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The Thai private sector emphasizes the importance of FTA prioritization

Mr. Supan Mongkolsuthee, Chairman of the Federation of Thai Industries (FTI), revealed to the media on 10 June 2014 that the seven private organizations, including the Federation of Thai Industries, the Board of Trade of Thailand, the Thai Bankers' Association, the Federation of Thai Capital Market Organizations, the Stock Exchange of Thailand, the Thai Listed Companies Association, and the Tourism Council of Thailand, have concluded seven economic reform measures to be proposed to the National Council for Peace and Order (NCPO). These seven measures include plans to increase national competitiveness, promote public and private investment, reform education and promote innovation, lessen social and economic inequality, enhance corporate governance and minimize corruption, amend laws and regulations, and create a new economic structure.

Among others, one of the measures focuses on prioritizing and managing Free Trade Agreement (FTA) negotiations, and preparing for the Thai-EU FTA negotiations, which should be ready to compensate for the loss of tax privileges granted under the EU Generalized System of Preferences (GSP) due to expire by the end of this year.

Another important measure is the amendment of certain laws and regulations to tackle the ongoing problems in the enforcement of laws and regulations by government agencies. Major proposed changes include the amendment of customs laws with regard to tariff classification, the re-consideration of the customs rewarding system, the separation of unintentional offences resulting from technical errors from intentional offences of tax evasion or the importation of illicit goods, and the revision of customs penalty rates to be based on the appropriateness and seriousness of the offence.

The extent to which the proposal will be implemented remains to be seen.

The Excise Department has proposed a tax reform plan by request of the NCPO

Mr. Somchai Poonsawat, the Director General of the Excise Department, said earlier this month that the Department had prepared a tax reform plan to propose to the Ministry of Finance, by request of the National Council of Peace and Order (NCPO).

The proposed tax reform plan mainly focuses on the amendment of excise tax collection by calculating excise tax based on retail price instead of ex-factory price (in case of domestically-produced goods) or CIF price (in case of imported goods). The Excise Department expect this will increase excise tax revenues due to the higher tax base, while also creating equality for domestic producers and importers as the problem of undervalued declaration at the time of import, which causes a significant price discrepancy between domestic producer and importer of the

same type of product, will be minimized.

"Currently, the price of imported goods must be declared according to the General Agreement on Tariff and Trade (GATT). However, the declared import price may not reflect the true value of imported goods. An amendment in excise tax computation from ex-factory price to retail price will eliminate the problem of under-collected excise tax. Moreover, this method of excise tax collection does not go against the WTO Fundamental Principles, since the import duty is still collected based on CIF prices." said the Excise Director General.

In addition, the Excise Department intends to combine 7 laws and regulations relating to the Excise Department into a Revenue Code to modernize excise tax laws. This Revenue Code will include procedures for excise tax collection and penalties for taxpayers who pay tax incorrectly. Recent efforts to reform excise tax collection have been taken on alcoholic beverages, which are now being taxed at their last wholesaling price, creating a tax base which enhances efficiency in excise tax collection and bridges the price gap between domestic producers and importers.

A new concern regarding the TPP has been raised before a 10-day meeting of Chief Negotiators in Vancouver

The Chief Negotiators of 12 countries (Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam) negotiating the Trans-Pacific Partnership (TPP) will meet again during 3-12 July 2014 in Vancouver. Major progress is required before the next meeting takes place at the ministerial level. However, in addition to the unresolved issues (see Trade Digest Vol. 1 Issue 3), a major US player in the automobile industry has raised another concern and this may complicate matters further.

The American Automotive Policy Council (AAPC), representing Chrysler Group LLC, Ford Motor Co, and General Motors Co, claimed that Japanese officials had artificially undervalued the Japanese currency. The AAPC stated that the currency manipulation should be resolved before the TPP deal can be agreed on. The President of the AAPC, Matt Blunt, who is a former Governor of the State Missouri, stated: "The fact that it has not been raised by negotiators thus far is very discouraging for us and others in Congress who believe that currency has to be included if it is going to be a meaningful agreement." This statement could potentially signify further delays in the negotiations as the US auto industry could mount pressure on US congress to further delay the US's finalization on the TPP deal.

The dispute between the US and Japan has prolonged the finalization of the TPP deal since last year. The latest round of bilateral US-Japan talks in Washington DC on 9 June 2014 showed no sign of significant progress. The relevant parties have not yet even agreed upon the next meeting date.

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If you have any comments or questions regarding Trade Digest or any matters discussed herein, or if you are interested in finding out more about Bolliger & Company Consulting services, please contact any of the persons below:

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