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# COUNTRY REPORT ON THAILAND

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## **Executive Summary**

Thailand is the 8<sup>th</sup> largest economy of Asia. It is a highly industrialized economy which heavily depends upon exports and has a trade surplus with the world. China is its major trading partner with \$74 billion trade volume between both countries. Storage units, motor vehicles, gold, and rice are the top exports of Thailand while its imports include petroleum, gold and electronic circuits.

Bilateral trade between Pakistan and Thailand is improving consistently which recently crossed \$1.2 billion. However, the increment in bilateral trade is due to an increase in imports by Pakistan that resulted from high imports of motorcars and its parts. Pakistan is at 57<sup>th</sup> position in the imports of Thailand while Thailand is the 10<sup>th</sup> origin for the imports of Pakistan. Rice and Textile related products are the top exports of Pakistan, but its exports to Thailand for these items is negligible as Thailand itself export these products with high value. Pakistan faces high tariff rates in Thailand. Free Trade Agreement between both of the countries is under negotiation. Pakistan needs to be very careful in negotiating the terms because it may result in an even higher trade deficit with Thailand due to the limited export basket of Pakistan.

Potential products for the Thai market include shrimps, medicaments, footwear and textile. Pakistan can enhance its exports to Thailand by improving price competitiveness of its products as Thai consumer are price conscious and usually prefer local goods as compared to imported. Additionally, China is the major competitor in the Thai market which offers its products at very low average unit price as compared to other suppliers.

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## Geography:

Thailand, a country located in Southeast Asia, is bordered by Myanmar (1800 Km) to the north and northwest, Lao (1754 Km) and Cambodia (803 Km) to the east, Malaysia (506 Km) and the Andaman Sea to the southwest. Thailand has total land boundaries of 4863 Km and coastline of 3219 Km.



Area:

Total Area: 513120 Km<sup>2</sup>

Agricultural Land: 221100 Km<sup>2</sup>

Forest Area: 129722 Km<sup>2</sup>

## Demographic:

Total Population: 67.5 Million

Age Structure:

0-14 years 21.2 %

15-64 years 70.3%

65 and over 8.5%

## Life Expectancy:

Total Population: 73.6 Years

Male: 71.2%

Female: 76%

## **Economic Overview:**

Thailand is an industrialized economy which heavily depends upon exports. It is an export-dependent economy. More than two third of GDP is generated through exports. According to the IMF, Thailand has become the 8<sup>th</sup> largest economy of Asia in 2017. The industrial sector has a contribution of 39% in GDP while services are the second biggest sector. The country has moved from low-income nations to upper income in less than a generation and recognized by World Bank as “one of the greatest development success story” in social and development indicators. Regardless of a low per capita gross national income (GNI) of \$5,210 and ranking 89th in the Human Development Index (HDI), the percentage of people below the national poverty line dwindled from 65.26 per cent in 1988 to 8.61 per cent in 2016.

Thailand is one of the world's most visited countries, and tourism is vital to the Thai economy; it contributed approximately 9.4% of the country's GDP in 2017. Tourism is expected to rise by 7.8% in 2018. Thailand recorded 35.4 million tourist arrivals in 2017, an 8.8% increase on the previous year

The Country has laid out its long-term economic goals (2017 – 2036) for achieving developed country status through broad reforms. Objectives of the plan include the creation of a value-based economy driven by innovation, reduction in social disparity, raising human values, and environmental protection. The master plan launched to free Thailand from middle income trap to upper income nation is named as Thailand 4.0.

The formal relationship between Pakistan and Thailand began in 1951. The bilateral trade between both countries is continuously rising and crossed \$1.4 billion in 2017. However, the exports of Pakistan are only \$143 million while the imports are 1.2 billion.

### Thailand's Economy at a Glance

	2013	2014	2015	2016	2017
<b>Population (Millions)</b>	68.14	68.41	68.65	68.86	70.92
<b>Population Growth Rate</b>	0.44%	0.40%	0.35%	0.31%	0.30%
<b>GDP Growth Rate</b>	2.7%	1%	3.5%	3.3%	3.9%
<b>Per Capita Income</b>	\$6100	\$5900	\$5800	\$5900	\$6500
<b>Unemployment Rate</b>	0.7%	0.8%	0.9%	0.8%	0.7%
<b>Inflation Rate</b>	2.2%	1.9%	-0.9%	0.2%	0.7%
<b>FDI (USD Billion)</b>	15.9	4.9	8.9	3.0	---
<b>Import to Export Ratio</b>	1.09	1.00	0.95	0.91	0.95

*Data Source: World Bank and IMF*

The population of Thailand has reached 71 million with a growth rate of 0.3%. Its growth rate is declining consecutively. Economic indicators show that per capita income has risen substantially in 2017 and reached to \$6500. GDP growth rate was lowest in 2014 due to a military coup, but afterwards, it has started improving, and now Thailand is on the path of recovery. The economic growth reached 4.8% in the first quarter of 2018, which is the highest since 2013. The unemployment rate stayed at less than one per cent for the past five years. The inflation rate is also stable. Import to export ratio of Thailand is less than one which delineates that exports are surpassing imports; consequently the current account balance is in surplus.

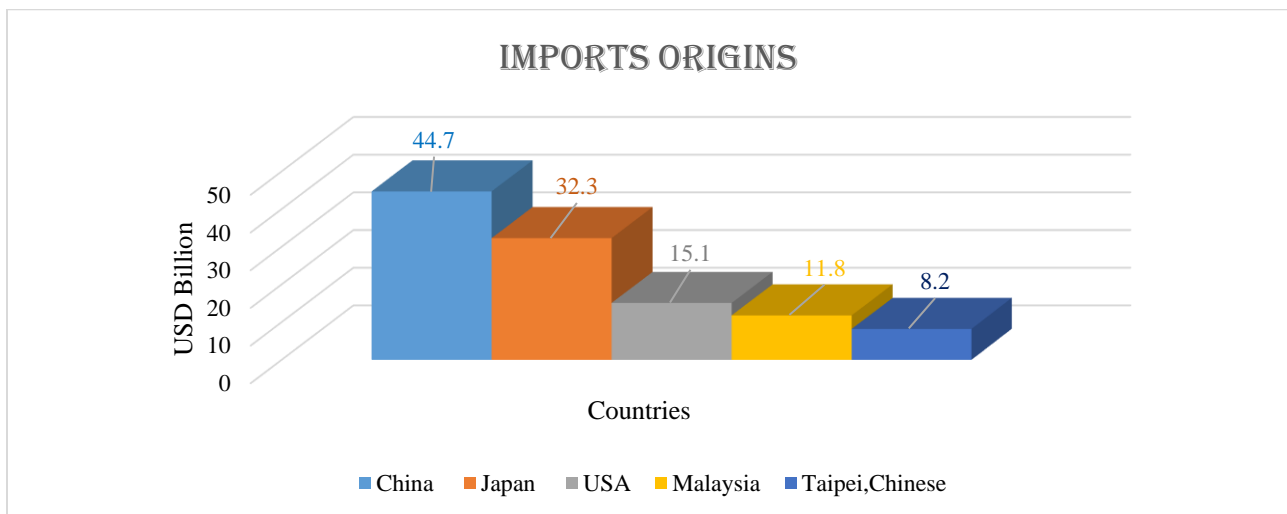
## Trade profile of Thailand:

The following table expresses the trade of Thailand with the world with Compound Annual Growth Rate (CAGR). It can be comprehended that exports have marginally higher growth rate than imports. The Compound Annual Growth Rate of both variables for the last three years is higher than 5.5%. The rising imports are the result of the efforts which Thailand is making to get out of the middle-income trap by investing in technology and infrastructure.

Trade-World (USD Billion)	2015	2016	2017	CAGR
Thailand Exports	211	214	236	5.8%
Thailand Imports	202	196	225	5.5%
Total Trade	413	410	461	5.7%

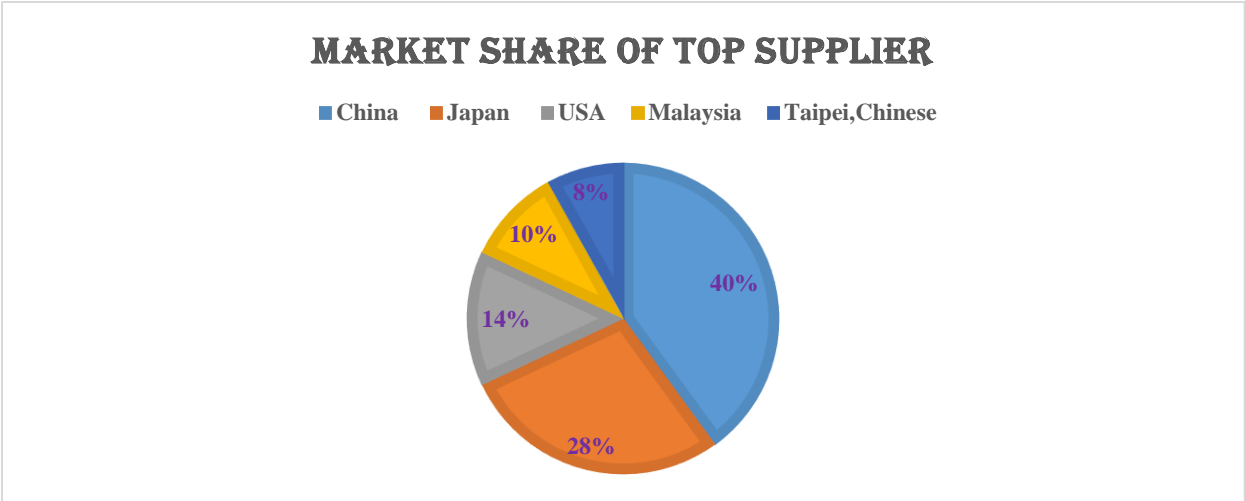
Source: Trade Map

China is the top origin for the imports of Thailand with the value of \$44.7 billion in 2017. Major imports from China include telephones and articles of iron. The second biggest exporter to Thailand is Japan with the amount of \$32.3 billion. Exports of USA, Malaysia and Taipei are \$15 billion, \$11.8 billion and \$8.2 billion respectively.



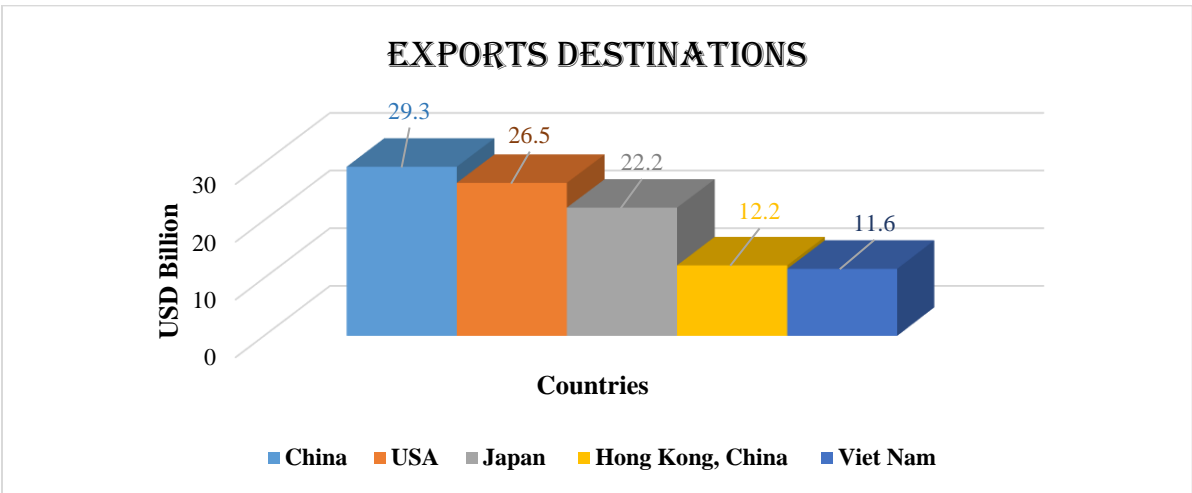
Data source: Trade Map

China has a substantial market share of 40% in Thailand. Thailand is a middle-income economy where consumers prefer economical products. The fundamental reason for high market share is the low average unit price of Chinese products. The Chinese export portfolio is well diversified which better serves the demand of Thai customers. Market share of Japan is 28% where USA, Malaysia and Taipei also have high market share.



Data Source: Trade Map

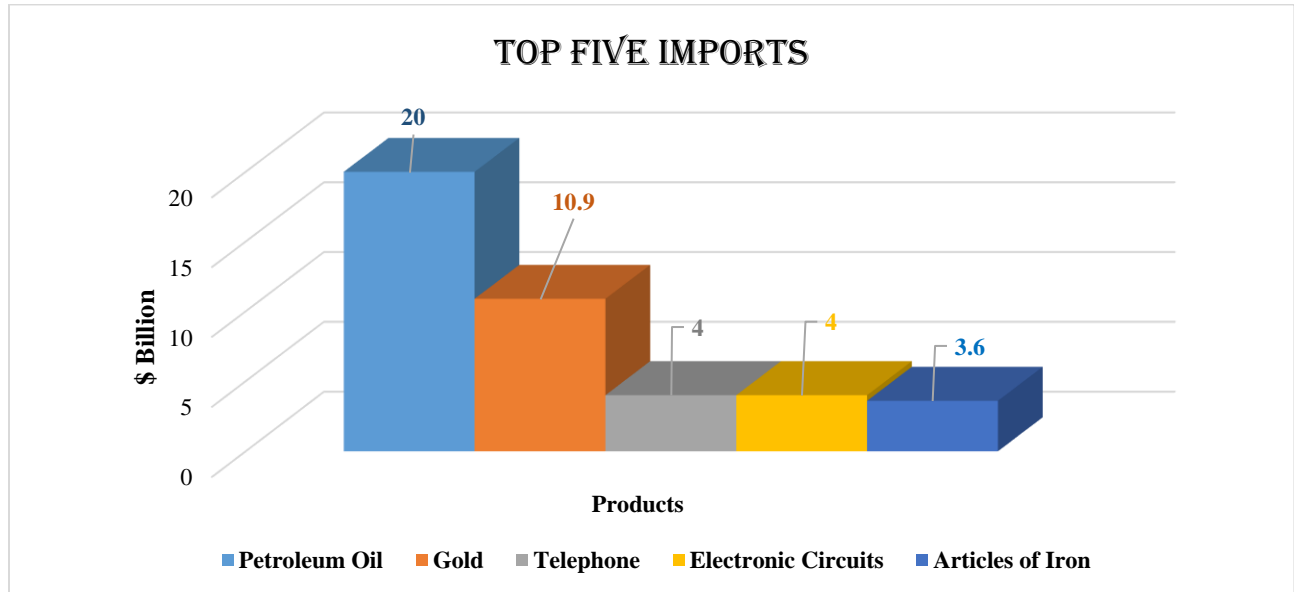
China is the major trade partner of Thailand with the trade volume of \$75 billion. However, Thailand has negative trade balance with China. USA is the second biggest export destination with the amount of \$26.5 billion. Japan, Hong Kong and Vietnam are also among top five exports destinations of Thailand with the value of \$22 billion, \$12.2 billion and \$11.6 billion respectively.



Data Source: Trade Map

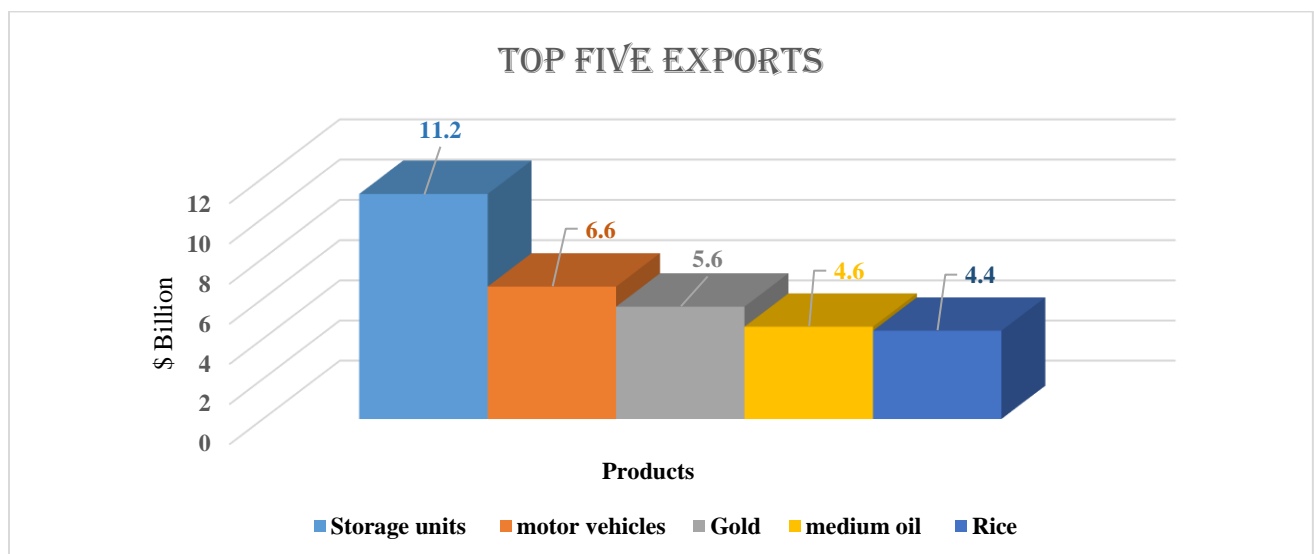


Thailand imported Petroleum for \$20 billion in 2017. Other imports include gold (\$10.9 billion), Telephone (\$4 billion), Electronic circuits (\$4 billion) and articles of iron (\$3.6 billion).



Data Source: Trade Map

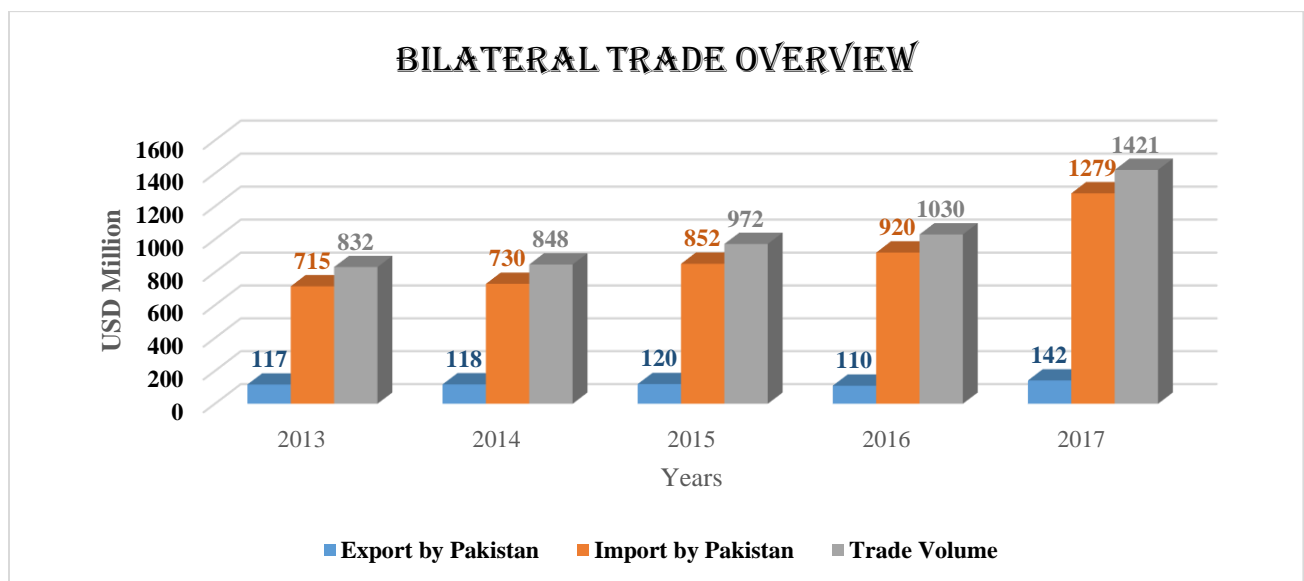
Storage units of automatic data processing machines is the top export of Thailand with the value of \$11.2 Billion. Other major exports of Thailand include motor vehicles (\$6.6 billion), Gold (\$5.6 billion), medium oil (\$4.6 billion) and Rice (\$4.4 billion).



## Pak-Thailand Bilateral Trade Overview:

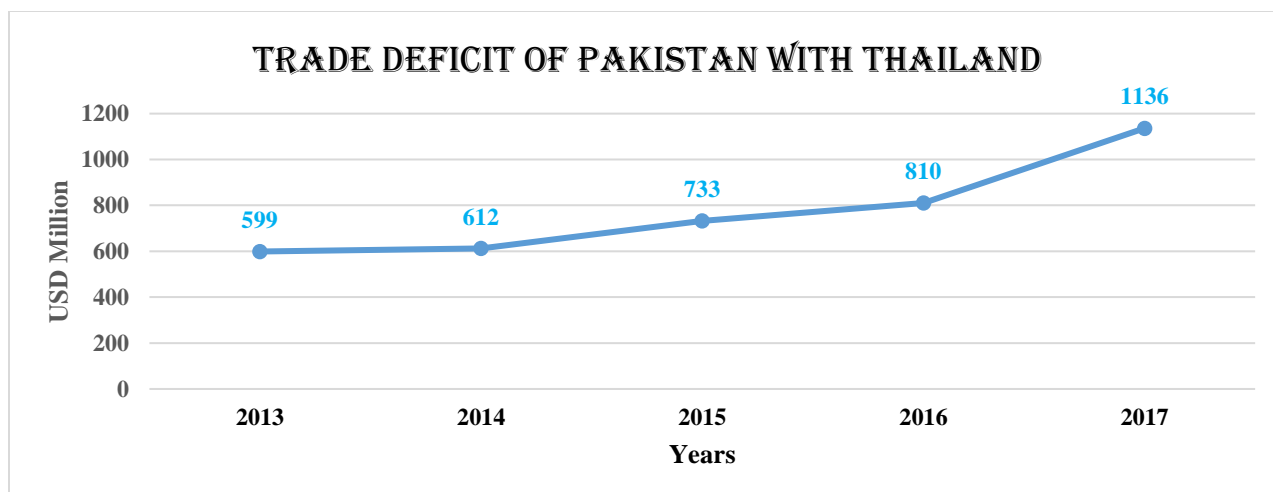
The following graph summarizes the imports, exports and trade volume of Pakistan with Thailand. Bilateral trade between Pakistan and Thailand is improving consistently and crossed the \$1.2 billion in 2017. However, imports of Pakistan are nine times higher than its exports. Pakistan imported products of worth more than \$1 billion and exported just \$142 million.

A Free Trade Agreement between Pakistan and Thailand is under discussion. One thing which needs to be mentioned here is that there is a lot of difference between the economies of both countries. Pakistan is still an agro-based economy, on the other hand, Thailand is a highly industrialized country. Thailand's exports are more than \$236 billion while Pakistan's exports are merely \$23 billion with an extensive trade deficit. According to Pakistan Business Council report, under the current terms which are being negotiated, Pakistan will import \$35 from Thailand against its \$1 Export. It can hurt the local industry of Pakistan.



Source: Trade Map

Trade deficit of Pakistan is growing with Thailand as imports by Pakistan is exceeding at higher rate than exports. The major reason for swelling deficit is the increase in the imports of motor cars and its parts by Pakistan which showed a growth of 53% in 2017.



Data Source: Trade Map

### Top 15 imports of Thailand from world:

The following table summarizes the top 15 imports (HS-6) of Thailand from the world in 2017, imported value, growth rate, top supplying markets, and value of Pakistan's export of that particular product to the world. The data gives us an idea about high demanded products by Thailand meanwhile with the capacity of Pakistan to export these products. Thailand imported petroleum for more than \$20 billion in 2017. Additionally, the imports of oil have grown by 32% as compared to 2016. The USA and Saudi Arabia are the top exporters of oil to Thailand. The demand for oil is swelling due to the improved growth rate and an increasing number of tourists. Apart from gold, most of the top imports of Thailand includes high-tech products like electronic integrated circuits, aeroplanes, parts of motorcars, electronic machines etc. Import of gold has increased by 90%. Thailand is Asia's third-largest market after India and China. Other products which show a significant increase are electronic integrated circuits, light oils, aeroplanes and copper.

Except for petroleum oils, Pakistan's exports of the products which are among the top 15 imports of Thailand is negligible. This is also one of the disadvantages which Pakistan is facing while negotiating Free Trade Agreement with Thailand. Due to less diversification of exports, Pakistan may not be able to benefit from FTA at full potential. Out of fifteen top imports, China is among the top three suppliers of seven products.

### Top imports of Thailand:

Sr #	HS code	Name of the Product	Value \$ million 2017	Growth 2016-17	Pak Exports to world \$million	Supplying Markets	
						Country	\$ Mil
1	270900	Petroleum oils and oils obtained from bituminous minerals, crude	20,060	32%	114	USA	5,776
						Saudi Arabia	4,638
						Malaysia	1,857
2	710812	Gold, incl. gold plated with platinum	10,948	90%	0	Switzerland	6,019
						Hong Kong	1,550
						Australia	1,368
3	851712	Telephones for cellular networks	4,096	9%	31	China	2,994
						Vietnam	1,084
						Japan	3,411
4	854239	Electronic integrated circuits	4,083	27%	0.06	Taipei	1092
						Singapore	483
						Japan	469
5	732690	Articles of iron or steel	3,688	10%	2.7	China	1836
						Japan	628
						USA	184
6	854290	Parts of electronic integrated circuits	3,532	19%	0.04	USA	1195
						Japan	746
						Taipei	542
7	854231	Electronic integrated circuits	3,347	13%	0	Taipei	1316
						Japan	477
						China	352
8	271012	Light oils and preparations, of petroleum or bituminous minerals	3,168	32%	0	UAE	891
						Singapore	764
						Saudi Arabia	736
9	880240	Aeroplanes and other powered aircraft	2,541	54%	1.1	France	1577
						USA	906
						Ireland	57
10	870840	Gear boxes and parts thereof, for tractors, motor vehicles	2,386	0%	5	Japan	1245
						USA	237
						Indonesia	234
11	740311	Copper, refined, in the form of cathodes	2,268	36%	0	Philippines	439
						Japan	387
						Lao	318
12	847330	Parts and accessories of automatic data-processing machines	2,025	-5%	1.5	Malaysia	615
						Philippines	564
						China	459
13	851762	Machines for the reception, conversion and transmission	1,905	19%	0.7	China	965
						Malaysia	525
						Japan	159
14	271121	Natural gas in gaseous state	1,886	-4%	0	Myanmar	1886
						Singapore	0.05
						China	0.01
15	854370	Electrical machines and apparatus	1,821	-2%	0.6	China	594
						Japan	369
						Korea	176

Source: Trade Map

## Top 15 Exports of Pakistan to the world

The table underneath outlines the top 15 exports of Pakistan to the world in 2017, the exported value of Pakistan, the imported value of the same product by Thailand from the world, and top three supplying markets for the product to Thailand. Major exports of Pakistan in 2017 are Rice and textile related products. Pakistan exported rice for more than \$1.5 billion in 2017. On the other hand, Thailand's import of rice is only \$14 million because Thailand itself is among the biggest exporter of rice with total exports of \$5.1 billion in 2017. Being among the top exports of Pakistan, Instruments and appliances used in medical sciences has a lot of export potential as its imports are \$243 million by Thailand. Other products which Thailand imports in substantial quantity are Single cotton yarn, Toilet linen and men's and boys' trousers.

Rank	HS Code	Name of the Product	Pak Export to World \$ Million	Thailand Import from the world \$ Million	Pak Export to Thailand \$ Million	Top Supplying Market to Thailand \$ Million	
1	100630	Semi-milled or wholly milled rice	1,512	14	1.2	Australia	3
						Pakistan	0.86
						India	0.82
2	620322	Men's or boys' ensembles of cotton	1,291	0.152	0	China	0.14
						UK	0.02
						Bangladesh	0.02
3	520512	Single cotton yarn, of uncombed fibres	811	24	0.88	India	7.4
						Vietnam	7.4
						Japan	5.5
4	630231	Bedlinen of cotton	810	5	0.37	China	3.1
						Malaysia	0.63
						Pakistan	0.37
5	630260	Toilet linen and kitchen linen	805	22	0.02	China	19
						India	2
						Vietnam	0.33
6	630239	Bedlinen of textile materials	670	0.517	0	China	0.35
						Cambodia	0.07
						India	0.02
7	630210	Bedlinen, knitted or crocheted	665	0.442	0	China	0.28
						Cambodia	0.1
						Turkey	0.02
8	520942	Denim, containing	482	6		China	3

					0.8	Pakistan	0.8
						India	0.7
9	620342	Men's or boys' trousers	410	38	1.5	China	12
						Bangladesh	6
						Vietnam	4
10	630710	Footcloths, dishcloths	407	18	0.03	China	9.5
						Japan	3.4
						USA	1.5
11	220710	Un denatured ethyl alcohol	362	7.2	0	South Afri	3.2
						Australia	1.4
						Vietnam	1.2
12	901890	Instruments and appliances used in medical, surgical	361	243	1.4	USA	70
						Germany	31
						Japan	27
13	170199	Cane or beet sugar	343	0.37	0	USA	0.23
						Malaysia	0.04
						Belgium	0.02
14	610590	Men's or boys' shirts of textile materials	311	4.6	0	China	3.5
						UK	0.28
						U.S	0.11
15	420310	Articles of apparel, of leather	276	1.6	0	Italy	0.63
						China	0.34
						France	0.24

Data Source: Trade Map

### Top 15 exports (HS-6 Level) of Pakistan to Thailand:

The following table depicts the top 15 exported items of Pakistan to Thailand in 2017, the percentage change in their value as compared to the year 2016, the percentage of the total export of Pakistan for the Particular product to Thailand and market share of Pakistan for the given product. Majority of the items in the list belong to seafood. Exports of Frozen flatfish, Nile perch, frozen fish meat, cotton and frozen crabs has doubled in 2017. Other items which show substantial growth are Synthetic organic vat dyes, medical instruments, and Woven fabrics.

Sr #	HS Code	Name of the Product	Value USD Million (2017)	Change 2016-2017	Market Share
1	030339	Frozen flat fish	29.60	122%	-
2	030319	Frozen salmonidae	24.50	27%	-
3	481159	Paper and paperboard	8.76	-24%	3%
4	030354	Frozen mackerel	7.61	-5%	11%
5	030329	Frozen, Nile perch	7.23	173%	-
6	030499	Frozen fish meat (excluding fillets)	5.23	616%	6%
7	520100	Cotton, neither carded nor combed	4.88	226%	1%
8	030617	Frozen shrimps and prawns	3.36	-1%	4%
9	030614	Frozen crabs, even smoked	3.24	101%	9%
10	901890	Instruments and appliances used in medical	2.66	25%	1%
11	520932	Woven fabrics of cotton	2.63	76%	43%
12	220720	Denatured ethyl alcohol	2.54	1%	20%
13	050690	Bones and horn-cores and their powder and waste	1.89	-5%	-
14	410712	Grain splits leather	1.74	-12%	13%
15	320415	Synthetic organic vat dyes	1.47	41%	19%

Data Source: Trade Map

### Potential products:

Potential products are identified at the HS-6 level which is determined on the basis of the supply side of Pakistan and demand side of Thailand. A criterion has been developed for the products to be selected as potential items. According to the criteria, a product has to fulfil three conditions simultaneously. Firstly, its export to the world by Pakistan should be higher than \$40 million, secondly its import from the world by Thailand should be higher than \$40 million and finally, Pakistan's market share for that product in Thailand should be less than 10%. The products are extracted by using the bilateral trade data of the year 2017 between Pakistan and Thailand. The following five products are the Potential items for the Thai Market.

Sr#	HS Code	Name of the Product	Thailand Import from World \$ Million	Pakistan's Export to World \$ Million	Market Share of Pak in Thailand	Tariff Rate faced by Pakistan
1	940490	Articles of bedding and similar furnishing	57	79	0%	20%
2	300439	Medicaments containing hormones or steroids	72.3	48.6	0%	10%
3	030617	Frozen shrimps and prawns, even smoked	87.5	54.6	5%	20%
4	640399	Footwear with outer soles of rubber	46	68	0%	30%
5	610910	T-shirts, singlets and other vests of cotton	72	197	0%	30%

Data Source: Trade Map



**Analysis of potential products:**

Competitor analysis has been carried out to analyse potential products. The variables which are considered for the analysis include, the export value of competitors, their market share, one-year growth rate, average unit price, tariff faced by competitors, the ranking of competitors in the world for the export of that particular product and export competitive index (ECI).

The ECI has been calculated by the two variables, i.e., trade indicator and capacity indicator. Trade indicator is the ratio of country's export of specific product to world's export of that product while the capacity indicator is the ratio of country's export of particular product to the population of that country. The capacity indicator tells us per capita export value of the particular product. Average of trade indicator and the capacity indicator makes the export competitive index. Export Competitive Index ranks countries with the highest value listed at the top. The ranking of the nations for a specific product is compared with 2013 to monitor if there is any improvement or deterioration in the country's position.

**940490-Articles of bedding and similar furnishing:**

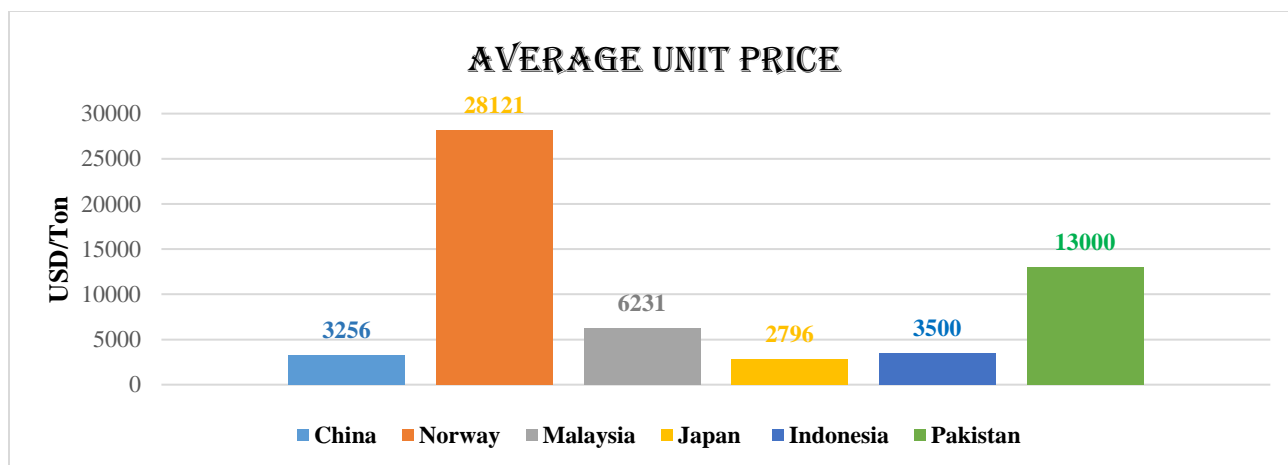
Pakistan's export to the world for the article of bedding value \$79 million in 2017 while Thailand's imports from the world were \$57 million for the same period. Currently, China has a monopoly for the product in the Thai market with 85% market share. China's exports for the product are more than \$48 billion. Norway is the second top exporter but its share is only 4.5%. Due to the free trade agreement between China and Thailand, China faces a zero per cent tariff rate. Norway is also facing a zero per cent tariff rate

China has a Free trade agreement with Thailand which enables it to export its products at zero per cent tariff rate Pakistan faces high tariff rate of 20% in the market. China is the top exporter of the product in world while the ranking of Pakistan is 15. Despite higher ranking in the world's exports as compared to other top competitors Pakistan still ranks at low regarding its exports to Thailand.

Rank	Suppliers	Value \$ million 2017	Market Share in Thailand	Tariff faced by suppliers	Ranking in world exports
1	China	48.7	85.2%	0%	1
2	Norway	2.6	4.5%	20%	24
3	Malaysia	1.2	2.1%	0%	44
4	Japan	0.75	1.3%	0%	35
5	Indonesia	0.70	1.2%	0%	31
11	Pakistan	0.01	0%	20%	15

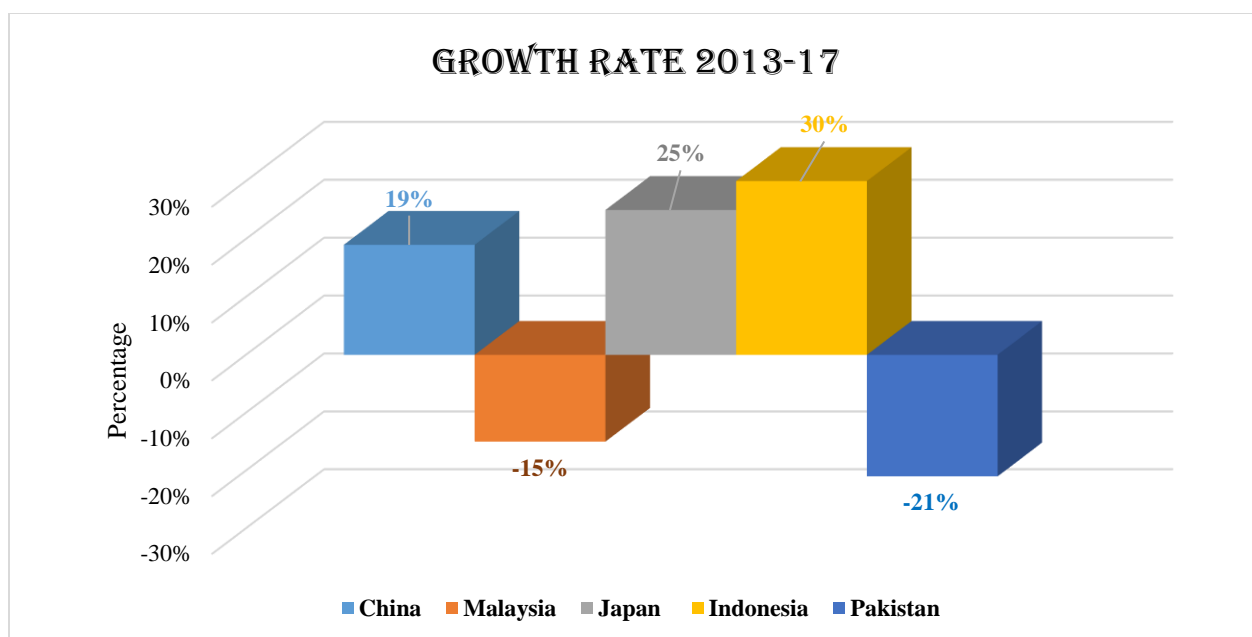
Data Source: Trade Map

The following graph shows the average unit price of top suppliers to Thailand. China and Japan are charging the lowest AUP in Thailand. On the other hand, AUP of Pakistan and Norway is high. The primary reason for this difference is the tariff rate which is highest for Pakistan and Norway and zero per cent for other suppliers. Moreover, China is also efficient and top producer of Textile product and have an advantage in terms of cost.



Source: Trade Map

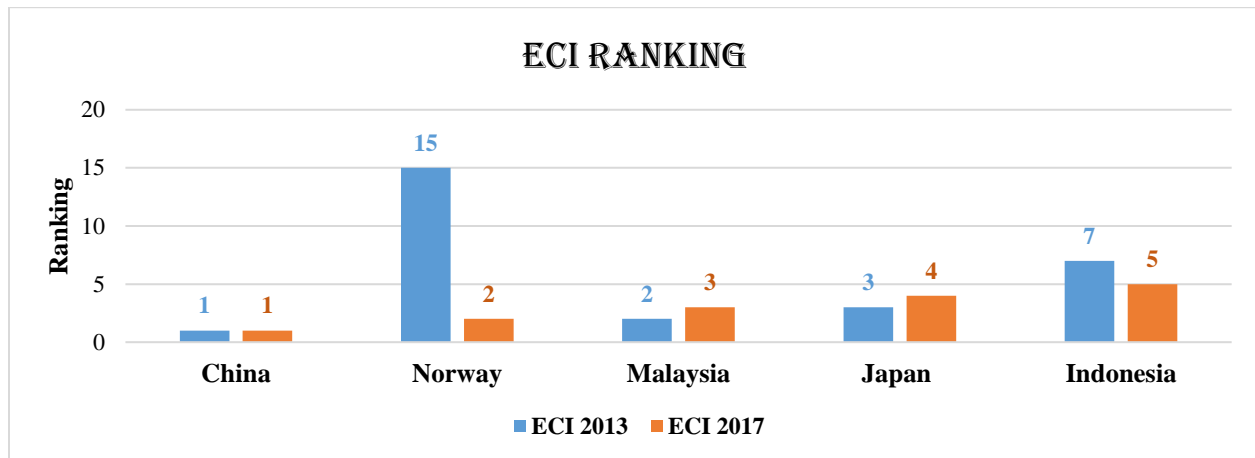
Indonesia has the highest five-year growth rate which is due to the fact that its exported value was very low even small amount of increase in the value shows high increment in percentage term. Export of China is increased by 19% in five years. It can be understood that the countries which face high tariff rate their exports declined in 2017. On the other hand, the exports of other countries increased.



Data source: Trade Map

The following graph shows the Export competitiveness rankings. Ranking of China stayed the same in 2017 as compared to 2013. Norway showed substantial improvements regarding its competitiveness and moved

to the 2<sup>nd</sup> position from 15<sup>th</sup>. Ranking of Indonesia also improved while Malaysia and Japan lose their competitiveness in 2017.



Data source: Trade Map

### Why is China Competitive?

China is the top exporter of textile products in the world and also in Thailand. It enjoys economies of scale. Free trade agreement between China and Thailand allows China to export at zero per cent tariff rate, which give it large excess to Thai market. China's product is competitive due to productive labor an advanced technology in the textile sector. The textile industry in China received FDI of \$2.9 billion in 2005 which improved the efficiency and quality of the product.

### Non-Tariff Barriers:

Pakistani exporters has to fulfill following requirements as a non-tariff barriers for the exports of articles of bedding to Thailand.

- i. Sanitary and Phytosanitary [SPS]
- ii. Pre-shipment inspection
- iii. Contingent trade protective measures
- iv. Quantity control measures
- v. Price control measures
- vi. Export-related measures

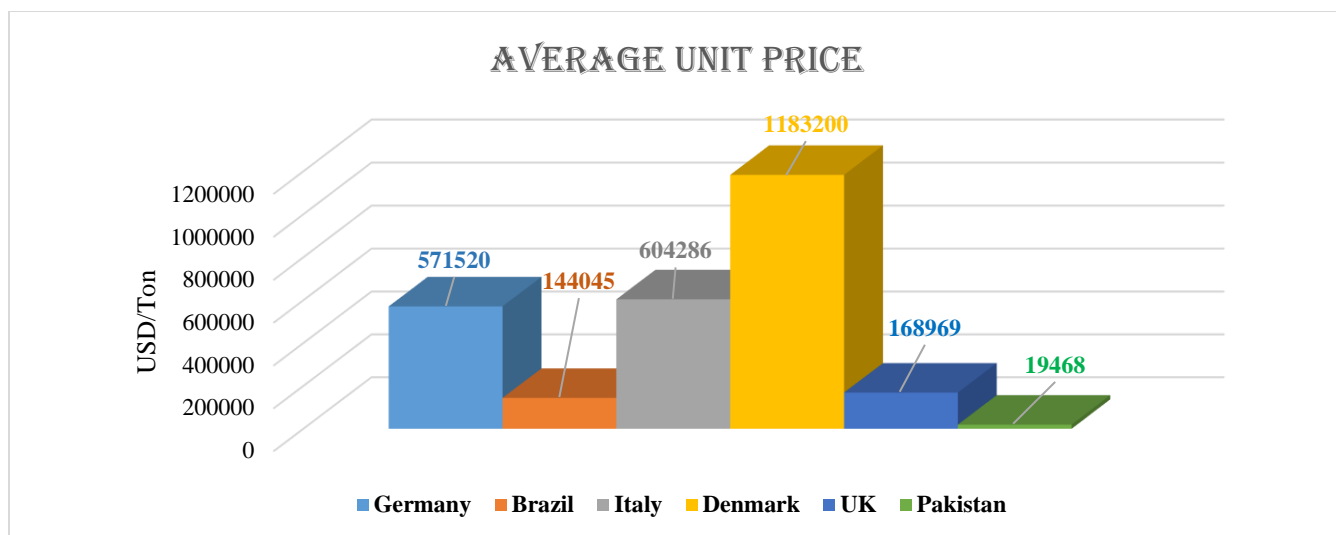
### **300439-Medicaments containing hormones or steroids:**

Medicaments containing hormones or steroids have high demand in Thailand as imports are more than \$72 million while exports of Pakistan for the same product were \$49 million. Thailand imports pharmaceutical products in high quantity. Total imports of the pharmaceutical by Thailand is over \$2.2 billion. Germany, Brazil and Italy are the top exporter of medicaments to Thailand. Currently, Pakistan does not export medicaments to Thailand. The Overall ranking of Pakistan regarding the exports of that product is 24<sup>th</sup> in the world. Pakistan faces a 10% tariff rate; all the top exporters also face the same tariff rate. It is hard for Pakistan to export pharmaceutical products, especially in developed or even middle-income countries. The core reason is that no Drug lab in Pakistan is approved by the Food and Drug Administration (FDA) America. It cost around \$300 million to prepare a drug lab according to standards of FDA. Certification of Pharmaceutical products is costly which Pakistani industry lack.

<b>Rank</b>	<b>Suppliers</b>	<b>Value \$ million 2017</b>	<b>Market Share in Thailand</b>	<b>Tariff faced by suppliers</b>	<b>Ranking in world exports</b>
1	Germany	14.2	19.7%	10%	5
2	Brazil	9.5	13.1%	10%	15
3	Italy	8.4	11.7%	10%	2
4	Denmark	5.9	8.2%	10%	
5	UK	5.4	7.5%	10%	7
--	Pakistan	0	0	10%	24

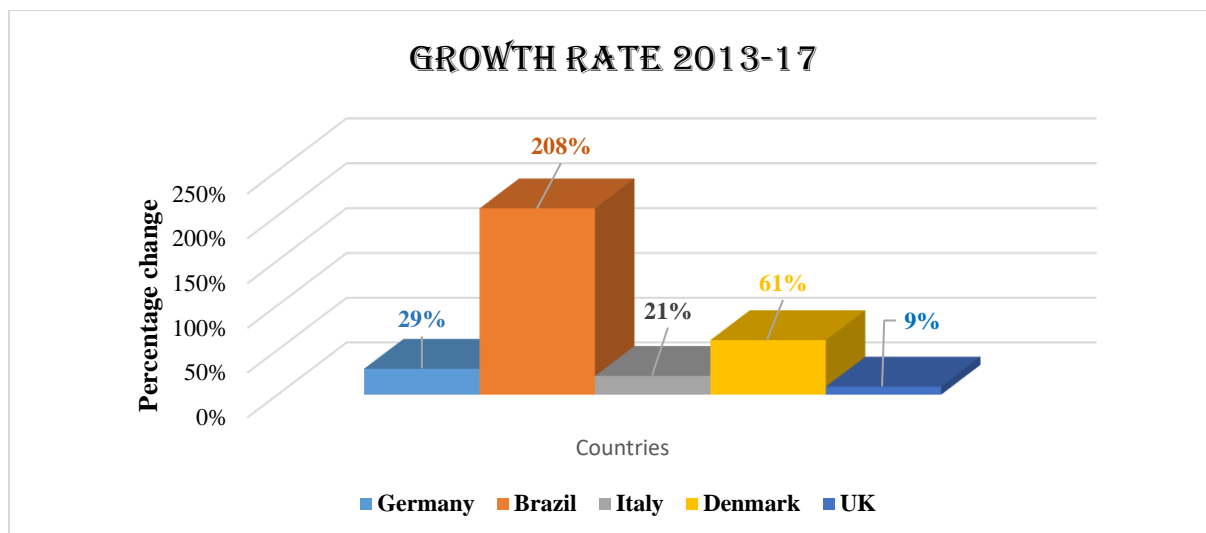
*Source: Trade Map*

There is a lot of variation regarding the average unit price of top suppliers. The difference is due to the type and quality of medicine they are exporting. As Pakistan does not export to Thailand, so AUP is not available, that's why AUP of Pakistan to Vietnam has been used as a proxy because Vietnam is neighboring country to Thailand.



Data Source: Trade Map

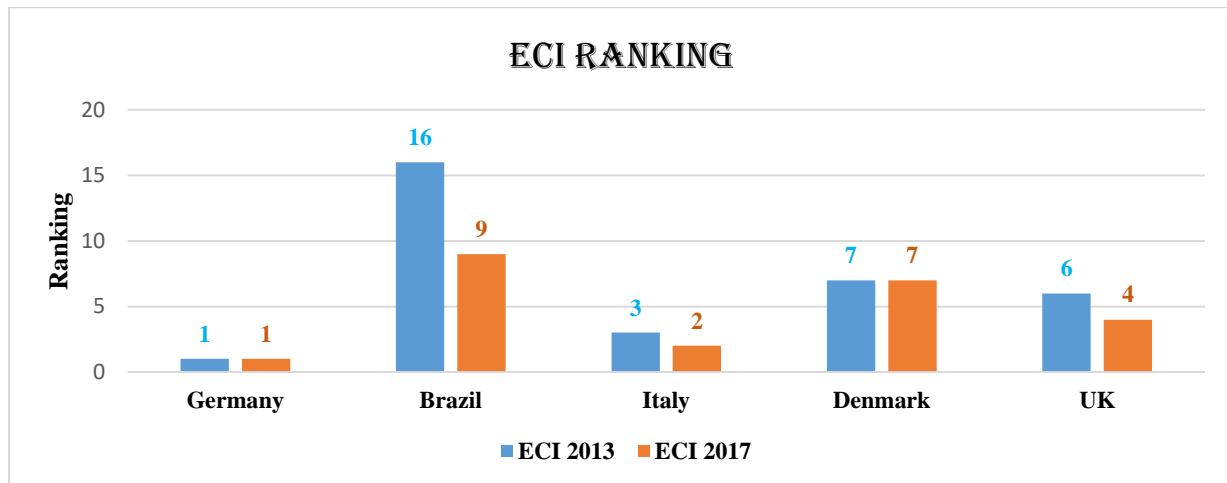
Brazil experienced the highest growth rate as compared to 2013. Its exports of medicaments more than doubled in 2017. Exports of Germany also increased by 29%. Exports of all the supplier showed an increased which is due to an overall increase of 44% in the imports of medicaments by Thailand.



Data Source: Trade Map

The following graph shows the Export Competitiveness ranking of the top five competitors. Germany is the most competitive country and maintained its ECI ranking in 2017. Ranking of Brazil improved from

16<sup>th</sup> to 9<sup>th</sup> position which is due to increase in its exports. Italy and UK also showed improvement while the ranking of Denmark stayed the same.



Data Source: Trade Map

### Why is Germany Competitive?

Germany is the second top exporter of medicaments in Thailand and 5<sup>th</sup> in the world. German products are popular globally due to the constant increase in quality in development and production. Germany spent EUR 5.4 billion on research and development in the pharmaceutical sector which is equal to 13.2% of revenue. In the pharma industry, 20% workforce is working in research and development. Germany has developed some popular products like Aspirin and Betaferon which are earning high revenues.

### Why is Brazil Competitive?

The pharmaceutical industry of Brazil showed a high growth and expected to reach \$29 billion in 2021. Regarding revenue, Brazil's pharma market is the sixth largest market in the world. Exports of pharma products by Brazil in more than \$1.2 billion in 2017. A total of \$5.7 billion was invested in the pharma market through the Foreign Direct Investment (FDI) route between 2006 and 2014, with \$2.7 came during 2012-2013. Such foreign investments improved the technology, services and products across the healthcare sector; the government remained supportive of domestic pharma manufacturers by reducing the tariffs on imported inputs.

**Non-Tariff Barriers:**

- i. Any person licensed to produce or import drugs, or who wish to produce or import drugs, which may be modern drug or traditional drug, is required first to apply to the competent officer for registration of the formula.
- ii. Any person who wishes to get a permit to import modern drug need to submit an application and other documents to the Bureau of Drug Control under the Food and Drug Administration.
- iii. Drug storage must have a cleaning system, airflow, security and this place use to keep drug only.
- iv. Importer needs to make import list including number or alphabet of lots of production, name and country of producer, certificate of quality and standard of a drug, date of import. Importer needs to report the name of imported drugs every four months to the Food and Drug Administration.
- v. Importer have to keep sample of imported drugs for analyzing quality and standard and keep not less than 2 years.
- vi. For testing, importer need to submit application form and other documents such as registered drug formula document, certificate of quality and standard, etc. Importer should submit these documents to authority at import ports.



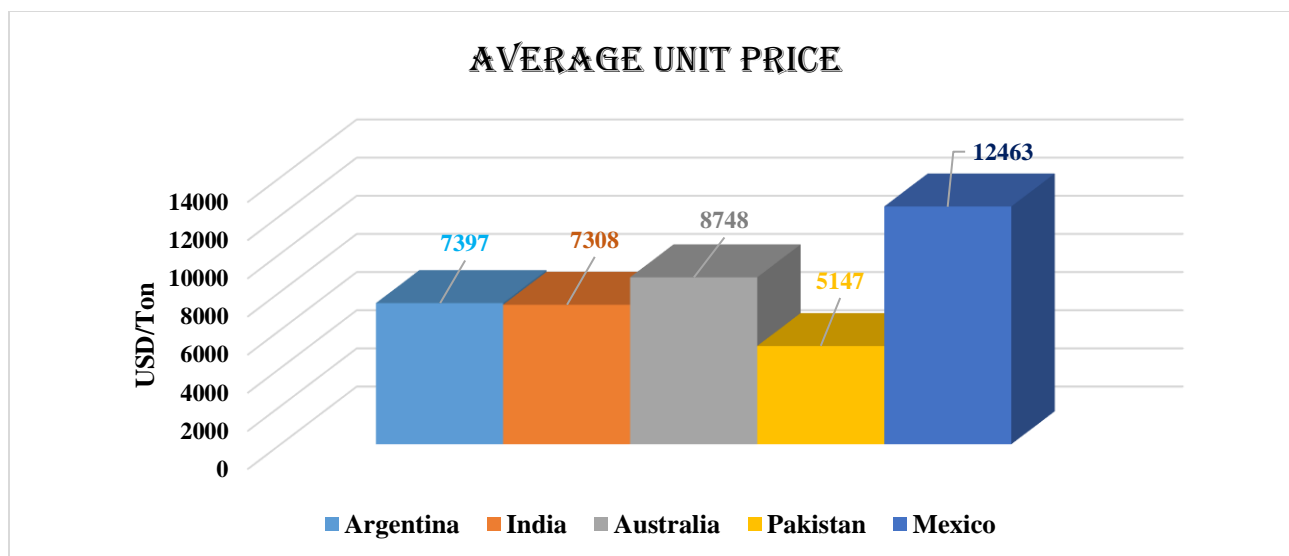
### **030617-Frozen shrimps and prawns, even smoked:**

There is a high demand for frozen shrimps and prawns in Thailand. Its imports were \$87 million in 2017, while the exports by Pakistan valued \$54 million in 2017. However, Pakistan's exports to Thailand are only \$3.8 million, and it is the fourth major exporter of frozen shrimps to Thailand. Argentina has the highest market share of 61% in Thailand with the exported value of \$53 million while India is at second position with exports of \$13.2 million. The major issues which Pakistan fish industry faces are water pollution, overfishing and threats to mangroves. The Karachi fish harbor is severely affected by a variety of pollutants. Spillage of the oils from ships, domestic and industrial waste is causing great harm to the fishing industry. Studies have shown that many chemicals - some of these having carcinogenic qualities toxic materials and heavy metals have found in marine life. These dangerous substances are also entering the food chain of the people whose diet comprises seafood. The mangroves that are a breeding ground for fish and shrimps cannot thrive well in polluted sea water. Another problem linked with the fishing industry is that of over-fishing of shrimps throughout the year, even in the breeding season.

Pakistan faces a high tariff rate of 20% in Thailand for the exports of shrimps. On the other hand, India and Australia face 5% and 0% respectively. India has a free trade agreement with ASEAN and Australia has FTA with Thailand that's why they are charged with the low tariff rates. India is also the top exporter of shrimps to the world. The position of Argentina is 5<sup>th</sup>. In this regard, Pakistan ranks very low.

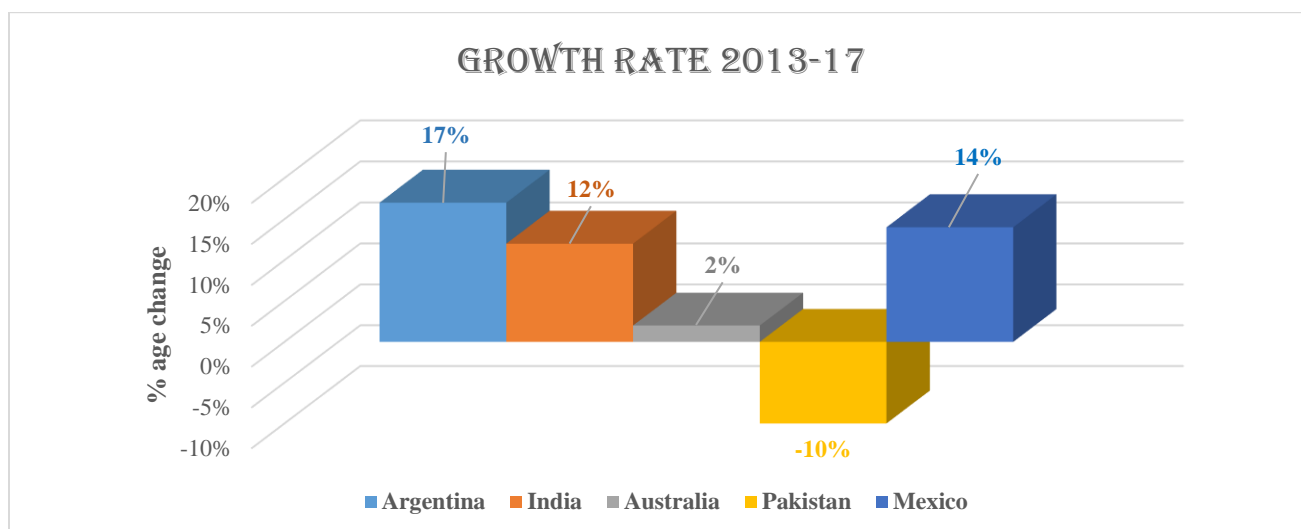
<b>Rank</b>	<b>Suppliers</b>	<b>Value \$ million 2017</b>	<b>Market Share in Thailand</b>	<b>Tariff faced by suppliers</b>	<b>Ranking in world exports</b>
1	Argentina	53	61%	20%	5
2	India	13.2	15%	5%	1
3	Australia	4.9	5.7%	0%	23
4	Pakistan	3.8	4.3%	20%	29
5	Mexico	2.8	3.2%	20%	9

The following table shows the Average Unit Price (AUP) charged by the top suppliers of the prawns to Thailand. Pakistan is earning the lowest price among top five competitors which is due to the quality and type of the shrimps. The AUP of Argentina is marginally higher than India while Mexico earns the highest.



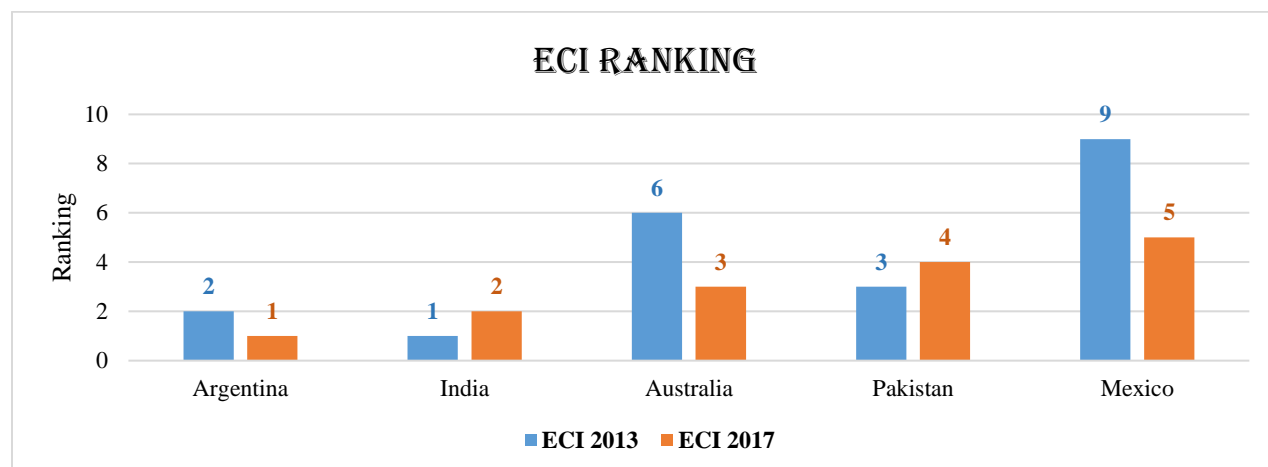
*Data Source: Trade Map*

Exports of Argentina are surged by 17% in 2017 as compared to 2013. Except for Pakistan, all the top exporters witnessed an increase in the exports. Pakistan's supply declined by 10% in 2017 which is due to the overall decline in the exports of shrimps by Pakistan to the world. Pakistan faced a ban by EU, UAE and Saudi Arabia for the exports of fisheries.



*Source: Trade Map*

The Export Competitive Index ranking graph shows that Argentina has improved its ranking and secured top position in 2017. Export competitiveness of Pakistan has worsened in Thailand due to a reduction in its exports of shrimps. Mexico and shows considerable improvements in their competitiveness.



### Why is Argentina Competitive?

Fishery sector of Argentina is considered as world's fastest growing fishery. Its exports of frozen shrimps are more than \$1.2 billion. Argentina is a country with an extended marine coast, with 4700 km of coastline on the South Atlantic Ocean, plus inland waters, and aquaculture. The Argentine Sea is branded by its size and biodiversity, making it one of the fishing banks, richest on Earth.

In Argentina Government is making grants for the purchase of new vessels, Vessel decomposition payments (buy back), compensations for close seasons and equity infusions. Loan to the fisherman is provided at lower rates than market price. There is price support program and deferred tax mechanism.

### Why is India competitive?

The government of India has initiated the Blue Revolution program titled "Blue Revolution: Integrated Development and Management of Fisheries". The program is funded with \$467 million. The budget is allocated to improve training and capacity-building of fishers and fish-farmers, boost species diversification and proper fish health management, and strengthen the country's scientific research and the science community's advising of the private sector. Another separate focus of the Blue Revolution Program has been to move traditional in-shore fishers into deep-sea fishing.

## **Non-Tariff Barriers:**

- i. For foods containing material that is used to prolong or maintain quality of food in the container, importers have to register the product to FDA (Food and Drug Administration) by the document providing the information of products (including detail of components and background of products) which can prove whether the product reaches the conditions to be satisfied in terms of quality.
- ii. It is prohibited to use containers made of plastic to pack items other than food with any image or design which can cause misunderstanding in the essence of the food.
- iii. Labelling requirements on the containers of food containing material that is used to prolong or maintain quality of food in the container, importers or producers have to indicate word "There is..." which In blank putting the details about the package and type of preservatives in the container with size not smaller than 3 mm, font red color on white background of the label.
- iv. To use containers made of plastic for containing foods: 1. do not use containers made of plastic with food coloring. Except in the following cases. (1) Plastic laminate (Laminate) that are not in direct contact with food. (2) Plastic containers of fruit that the peel is not be eaten. (3) Other cases that have been approved by the Food and Drug Administration
- v. Foods with animal drug residue can be detected animal drug in maximum residue limit according to accounts attached to the end of Ministry of Public Health's ministerial notice (303rd issue), 2007 for foods with the animal drug residues.
- vi. To import foods for sale, importers must have importing license according to Food and Drug Administration (FDA) which means that they must have devices for maintaining the quality of each food which these devices must be maintained or repaired as necessary and the devices must be in sufficient numbers for the amount of collected food. Also, importers must have the ability to store foods in each type separately depending on their specific requirement.
- vii. Importers of foods contaminated with radionuclide shall provide documents with every shipment, indicating the location of food production.
- viii. For foods, importers must pay the fee on import licensing
- ix. Re-exported products are determined to be goods that need to be permitted to export.

### **640399-Footwear with outer soles of rubber:**

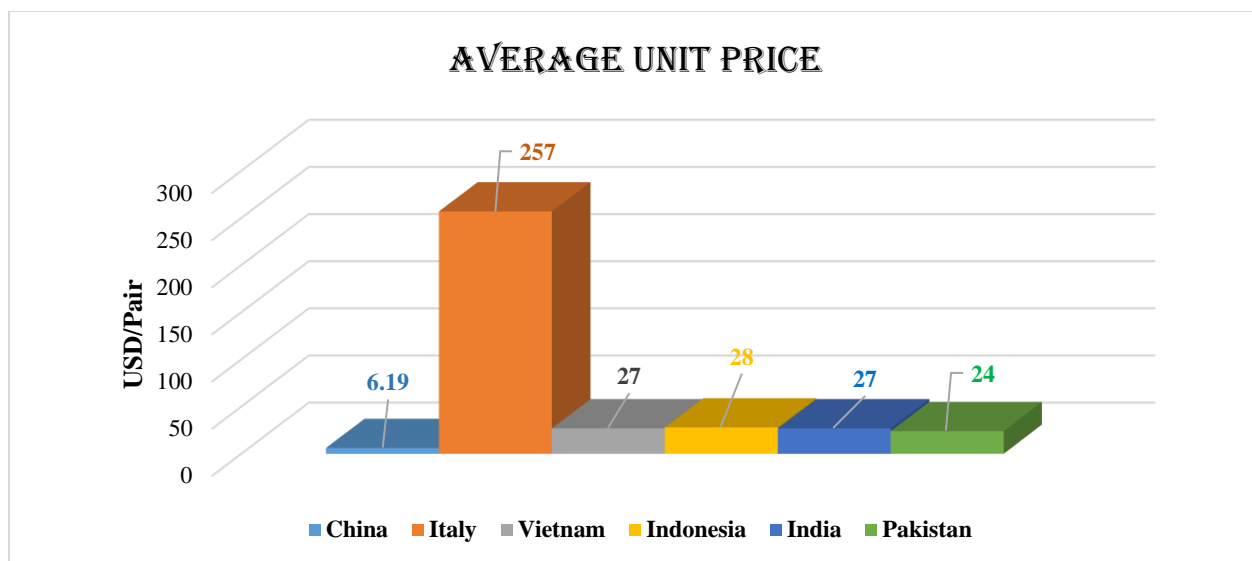
Footwear has a significant export potential for Pakistan. There is a high demand for footwear in Thailand; the country imported footwear with the outer sole of rubber for \$68 million in 2017 while exports of Pakistan were \$46 million for the same period. Currently, Pakistan has nearly zero per cent market share in Thailand. China is the top exporter to Thailand by capturing 34% market share of this product. China is also the top exporter of footwear to the world while the position of Pakistan is 35<sup>th</sup> in this regard. Italy and Vietnam are at 2<sup>nd</sup> and 3<sup>rd</sup> top exporter to Thailand. Being the members of ASEAN, Vietnam and Indonesia face zero per cent tariff rate in the Thai market. India also faces low tariff rates due to the Free Trade Agreement with ASEAN. On the other hand, Pakistan is charged with a very heavy rate of 30%.

The growth of the Pakistani industry is hampering because it did not invest in improvement in technology, skill enhancement and development of ancillary industry (producing lasts, heels, trims, buckles). Contrary to that, export of India has crossed \$10 billion.

Rank	Suppliers	Value \$ million 2017	Market Share in Thailand	Tariff faced by suppliers	Ranking in world exports
1	China	16	34%	20%	1
2	Italy	10.3	22%	30%	3
3	Vietnam	8	17%	0%	2
4	Indonesia	2.1	4.5%	0%	7
5	India	1.4	3.2%	12%	17
41	Pakistan	0.03	0%	30%	35

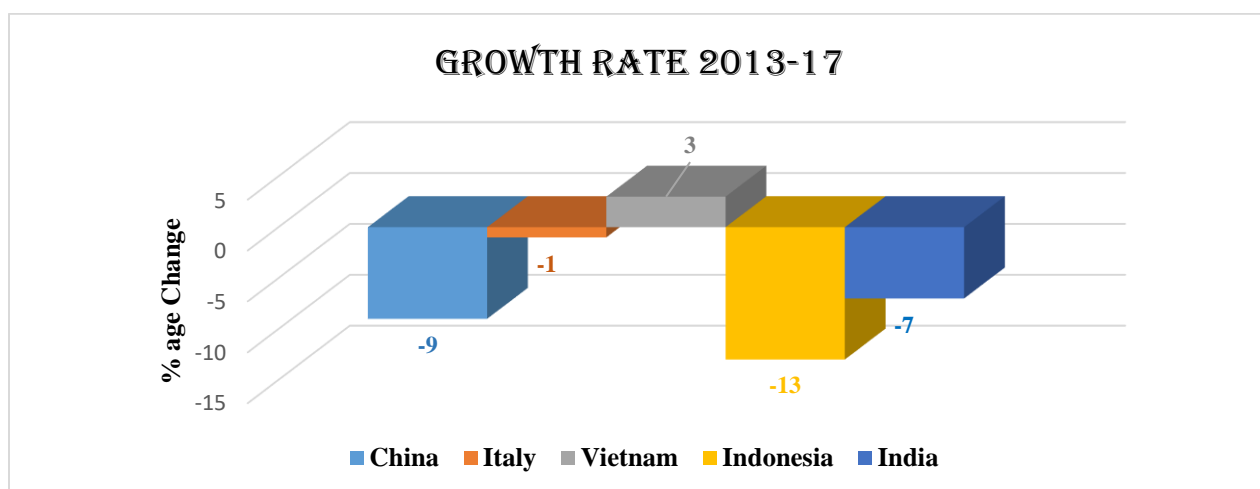
*Data Source: Trade Map*

The following table compares the average unit price earned by the top suppliers and Pakistan in Thailand. It can be seen that China is selling footwear at the lowest AUP which is due to its cost efficiency because of economies of scale. Italy is earning premium price because which is renowned by the quality of its footwear. On the other hand, Pakistan earning the lowest price although the volume of exports is extremely low.



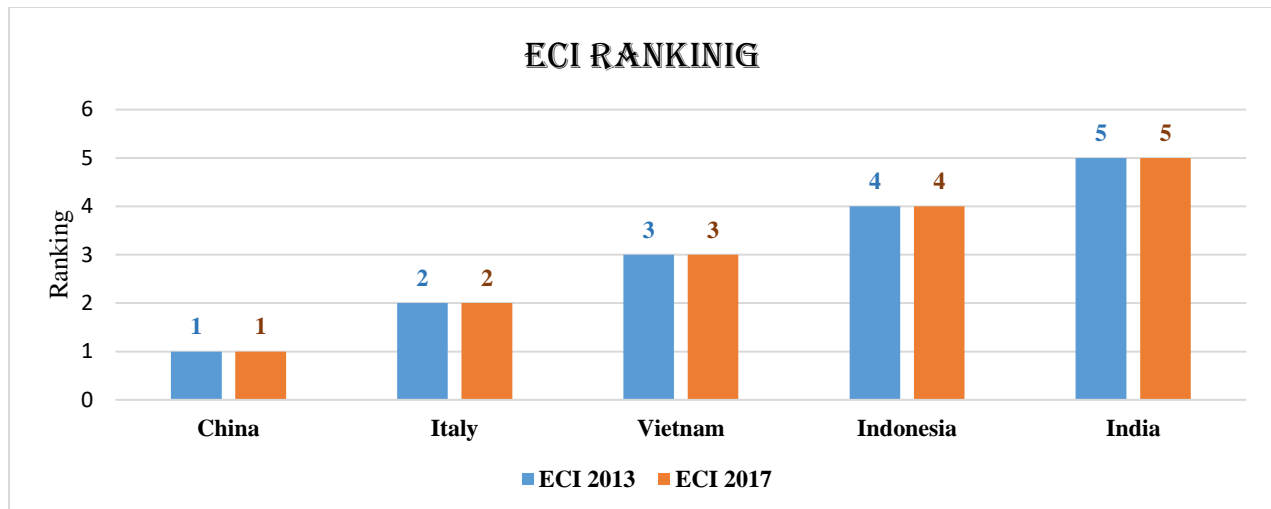
Data Source: Trade Map

The export of footwear of all the major exporters except Vietnam has been declined. Indonesia shows the highest decline of 13% of its exports to Thailand. The drop is due to the overall decline in the imports of Thailand In 2017.



Data Source: Trade Map

The export competitive Index ranking of major competitors stayed the same for 2013 and 2017. China is at top while India is at bottom.



*Data Source: Trade Map*

### **Why is China Competitive?**

China has given export subsidy to the footwear sector. The VAT has reduced to 13% from 17%, and it will eventually come down to 5%. The china leather and footwear industry research institute located in Beijing was founded in 1959. It is a state-owned enterprise and employs 120 researchers and assistants. The institute concentrates on research, technology development, quality assurance (testing), standardization and environmental protection related to leather processing, footwear and other leather goods (including fur products) manufacturing.

In China, companies have some form of computer-aided design (CAD) systems. In this section of the business, there has also been considerable knowledge transfer both from foreign buyers and from the buying offices of the foreign buyers who often have strong technical sections.

### **Why is Italy competitive?**

Italy is the leading shoemaker country in the European Union and well known for luxury shoes. There are more than 4800 shoemaker companies in Italy. The prominent position of the Italian shoe industry globally is due to the sector's excellent level of competitiveness based on the higher quality of the product and an eminent capacity for innovation. The characteristics that differentiate Italian production in the footwear sector are artistic talent, the novelty of traditional manufacturing methods and skilled labor.

**Non-Tariff Barriers:**

Pakistani exporters has to fulfill following requirements as a non-tariff barriers for the exports of footwear to Thailand.

- i. Sanitary and Phytosanitary [SPS]
- ii. Pre-shipment inspection
- iii. Contingent trade protective measures
- iv. Quantity control measures
- v. Price control measures
- vi. Export-related measures



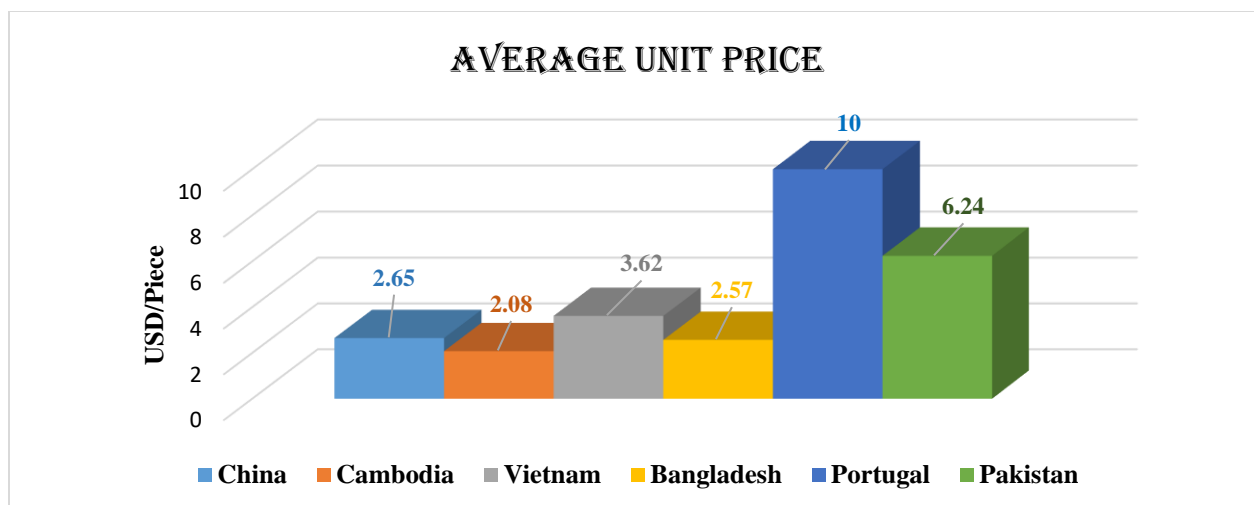
### **610910 T-shirts, singlets and other vests of cotton:**

Textile sector earns higher foreign exchange for Pakistan. Total exports of textile are more than \$13 billion. Particularly considering the exports of T-shirts, its exports to world valued at \$197 million in 2017, there is also a high demand for this product in Thailand as its imports were \$72 million during the same period. However, Pakistan's exports to Thailand is negligible. There is high untapped potential as the current market share of Pakistan is nearly zero per cent. China is the top exporter of T-shirts to Thailand with the market share of 39%. Cambodia is the second major supplier but its exports are limited to \$9.6 million only.

Due to the Free Trade Agreement between China and ASEAN, China is charged zero per cent tariff rate for its exports of T-shirts to Thailand. China is also the second biggest exporter of t-shirts to the world while Bangladesh is the top exporter. However, Bangladesh's exports to Thailand are limited to \$6.3 million which is due to a high tariff rate of 30%. Pakistan also faces the same tariff rate and placed at 28<sup>th</sup> position regarding the export of t-shirts to the world.

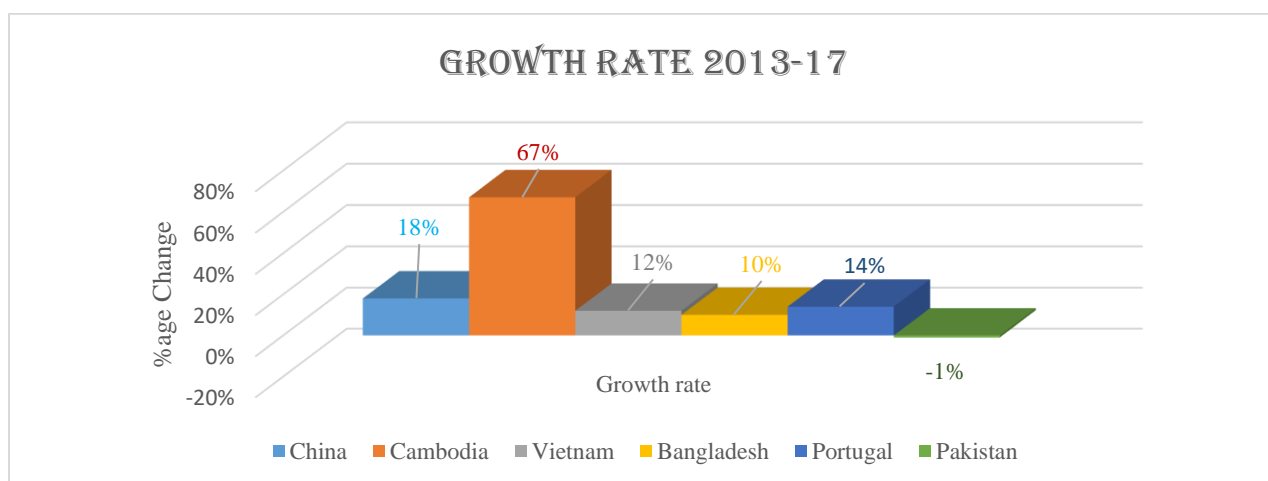
<b>Rank</b>	<b>Suppliers</b>	<b>Value \$ million 2017</b>	<b>Market Share in Thailand</b>	<b>Tariff faced by suppliers</b>	<b>Ranking in world exports</b>
1	China	28.3	39	0	2
2	Cambodia	9.6	13	0	18
3	Vietnam	8.2	12	0	8
4	Bangladesh	6.3	9	30	1
5	Portugal	3	4	30	9
15	Pakistan	0.23	0	30	28

The average unit price of Portugal is the highest because the cost of labor is very high as compared to other suppliers. AUP of Pakistan is \$6.24 which is also higher as compared to other competitors. Bangladesh and Cambodia charge lowest average unit price.



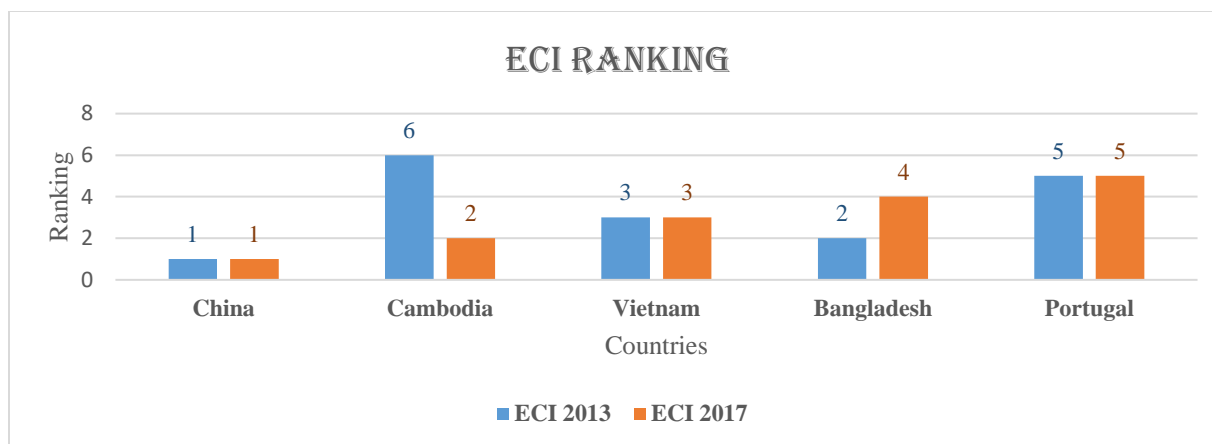
*Data Source: Trade Map*

Exports of Cambodia has been increased by 67%. This massive increase is due to the low value of exports in 2013 which cause a high increase in percentage terms even with the small increase in value. China shows a growth of 18% while exports of Pakistan are declined by 1%.



*Data Source: Trade Map*

China maintain its top position concerning Export Competitiveness. Ranking of Cambodia has improved from 5<sup>th</sup> position to 2<sup>nd</sup> while Bangladesh showed a decline in competitiveness.



*Data Source: Trade Map*

### **Why is China Competitive?**

China is also the top exporter of Textile products in the world. It has a modern infrastructure and technology which is the result of \$2.5 billion foreign direct investment received in 2005 by Chinese textile sector. As textile is a labor-intensive sector, China has an advantage over other developing countries due to productive labor as well. China is selling its products at the lowest average unit price as compared to other top suppliers which show that China faces comparatively low cost.

### **Non-Tariff Barriers:**

Pakistani exporters have to fulfill following requirements as non-tariff barriers for the exports of t-shirts and singlets to Thailand.

- i. Sanitary and Phytosanitary [SPS]
- ii. Pre-shipment inspection
- iii. Contingent trade protective measures
- iv. Quantity control measures
- v. Price control measures
- vi. Export-related measures

**Trade Initiatives by TDAP:**

Trade development authority of Pakistan played a vibrant role in the promotion of exports of Pakistan. The following exhibitions are organized in Thailand during 2017- 18 and proposed in 2019.

Sr #	Name of the Event	Date	Product
1	Thailand Halal Assembly, Bangkok	December, 2017	Halal Food
2	Thailand Halal Assembly, Bangkok	December, 2018	Halal Food
3	Bangkok Int'l Fashion & Leather Fair	April, 2019	Leather & its Products

## Activities by Commercial Section in Thailand:

The table below shows the list of Business Networking activities carried out by the commercial section of Pakistan in Thailand.

Meeting	Category	Objectives	Outcome	Follow up action
JFCCT Reunion	Exporter and importer	Attend JFCCT Reunion 2018	Relationship built with Thai businesspersons for further discussion about investment opportunities in Pakistan.	Close liaison will be maintained to explore business opportunities between the two countries.
Meeting with Legend International Pvt Ltd.	Exporter	To discuss trade opportunities from Pakistan to Thailand	The meeting with Thai Frozen Food Association (TFFA) was arranged.	Constant contact will be maintained to support them in exporting fisheries products to Thailand.
Meeting with KKS Beverage Co.,Ltd	Exporter	To discuss Pakistan's retail market.	The information related to Pakistan economy was provided.	Constant contact will be maintained.
Arranged welcome dinner for the exhibitors of Single Country Exhibition along with Members of TPCC and TPBC	Exhibitors, importers, exporters and members of TPCC, TPBC	To provide a platform for informal B2B contacts.	The dinner was attended by a large number of exhibitors and members of TPCC and TPBC and was highly appreciated by all	Similar events will be arranged in future to maximize the interaction of private sectors
Defence Day of Pakistan celebrations	Leading businessmen	To strengthen the relationship	Almost all invitees attended the reception	Close liaison will be maintained

## **Issues faced by Pakistan:**

Pakistan faces different demand side and supply side issues in Thailand which are discussed below.

### **Demand side issues:**

- Thai consumers are price conscious. Mostly, they are served by local and low price imports. For most of the products, the AUP charged by Pakistan is high as compared to its major competitor China which result in low demand for Pakistani products.
- Pakistan faces very high tariff rates for most of its exports to Thailand. On the other hand tariff rates applied to China and India are very low due to their Free Trade Agreements with ASEAN.
- Customs laws in Thailand are not according to the standards established by the standards of The International Convention on the Simplification and Harmonization of Customs Procedures. The major problem is the Customs penalty regime. The penalty for undervaluing imports into Thailand, even if done through negligence or by mistake, can result in a prison sentence of up to 10 years. Moreover, the system is incentivized by the distribution of rewards from these penalty payments to customs officials involved in the investigation of each case.
- Sanitary and Phytosanitary (SPS) measures continue to be a source of concern for the exporters in Thailand. SPS Standards for certain agricultural products are applied subjectively and without prior notification.
- There are several products which are subject to import controls like importation of processed foods, medical devices, pharmaceuticals, vitamins, and cosmetics require licensing from the Food and Drug Administration, Ministry of Public Health.
- Under the Thailand 4.0 policy, Thailand is undergoing the economic transformation, moving forward to becoming a valued-based and innovation-driven economy. On the other hand, the exports of Pakistan are limited, low technology-based and labor intensive, which have opened the door for easy accessibility of other competitors.

**Supply Side Issues:**

- Thailand is not a major export destination of Pakistan. Top exports of Pakistan to the world include rice and textile, but these products are exported by Thailand as well in large quantity. Pakistan does not have enough product base to increase exports to Thailand.
- Seafood has the high export potential for Thailand. But the condition of Karachi fish harbor is unhygienic; therefore importers are reluctant to import seafood from Pakistan. Export of seafood by Pakistan is already restricted in Saudi Arabia and EU. Moreover, the non-tariff barriers for food items are very high.
- For most of the potential products for Thailand, Pakistan has to face competition from China. The supply side of Pakistan is not advanced enough to counter the competition regarding efficiency and innovativeness.
- Medicaments have high export potential in Thailand but exporters need to meet stringent requirements to export this product. Food and Drug Administration (FDA) certification is required for the exports of medicament. Unfortunately, Pakistan does not have FDA approved pharma Lab. For the compliance of FDA standards, high level of investment is required.
- China and Italy are the major suppliers of footwear in Thailand. To enhance footwear exports Pakistan needs to be competitive. But due to obsolete technology, low skill level and failure to develop ancillary industry, it is difficult for Pakistan to make a place in the Thai market.
- The State Bank of Pakistan is rising interest rates, which is making it difficult for industries to have cheap excess to capital.

## **SWOT analysis:**

### **Strengths**

- Consumers in Thailand are price conscious. Recent currency devaluation is making Pakistan's exports competitive in Thailand as Pakistan is facing major competition from China which is delivering low price products to Thailand.
- The size of Thai market is huge as its imports were more than \$225 billion in 2017. Moreover, imports of Thailand are continuously growing which results in high untapped potential for Pakistani exporters.
- The size of bilateral trade between both of the countries is continuously rising which is an indication of improving bilateral trade relationships.

### **Weaknesses:**

- Pakistan is among top rice exporter, but rice does not have export potential in Thailand as it is also second biggest exporter of rice to the world.
- Pakistan has a huge trade deficit with Thailand. Its exports to Thailand are merely \$142 million while imports have crossed \$1.2 billion in 2017.
- Being price sensitive, Thailand consumers are served by local suppliers and low price imports. On the other hand, potential products of Pakistan have high Average Unit Price as compared to its competitors.
- Due to non-existence of trade agreement with Thailand, Pakistani exporters are facing high tariff rates. Conversely, tariff rates for its competitors like China and India are very low or zero.
- Medicaments have high untapped potential in Thailand. But due to low quality and certification issues, Pakistan is unable to export medicaments to Thailand.



**Opportunities:**

- Free Trade Agreement between Pakistan and Thailand is in final stage. The conclusion of the agreement will result in improved competitiveness of Pakistani products in terms of price due to tariff relaxation.
- Pakistan has to compete on the basis of quality and innovation in developed countries like U.S and EU. But in Thailand, comparatively low purchasing power makes even low quality products acceptable for consumer. The purchasing power of Thai consumer is very low as compared to developed countries. Products with low quality are also acceptable in Thailand.
- Thailand 4.0 aims to unlock country from several economic challenges and transform the country from middle income to high income. The growth rate is also expected to rise to 4.8% in 2019. It will create demand for infrastructural inputs which Pakistan have opportunity to export.

**Threats:**

- Thailand is a highly industrialized country. Its exports are over \$236 billion. On the other hand, exports of Pakistan are merely \$23 billion. FTA with Thailand can create more trade deficit for Pakistan.
- Pakistan's economy is in a financial turmoil. The cost of input for the industry is getting higher, which is making Pakistani products less competitive in the Thai market.
- Fisheries are among the major exports of Pakistan to Thailand. But due to unhygienic conditions of Karachi fish harbor and auction halls, Pakistan is facing ban from Saudi Arabia and EU. If the conditions does not improve, it may face a ban from Thailand too.

## **Conclusion and Recommendations:**

Bilateral trade between Pakistan and Thailand is consistently rising. But major growth is coming through imports by Pakistan. On the other hand, exports of Pakistan are minimal and resulting in a huge trade deficit with Thailand. The significant raise came from imports of motor cars which showed an increase of 53% in 2017 as compared to 2016. The top exports of Pakistan include rice and textile product which are also heavily exported by Thailand and eventually limiting the ability of Pakistan to increase its exports. The potential products which are identified at HS-6 level include articles of bedding, medicaments containing hormones, frozen shrimps and prawns, footwear and t-shirts. The following measures can help to improve the exports of Pakistan.

- Currently, Pakistan is facing very hefty tariff rates in Thailand. Free Trade Agreement can be helpful to make Pakistani products competitive. But Pakistan needs to negotiate it very carefully as exports of Thailand are ten times greater than Pakistan. A poorly negotiated FTA may create more trade deficit with Thailand.
- Consumers in Thailand are more price conscious. China is the major competitor of Pakistan in Thailand which sells its products at a low average unit price. In order to capture market share, Pakistani industry needs to be efficient in terms of cost. The Government of Pakistan can help exporters by reducing the cost of utilities and reducing the tariff on inputs which are used to produce exportable items.
- The Demand for medicaments is high in Thailand, but the export of pharmaceutical products face a lot of non-tariff barriers. One major barrier is the requirement of certifications which includes certification from USA Food and Drug Administration. It requires a lot of cost which Pakistani companies are incapable to incur that cost. The government of Pakistan should help the pharmaceutical sector by providing easy and cheap access to Capital. Manufacturing units can be established in Pakistan entirely dedicated to exports.
- Pakistan has a high export potential for seafood. But unhygienic conditions of Karachi fish harbor and auction hall is the major impediment to export. In this regard, government funding can be helpful to cater to the situation.
- To increase exports, Pakistan needs to encourage corporate culture. Because corporations can have more excess to capital and can grow beyond limitations to have access in the international markets.