articles of vulcanised rubber (excluding hard rubber), n.e.s.	4.18
100510	Maize seed for sowing	39.68
330499	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), . . .	7.96
381700	Mixed alkylbenzenes and mixed alkylnaphthalenes produced by the alkylation of benzene and naphthalene	28.43
401110	New pneumatic tyres, of rubber, of a kind used for motor cars, incl. station wagons and racing . . .	0.89
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	1.54
842139	Machinery and apparatus for filtering or purifying gases (excluding isotope separators and . . .	13.94
721190	Flat-rolled products of iron or non-alloy steel, of a width of < 600 mm, hot-rolled or cold-rolled . . .	182.49

Table 23: Thailand's Bilateral Revealed Comparative Advantage over Pakistan

Post-FTA Prospective Trade:

A simulation was conducted using the SMART tool from the World Integrated Trade Solutions (WITS). This simulation enables us to evaluate the impact of duty reduction on exports originating from a country of our choice. So, to evaluate the anticipated effects of the Pakistan-Thailand FTA, a simulation was conducted, assuming Thailand drops all import tariffs on products originating from Pakistan and vice versa. Although, this assumption is a bit far-fetched, it does provide an idea, as to how much each country is set to gain once the FTA comes into effect.

Owing to unavailability of data for Pakistan's exports to Thailand in 2016, 2015 has been used as the base year, meaning that, the impact of tariff elimination has been applied on 2015's values. Moreover, when calculating Pakistan's prospective exports to Thailand, the actual export values are obtained from Thailand's import data, rather than Pakistan's export data with the same methodology being applied for Thailand. Lastly, the tables haven been sorted in descending order according to the change in export revenue, rather than value of actual exports.

Pakistan's Prospective Exports to Thailand:

Table 24, shows the impact of tariff reduction on Pakistan's export to Thailand. The table contains the top 50 products according to the change in export revenue for Pakistan. The total change in export revenue is USD 8.64 million, with post-duty elimination exports equaling USD 62.17 million compared to actual exports of USD 53.53 million in 2015 in 2015.

Pakistan's Prospective Exports to Thailand

All Values in USD Millions

Product Code	Product Description	Exports in 2015	Post-Duty Elimination Exports	Change in Export Revenue	Old Simple Duty Rate (%)	New Simple Duty Rate (%)
030617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in shell, cooked by steaming or by boiling in water (excluding cold-water shrimps and prawns)	7.45	10.81	3.35	20	0
030749	Cuttle fish "Sepia officinalis, Rossia macrosoma, Sepiola spp." and squid "Ommastrephes spp., Loligo spp., Nototodarus spp., Sepioteuthis spp.", smoked, frozen, dried, salted or in brine, with or without shell	6.70	7.76	1.06	6.67	0
230649	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of high erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content of >= 2% and yielding a solid component of glucosinolates of >= 30 micromoles/g"	2.00	2.23	0.23	7	0

Pakistan's Prospective Exports to Thailand						
All Values in USD Millions						
Product Code	**Product Description**	**Exports in 2015**	**Post-Duty Elimination Exports**	**Change in Export Revenue**	**Old Simple Duty Rate (%)**	**New Simple Duty Rate (%)**
030799	Molluscs, fit for human consumption, even in shell, smoked, frozen, dried, salted or in brine (excluding oysters, scallops of the genera Pecten, Chlamys or Placopecten, mussels "Mytilus spp., Perna spp.", cuttle fish "Sepia officinalis, Rossia macrosoma, Sepiola spp.", squid "Ommastrephes spp., Loligo spp., Nototodarus spp., Sepioteuthis spp.", octopus "Octopus spp.", snails other than sea snails, clams, cockles and ark shells and abalone); frozen, dried, salted or in brine, flours, meals and pellets of molluscs, fit for human consumption	3.37	4.38	1.01	10	0
071390	Dried, shelled leguminous vegetables, whether or not skinned or split (excluding peas, chickpeas, beans, lentils, broad beans, horse beans and pigeon peas)	0.36	1.20	0.83	30	0
030389	Frozen fish, n.e.s.	28.68	29.36	0.68	1.07	0
030624	Crabs, even smoked, whether in shell or not, live, fresh, chilled, dried, salted or in brine, incl. crabs in shell, cooked by steaming or by boiling in water	1.31	1.75	0.43	10	0
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	0.43	0.73	0.30	52	0
030614	Frozen crabs, even smoked, whether in shell or not, incl. crabs in shell, cooked by steaming or by boiling in water	0.67	0.94	0.27	20	0
030499	Frozen fish meat n.e.s. (excluding fillets)	0.99	1.09	0.09	5	0
030759	Octopus "Octopus spp.", smoked, frozen, dried, salted or in brine	0.48	0.55	0.07	6.67	0
020714	Frozen cuts and edible offal of fowls of the species Gallus domesticus	0.08	0.13	0.05	38	0
020714	Frozen cuts and edible offal of fowls of the species Gallus domesticus	0.08	0.13	0.05	38	0
120230	Seed	0.31	0.36	0.05	23	0
021020	Meat of bovine animals, salted, in brine, dried or smoked	0.05	0.08	0.04	50	0

Pakistan's Prospective Exports to Thailand						
All Values in USD Millions						
Product Code	**Product Description**	**Exports in 2015**	**Post-Duty Elimination Exports**	**Change in Export Revenue**	**Old Simple Duty Rate (%)**	**New Simple Duty Rate (%)**
020230	Frozen, boneless meat of bovine animals	0.03	0.05	0.02	50	0
030572	Fish heads, tails and maws, smoked, dried, salted or in brine	0.08	0.10	0.02	2.5	0
230641	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of low erucic acid rape or colza seeds "yielding a fixed oil which has an erucic acid content of < 2% and yielding a solid component of glucosinolates of < 30 micromoles/g"	0.15	0.16	0.02	7	0
121120	Ginseng roots, fresh or dried, whether or not cut, crushed or powdered	0.03	0.04	0.01	30	0
251512	Marble and travertine, merely cut, by sawing or otherwise, into blocks or slabs of a square or rectangular shape	0.00	0.01	0.01	12.5	0
140490	Vegetable products n.e.s	0.02	0.03	0.01	26.67	0
250100	Salts, incl. table salt and denatured salt, and pure sodium chloride, whether or not in aqueous solution or containing added anti-caking or free-flowing agents; sea water	0.04	0.05	0.01	10	0
030627	Shrimps and prawns, even smoked, whether in shell or not, live, fresh, chilled, dried, salted or in brine, incl. shrimps and prawns in shell, cooked by steaming or by boiling in water (excluding cold-water shrimps and prawns)	0.01	0.02	0.01	7.31	0
030324	Frozen catfish "Pangasius spp., Silurus spp., Clarias spp., Ictalurus spp."	0.00	0.00	0.00	5	0
030791	Live, fresh or chilled molluscs, fit for human consumption, even in shell (excluding oysters, scallops of the genera Pecten, Chlamys or Placopecten, mussels "Mytilus spp., Perna spp.", cuttle fish "Sepia officinalis, Rossia macrosoma, Sepiola spp.", squid "Ommastrephes spp., Loligo spp., Nototodarus spp., Sepioteuthis spp.", octopus "Octopus spp.", snails other than sea snails, clams, cockles and ark shells and abalone); fresh or chilled flours, meals and pellets of molluscs, fit for human consumption	0.00	0.00	0.00	5	0

Pakistan's Prospective Exports to Thailand						
All Values in USD Millions						
Product Code	**Product Description**	**Exports in 2015**	**Post-Duty Elimination Exports**	**Change in Export Revenue**	**Old Simple Duty Rate (%)**	**New Simple Duty Rate (%)**
040310	Yogurt, whether or not flavoured or containing added sugar or other sweetening matter, fruits, nuts or cocoa	0.00	0.00	0.00	17.5	0
210500	Ice cream and other edible ice, whether or not containing cocoa	0.00	0.00	0.00	30	0
020760	Of guinea fowls	0.00	0.00	0.00	40	0
030489	Frozen fish fillets, n.e.s.	0.00	0.00	0.00	5	0
040110	Milk and cream of a fat content by weight of <= 1%, not concentrated nor containing added sugar or other sweetening matter	0.00	0.00	0.00	41	0
151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared	0.00	0.00	0.00	27	0
030279		0.00	0.00	0.00	5	0
020727	Frozen cuts and edible offal of turkeys of the species domesticus	0.00	0.00	0.00	30	0
120740	Sesamum seeds, whether or not broken	0.00	0.00	0.00	35	0
040229	Milk and cream in solid forms, of a fat content by weight of > 1,5%, sweetened	0.00	0.00	0.00	18	0
210420	Food preparations consisting of finely homogenised mixtures of two or more basic ingredients, such as meat, fish, vegetables or fruit, put up for retail sale as infant food or for dietetic purposes, in containers of <= 250 g	0.00	0.00	0.00	30	0
Totals		**53.53**	**62.17**	**8.64**	**-**	**-**

Table 24: Change in Pakistan's Exports to Thailand Post-FTA

Thailand's Prospective Exports to Pakistan:

The future of Thai products in the Pakistani markets appears to be much brighter. The exports of the top 50 products mentioned in table 25, equaled USD 437.8 million in 2015, however if Pakistan drops all tariffs on these products exports to Pakistan would climb up to USD 735.44 million, an increase of 297.64 million.

Thailand's Prospective Exports to Pakistan						
All Values in USD Millions						
Product Code	**Product Description**	**Exports in 2015**	**Post-Duty Elimination Exports**	**Change in Export Revenue**	**Old Simple Duty Rate (%)**	**New Simple Duty Rate (%)**
870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1.000 cm^3 but <= 1.500 cm^3 (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)	118.01	199.09	81.07	60	0
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1.500 cm^3 but <= 3.000 cm^3 (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)	56.80	116.56	59.76	91.67	0
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of a gross vehicle weight <= 5 t (excluding dumpers for off-highway use of subheading 8704.10 and special purpose motor vehicles of heading 8705)	48.39	74.08	25.69	60	0
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles (excluding bumpers and parts thereof and safety seat belts)	41.97	67.03	25.05	35	0
854370	Electrical machines and apparatus, having individual functions, n.e.s. in chapter 85	0.28	0.65	0.37	8.67	0

Thailand's Prospective Exports to Pakistan						
All Values in USD Millions						
Product Code	**Product Description**	**Exports in 2015**	**Post-Duty Elimination Exports**	**Change in Export Revenue**	**Old Simple Duty Rate (%)**	**New Simple Duty Rate (%)**
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles, n.e.s.	20.48	29.66	9.18	35	0
890800	Vessels and other floating structures for breaking up	7.13	12.51	5.38	3	0
851220	Electrical lighting or visual signalling equipment for motor vehicles (excluding lamps of heading 8539)	17.65	22.35	4.70	35	0
841590	Parts of air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, n.e.s.	9.35	13.90	4.55	23.63	0
870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity <= 1.000 cm^3 (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)	5.32	9.10	3.78	52.5	0
870880	Suspension systems and parts thereof, incl. shock-absorbers, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles, n.e.s.	8.38	11.77	3.39	35	0
870422	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of a gross vehicle weight > 5 t but <= 20 t (excluding dumpers for off-highway use of subheading 8704.10 and special purpose motor vehicles of heading 8705)	2.04	5.11	3.08	28	0
940190	Parts of seats, n.e.s.	7.85	10.73	2.89	31.25	0
720990	Flat-rolled products of iron or steel, of a width of >= 600 mm, cold-rolled "cold-reduced", and further worked, but not clad, plated or coated	2.47	5.11	2.64	15.5	0
851190	Parts of electrical ignition or starting equipment, generators, etc. of heading 8511, n.e.s.	4.26	6.44	2.18	30	0

Thailand's Prospective Exports to Pakistan						
All Values in USD Millions						
Product Code	**Product Description**	**Exports in 2015**	**Post-Duty Elimination Exports**	**Change in Export Revenue**	**Old Simple Duty Rate (%)**	**New Simple Duty Rate (%)**
841430	Compressors for refrigerating equipment	11.21	13.02	1.81	7	0
871410	Parts and accessories of motorcycles, incl. mopeds, n.e.s.	2.93	4.64	1.71	35	0
701932	Thin sheets "voiles" of irregularly laminated glass fibres	4.45	5.73	1.28	20	0
721030	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled "cold-reduced", electrolytically plated or coated with zinc	2.05	3.31	1.26	15.5	0
840219	Vapour generating boilers, incl. hybrid boilers (excluding central heating hot water boilers capable also of producing low pressure steam)	1.50	2.70	1.20	18	0
848340	Gears and gearing for machinery (excluding toothed wheels, chain sprockets and other transmission elements presented separately); ball or roller screws; gear boxes and other speed changers, incl. torque converters	2.02	3.15	1.13	31.25	0
841510	Window or wall air conditioning machines, self-contained or "split-system"	3.00	4.07	1.06	20	0
701939	Webs, mattresses, boards and similar nonwoven products, of glass fibres (excluding mats and thin sheets "voiles")	3.03	3.94	0.91	20	0
681381	Brake linings and pads, with a basis of mineral substances or cellulose, whether or not combined with textile or other materials (excluding containing asbestos)	2.42	3.28	0.87	30	0
630510	Sacks and bags, for the packing of goods, of jute or other textile bast fibres of heading 5303	4.02	4.80	0.78	20	0
761090	Structures and parts of structures, of aluminium, n.e.s., and plates, rods, profiles, tubes and the like, prepared for use in structures, of aluminium, n.e.s. (excluding prefabricated buildings of heading 9406, doors and windows and their frames and thresholds for doors)	0.37	1.10	0.73	20	0
841810	Combined refrigerator-freezers, with separate external doors	1.04	1.75	0.70	20	0
720421	Waste and scrap of stainless steel (excluding radioactive, and waste and scrap of batteries and electric accumulators)	1.11	1.80	0.69	3	0

Thailand's Prospective Exports to Pakistan						
All Values in USD Millions						
Product Code	**Product Description**	**Exports in 2015**	**Post-Duty Elimination Exports**	**Change in Export Revenue**	**Old Simple Duty Rate (%)**	**New Simple Duty Rate (%)**
680911	Boards, sheets, panels, tiles and similar articles, of plaster or compositions based on plaster, faced or reinforced with paper or paperboard only (excluding ornamented and with plaster agglomerated articles for heat-insulation, sound-insulation or sound absorption)	0.83	1.48	0.66	20	0
842131	Intake air filters for internal combustion engines	1.03	1.68	0.65	35	0
870431	Motor vehicles for the transport of goods, with spark-ignition internal combustion piston engine, of a gross vehicle weight <= 5 t (excluding dumpers for off-highway use of subheading 8704.10 and special purpose motor vehicles of heading 8705)	0.68	1.32	0.65	56.67	0
845011	Fully-automatic household or laundry-type washing machines, of a dry linen capacity <= 6 kg	1.99	2.61	0.62	20	0
730640	Tubes, pipes and hollow profiles, welded, of circular cross-section, of stainless steel (excluding products having internal and external circular cross-sections and an external diameter of > 406,4 mm, and products of a kind used for oil or gas pipelines or of a kind used in drilling for oil or gas)	1.10	1.71	0.61	16	0
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution of electricity, for a voltage <= 1.000 V	1.09	1.66	0.58	30	0
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, valves for the control of pneumatic power transmission, check "non-return" valves and safety or relief valves)	0.90	1.45	0.55	30.25	0
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather (excluding covering the ankle, incorporating a protective metal toecap, sports footwear, orthopaedic footwear and toy footwear)	1.37	1.89	0.52	20	0
720927	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, not in coils, simply cold-rolled "cold-reduced", not clad, plated or coated, of a thickness of >= 0,5 mm but <= 1 mm	0.92	1.42	0.50	15.5	0
847989	Machines and mechanical appliances, n.e.s.	2.74	3.22	0.48	4.86	0
848210	Ball bearings	2.05	2.49	0.45	11	0

Thailand's Prospective Exports to Pakistan						
All Values in USD Millions						
Product Code	**Product Description**	**Exports in 2015**	**Post-Duty Elimination Exports**	**Change in Export Revenue**	**Old Simple Duty Rate (%)**	**New Simple Duty Rate (%)**
870821	Safety seat belts for motor vehicles	0.82	1.26	0.43	35	0
850140	AC motors, single-phase, of an output > 37,5 W	0.88	1.31	0.43	11.5	0
853921	Tungsten halogen filament lamps (excluding sealed beam lamp units)	1.14	1.53	0.39	23	0
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles, n.e.s.	0.55	0.94	0.39	35	0
841821	Household refrigerators, compression-type	1.20	1.57	0.37	20	0
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	1.05	1.42	0.37	17.63	0
841989	Machinery, plant or laboratory equipment, whether or not electrically heated, for the treatment of materials by a process involving a change of temperature such as heating, cooking, roasting, sterilising, pasteurising, steaming, evaporating, vaporising, condensing or cooling, n.e.s. (excluding machinery used for domestic purposes and furnaces, ovens and other equipment of heading 8514)	0.45	0.79	0.33	20	0
681182	Sheets, panels, paving, tiles and similar articles, of cellulose fibre-cement or the like, not containing asbestos (excluding corrugated sheets)	1.40	1.73	0.32	20	0
Total		**437.80**	**735.44**	**297.64**	**-**	**-**

Table 25: Change in Thailand's Exports to Pakistan Post-FTA

The key finding from the above analysis is that in case an FTA is signed which opens up the two economies to each other, for every $1 increase in Pakistan's exports to Thailand will lead to an increase of $35 in Thailand's exports to Pakistan.

SECTION V

ANALYSIS OF MAJOR THAI INDUSTRIES

Analysis of Major Thai Industries:

Thailand was the epicenter of the Asian Financial Crisis of 1997. However, Thailand's recovery from the crisis is remarkable. Today, Thailand ranks 26th with a GDP of USD 407 billion and is classified as an upper middle-income country.

Starting from the 1960s, Thailand's economic development can be divided into five significant periods. The economy enjoyed high growth rates during the '60s and '70s with the annual growth rate averaging around 7%, achieved primarily through import substitution policies, high tariff rates, and investment incentives. The oil price shocks of the '70s, led the Thai policymakers to focus on export orientation, however owing to a sluggish global economy, growth remained flat. During the third, or the pre-crisis period Thailand witnessed an export as well as an investment boom, with an average growth rate of 9.3% for the period 1987-96. The Asian Financial Crisis of 1997, led to the start of the fourth period, which witnessed the economy contracting by 7.63% from 1997 to 1998. Post- the Asian Financial Crisis, the fifth period, the Thai economy, was quick to recover from the aftermath of the crisis and was back on track from 1999.

Economic theory suggests that trade and growth bring about a change in the sectoral composition of the GDP. The following figure shows the changes in Thailand's GDP composition for the last six decades. Services have maintained their share as the most significant contributor to the GDP. The contribution of the services sector has not changed much, from 45% in 1960 to 56% in 2016. Agriculture, on the other hand, declined dramatically, from 36.4% in 1960 to a mere 8.3% in 2016. Industry on the other hand has seen its contribution to GDP grow from 18.5% in 1960 to roughly 36% in 2016. A calculation of the Compound Annual Growth Rate (CAGR) has revealed, that for the period from 1960 to 2016, the agricultural, industrial and the services sector had a CAGR of -2.6%, 1.19%, and 0.38% respectively. Figure 12 shows the sectoral contribution to the GDP over the last five decades.

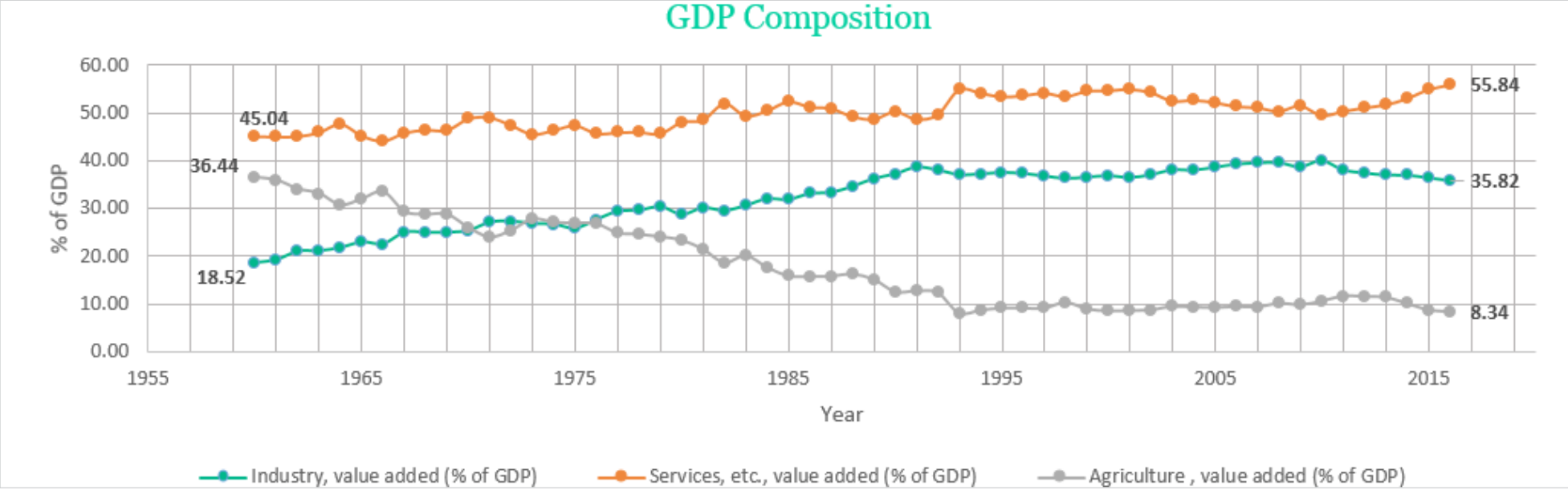

Figure 12: Thailand's GDP Composition - Time Series

Thailand's transition from an agrarian to an export-oriented economy has enabled the country to become the 2nd largest economy in ASEAN along with the 4th highest per capita income. The transition, however, was the outcome of a stable and coordinated macroeconomic policy. For example, during the '60s and 70s the Thai government introduced protection of capital manufacturers thereby incentivizing investors. Another example of such a policy was that Thailand abolished the Local Content Requirement (LCR) in automobile production despite the 1997 economic crisis, which was a major incentive to existing and new-comers in the auto sector.

The policies of, the Thailand's Board of Investment (BOI) are a major pillar of Thailand's success story. Currently, The Investment Promotion Act of 1977 governs investment promotion in Thailand having been slightly amended in 1991. To promote investments, the Act offered tax concessions varying with the nature of investment. The Act offered income and corporate tax exemptions ranging from three to eight years and grants a provision for carrying forward losses and offsetting them against profits accrued after the tax holiday for up to five years. Moreover, dividends derived from a promoted activity during the tax holiday are exempt from income and corporate tax. For facilitation of industries, the BOI may grant exemptions on import duties of machinery, provided comparable machinery is not being produced locally. The BOI may also grant import duty reduction, up to 90% on the import of raw materials if it deems appropriate. To incentivize exports, the BOI granted tariff exemptions on imported raw materials and intermediate goods meant for re-export.

According to the World Banks' definition of the industrial sector, construction, electricity generation, manufacturing and mining are included in the industrial sector of a country. Much of Thailand's success can be attributed to its strong manufacturing sector, which is also the foundation of its exports. Table 26 shows the industrial sectors' contribution to the GDP, from 1970 to 2016. As mentioned earlier, the industrial sector though second in rank, has grown at a more rapid pace than the services as well as the primary sectors. The table also shows, the manufacturing output as a percentage of the GDP and the manufacturing output as a percentage of the industrial output. As evident from the table, manufacturing accounts for a major proportion of the industrial sector as a whole. For more than the last four decades, manufacturing has accounted for around 73.4% of the industrial output on average.

Year	Manufacturing Contribution to GDP	Industry Contribution to GDP	GDP Current Prices USD Billions	Manufacturing as % of Industrial Output
1970	15.90%	25.31%	7.087	62.83%
1975	18.70%	25.78%	14.883	72.53%
1980	21.50%	28.68%	32.353	74.97%
1985	21.90%	31.84%	38.901	68.78%
1990	27.20%	37.22%	85.343	73.07%
1995	26.50%	37.53%	169.279	70.62%
2000	28.60%	36.84%	126.392	77.63%
2005	29.80%	38.63%	189.318	77.14%
2010	31.10%	40.01%	341.105	77.73%
2015	27.60%	36.39%	399.235	75.85%
2016	27.40%	35.82%	407.026	76.49%

Table 26: Snapshot of the Industrial and Manufacturing Sectors

Thailand emerged as a manufacturer of high-tech products, with the share of high-tech manufacturing exports rising from 58% in 1993 to 78% in 2004. Though, remarkable in progress, the Thai manufacturing sector grew as an assembler rather than an innovator, since most MNCs were reluctant to share their technology with the local industrialists. With the development of the industry, the skill set and the education standard required was upgraded. Thus, the spill-over effects led to overall development. Among the manufacturing industry, the automotive and auto-parts sector, electrical parts and apparatus, and the chemical industry are the leading export sectors.

Thai Automotive Industry:

The Thai automotive industry owes its success to policy-induced incentives. Policies such as high protection against the import of CBU vehicles attracted Multinational Enterprises (MNEs) whereas laws about Local Content Requirements (LCR) developed linkages with the domestic industry. As a result, Thailand is one of the few developing countries to reach a stage where CBU vehicles became a significant export comprising mostly of locally manufactured parts & components.

The Thai automotive industry was booming before the Asian Financial Crisis of 1997, by 1998 production volume had dropped to 144,243 units from almost 600,000 units in 1996. By 2002, the production volume of assembled vehicles reached almost 600,000 units, nearly the same as during the peak period. From 2002 to 2008, production increased steadily. The 2009-10 period, however, saw the industry take a hit from the subprime crisis with production falling by 28% to 999,378 units. 2011, proved to be a turbulent period for the country, the tsunami in Japan and the Great Flood in Thailand caused a severe shortage of auto parts leading to a dramatic fall in the output. The next couple of years were indeed the golden years of the auto industry in Thailand. The government's 1st car scheme [2] and the pent-up demand owing to the 2011 floods led to a record output of 2.46 million units in 2013, this scheme led to increased levels of household debt and a dramatic drop in the sales once the policy was abolished. From 2014 to 2016, output nearly remained constant and was recorded at 1.94 million units for 2016.

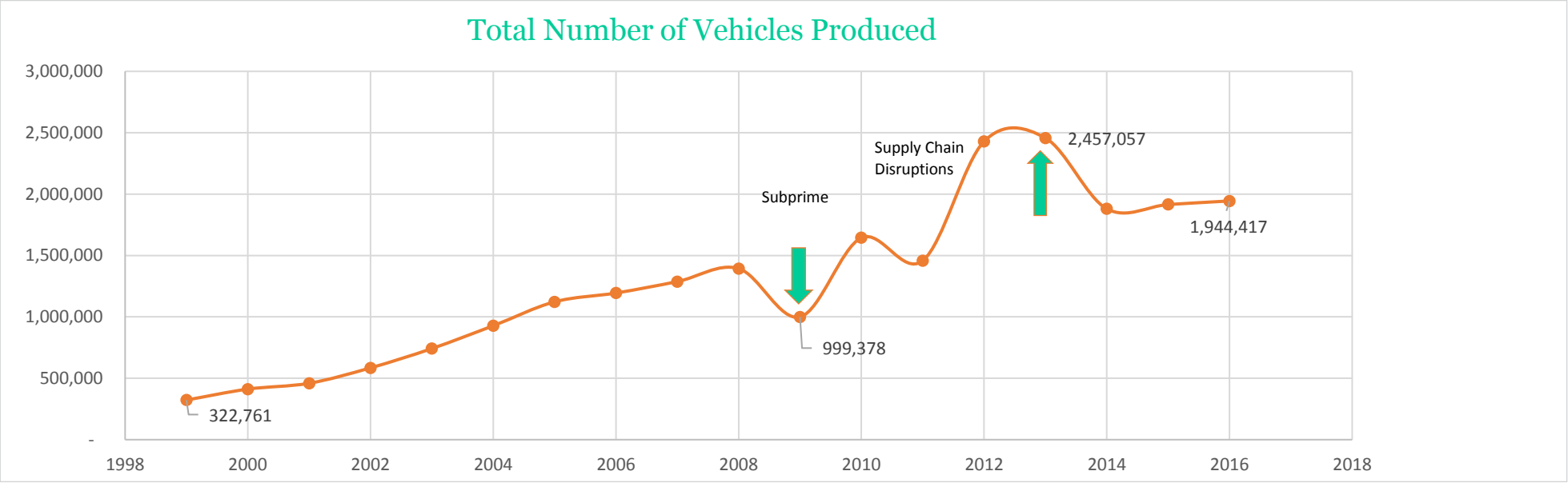

Figure 13: Number of Vehicles produced

Total= Cars + Commercial Vehicles

2 1st Car Scheme: Under the scheme, especially low-income earners have been encouraged to buy or reserve a car and benefit from tax bonuses. The populist scheme was originally meant as both an incentive for people to switch from motorbikes to cars and as a measure to boost car sales in Thailand.

In general, Multi-National Enterprises (MNEs) can involve themselves into host countries via two channels; FDI and non-FDI channels (technology, outsourcing, licensing etc.). Success and competitiveness in the automotive sector relies on cutting-edge technology developed through extensive research. Since such technology is proprietary, MNEs prefer FDI channels over non-FDI channels. The following table shows total FDI inflows along with a selected breakup from 2005 to 2016. From 2005 to 2016, manufacturing of motor vehicles, trailers and semi-trailers accounted for an average of 14% of the total inflows into the manufacturing sector.

Foreign Direct Investment			
All Values in USD Millions			
Year	**Manufacturing of Motor Vehicles, Trailers and Semi-trailers**	**Manufacturing Total**	**Total Inflows**
2005	1,322.5	8,034.8	23,373.9
2006	2,204.3	11,096.7	31,286.0
2007	2,867.6	14,943.8	36,412.7
2008	2,027.3	12,736.9	28,083.5
2009	1,402.8	21,816.4	44,271.1
2010	2,266.4	11,587.3	28,188.4
2011	1,801.8	11,624.3	53,651.1
2012	1,761.7	16,965.9	70,322.6
2013	2,723.0	15,113.9	91,568.3
2014	628.5	7,715.9	69,858.7
2015	918.5	9,372.7	55,435.3
2016	1,203.2	8,419.5	57,435.2

Table 27: Foreign Direct Investment in the Automobile Sector

Japanese auto corporations such as Toyota, Nissan, Suzuki, and Honda not only dominate the Thai market in numbers but were also the first to establish operations. The concentration of Japanese firms is also evident from the FDI country-wise breakup shown in the table below. The United States ranked second regarding investment till 2013, when it was outranked by Sweden. Other than the companies mentioned above the following multinationals and domestic auto producers also operate in Thailand:

- BMW
- Daihatsu
- Daimler Chrysler
- Ford
- General Motors
- Isuzu
- Mazda
- Mercedes-Benz
- MG
- Mitsubishi
- Tata
- Thai Rung
- Vera
- Volkswagen
- Volvo
- Yontrakit Motors

Top 5 Foreign Investors - Manufacture of motor vehicles, trailers and semi-trailers												
All Values in USD Millions												
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Japan	991.3	1,435.1	2,347.7	1,654.0	855.7	1,627.7	1,219.5	1,334.8	1,459.0	453.2	317.9	682.3
Sweden	9.1	7.1	10.0	47.4	4.0	2.9	2.1	17.5	278.8	262.0	388.6	299.7
United States	141.8	298.7	102.3	109.7	127.6	299.6	252.2	158.4	442.7	68.0	162.0	127.9
China	-	1.1	0.1	-	1.1	0.1	0.0	0.0	0.0	-	(0.0)	85.6
Netherlands	-	4.6	86.6	34.7	45.5	29.8	4.9	18.6	31.2	5.8	1.3	35.9
World	1,322.5	2,204.3	2,867.6	2,027.3	1,402.8	2,266.4	1,801.8	1,761.7	2,723.0	628.5	918.5	1,203.2

Table 28: Top 5 origins of FDI in Thailand

Regarding the product composition, Thailand is the hub for the production of one-ton pickups. Starting from 2005, when the pickup class accounted for around 73% of the total vehicles produced, the share in 2016 fell to 56% primarily due to an increase in the production of passenger cars. Major manufacturers such as Toyota, Mitsubishi, Isuzu, GM, Ford and Nissan use the country as a manufacturing hub for the export of one-ton pickups. Passenger cars rank second regarding production and accounted for 41.40% of the total output in 2016.

Number and Type of Vehicles Produced – Units												
Type	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Passenger Car	277,603	298,819	329,223	399,435	313,442	554,267	537,987	964,344	1,066,647	742,748	763,812	805,033
Commercial Car (excluding one-ton pick-up)	24,846	22,592	23,556	17,791	15,202	24,278	20,611	43,816	55,440	23,695	32,886	36,568
One ton pick up	822,867	872,474	948,370	974,502	670,734	1,066,759	899,200	1,452,254	1,332,913	1,114,778	1,115,818	1,102,816
Total	**1,125,316**	**1,193,885**	**1,301,149**	**1,391,728**	**999,378**	**1,645,304**	**1,457,798**	**2,460,414**	**2,455,000**	**1,881,221**	**1,912,516**	**1,944,417**

Table 29: Types of vehicles produced (Units)

Percentage and Type of Vehicles Produced – Percentages												
Type	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Passenger Car	24.67	25.03	25.30	28.70	31.36	33.69	36.90	39.19	43.45	39.48	39.94	41.40
Commercial Car (excluding one-ton pick-up)	2.21	1.89	1.81	1.28	1.52	1.48	1.41	1.78	2.26	1.26	1.72	1.88
One ton pick up	73.12	73.08	72.89	70.02	67.12	64.84	61.68	59.02	54.29	59.26	58.34	56.72
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Table 30: Types of vehicles produced (Percentage)

The sales pattern of the Thai auto industry is consistent with its production numbers. The one-ton pickup has been the highest selling item in the domestic industry for more than a decade. In 2016, the pick-up category registered a sale of 0.399 million units (-0.65%) owing to depressed farm prices hence curtailing demand from main customer base. Still, sales outpaced those of passenger cars, and Thailand is regarded as the 2nd largest market of the pick-up trucks after the USA. Although passenger cars depicted a fall in sales, from 0.35 million units' in 2015 to 0.33 million in 2016 (-7.95%), the sector appears to be on track to over-take the pick-up market in the coming years. The most noticeable hike in sales of passenger cars was recorded during the 2011-12 period, 83%, owing to the first car scheme and floods in the previous year. The overall increase in the market share can, however, be attributed to the introduction of eco-cars and the growth of the luxury car market in Thailand and abroad.

Motor Vehicle Domestic Sales of Thailand												
Type	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Passenger Car	182,805	195,458	182,767	238,990	238,773	362,561	377,621	692,771	656,412	411,413	356,113	327,793
Commercial Car (excluding one-ton pick up)	50,219	36,226	40,567	33,923	31,963	45,192	46,336	66,027	69,319	43,842	41,851	41,928
One ton pick up	470,237	450,479	407,917	341,165	278,135	378,343	372,123	675,822	597,524	426,628	401,672	399,067
Total	**703,261**	**682,163**	**631,251**	**614,078**	**548,871**	**786,096**	**796,080**	**1,434,620**	**1,323,255**	**881,883**	**7,99,636**	**768,788**

Table 31: Types of vehicles sold (Units)

The Thai auto industry has been one of the most significant sources of forex earnings for more than a decade. The transition from self-sufficiency to becoming a net exporter of vehicles has undoubtedly borne fruit for Thailand. The top automobile corporations such as Toyota, Nissan, Ford and General Motors use the country as a manufacturing base for their exports around the globe. This, in turn, has led to industrial development at a remarkable pace with several other leading brands setting-up operations in the country. The influx of auto-makers has also led to the development of ancillary firms to complement the growing sector.

The table below shows the leading destinations of the Thai vehicular exports in the last decade. Since this section primarily discusses automobiles, we have singled out exports of HS-8703[3] and HS-8704[4] as these heading cover most of the vehicles designed for personal and commercial uses. Moreover, in 2016 exports of the aforementioned sub-headings combined, accounted for 66% of total exports of HS-87[5].

3 Product: 8703 Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars.
4 Product: 8704 Motor vehicles for the transport of goods, incl. chassis with engine and cab.
5 Product: 87 Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.

Australia, for long has been the most popular destination for Thailand's vehicular exports. At the two-digit level, Australia accounted for 21.7% of the total exports of HS-87. The strong trade ties with Australia are a result of the Thailand-Australia Free Trade Agreement(TAFTA), allowing Thailand duty-free access. Philippines occupies the 2nd position followed by Saudi Arabia and Indonesia. A significant chunk of Thailand's vehicular exports end up in ASEAN member states, 30% as of 2016. The rows highlighted in the table below show exports of HS-8703 and HS-8704 to ASEAN member states.

Exports of Motor Vehicles and Parts(HS-8703 and HS-8704)										
All Values in USD Millions										
Destination	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
World	8,151.58	10,679.78	7,629.56	12,871.62	11,625.41	16,200.21	17,215.77	16,871.75	17,547.79	18,093.30
Australia	2,100.18	2,488.18	2,002.49	3,019.59	2,352.91	3,449.70	4,140.60	3,684.42	4,346.97	4,911.14
Philippines	398.19	501.73	522.32	832.42	576.78	808.67	996.81	1,289.31	1,764.64	2,031.67
Saudi Arabia	616.40	770.35	853.25	1,046.66	790.45	1,180.26	1,418.73	1,527.67	1,394.02	1,057.01
Indonesia	531.43	888.48	519.39	1,186.81	1,287.38	1,992.13	1,379.78	1,003.66	723.08	806.32
New Zealand	143.23	198.79	107.58	211.32	182.01	341.72	461.95	507.46	646.68	756.94
Mexico	1.70	23.24	34.14	47.68	88.04	247.47	242.94	301.31	554.09	626.37
Viet Nam	0.28	3.94	52.08	44.45	84.54	72.36	139.07	224.05	394.22	545.25
United Arab Emirates	233.89	274.04	169.12	275.82	365.45	586.36	707.12	697.44	586.64	510.43
United Kingdom	220.79	278.44	60.84	208.50	192.72	241.39	156.90	280.98	458.82	446.72
Malaysia	244.00	421.73	367.00	653.73	582.71	834.72	634.64	680.26	539.30	440.68

Table 32: Export destinations of selected Automobiles and Auto-parts

Table 33 shows Thailand's exports of Completely Built-up Units (CBU) at the six-digit level. To analyze the nature of exports, all vehicular exports meant for personal and recreational use have been grouped according to the engine capacity, disregarding fuel type. Automobile exports from Thailand have been growing for the past five years, with export revenue of USD 11.615 billion being recorded in 2016, the highest to date. However, as the table shows, the '' Motor Vehicles with engine capacity > 1.50 cm3 but <= 3.00cm3 '' constitute a more significant share to the overall export of CBUs. The higher proportion, can be partly explained by the growing export market of luxury cars and partly because of the recent models launched by Suzuki and Mazda, to name a few.

Exports of Vehicles (CBU) Engine Capacity-wise						
All Values in USD Millions						
HS-Code	**Product Description**	**2012**	**2013**	**2014**	**2015**	**2016**
870322[6]	Motor Vehicles with engine capacity <= 1.500 cm3	2,283.36	2,572.39	3,221.92	3,516.05	3,440.37
870321[7]						
870331[8]						
870323[9]	Motor Vehicles with engine capacity > 1.50 cm3 but <= 3.00cm3	3,386.12	4,043.66	3,291.06	5,861.58	8,174.77
870332[10]						
870333[11]						
870324[12]						
Total	**CBUs included under HS-870321/22/23/24/31/32/33**	**5,669.49**	**6,616.05**	**6,512.99**	**9,377.63**	**11,615.14**

Table 33: Exports of vehicles (Engine Capaciy-wise)

Data extracted from the Thai Automotive Institute shows that for the period January 2017 to November 2017, around 43% of total vehicular production ended in the domestic market with the rest being exported. The figures 14 and 15 show the break-up of sales along with the contribution of individual exporters to the total vehicular exports. Toyota Thailand, and Mitsubishi are the leading exporters followed by Isuzu and Ford. Table 34 shows the number of CBUs exported by leading manufacturers from January-17 to November-17. The dominance of Japanese brands is also visible in the domestic market. Although a large number of brands are available in the country, the top ten brands mentioned in the table below accounted for 94% of the total cars sold in 2017.

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6 Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1.000 cm^3 but <= 1.500 cm^3 (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)

7 Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity <= 1.000 cm^3 (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)

8 Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of a cylinder capacity <= 1.500 cm^3 (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)

9 Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1.500 cm^3 but <= 3.000 cm^3 (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)

10 Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of a cylinder capacity > 1.500 cm^3 but <= 2.500 cm^3 (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)

11 Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of a cylinder capacity > 2.500 cm^3 (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)

12 Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 3.000 cm^3 (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)

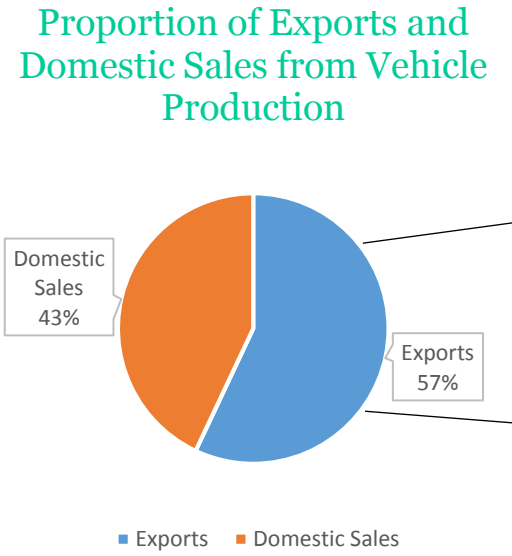

Figure 14: Domestic sales and exports of vehicles

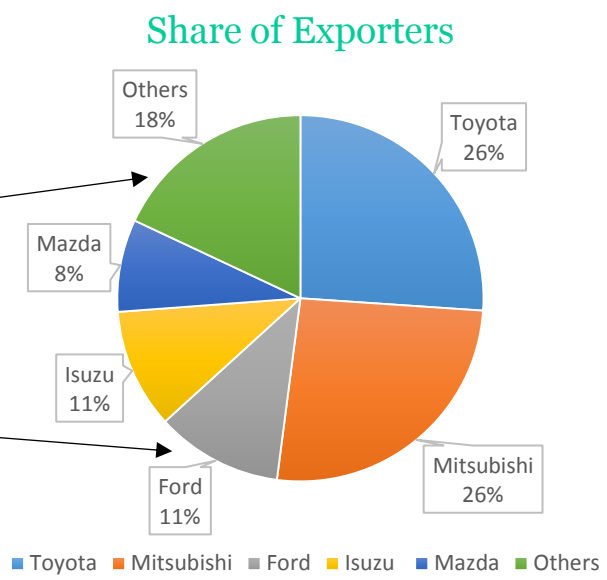

Figure 15: Share of individual exporters (percentage)

Top 5 Vehicle Exporters 2017 (Jan-Nov)	
Manufacturer	**Units**
Toyota	271,494
Mitsubishi	271,492
Isuzu	114,864
Ford	114,861
Mazda	83,536
Others	187,957
Total	**1,044,204**

Table 34: Top 5 vehicle exporters of Thailand (units)

The year 2017, ended with domestic sales of 871,641 units, showing a growth of 13% over the previous year compared to a fall of 4% for the 2016-15 period. Projections by Krungsri Research show that further growth can be expected in 2018. Reasons for this optimism include; firstly, people who had bought vehicles under the First Car Scheme will now be able to sell their cars. Secondly, the economy is on a recovery track. Lastly, the export market will benefit from the Asian Economic Corridor and the eco-car export plan as a privileged BOI program. The growth in automobile exports is forecasted to be around 10-12% during 2018.

Top 10 Domestic Selling Brands (Units)			
Brand	**2015**	**2016**	**2017**
Toyota	265,171	244,317	239,551
Isuzu	144,295	143,170	160,550
Honda	112,178	107,342	127,768
Mitsubishi	59,820	55,409	69,737
Nissan	51,193	42,677	59,709
Ford	36,465	40,972	56,156
Mazda	39,471	42,537	51,355
Suzuki	21,285	22,913	25,011
Chevrolet	17,456	14,931	18,771
Benz	12,841	11,844	14,324

Table 35: Top 10 domestic selling brands

Comparison of the Pakistan – Thai Auto-Markets:

If Thai auto manufacturers are given preferential tariff access to Pakistan's auto market, it could well spell doom for Pakistan's auto industry. Although Thailand is an upper-middle income country, its auto industry no less than its counterparts in developed countries such as the USA and Germany among others. The Thai industry is especially competitive when it comes to the assembly of models where volumes are not large enough to allow employing industrial robots to increase productivity. According to the World Bank classification of countries on the basis of GDP per capita, Pakistan ranks as a lower-middle income country whereas Thailand falls in the upper-middle income country. The ability to own a vehicle is highly correlated to the income of the individual for which GDP per capita can be used as a proxy to determine vehicle demand. Another indicator, more relevant to our needs, is the motorization rate[13].

To compare the current situation of Pakistan and Thailand with countries having similar income levels, a sample of five countries from each income bracket[14], is shown below. As of 2016, Pakistan ranked second-last in terms of GDP per capita at USD 1,443.63 when compared to Bangladesh, India, Indonesia and Sri Lanka, the other countries in its Group. Thailand with a GDP per capita of USD 5,910.62 ranked last in its group which comprised of Brazil, China, Malaysia & Turkey in addition to Thailand.

13 Motorization Rate: The number of passenger cars per 1000 inhabitants.

14 Lower-Middle Income: USD 1,040 – USD 3,920 (based on data extracted from World Bank Data bank)
Upper-Middle Income: USD 4,060 – USD 12,140 (based on data extracted from World Bank Data bank)
High-Income: USD 12,330 – USD 82,440 (based on data extracted from World Bank Data bank)

Lower Middle Income Countries GDP per capita (USD)												
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Bangladesh	484.16	494.05	541.07	615.78	681.12	757.67	835.79	856.34	951.89	1,084.57	1,210.16	1,358.78
India	707.01	792.03	1,018.17	991.48	1,090.32	1,345.77	1,461.67	1,446.99	1,452.20	1,573.12	1,596.47	1,709.59
Indonesia	1,342.54	1,688.87	1,975.17	2,300.37	2,400.37	3,113.48	3,634.28	3,687.95	3,620.66	3,491.60	3,336.11	3,570.29
Pakistan	711.47	873.77	950.43	1,039.31	1,006.60	1,040.14	1,226.22	1,261.21	1,272.44	1,316.98	1,428.64	1,443.63
Sri Lanka	1,259.81	1,448.76	1,644.82	2,054.49	2,106.68	2,819.51	3,220.99	3,350.52	3,610.29	3,820.54	3,844.89	3,835.39

Table 36: GDP per capita of selected Lower Middle Income countries

Upper Middle Income Countries GDP per capita (USD)												
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Brazil	4,770.18	5,860.15	7,313.56	8,787.61	8,553.38	11,224.15	13,167.47	12,291.47	12,216.90	12,026.62	8,757.21	8,649.95
China	1,753.42	2,099.23	2,695.37	3,471.25	3,838.43	4,560.51	5,633.80	6,337.88	7,077.77	7,683.50	8,069.21	8,123.18
Malaysia	5,593.82	6,222.98	7,269.17	8,513.63	7,326.74	9,071.36	10,405.12	10,779.51	10,882.29	11,183.73	9,648.55	9,508.24
Thailand	2,893.65	3,368.95	3,972.21	4,378.69	4,212.05	5,075.30	5,491.16	5,859.92	6,171.26	5,941.84	5,814.86	5,910.62
Turkey	7,384.26	8,034.61	9,709.72	10,850.87	9,036.27	10,672.05	11,341.13	11,720.31	12,542.93	12,127.23	10,984.77	10,862.60

Table 37: GDP per capita of selected Upper Middle Income Countries

High Income Countries GDP per capita (USD)												
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Australia	34,016.71	36,118.28	40,991.98	49,664.69	42,743.00	51,874.08	62,245.10	67,677.63	67,792.30	62,214.61	56,554.04	49,927.82
Brunei	26,102.13	30,980.97	32,672.37	37,951.28	27,965.48	35,268.10	47,017.03	47,651.26	44,597.28	41,530.67	30,967.89	26,939.42
Germany	34,696.62	36,447.87	41,814.82	45,699.20	41,732.71	41,785.56	46,810.33	44,065.25	46,530.91	48,042.56	41,323.92	42,069.60
United Kingdom	41,732.64	44,252.32	50,134.32	46,767.59	38,262.18	38,893.02	41,412.35	41,790.78	42,724.07	46,783.47	44,305.55	40,341.41
USA	44,307.92	46,437.07	48,061.54	48,401.43	47,001.56	48,373.88	49,790.67	51,450.12	52,787.03	54,598.55	56,469.01	57,638.16

Table 38: GDP per capita of selected High Income Countries

The motorization rate of the same sample of countries is shown in Tables 39 to 41. Comparing the motorization rate of each country with its GDP per capita rank within its own group will provide a better perspective, about the existing penetration of the market and its future prospects. Pakistan's motorization rate of only 17 motors per 1,000 inhabitants which incidentally has risen from 13 cars per 1,000 in 2010 indicates the future growth potential of the market. Pakistan at 17 cars per 1,000 compares poorly with its peer countries; Indonesia 87/1,000, Sri Lanka 70/1,000 & India 22 cars per 1,000 inhabitants. Thailand although, 5th in terms of GDP per capita is ranked 2nd in terms of motorization, with almost 226 passenger cars per 1000 inhabitants in its own Group.

Thailand's position could possibly be a result of; cheaper cars, easier access to credit or/and un reliable public transport. Indicating that the domestic market for Thai manufacturers is maturing and pending the emergence of a 'disposable car' culture in the country, Thai auto assemblers will have to increasingly rely on export markets to remain profitable.

Lower Middle Income Countries Motorization Rates per 1000 inhabitants											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Bangladesh	2.94	2.94	2.94	2.93	3.00	3.26	3.44	3.57	3.73	3.94	3.85
India	9.03	9.91	11.09	12.16	13.32	14.58	16.13	17.91	19.42	20.49	22.05
Indonesia	39.97	46.92	55.14	59.29	60.87	65.27	68.22	72.29	76.92	83.22	87.20
Pakistan	11.45	11.73	12.03	12.49	12.99	13.27	13.97	15.14	15.93	16.28	17.00
Sri Lanka	46.43	46.35	46.78	46.77	47.21	49.28	54.33	58.03	60.50	63.25	70.10

Table 39: Motorization rates of selected Lower Middle Income Countries

Upper Middle Income Countries Motorization Rates per 1000 inhabitants											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brazil	123.26	127.42	134.24	142.55	152.22	163.17	174.69	186.13	196.49	204.63	207.53
China	24.24	28.20	33.07	38.50	47.18	58.32	69.61	80.86	93.34	107.00	118.76
Malaysia	288.96	302.96	316.89	333.09	347.93	364.72	380.65	396.72	397.53	416.48	433.18
Thailand	145.80	133.77	138.89	144.95	150.79	157.72	170.77	187.92	205.53	216.68	225.62
Turkey	124.10	132.05	138.70	144.68	148.74	155.76	164.31	172.01	180.12	186.59	196.25

Table 40: Motorization rates of selected Upper Middle Income Countries

High Income Countries Motorization Rates per 1000 Inhabitants											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Australia	667.43	675.38	687.55	693.16	693.81	699.05	679.95	705.39	710.98	718.36	723.04
Brunei	238.25	243.08	258.76	279.50	424.20	285.15	365.97	585.05	632.81	700.42	720.64
Germany	596.86	603.84	535.10	538.06	544.93	553.48	572.83	578.64	582.98	588.37	592.84
United Kingdom	569.42	574.15	576.53	574.98	565.50	565.25	563.28	561.39	568.67	574.39	586.83
USA	804.34	819.90	825.61	821.50	811.59	802.44	798.72	800.95	799.21	809.97	823.30

Table 41: Motorization rates of selected High-Income Countries

The sheer size of the Thai auto industry, in terms of global market share, number of producers, and scale of production outranks the Pakistani industry. Figure 16 shows a comparison of production (units) between Thailand and Pakistan whereas Figure 17 shows a comparison of sales between the two countries.

As of 2016, Pakistan produced 258,000 vehicles including passenger cars. Thailand in the same period produced 1,940,000 units, roughly 8 times Pakistan's output.

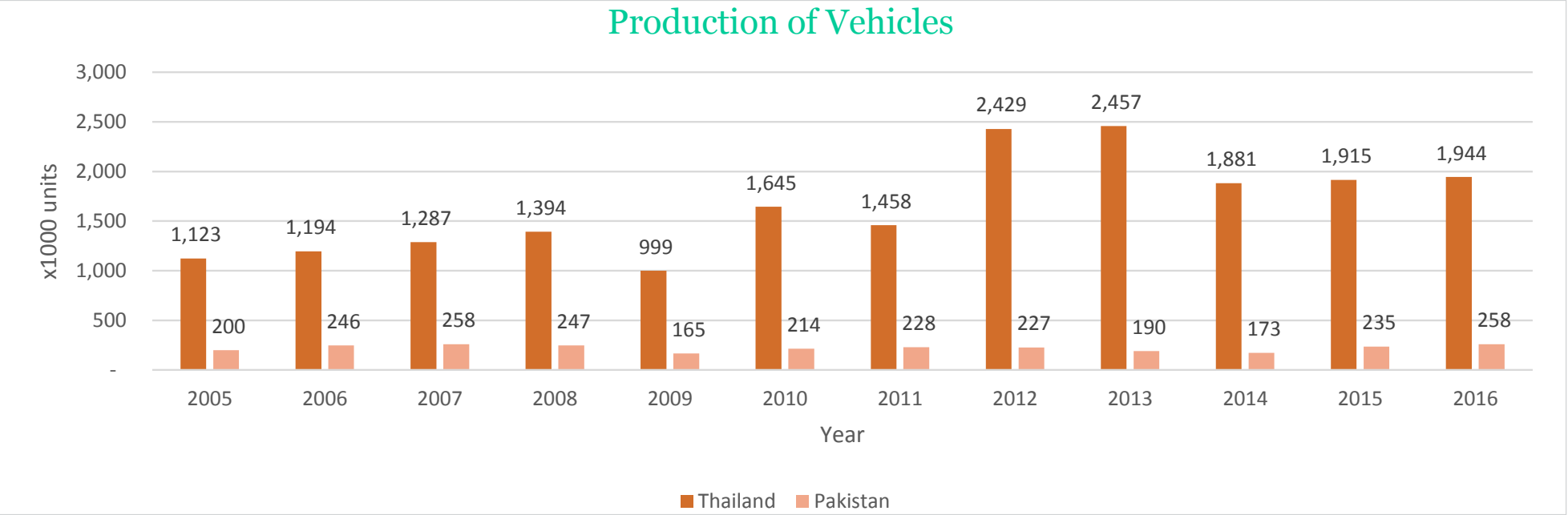

Figure 16: Comparison of number of vehicles produced in Pakistan with Thailand

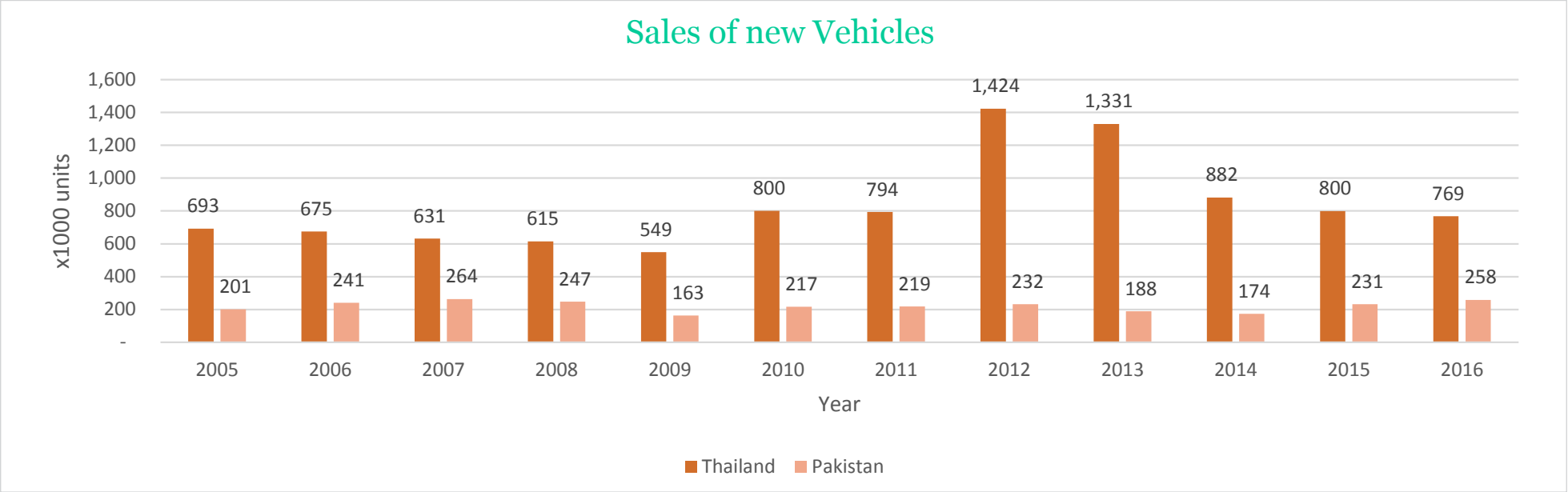

Figure 17: Comparison of number of new vehicles sold in Pakistan with Thailand

Snapshot of the Thai & Pakistan's Auto Industry			
		Thailand	**Pakistan**
Motorization Rate	**(2015)**	225/1,000	17/1,000
Major Producers of Cars	**(2016)**	10	5
Total Number of Cars Produced	**(2016)**	1,944,000	258,000
Registered Vehicles	**(2015)**	15,491,000	3,220,000
Total Number of Cars Exported	**(2016)**	1,108,080	N/A
Total Value of Exports of Cars	**(2016)**	USD 11.62 Billion	USD 1.72 Million

Table 42: Comparison of Thailand's auto industry with Pakistan

The Thai Auto parts Industry:

The success of the auto parts industry in Thailand is primarily a result of the rationalized policies pursued by the Thai authorities, the Local Content Requirement (LCR) to be precise. The LCR regulation was in effect from 1975 to 1999 and made it binding for auto manufacturers to procure parts locally. The policy explicitly stated the percentage of local components depending on the vehicle type, i.e., passenger cars and pick-ups. Figure 18 from "***Thailand Automotive Parts Industry***" by Kriengkrai Techakanont shows the LCR requirement for automakers from 1975 to 1999. In response to regulation, manufacturers expanded their in-house production of parts thus reducing reliance on imported parts. Major companies such as Siam Nissan expanded production of parts in 1974, whereas Toyota and Isuzu established, Toyota Auto body and Isuzu in 1998, respectively.

The LCR was revised in the 1980s and local sourcing of certain essential parts such as radiators, exhaust pipes, and diesel-engine parts, was made mandatory. Moreover, the localization of diesel engines, which was 20% in 1989 was set so as to increase to 70% in 1996[15]. The imposition of such stringent regulations meant that car-makers could no longer rely on just in-house production whereas the domestic market was not large enough to attract foreign part suppliers to invest locally, though some Japanese suppliers did set up their production facilities at the request of auto-makers. One option available was to cooperate with local manufacturers. It was in collaboration with the Japanese firms that the Thai government was able to; create and develop a supplier network and improve cooperation among assemblers. The suppliers, brought in by the Japanese manufacturers were located near the existing factories. Catering to multiple assemblers allowed the suppliers to achieve economies of scale which in-turn benefitted the car-makers in the form of lower cost parts.

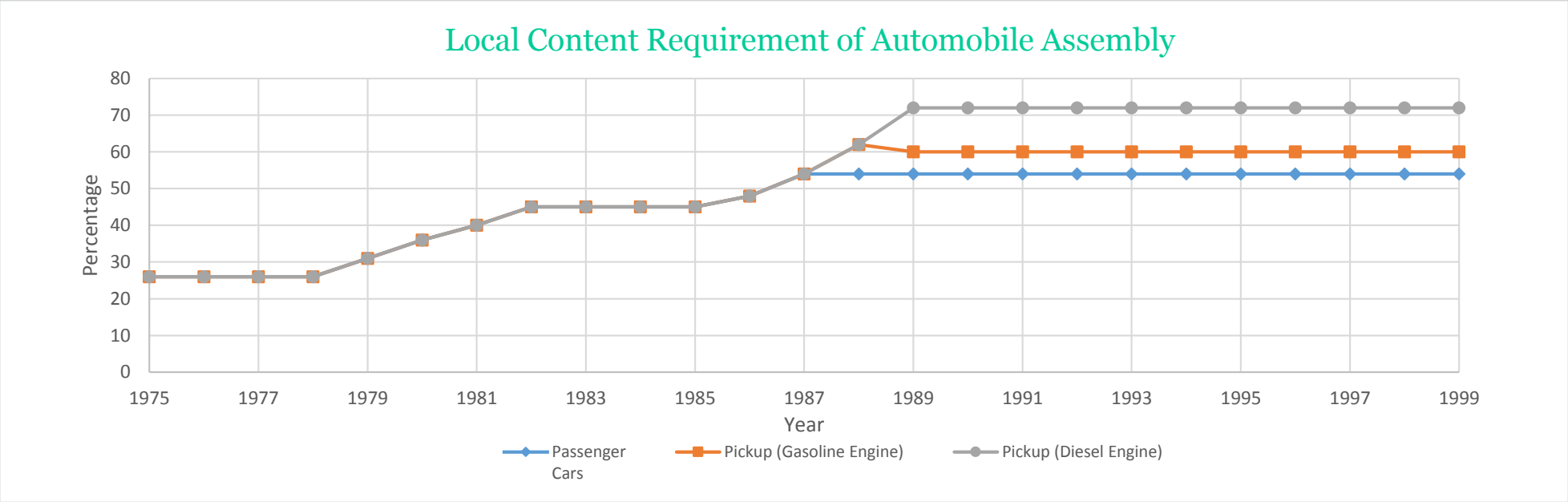

Figure 18: Local Content Requirement of Automobile Assembly in Thailand

The BOI's Engine Production Scheme is another example of collaboration between Japanese suppliers and Thai authorities. The following figure shows the collaborative group comprising of Isuzu Engine Manufacturing, Siam Toyota Manufacturing and Thai Automotive Industry. These three manufacturers setup, auto-part production facilities as BOI promoted industries, producing certain components and trading among themselves with the objective to achieve economies of scale. However, the increase in Thai auto production to cater to export markets has meant that currently even an individual manufacturer can achieve economies of scale in the components needed, thereby rendering collaborative arrangements of the past redundant.

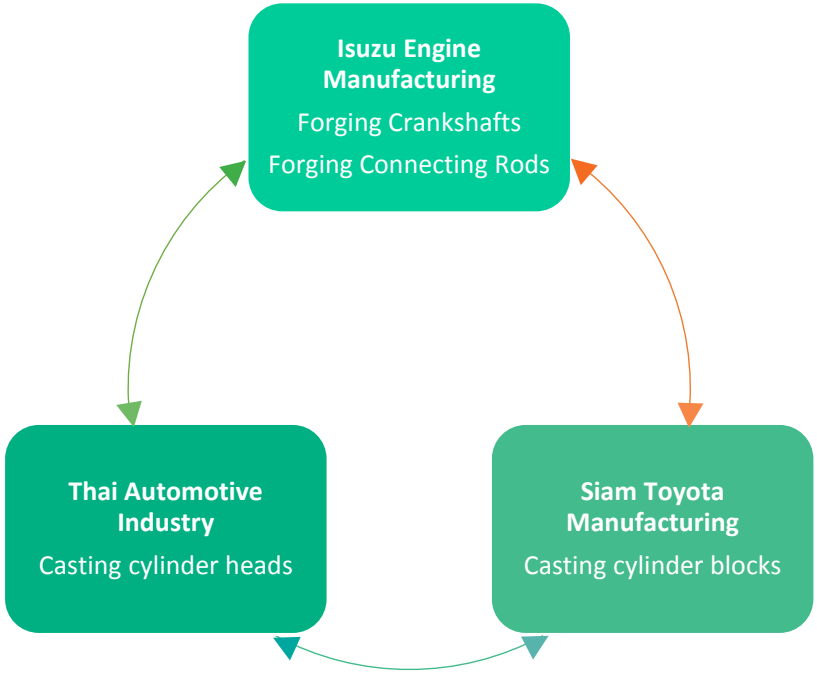

Figure 19: Link between Thai auto parts manufacturers

The Thai auto parts industry however is not as export oriented as the auto industry. The focus of manufacturers is towards exporting CBUs, as such parts manufacturers primarily serve the domestic manufacturers. Data extracted from UN Comtrade shows that in the year 2016, exports of auto-parts[16] equaled USD 6.46 billion against imports of USD 5.91 billion. Figure 20 shows Thailand's overall trade scenario for the auto parts industry from 2012 to 2016.

15 The promoted engine manufacturers had to increase local content every year from 20 percent in 1989 to 70 percent in 1998. From 1994, engine manufacturers had to use local cylinder blocks (casting), and local connecting rods (forging) and camshaft (casting) from 1996, cylinder head (casting), from 1997, and crank shaft (forging) from 1998. Main objectives of this scheme were to deepen and upgrade the Thai auto parts industry to higher levels.

16 The list of auto-parts has been adapted from Kohpaiboon (2009). The list consists of 91 items at HS- six-digit level, covering HS39, HS40, HS85, and HS87. The full list can be found in the appendix of the book.

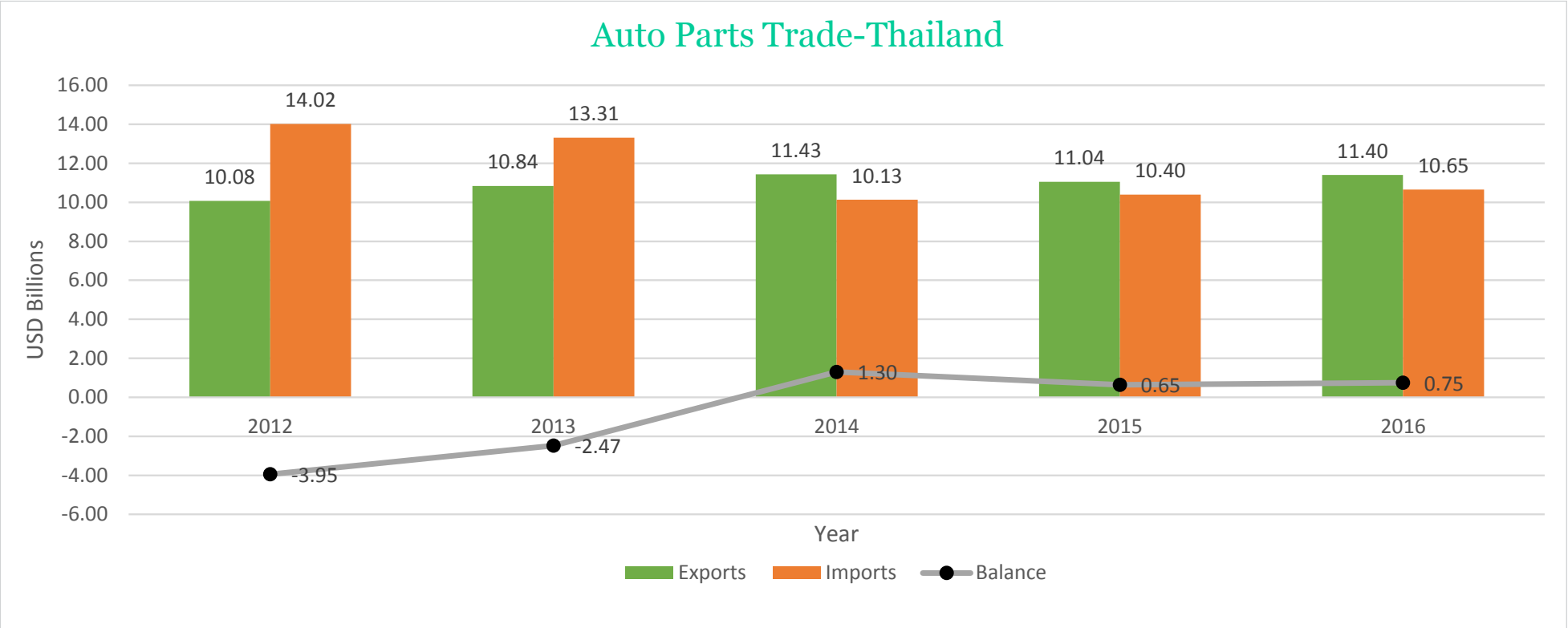

Figure 20: Thailand's trade of auto parts

Figure 21 shows the significant export destination for Thai Auto Parts. Although Pakistan's share in Thailand's total exports of auto parts is quite insignificant, the reason to include Pakistan is just to portray the sheer difference in the market size of each country.

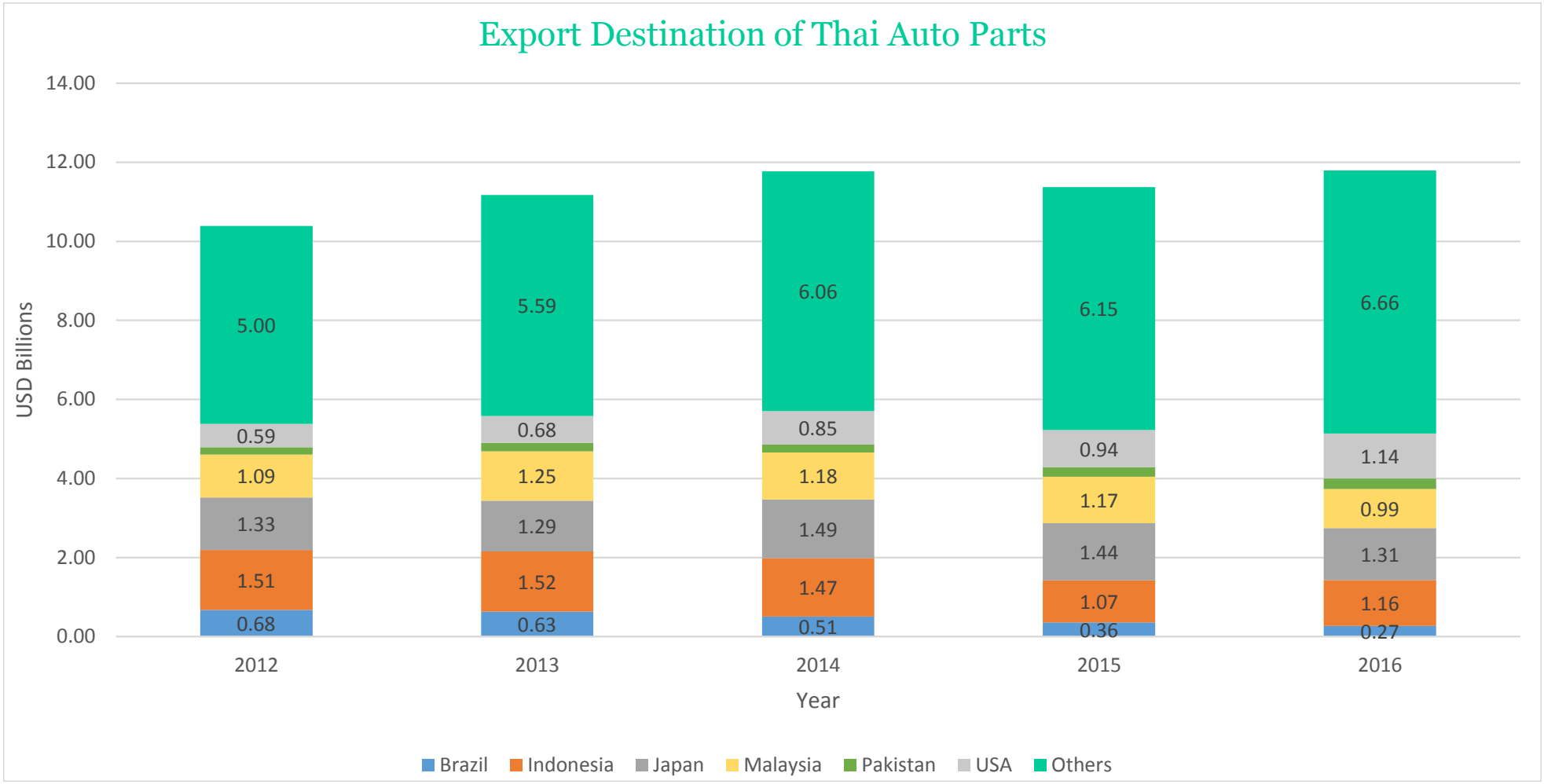

Figure 21: Leading export destinations of Thai auto parts

Figure 22 shows the leading exporting countries of auto parts to Pakistan. China ranked first, followed by Japan and Thailand. Pakistan's overall import bill for auto parts in 2016 was USD 724 million; as a comparison, Thailand exported to Malaysia alone auto parts worth USD 990 million in 2016. The contrasting size should act as an alarm for Pakistan.

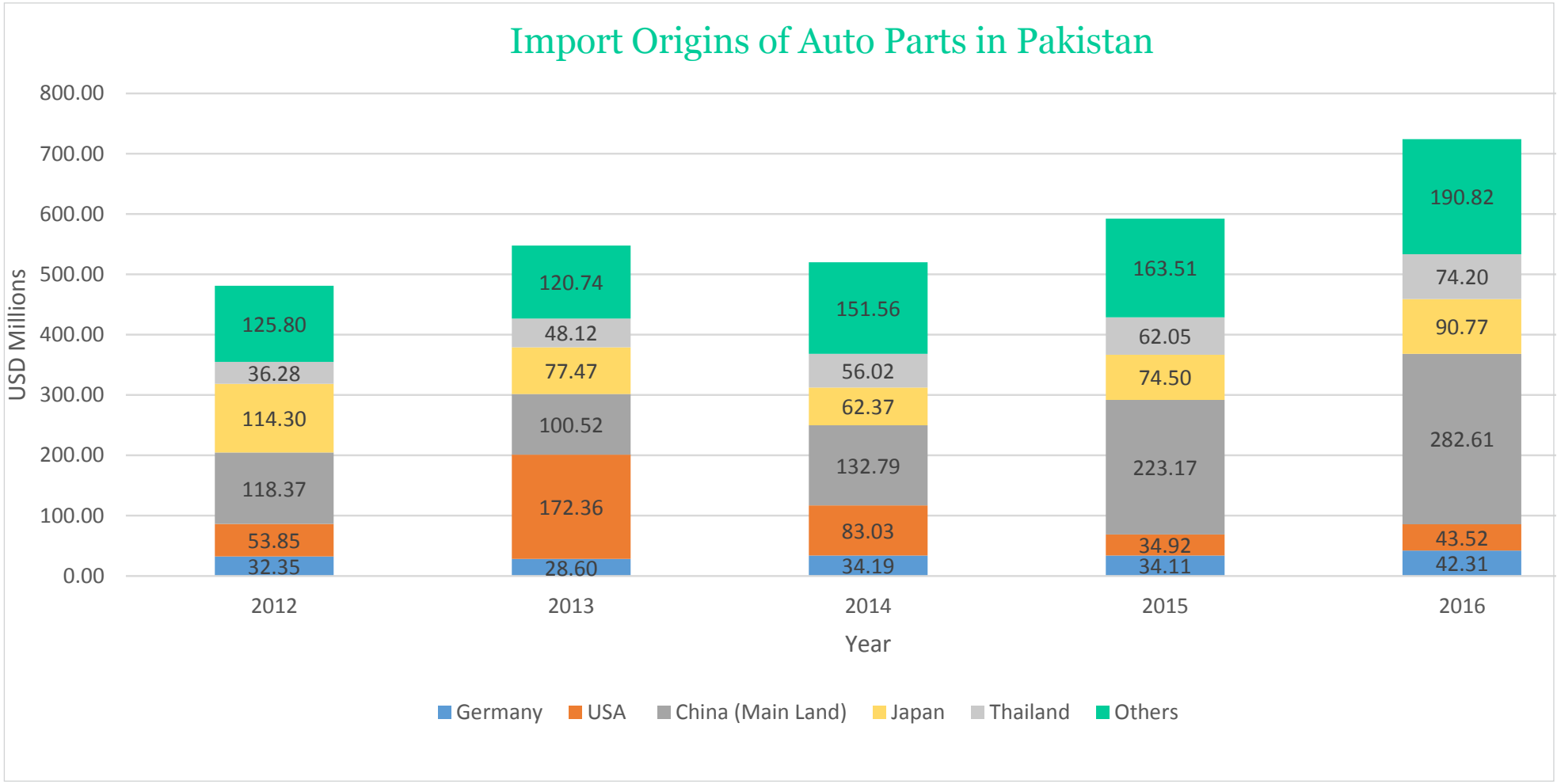

Figure 22: Leading import origins of auto parts in Pakistan

The Thai Petrochemical Industry:

The Thai petrochemical industry came into being primarily to supply plastic resins to the local industry. The early production plants in Thailand manufactured polyvinylchloride (PVC) and expanded polystyrene (EPS) to supply plastic resins domestically thereby reducing imports of the product . In the mid-1970s, the Thai government started building a naphtha-based petrochemical complex near Thai Oil refinery in Si Racha, Chonburi. The discovery of natural gas in the Gulf of Thailand during the late '70s provided new opportunities for Thailand. The Government came up with a plan to use natural gas as feedstock thus replacing naphtha. The Eastern Seaboard Development program was then conceived with Map Ta Phut being the industrial center.

The integrated approach to the development of a complete chain of petrochemical production involves basic raw material such as ethylene and propylene to produce a wide range of products. As with other countries, the Thai petrochemical industry can be broadly categorized into **four** stages; Feedstock preparation, Upstream petrochemical industry, Intermediate petrochemical industry and Downstream petrochemical industry.

- Feedstock preparation: These involve manufacturing of feedstock, obtained primarily from the petroleum industry such as ethane, propane, Liquefied Petroleum Gas (LPG), natural gasoline (NGL), and naphtha. Moreover, recently biological products are also being used as feedstock; sugar-cane, cassava, and palm for the bioplastic industry.
- Upstream: At this stage, feedstocks are further processed and the output obtained is categorized into olefins[17] and aromatics[18].
- Intermediate: At this stage, the output from the upstream plants (olefins and aromatics) are further processed. The output of the intermediate industry is not meant for the end-user but act as raw materials to be processed further.
- Downstream: Output from intermediate industries and upstream industries are processed into plastic resins, synthetic fiber, synthetic coating /adhesives and synthetic rubber to name a few. Downstream output, is then used by several other industries such as packaging, electrical appliances and auto-parts.

17 Olefins are hydrocarbon compounds with at least two carbon atoms and having a double bond. Olefins are compounds that contain one or more double bonds between carbon atoms. An olefin is a hydrocarbon which contains a carbon-carbon double bond.

18 Hydrocarbons derived from petroleum, characterized by a ring-like molecular structure and 'sweet' or aromatic odor. Benzene, tolune, and xylene are the most common aromatics, and are used as chemical feedstocks, solvents, and as additives to gasoline to raise its octane rating.

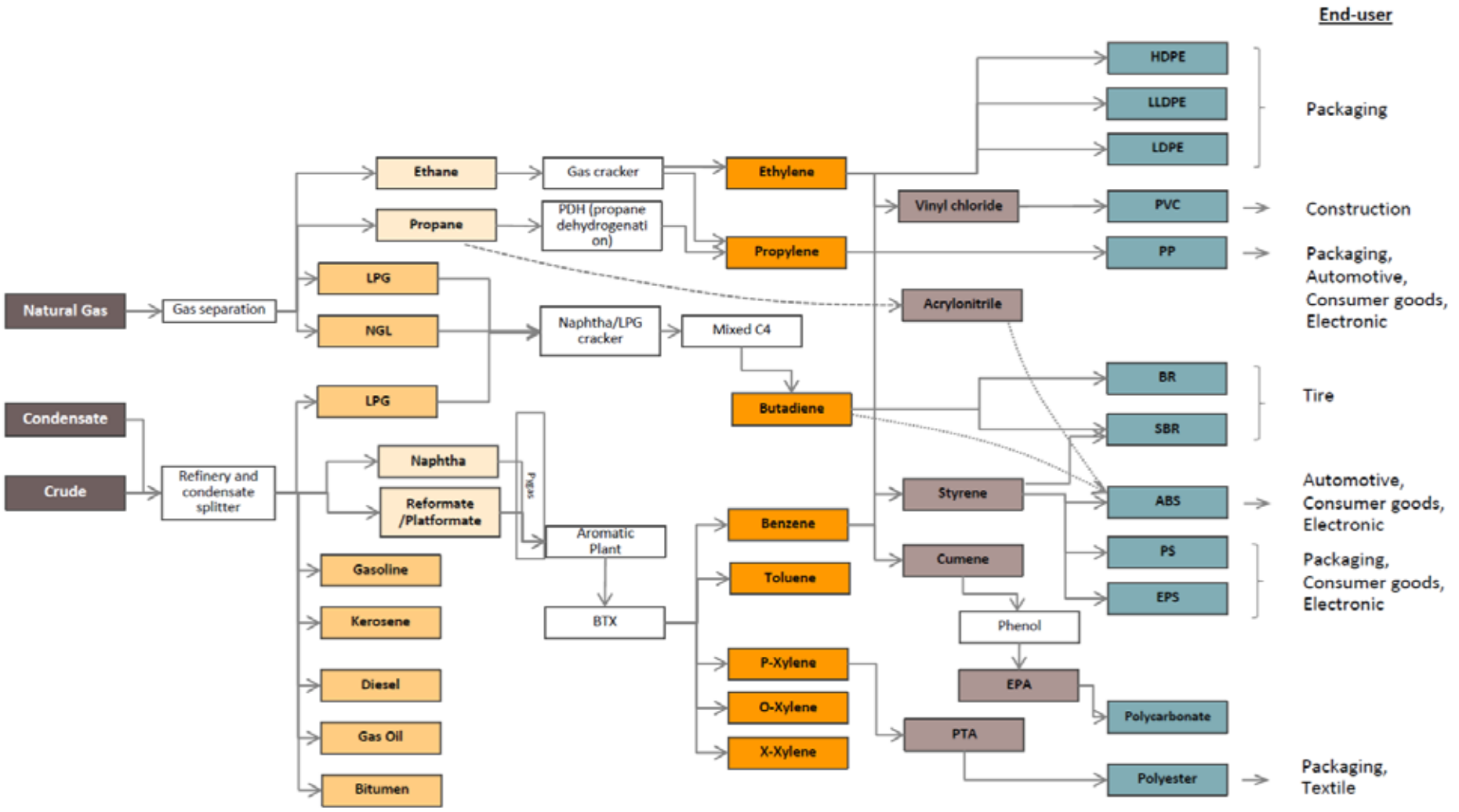

Figure 23: Petrochemical production cycle

Initially, the production of petrochemical products in Thailand was based on imported raw materials. The growing domestic demand, aided by the discovery of natural gas provided new impetus for the development of the petrochemical industry. As a new and technologically intensive industry, Thailand lacked the necessary expertize to develop the petrochemical industry. The government therefore decided to spearhead the development of upstream products in collaboration with the private sector. Downstream products, however, were left entirely in the hands of the private sector. In 1984, the National Petrochemical Corporation (NPC) was established as a joint venture between, the Petroleum Authority of Thailand (PTT), the Crown Property Bureau, Thailand's Industrial Finance Corporation (IFC) and four private enterprises with an investment of USD 360 million. To fulfill the import-substitution targets the Map Ta Phut industrial estate was fast-tracked.

Map Ta Phut, spanning over an area of 514.5km^2 is the largest industrial complex in Thailand and is ranked as the 8th largest, globally. The complex comprises of five industrial estates with a total of 189 registered factories. Among the factories at the Map Ta Phut complex, there are seventy-five chemical plants, eleven gas refineries, four oil refineries, nine steel production plants, and three plastic pellets production plants. Moreover, the complex hosts twelve industrial ports, handling and storing, crude oil, natural gas, LPG, and coal.
Thailand experienced strong economic growth during the '80s, this coupled with the policy change from import-substitution to export-orientation led the government to build a second petrochemical complex. This time, however, the private sector expressed its intention to increase its stake in the petrochemical industry. Aromatics (Thailand) Company Limited (ATC) and Thai Olefins Company Limited (TOC) were established following the development phase in 1989 and 1990 respectively.

In 2004, the Thai government developed a master-plan for the development of the petrochemical industry to be implemented over the next 15 years. The plan identified opportunities in 25 petrochemical products with a combined capacity of 10 million tons per annum. Feasibility studies of the master-plan projected an investment of USD 10 billion, spread over 15 years from 2004 to 2015 and estimated returns of USD 7 billion per annum. Over the years, Thailand has emerged as a net-exporter of downstream petrochemical products such as plastic resins and packaging materials to name a few.

According to the Thailand Industry Outlook 2017-19 by Krungsri Research, the Thai petrochemical sector had an average output of 30,000 KTA by the end of 2015, making it the 16th largest global producer. The report further states that out of this 30,000 KTA, around 12,000 KTA are upstream products, 7,200 KTA intermediate products, and approximately 10,500 KTA are downstream products. Figure 24 shows the production breakup from 2008 to 2015. Nearly, 80% of the output from upstream and intermediate industry is consumed by the downstream sector in Thailand. Furthermore, almost 45% of the downstream output is consumed domestically owing to the presence of a wide array of industries in the country. 38% of the total downstream production is consumed by the packaging industry, 18% by textile, 12% by automakers, 11% by electronics manufacturers, 21% by various other industries whereas the rest is exported.

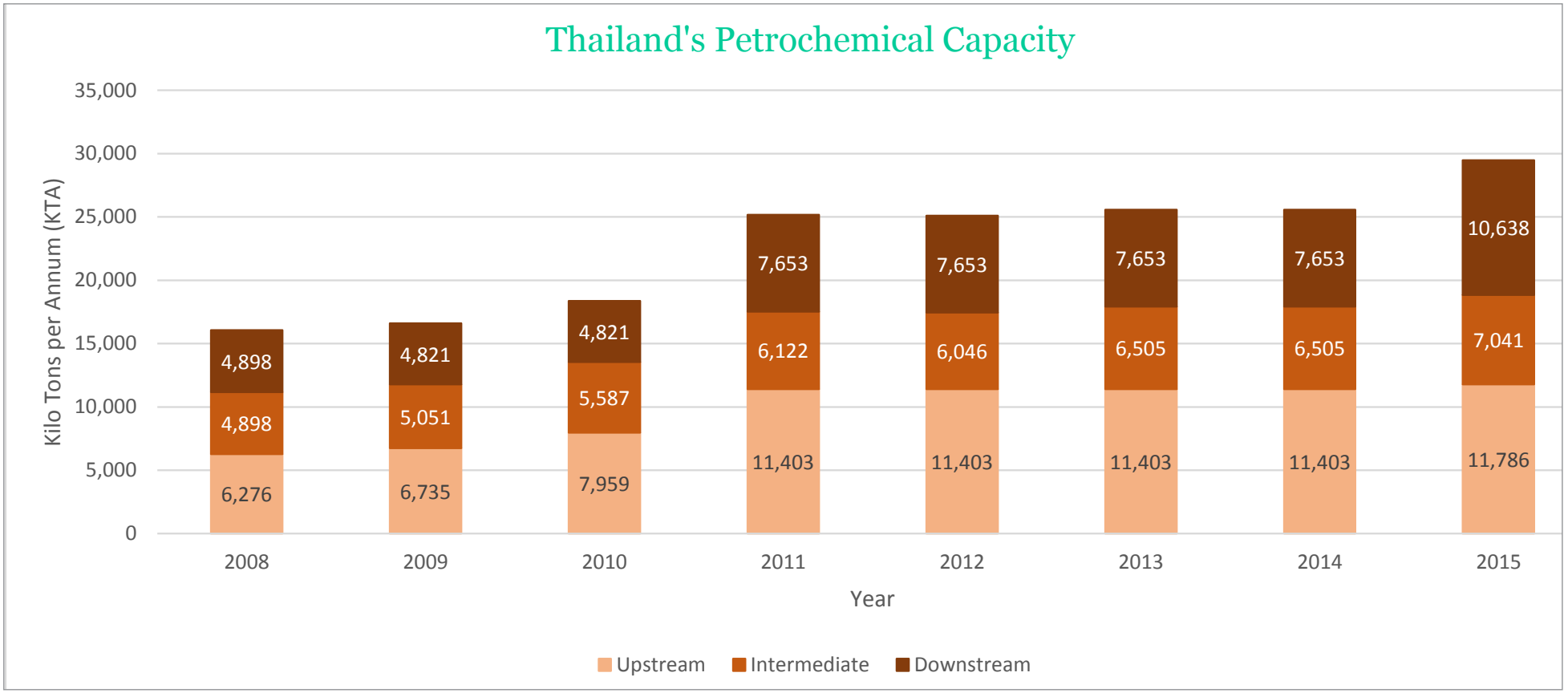

Figure 24: Petrochemical Production Capacity

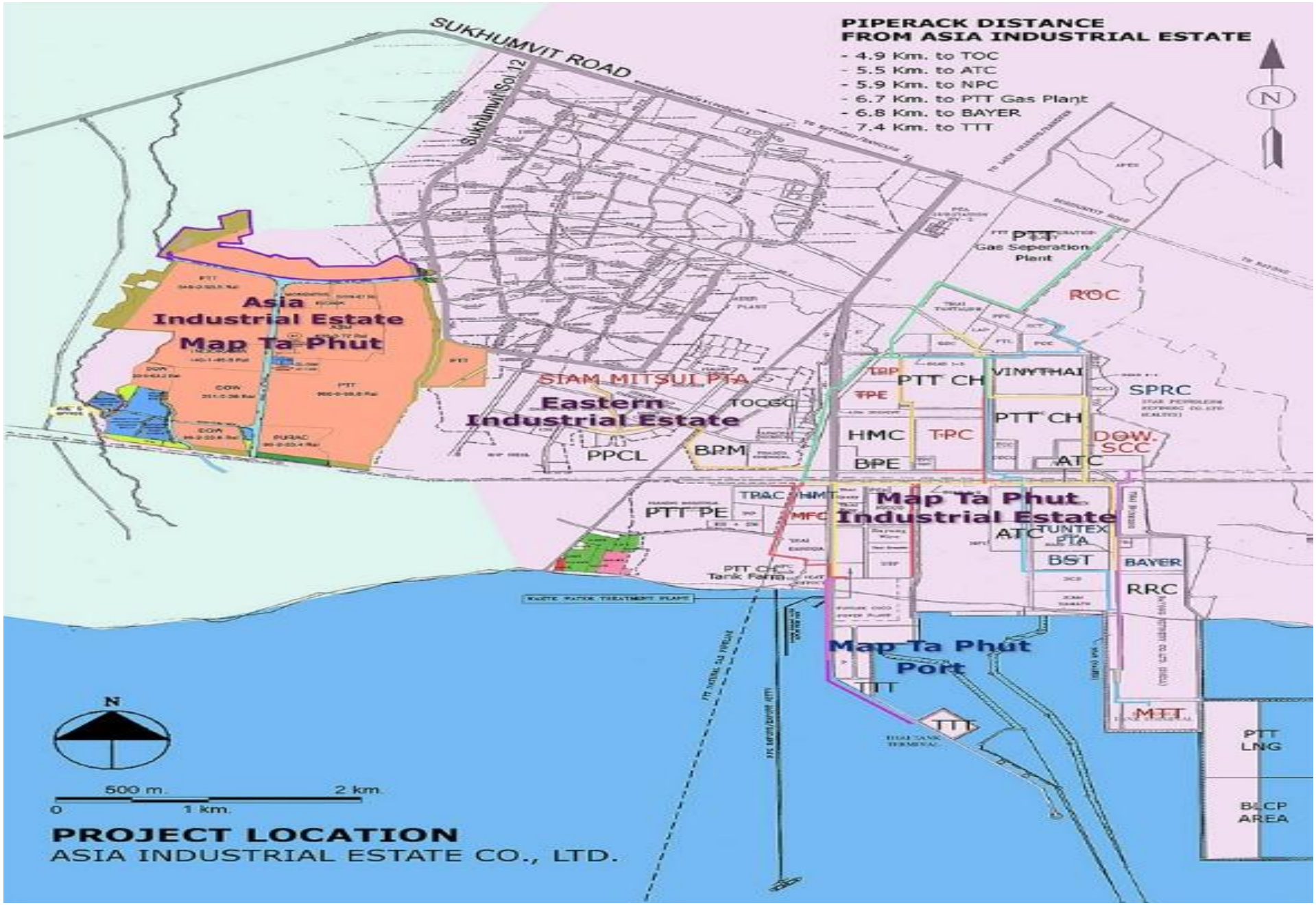

Figure 25: Map Ta Phut Industrial Estate

Data collected by Krungsri Research projects that, in volume terms, the Thai petrochemical industry will be growing in the next three years. Historical data shows that exports have outpaced domestic consumption for the past five years, forecasted data for the period 2017-19 however, shows domestic demand reducing exportable surpluses. The trend of the petrochemical industry is in line with the overall economic growth of the country. Moreover, the petrochemical industry is highly inter-linked globally, and the cost-price structure is determined on a global level. The expansion of production capacity in China, Indonesia, and Vietnam is a threat to the Thai exporters and export revenue growth will majorly be a cause of rising prices rather than volume based.

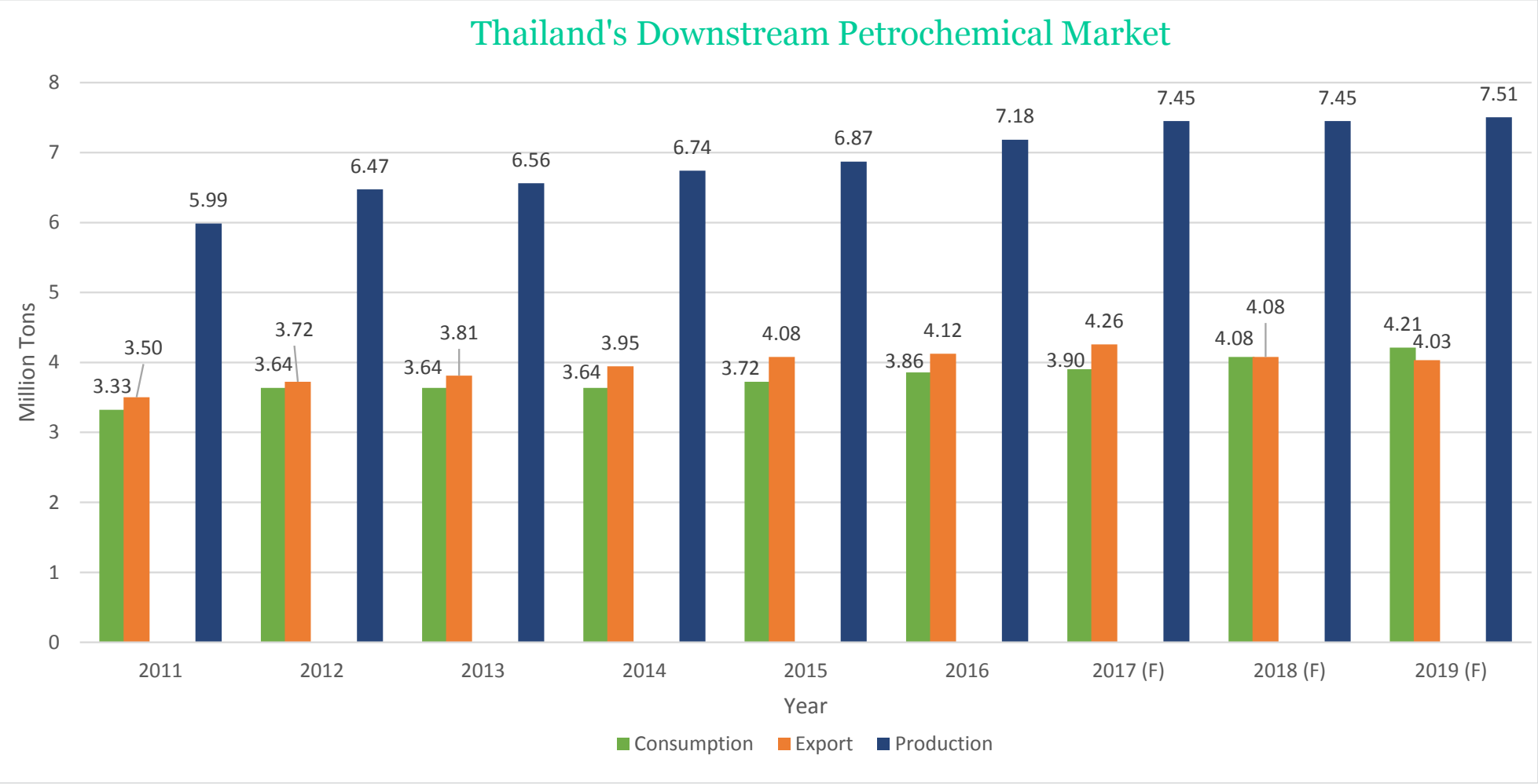

Figure 26: Overview of Thailand's Petrochemical market

Thailand specializes in the production of downstream petrochemical products and among these, HS-39 (plastics and articles thereof) is the leading category. Figure 27 shows trade balance of Thailand's plastic indusry for the five year period ending in 2016. Thailand recorded a trade surplus of USD 3.36 billion in 2016, with exports and imports valued at USD 11.39 billion and USD 8.03 billion respectively. The highest values were recorded in 2013, since then, however, trade value has declined. The decline can be explained by factors such as falling crude oil and natural gas prices leading to an overall reduction in output prices of the petrochemical industry. Moreover, the increased investment and the consequent rise in the domestic production capacity of Thailand's major export destinations such as Indonesia and China might lead to a further reduction in exports from Thailand.

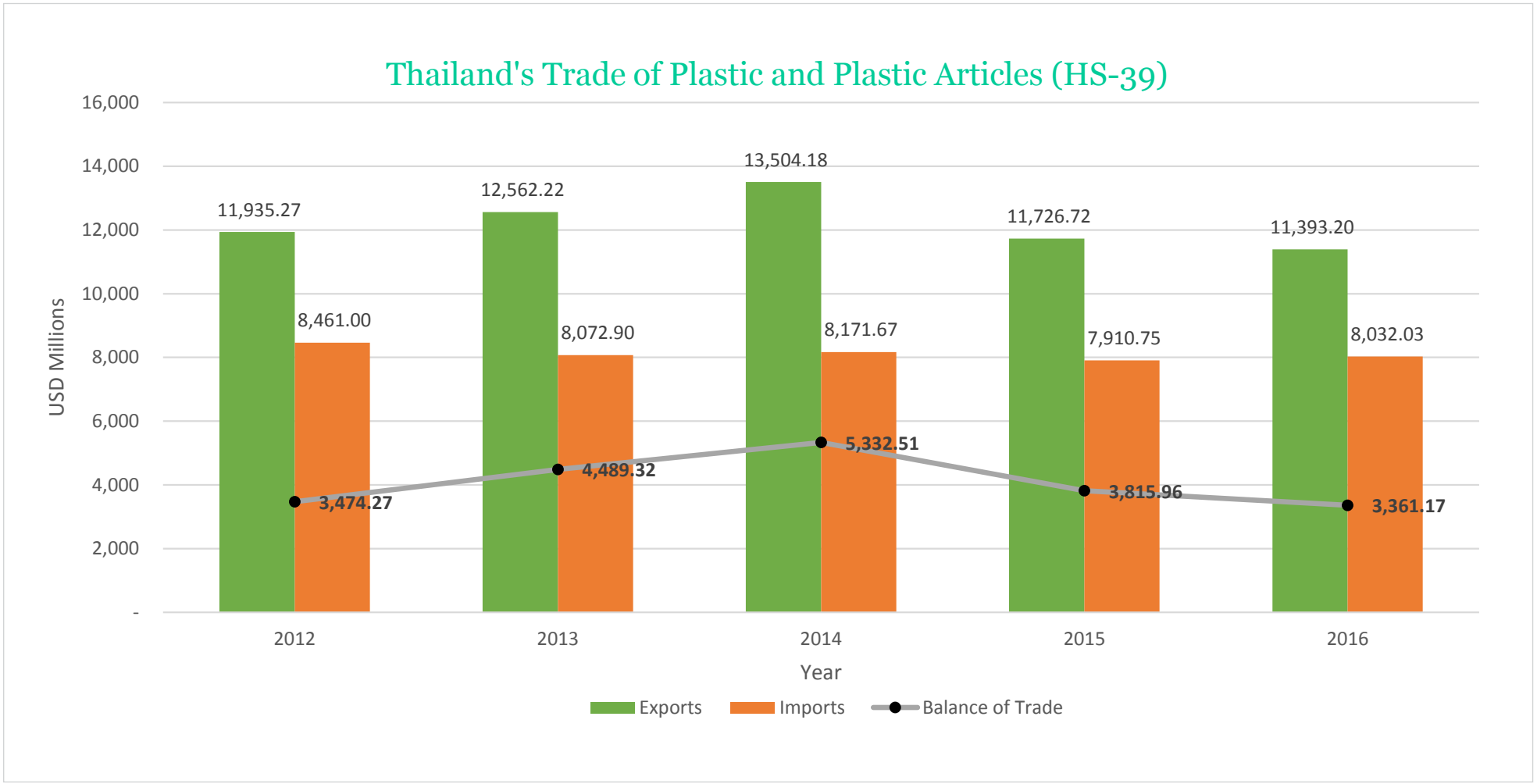

Figure 27: Thailand's bilateral trade of plastic and plastic articles (HS-39)

Table 43 shows exports of the leading (top 20) plastic articles belonging to the HS-39 category at the six-digit level. The highest export revenue during the five year period was recorded in 2013, USD 12.56 billion. Thailand recorded an export revenue of USD 11.39 billion in 2016, a decline of 2.8% compared to 2015. Evident from the table below, Thai exports majorly comprise of polymers of ethylene in primary forms, followed by raw material for packaging, plastic resins and plastic fittings for other commodities. All of the products mentioned in the table below are either raw materials or intermediate materials used by other industries.

Thailand's Top 20 Exports of HS-39XXXX						
All Values in USD Millions						
		2012	**2013**	**2014**	**2015**	**2016**
Total	**All Products**	**11,935.27**	**12,562.22**	**13,504.18**	**11,726.72**	**11,393.20**
Product Code	**Product Description**					
390120	Plastics and articles thereof // Polymers of ethylene, in primary forms. // -Polyethylene having a specific gravity of 0.94 or more	1,524.49	1,712.01	1,905.87	1,522.13	1,319.60
390110	Plastics and articles thereof // Polymers of ethylene, in primary forms. // -Polyethylene having a specific gravity of less than 0.94	1,404.85	1,420.13	1,669.56	1,313.40	996.69
392690	Plastics and articles thereof // Other articles of plastics and articles of other materials of headings 39.01 to 39.14. // -Other	765.33	760.31	780.32	815.54	890.46
390740	Plastics and articles thereof // Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms. // -Polycarbonates	939.02	846.35	931.75	881.44	864.74
392321	Plastics and articles thereof // Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics. // -Sacks and bags (including cones) : // -- Of polymers of ethylene	526.32	577.19	626.74	583.04	585.15
390190	Plastics and articles thereof // Polymers of ethylene, in primary forms. // -Other	426.28	416.74	461.10	425.63	567.94
390210	Plastics and articles thereof // Polymers of propylene or of other olefins, in primary forms. // -Polypropylene	692.83	770.84	845.81	588.73	505.97
390230	Plastics and articles thereof // Polymers of propylene or of other olefins, in primary forms. // -Propylene copolymers	410.96	450.52	505.84	455.20	444.39
390760	Plastics and articles thereof // Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms. // -Poly(ethylene terephthalate)	544.52	600.57	504.61	383.85	327.86

Thailand's Top 20 Exports of HS-39XXXX						
All Values in USD Millions						
		2012	**2013**	**2014**	**2015**	**2016**
Product Code	**Product Description**					
390720	Plastics and articles thereof // Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms. // -Other polyethers	65.88	80.81	85.99	250.88	271.34
390410	Plastics and articles thereof // Polymers of vinyl chloride or of other halogenated olefins, in primary forms. // -Poly(vinyl chloride), not mixed with any other substances	333.91	350.44	314.33	276.98	261.54
392010	Plastics and articles thereof // Other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials. // -Of polymers of ethylene	216.57	191.53	211.67	198.43	198.95
392310	Plastics and articles thereof // Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics. // -Boxes, cases, crates and similar articles	151.78	160.29	186.57	169.48	188.56
390330	Plastics and articles thereof // Polymers of styrene, in primary forms. // -Acrylonitrile-butadiene-styrene (ABS) copolymers	151.93	175.62	205.32	169.74	185.56
390810	Plastics and articles thereof // Polyamides in primary forms. // -Polyamide-6, -11, -12, -6,6, -6,9, -6,10 or -6,12	197.99	203.02	222.52	174.78	168.80
391000	Plastics and articles thereof // Silicones in primary forms. // Silicones in primary forms.	154.46	155.70	172.79	169.72	168.38
392062	Plastics and articles thereof // Other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials. // - Of polycarbonates, alkyd resins, polyallyl esters or other polyester : // -- Of poly(ethylene terephthalate)	111.41	135.50	169.20	155.80	155.74
390690	Plastics and articles thereof // Acrylic polymers in primary forms. // -Other	141.51	162.23	174.17	154.98	149.62
390730	Plastics and articles thereof // Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms. // -Epoxide resins	188.61	196.20	186.13	159.96	144.94
392410	Plastics and articles thereof // Tableware, kitchenware, other household articles and hygienic or toilet articles, of plastics. // -Tableware and kitchenware	155.62	153.72	158.23	143.28	141.11

Table 43: Thailand's top 20 exports of HS-39 at Six-digit level

Table 44, shows selected countries for exports of items mentioned in Table 43. Out of the total exports of USD 11.39 billion of HS-39, the total export revenue from the selected 20 products equaled USD 8.54 billion or 75%. China is the largest export market for Thai plastic exports, and out of the top 20 commodities, China accounted for 26% of exports followed by Japan, 12%, and Indonesia 8%.

In 2016, exports of the selected HS-39 products to Pakistan from Thailand equaled USD 67.8 million, whereas Pakistan's total imports of HS-39 were USD 1.9 billion. Moreover, Thailand's favorable trade situation with China and Japan is owing to low tariff rates applied on Thai goods.

Export Destinationsw of selected HS-39 commodities					
All Values in USD Millions					
	2012	**2013**	**2014**	**2015**	**2016**
World	9,104.26	9,519.72	10,318.52	8,992.99	8,537.34
Countries					
China	2,337.74	2,557.11	2,698.03	2,450.96	2,179.74
Japan	1,252.47	1,144.12	1,319.37	970.50	1,026.89
Indonesia	701.32	836.73	866.15	683.17	695.85
Viet Nam	463.21	454.64	533.20	529.84	544.09
India	395.80	440.12	530.18	489.49	482.15
USA	362.24	375.13	389.96	381.34	414.46
Australia	470.85	562.37	516.98	444.72	373.47
Malaysia	360.17	373.58	398.42	359.52	353.03
Philippines	201.66	229.33	355.00	229.48	240.43
Korea Rep.	159.07	159.92	202.31	194.25	168.50
Pakistan	57.27	52.42	55.15	73.84	67.88

Table 44: Thailand's leading export markets of selected HS-39 products

Thai imports of plastic and plastic articles, though lower in total value than exports, are relatively more value-added products. The trend for imports is more or less the same as exports, with the highest import bill of USD 8.17 billion in 2013 declining to USD 8.03 billion in 2016. Plastics and plastic articles have more of a derived demand originating from various industries rather than a direct demand from end-users. Thus, the demand and supply of the plastic industry is cyclical with respect to economic growth.

Thailand's Top 20 Imports of HS-39XXXX						
All Values in USD Millions						
		2012	**2013**	**2014**	**2015**	**2016**
Total	**All Products**	**8,461.00**	**8,072.90**	**8,171.67**	**7,910.75**	**8,032.03**
Product Code	**Product Description**					
392690	Plastics and articles thereof // Other articles of plastics and articles of other materials of headings 39.01 to 39.14. // -Other	1,596.36	1,484.15	1,533.84	1,618.26	1,620.41
391990	Plastics and articles thereof // Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls. // -Other	280.60	293.84	314.46	322.28	356.51
390110	Plastics and articles thereof // Polymers of ethylene, in primary forms. // -Polyethylene having a specific gravity of less than 0.94	315.62	321.44	329.88	283.42	294.39
392190	Plastics and articles thereof // Other plates, sheets, film, foil and strip, of plastics. // -Other	225.82	246.96	282.06	271.02	269.64
390810	Plastics and articles thereof // Polyamides in primary forms. // -Polyamide-6, -11, -12, -6,6, -6,9, -6,10 or -6,12	212.49	234.83	243.83	248.49	247.24
390690	Plastics and articles thereof // Acrylic polymers in primary forms. // -Other	240.66	251.33	278.55	258.17	241.18
390330	Plastics and articles thereof // Polymers of styrene, in primary forms. // -Acrylonitrile-butadiene-styrene (ABS) copolymers	341.07	273.42	261.25	282.67	240.91
390210	Plastics and articles thereof // Polymers of propylene or of other olefins, in primary forms. // -Polypropylene	412.63	243.26	236.14	185.25	204.95
390799	Plastics and articles thereof // Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms. // - Other polyesters : // -- Other	271.53	257.20	253.14	215.33	204.62
390720	Plastics and articles thereof // Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms. // -Other polyethers	270.28	232.65	233.86	200.26	180.56
390120	Plastics and articles thereof // Polymers of ethylene, in primary forms. // -Polyethylene having a specific gravity of 0.94 or more	233.16	231.88	210.45	180.92	179.59
392310	Plastics and articles thereof // Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics. // -Boxes, cases, crates and similar articles	143.64	124.83	142.58	135.03	174.99
390950	Plastics and articles thereof // Amino-resins, phenolic resins and polyurethanes, in primary forms. // -Polyurethanes	202.13	172.91	161.77	147.69	144.42

Thailand's Top 20 Imports of HS-39XXXX						
All Values in USD Millions						
		2012	**2013**	**2014**	**2015**	**2016**
Product Code	**Product Description**					
392390	Plastics and articles thereof // Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics. // -Other	129.42	124.77	127.72	122.42	145.75
390730	Plastics and articles thereof // Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms. // -Epoxide resins	142.15	139.77	138.60	118.76	138.42
390410	Plastics and articles thereof // Polymers of vinyl chloride or of other halogenated olefins, in primary forms. // -Poly(vinyl chloride), not mixed with any other substances	112.70	88.77	106.72	101.68	135.91
390230	Plastics and articles thereof // Polymers of propylene or of other olefins, in primary forms. // -Propylene copolymers	179.37	179.55	163.73	148.86	127.41
391000	Plastics and articles thereof // Silicones in primary forms. // Silicones in primary forms.	120.07	118.24	124.33	117.07	127.13
392010	Plastics and articles thereof // Other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials. // -Of polymers of ethylene	118.25	111.01	124.38	111.41	123.64
390190	Plastics and articles thereof // Polymers of ethylene, in primary forms. // -Other	154.21	142.40	128.25	124.57	117.11

Table 45: Thailand's top 20 imports of HS-39 at Six-digit level

Regarding the country-mix for selected imports of HS-39, the top 20 products accounted for 65% of total imports and imports were concentrated in 9 countries. Although China is the largest exporter of plastics (HS-39) to Thailand, Japan dominates if we consider the top 20 commodities only. Imports of selected plastic commodities (HS-39) from Japan equaled USD 1.18 billion in 2016, followed by USD 1.04 billion and USD 448.69 million from China and the Republic of Korea (South Korea).

Import Origins of selected HS-39 commodities					
All Values in USD Millions					
	2012	2013	2014	2015	2016
World	5,702.17	5,273.20	5,395.52	5,193.57	5,274.79
Countries					
Japan	1,537.09	1,289.26	1,207.05	1,148.05	1,179.99
China	747.05	775.14	909.54	993.95	1,045.41
Rep. of Korea	446.80	479.28	589.29	459.83	448.69
USA	465.16	401.70	412.06	432.04	434.41
Singapore	446.00	472.84	485.85	448.58	427.56
Malaysia	429.52	438.58	458.73	414.65	415.06
Saudi Arab	191.46	222.94	245.62	177.50	196.63
Germany	156.68	178.14	190.15	161.76	162.00
India	37.04	43.89	55.59	51.97	55.98

Table 46: Thailand's leading import markets of selected HS-39 products

SECTION VI

TRADE AGREEMENTS

Trade Agreements:

Thailand:

Assosiation of South East Asian Association (ASEAN)

The Association of the South East Asian Nations (ASEAN) is a regional inter-governmental organization. ASEAN operates with the aim of promoting economic, political, security, military, educational and socio-cultural integration amongst its members and other Asian countries. Being a member of ASEAN, Thailand, not only enjoys low or duty-free access to ASEAN member states but is also a part of ASEAN's trade agreements with Australia, China, Japan, New Zealand, India and the Republic of Korea. Moreover, Thailand has bilateral free trade agreements with Peru and Chile.

Thailand's growth and development are largely attributed to; the successful policies of the Thai government and collaboration between government and the private sector. Table 47 shows the major export partners of Thailand, along with whether there is an existing trade agreement with partner or not. Thailand exported goods worth USD 213.59 billion in 2016, the 23 countries listed in the table below accounted for almost 83% of the total exports in 2016, and an average of 81% for the five-year period ending in 2016.

The countries listed below can be broadly categorized into four categories; the country is an ASEAN member; the country has a trade agreement with ASEAN, the country has a bilateral agreement with Thailand, or the country does not have any trade agreement with either ASEAN or Thailand. Thailand, derives a major portion of its export revenue from ASEAN and other free trade partners. An interesting pattern, in Thailand's trade agreements is that most of the FTAs signed by Thailand, were eventually transformed into FTAs with ASEAN, with the exception of the FTAs with Peru and Chile. Regarding total bilateral trade however, neither Peru nor Chile are significant trading partners for Thailand owing to the large distances involved.

Thailand has duty-free access to the old ASEAN members under the Common Effective Preferential Tariff, whereas the new members are still in the duty reduction phase. As for the countries having an FTA with ASEAN, i.e., China, India, Japan, Republic of Korea and Australia; Thailand has optimized the reduced duties granted under the FTA. Thus, it is no coincidence that out of the 21 major export partners, Thailand has a trade agreement with 17 of them.

Thailand Major Export Partners						
All Values in USD Billions						
	2012	**2013**	**2014**	**2015**	**2016**	
World	229.54	228.53	227.57	210.88	213.59	
Country						**Trade Agreement in effect**
USA	22.82	23.02	23.97	23.72	24.38	**No agreement in effect.**
China	26.90	27.24	25.08	23.31	23.57	ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement
Japan	23.50	22.24	21.82	19.76	20.42	ASEAN-Japan Comprehensive Economic Partnership
China, Hong Kong SAR	13.10	13.19	12.61	11.64	11.39	ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement
Australia	9.76	10.35	9.30	9.61	10.23	ASEAN-Australia and New Zealand Free Trade Agreement
Malaysia	12.43	13.01	12.76	10.02	9.54	ASEAN Member
Viet Nam	6.69	7.18	7.89	8.76	9.34	ASEAN Member
Singapore	10.84	11.24	10.45	8.59	8.04	ASEAN Member
Indonesia	11.21	10.87	9.51	7.71	8.02	ASEAN Member
Philippines	4.86	5.04	5.87	5.90	6.35	ASEAN Member
India	5.48	5.18	5.61	5.21	5.12	ASEAN-India Comprehensive Economic Cooperation Agreement
Switzerland	5.25	1.61	1.99	2.51	4.99	**No agreement in effect.**
Cambodia	3.78	4.26	4.53	4.88	4.61	ASEAN Member
Germany	3.61	4.07	4.53	4.22	4.46	**No agreement in effect.**
Netherlands	4.18	4.43	4.61	4.20	4.20	**No agreement in effect.**
Myanmar	3.13	3.79	4.24	4.11	4.15	ASEAN Member
Rep. of Korea	4.78	4.59	4.52	4.04	4.01	ASEAN-[Republic of] Korea Comprehensive Economic Cooperation Agreement
Lao People's Dem. Rep.	3.61	3.76	4.03	4.17	3.97	ASEAN Member
United Kingdom	3.80	3.79	4.01	3.76	3.83	**No agreement in effect.**
United Arab Emirates	2.87	3.08	3.25	3.02	2.85	**No agreement in effect.**
Mexico	1.68	1.86	2.00	2.64	2.80	**No agreement in effect.**
Peru	0.38	0.49	0.47	0.46	0.38	Thailand-Peru Free Trade Agreement
Chile	0.63	0.62	0.64	0.60	0.54	Thailand-Chile Free Trade Agreement

Table 47: Major exports partners of Thailand including Free trade partners

The 21 leading and preferential Thai import partners combined, represented a total of 80% of the USD 195.71 billion import bill in 2016. On the import side, trade is relatively less concentrated towards free trade partners than compared to the export partners. The primary reason is the difference in the product mix. For instance, Saudi Arab and Qatar are significant suppliers of mineral oils and fuels whereas high-tech machinery and parts of machinery are imported from the United Kingdom, the USA, and Germany.

Thailand Major Import Partners						
All Values in USD Billions						
	2012	**2013**	**2014**	**2015**	**2016**	
World	247.58	250.71	227.93	202.02	195.71	-
Country						**Trade Agreement In-Effect**
China	36.96	37.73	38.50	40.92	42.25	ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement
Japan	49.58	41.08	35.71	31.13	30.86	ASEAN-Japan Comprehensive Economic Partnership
USA	13.03	14.71	14.68	13.92	12.22	**No agreement in effect.**
Malaysia	13.11	13.25	12.75	11.88	10.95	ASEAN Member
Rep. of Korea	8.97	9.06	8.54	7.01	7.31	ASEAN-[Republic of] Korea Comprehensive Economic Cooperation Agreement
Singapore	7.83	8.23	7.88	7.19	6.55	ASEAN Member
Indonesia	8.09	8.07	7.28	6.54	6.41	ASEAN Member
Germany	5.98	6.11	5.91	5.52	5.89	**No agreement in effect.**
Saudi Arabia	8.24	8.41	7.82	4.92	4.88	**No agreement in effect.**
Vietnam	2.99	3.27	3.94	4.03	4.45	ASEAN Member
Switzerland	7.32	9.20	4.20	4.64	4.16	**No agreement in effect.**
Australia	5.45	5.48	5.41	4.20	3.45	ASEAN-Australia and New Zealand Free Trade Agreement
France	3.22	4.16	2.44	2.73	2.82	**No agreement in effect.**
Philippines	2.72	2.63	2.61	2.35	2.73	ASEAN Member
India	3.20	3.50	3.04	2.62	2.59	ASEAN-India Comprehensive Economic Cooperation Agreement
Qatar	2.64	4.06	3.88	2.99	2.45	**No agreement in effect.**
Myanmar	3.67	4.03	3.92	3.56	2.37	ASEAN Member
Brazil	2.45	1.97	2.12	2.09	2.17	**No agreement in effect.**
United Kingdom	2.76	3.31	2.78	2.54	2.03	**No agreement in effect.**
Peru	0.39	0.14	0.11	0.09	0.07	Thailand-Peru Free Trade Agreement
Chile	0.35	0.27	0.32	0.28	0.35	Thailand-Chile Free Trade Agreement

Table 48: Major imports partners of Thailand including Free trade partners

Pakistan:

Thailand's success with its free trade agreements cannot be ignored. Thailand as an economy is much stronger than Pakistan, and the country is ranked as a significant player in the global export market, with industries much more sophisticated than their Pakistani counterparts. Unless the FTA is negotiated intelligently, Pakistan stands to lose much. This word of caution is based on Pakistan's history of signing free trade agreements which have not benefited Pakistani exports to the partner countries. Currently, Pakistan has bilateral trade agreements as well as being part of broader regional trade agreements such as the South Asian Free Trade Area (SAFTA), Economic Cooperation Organization (ECO) and Preferential Tariff Arrangement-Group of Eight Developing Countries. Table 49 and 50 shows Pakistan exports to, and imports from major trading partners as well as trade flow to and from partners with which it has preferential trade arrangements.

In 2016, Pakistan exported goods worth USD 20.53 billion whereas the import bill totaled USD 47.00 billion. Out of the exports of USD 20.53 billion, a mere USD 3.50 billion or 17% worth of exports were destined for major free trade partners. Moreover, the contribution of exports to FTA partners has been declining, from 22.4% in 2012 to 17.05% in 2016. On the import side, of the USD 47.00 billion of imports in 2016, USD 18.43 billion worth of imports originated from countries having a trade agreement with Pakistan. Imports from free trade partners accounted for 39.21% of the total imports for 2016, up from 27.0% in 2012.

In Thailand's case, utilization of the concession lines has been 60% for exports and 61% for imports. Since Pakistan is still in the negotiation phase of the free trade agreement with Thailand, the authorities should consider our track-record and Thailand's track record when it comes to free trade agreements. Even developed economies like Australia faced job and output losses when for example the Australian auto markets were flooded with cheaper imports from Thailand. According to Paul Bastian, national secretary of the Australian Manufacturing Workers' Union, ''The Thai trade deal was a one-way agreement. It didn't provide a level field to our car manufacturers".

Pakistan Major Export Partners						
All Values in USD Billions						
	2012	**2013**	**2014**	**2015**	**2016**	
World	24.61	25.12	24.72	22.09	20.53	
						Trade Agreement in effect
USA	3.67	3.75	3.65	3.66	3.43	**No agreement in effect.**
China	2.62	2.65	2.25	1.93	1.59	People's Republic of China-Pakistan Free Trade Agreement
United Kingdom	1.25	1.43	1.65	1.57	1.56	**No agreement in effect.**
Afghanistan	2.10	2.00	1.88	1.72	1.37	Economic Cooperation Organization Trade Agreement
Germany	0.99	1.08	1.22	1.15	1.19	**No agreement in effect.**

Pakistan Major Export Partners						
All Values in USD Billions						
	2012	**2013**	**2014**	**2015**	**2016**	
						Trade Agreement in effect
Spain	0.50	0.60	0.79	0.78	0.84	**No agreement in effect.**
Sri Lanka	0.30	0.32	0.27	0.26	0.24	Pakistan-Sri Lanka Free Trade Agreement
Malaysia	0.23	0.20	0.23	0.19	0.15	Malaysia-Pakistan Closer Economic Partnership Agreement
Indonesia	0.24	0.14	0.14	0.14	0.13	Pakistan-Indonesia Free Trade Agreement
Mauritius	0.02	0.03	0.03	0.02	0.02	Pakistan-Mauritius Preferential Trade Agreement

Table 49:Major exports partners of Pakistan including Free trade partners

Pakistan Major Import Partners						
All Values in USD Billions						
	2012	**2013**	**2014**	**2015**	**2016**	
World	43.81	43.78	47.54	43.99	47.00	
Country						**Trade Agreement in effect**
China	6.69	6.63	9.59	11.02	13.68	People's Republic of China-Pakistan Free Trade Agreement
United Arab Emirates	7.21	7.75	7.08	5.73	6.20	**No agreement in effect.**
Indonesia	1.35	1.21	2.11	2.04	2.09	Pakistan-Indonesia Free Trade Agreement
USA	1.51	1.67	1.80	1.92	2.01	**No agreement in effect.**
Japan	1.88	1.96	1.75	1.73	1.96	**No agreement in effect.**
Saudi Arabia	4.28	3.85	4.42	3.01	1.84	**No agreement in effect.**
India	1.57	1.87	2.10	1.67	1.64	South Asian Free Trade Area
Malaysia	2.13	1.92	1.28	0.91	0.94	Malaysia-Pakistan Closer Economic Partnership Agreement
Sri Lanka	0.08	0.06	0.06	0.07	0.08	Pakistan-Sri Lanka Free Trade Agreement
Mauritius	0.01	0.02	0.02	0.06	0.00	Pakistan-Mauritius Preferential Trade Agreement

Table 50: Major imports partners of Pakistan including Free trade partners

SECTION VII

KEY FINDINGS AND RECOMMENDATIONS

Key Findings and Recommendations:

Pakistan exported goods worth USD 110.7 million to Thailand in 2016 against imports of USD 920.02 million during the same period. The gap between exports and imports would further increase if the two countries were to sign a liberal trade agreement. This is not only owing to the varying complexities of Pakistan's export and import baskets but also because of the specialization levels of each country. Pakistan's exports to Thailand majorly comprise of, seafood, plastic commodities and woven cotton and denim fabrics. Apart from some cotton products, none of the top 25 exports to Thailand are Pakistan's major exports at the aggregate level. On the other hand, Thai exports to Pakistan mostly include motor vehicles, auto-parts, petrochemicals, and rubber. These products not only represent the major imports to Pakistan but are a representation of some of Thailand's most developed and efficient industries.

Results of a simulation show, that if an FTA is signed between Pakistan and Thailand, and import duties are completely abolished by both countries, Thailand would be able to export an additional $35 for every $1 that Pakistan's exports could potentially increase. Moreover, results of the same simulation showed Thailand's exporting an additional $ 14 for Pakistan's every additional $ 1 export. This observation, if not halts, but signals the perils of the upcoming FTA. Thailand's economy is backed by a strong manufacturing sector, which was contributed nearly 27.4% to the GDP in 2016. Pakistan's manufacturing sector had a mere 12.8% contribution to the GDP in the same period. Moreover, the Thai manufacturing sector is export-oriented whereas the Pakistani manufacturing sector is still dependent on imports. Notable industries in Thailand include the automobile industry, the petrochemical industry, auto-part industry, electrical appliances and the hard-disk drive industry. In fact, such is the scale of Thailand's automobile industry; that in 2016 Thailand exported automobiles and parts (HS-87) worth USD 28.5 billion outpacing Pakistan's total exports by USD 7.96 billion!

Thailand's request for concessions for the auto and the auto-parts is a peril for Pakistan's economy. Thailand is already ahead of Pakistan in every respect when it comes to the auto-industry, with production equal to 750% of Pakistan's output. Moreover, the motorization rate in Thailand is much higher than Pakistan's: 225 to 17.

Unlike the automobile and the auto parts industry, the Pakistan-Thailand Free Trade agreement maybe a window of opportunity for our local petrochemical industry. For instance, PTA[19] and MGE[20] both of which are raw materials[21] for the petrochemical industry, will be relatively cheaper to import from Thailand, post-FTA. Whereas, the Pakistani exporters of downstream petrochemical products will gain if Thailand eases duty on PET resin originating from Pakistan.

Vast discrepancies, which hinder analysis mar trade data reported by Pakistan and Thailand. Considering Pakistan's perspective, discrepancies were found in both, data for exports to Thailand and imports from Thailand. Exports, however, were less prone to mis-declaration compared to imports, with a discrepancy of USD 9 million and USD 88 million in exports and imports respectively.

Officials should be extremely cautious in signing a free trade agreement with Thailand. Pakistani industries, may not be able to compete in a market exposed to low-cost imports from an industrial economy such as Thailand. The FTA would not only burden our economy with deficits but probably lead to the manufacturing industry being forced out of business and more job losses than our economy can sustain.

19 Purified terephthalic acid
20 Mono-ethylene glycol
21 PET and MGE are raw materials for the synthetic textile industry, plastic industry and plastic film to name a few.

Annexure:

Thailand in News:

- General Motor's subsidiary, Holden shuts-down production in Australia. Australian car-makers are having difficulties in competing with cheap imports from Asian countries, specially Thailand. As of result of Australia-Thailand FTA, Australians have imported a total of 2.26 million cars from Thailand, till date. (Financial Times October 2017)
- BMI has forecasted that vehicle sales in ASEAN were expected to grow by 8.1% in 2017. (Financial Times May 2017)
- Thailand's PTT acquires a 46% share in Straits Asia Resources (Indonesian Corporation) for USD 546 million. (Financial Times February 2011)
- Earth quake in Japan distorts auto-parts supply to Thailand, production slow-down. (Financial Times November 2011)
- Increased levels of car ownership in rural Thailand. (Financial Times May 2017)
- Toyota launches its cheapest sedan to data, Yaris, in Thailand. Prices start from as low as 439,000 baht ($14,084) and Toyota has sales target of 4,700 units per month in Thailand. (Nikkei Asian Review August 2017)
- Thai government is offering incentives to producers for investing in battery only electric vehicles (BEV) and plug-in hybrid vehicles (PHEV). Although the Toyota, Prius did not thrive in Thailand, Toyota is planning to launch production of hybrid version of its SUV, C-HR in Thailand. In the long-sun Toyota plans to use Thailand as a production base for Indonesia. (Nikkei Asian Review December 2017)
- Honda, Nissan and Mitsubishi are also planning to launch production of BEVs and PHEVs in Thailand. (Nikkei Asian Review December 2017)

Taxes on Vehicles by engine type	
Conventional Engine	12%-40%
Fully electric vehicles	2%
Hybrid and PHEV	4%-13%

- Nissan is planning to setup production of batteries for electric vehicles in Thailand. (Nikkei Asian Review December 2017)
- Consumers still prefer conventional cars over electric cars. (Financial Times December 2017)
- Thailand ranked 1st on Financial Times Confidential Research (FTCR) ASEAN auto purchase index. (Financial Times January 2018)
- Exports of vehicles are projected to increase in 2018, since Vietnam dropped all remaining intra-ASEAN tariffs on 1st January,2018.
- Thai government has offered corporate income tax exemptions of 8 years and 3 years for investors investing in BEV and PHEV respectively. These exemptions can be extended to 10 years and 6 years respectively, too. (Financial Times January 2018)
- Imports of machinery for production of BEV and PHEV are duty-free. (Financial Times February 2018)
- FDI is still low in Thailand, owing to the political uncertainty. FDI levels however, are expected to rise sharply after the 2019 election and completion of the Eastern Economic Corridor (EEC). (Financial Times February 2018)

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