THAILAND

TRADE SUMMARY

In 2001, the U.S. trade deficit with Thailand was approximately $8.7 billion, a decrease of $1.0 billion from the U.S. trade deficit of $9.8 billion in 2000. U.S. goods exports to Thailand were approximately $6.0 billion, a decrease of $622 million (9.4 percent) from 2000. Thailand was the United States' 22nd largest export market in 2001. U.S. imports from Thailand were $14.7 billion in 2001, a decrease of $1.7 billion (10.1 percent) from 2000.

U.S. exports of private commercial services (i.e., excluding military and government) to Thailand were $1.2 billion in 2000 (latest data available), and U.S. imports were $917 million.

Total accumulated U.S. foreign direct investment (FDI) in Thailand is more than $7.1 billion. U.S. FDI in Thailand is concentrated largely in the manufacturing, petroleum and banking sectors.

IMPORT POLICIES

Tariffs

Thailand's high tariff structure remains a major impediment to market access in many sectors. The country's average applied tariff rate is roughly 17 percent. A member of the World Trade Organization (WTO) and the ASEAN Free Trade Area (AFTA), Thailand has yet to complete efforts to rationalize a complicated tariff regime that currently has 46 rates. Highest tariff rates apply to imports competing with locally produced goods, including agricultural products, autos and auto parts, alcoholic beverages, fabrics, and some electrical appliances. In some cases, tariffs on unfinished and intermediate products are higher than on related finished products. In the aftermath of the 1997-98 financial crisis, the government increased duties, surcharges, and excise taxes on a range of "luxury" imports, including wine and passenger cars. Some tariff increases have corresponded with implementation of trade liberalization measures; for example, tariffs on completely knocked down (CKD) auto kits increased from 20 percent to 33 percent when local content requirements were eliminated in the automotive industry in December 1999. Thailand imposes a 70 percent duty on motorcycles.

The government is behind schedule in implementing its stated priority of tariff reduction and rationalization. Nonetheless, it continues to ease selected import duties in line with WTO and AFTA commitments, including most recently in January 2002, when it reduced tariffs on 439 items under AFTA. In an effort to boost the competitiveness of local industry, Thailand reduced tariffs on 542 items in July 2000 and on 73 items in October 2000. Effective January 2000, Thailand eliminated tariffs on 153 information technology-related products pursuant to its obligations under the WTO Information Technology Agreement (ITA).

Taxation

Excise taxes are high on some items, such as gasoline (25 percent to 31 percent), beer (53 percent to 55 percent), and wine (55 percent to 60 percent). There is an excise tax of 50 percent on certain luxury items, such as yachts and wool carpets, and a 35 to 40 percent excise tax on distilled spirits (25 percent to 30 percent for brandy). In March 1999, as part of an economic stimulus package, the value-added tax (VAT) was temporarily reduced from 10 percent to 7 percent and the excise tax on fuel oil was reduced from 17.5 percent to 5 percent. The VAT is scheduled to return to 10 percent after September 30, 2002. A second stimulus package in August 1999 removed duty surcharges that the government began to collect in October 1997 in reaction to the regional economic crisis. During the same period, Thailand reduced or eliminated tariffs on a number of raw materials and capital goods in order to increase its industrial competitiveness.

Agriculture and Food Products

High duties on agriculture and food products remain the main impediments to U.S. exports of high-value fresh and processed foods. Under its WTO Uruguay Round agriculture obligations, Thailand has committed to reduce its import duties, but these duties are an important source of government revenue and serve to protect politically influential domestic agricultural interests from competition from imports. Certain agricultural products and other sensitive items are excluded from Thailand's agricultural liberalization program.

Duties on imported consumer-ready food products range between 40 percent and 50 percent, the highest in the ASEAN region. Tariffs on meats, fresh fruits and vegetables, and pulses (e.g., dry peas, lentils, and chickpeas) are similarly high, even for products for which there is little domestic production. Frozen french fries, for example, are not produced in Thailand, yet face an unusually high tariff of 39 percent. When import duties, excise taxes, and other surcharges are calculated, imported wines face a total import tax of nearly 380 percent. With the exceptions of wine and spirits, there are no longer specific duties for most agricultural and food products and ad valorem rates are declining in accordance with Thailand's WTO commitments. Nevertheless, import duties on agricultural and processed food goods are currently as high as 55 percent and the average tariff rate is 29.32 percent. Furthermore, duties on many high-value fresh and processed food products will remain high -- in the 30 percent to 40 percent range – even after the WTO reductions. Apples, pears and cherries are also subject to a 10 percent import surcharge. U.S. fruit growers estimate lost sales of up to $25 million annually to these fruits from the combined effect of Thailand's high tariffs, surcharges, and a reference price system that disregards the transaction price of these products. (*See* "Customs Barriers" section below)

Although its overall import policy is directed at protecting domestic producers, Thailand has been relatively open to imports of feed ingredients (corn, soybeans, soymeal) in recent years. Corn imports enjoy liberalized tariff rates, but the effects are limited by a government requirement that corn imports arrive within a limited time frame (February-June). This places U.S. suppliers at a disadvantage and gives most of the market to corn from the Southern Hemisphere. Corn is also subject to a tariff-rate quota (TRQ) based on domestic wholesale corn prices. In 2001, the in-quota imports (about 54,000 tons) were subject to a 20 percent tariff rate, and the out-of-quota tariff was 75 percent plus a surcharge of approximately $4 per ton. There are currently no import quotas for soybeans, and the import duty on soybean meal is 5 percent, provided that specific domestic purchase requirements are met. There is an import duty on wheat imports of approximately $23 per ton. In addition, there are import license fees for meat products (approximately $115 per ton on beef and pork, $231 per ton for poultry, and $462 per ton for pork offal), which do not appear to reflect the true costs of import administration.

Phytosanitary standards for certain agricultural products may also be applied arbitrarily and without prior notification.

The actual trade impact of high tariffs and other trade-distorting measures on individual product categories is difficult to assess. However, a conservative estimate of the cumulative impact of these trade barriers would be in the 20 percent to 30 percent range. The annual value of U.S. agricultural exports to Thailand declined from nearly $630 million before the financial crisis to $535 million in 2001, for reasons including reduced domestic demand and currency devaluation, as well as hikes in excise taxes and tariffs. It is estimated, by industry, that potential U.S. agricultural exports to Thailand could reach $900 million a year if Thailand's tariffs and other trade-distorting measures were substantially reduced or eliminated and the economy recovered to pre-crisis levels.

Automotive Sector

Current compound import duties and taxes, among the highest in ASEAN, are burdensome. In response to the financial crisis, the government in October 1997 raised tariffs on passenger cars and sport utility vehicles to 80 percent, up from 42 percent and 68 percent. Current tariff rates on separate parts and components range from 40 percent to 60 percent, with the tariff rate on raw materials for parts production at 35 percent. Thailand’s excise tax structure discriminates against passenger vehicles by taxing them at a rate of 35 percent to 48 percent while pickup trucks are taxed at a rate of only 3 percent. The pre-economic crisis excise tax for passenger cars was based on engine displacement and ranged from 5 percent to 18 percent. Customs valuations problems have been particularly acute in the auto sector (*See* “Customs Barriers” section below).

Textiles

Thailand's applied tariff rates for U.S. textile exports are very high, ranging from 25 percent to 40 percent for fabrics, 10 percent to 25 percent for yarns and 35 percent to 45 percent for apparel. In addition, Thailand applies specific unit duties on one-third of all textile tariff lines that make effective rates even higher.

Quantitative Restrictions and Import Licensing

Thailand is in the process of changing its import licensing procedures to comply with its WTO obligations. Import licenses are required for at least 26 categories of items, including many raw materials, petroleum, industrial materials, textiles, pharmaceuticals, and agricultural items. Imports of used motorcycles and parts and gaming machines are prohibited. Import of some items not requiring licenses nevertheless must comply with applicable regulations of concerned agencies, including extra fees and certificate-of-origin requirements in some cases. Imports of food, pharmaceuticals, certain minerals, arms and ammunition, and art objects require special permits from relevant ministries. Applications for food product registration in particular require detailed and often proprietary business information about the manufacturing process and composition of the food.

Customs Barriers

The international business community has long regarded Thai customs procedures as an impediment to trade and investment. Overall, Thailand’s Customs Department enjoys a high degree of autonomy with the result that some of its practices appear arbitrary and irregular. Import regulations are complicated, non-transparent, and inconsistently applied. The problems most frequently cited by importers are excessive paperwork and formalities, lack of coordination between customs and other import regulating agencies, and lack of modern computerized processes.

Following nearly two years of efforts by USTR and other U.S. Government agencies urging Thailand to comply fully with the WTO Information Technology Agreement (ITA), Thailand’s Customs Department is in the process of implementing a January 2002 regulation that eliminated certificate-of-origin requirements for technology imports pursuant to the ITA. The U.S. Government will monitor closely the implementation of the new regulation to ensure duty-free market access without burdensome proof-of-origin requirements for U.S. products covered by the ITA.

Legislation enacted in March 2000 to implement the WTO Customs Valuation Agreement has alleviated some valuation problems, although some importers complain of uneven implementation, and in particular a discretionary practice by customs officials of using minimum import prices to determine arbitrarily that a declared transaction value of an imported good appears to be “too low”. The U.S. Government has urged Thailand to discontinue practices inconsistent with the Customs Valuation Agreement and to notify its legislation to the WTO Committee on Customs Valuation, as provided for in that agreement.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

Thailand’s Food and Drug Administration (TFDA) requires standards, testing, labeling, and certification permits for the importation of all food and pharmaceutical products, as well as certain medical devices. The cost, duration, and complexity of the permitting processes and occasional demands for disclosure of proprietary information can be burdensome. Food import licenses must be renewed every three years with payment of required fees. Pharmaceutical import licenses must be renewed every year, also with associated fees. Labels bearing product name, description, net weight or volume, and manufacturing/expiration dates, printed in Thai and approved by the TFDA, must be affixed to all imported food products.

Some TFDA procedures have been streamlined, but delays of up to a year can occur. All processed foods must be accompanied by a detailed list of ingredients and a manufacturing process description, disclosure of which could jeopardize an applicant’s trade secrets. The government has expressed its intention of implementing by January 2003 a genetically modified organism labeling regime modeled on the Japanese system.

In addition to the tariff issue, Thailand bans large-displacement motorcycle traffic from its tollways, despite the fact that large motorcycles are fully capable and engineered to be safely ridden at highway speeds. In 2000, Thailand adopted motorcycle emissions regulations that are an amalgamation of standards and tests used elsewhere in the world, resulting in arbitrary standards among the most severe in the world. The implementation and enforcement of these standards has been non-transparent and even the advanced low-emission technology used by U.S. industry has difficulty meeting Thailand’s standards. These regulations serve as an effective non-tariff barrier to U.S. exports of large motorcycles to Thailand.

GOVERNMENT PROCUREMENT

Thailand is not a signatory to the WTO Agreement on Government Procurement, although in the past Thai officials have evinced support for a WTO agreement on transparency in government procurement. A specific set of rules, commonly referred to as the "Prime Minister's Procurement Regulations," governs public-sector procurement for ministries and state-owned enterprises. While these regulations require that nondiscriminatory treatment and open competition be accorded to all potential bidders, different state enterprises typically have their own individual procurement policies and practices such that overall predictability and transparency is lacking. Preferential treatment is provided to domestic suppliers (including subsidiaries of U.S. firms registered as Thai companies), which receive an automatic 15 percent price advantage over foreign bidders in initial bid round evaluations.

Of concern to U.S. agencies is a “Buy Thai” directive from the Prime Minister’s office enacted in 2001. Reversing a longstanding non-discriminatory government procurement policy, “Buy Thai” has disrupted the market access of foreign suppliers in selected sectors, notably personal computers. While Thailand officially denies that the “Buy Thai” policy discriminates against foreign producers, the specific language used in government instructions on procurement tenders explicitly excludes foreign-made, non-Thai products from competition for bids. USTR and other U.S. agencies continue to urge Thailand to adopt the WTO Agreement on Government Procurement, and to develop procurement policies that are non-discriminatory and transparent.

A procuring government agency or state enterprise reserves the right to accept or reject any or all bids at any time and may also modify the technical requirements during the bidding process. The latter provision allows considerable leeway to government agencies and state-owned enterprises in managing tenders, while denying bidders any recourse to challenge procedures. Allegations that changes are made for special considerations are frequently made, including charges of bias on major procurements. For example, in a recent tender for the procurement and construction of a high-speed fiber-optic telecommunications network, the bidding process was repeated several times with changing definitions of technical specifications, generating public allegations of a lack of transparency in the underlying procurement. Despite the official commitment to transparency in government procurement, alleged irregularities and non-transparency continue to be featured regularly in anecdotes from U.S. companies and in media reporting.

Regulations promulgated in May 2000 formalized a Thai government practice requiring a counter-trade transaction on government procurement contracts valued at more than 300 million baht, on a case-by-case basis. A counter-purchase of Thai commodities valued at not less than 50 percent of the principal contract may be required. As part of a counter-trade deal, the government may also specify markets into which commodities may not be sold; these are usually markets where Thai commodities already enjoy significant access. From 1994 through April 2001, 161 counter-trade agreements were carried out, resulting in exports valued at 26 billion baht. The provision for a case-by-case approach undermines transparency and predictability.

EXPORT SUBSIDIES

Thailand’s programs to support trade in certain manufactured products and processed agricultural products may constitute export subsidies. These include various tax benefits, import duty reductions, credit at below-market rates on some government-to-government sales of Thai rice (established on a case-by-case basis), and preferential financing for exporters in the form of packing credits with odd date maturities and values otherwise unavailable in international credit markets. Thailand’s Export-Import Bank administers some of these programs, charging interest in the 7 percent to 8 percent range during 2001. The government has affirmed its intention to eliminate all subsidy programs by 2002 in compliance with WTO commitments.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Despite the passage of significant IPR legislation and a good working relationship between foreign business entities and Thai enforcement authorities, IPR piracy continues at high levels. U.S. copyright industries reported an estimated annual trade loss of more than $250 million from IPR infringement in 2000. Since November 1994, Thailand has been on the U.S. Special 301 Watch List.

On the legislative front, a Trade Secrets Act was passed by the Thai Parliament on March 1, 2002. Thailand's remaining piece legislation related to the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), a Geographic Indications Act, was introduced into the legislature in 2000 but remains to be passed. The latest available draft of the Trade Secrets Act reportedly would allow government agencies to disclose trade secrets to protect any "public interest" not having commercial objectives, giving rise to concerns that this would provide authorities with too broad of a scope to deny the protection of approval-related data against unfair commercial use. USTR and other U.S. Government agencies will review the Trade Secrets Act to determine whether any further concerns may need to be addressed.

Obstacles to effective enforcement are numerous. Resource limitations, especially in the wake of the financial crisis, hamstring police capabilities and judicial administration alike. Although conviction rates are very high, corruption and a cultural climate of leniency can complicate some phases of case administration. Irregularities in police and public prosecutor procedures occasionally have resulted in the substitution of insignificant defendants for major ones and the disappearance of vital evidence. The frequency of raids compromised by leaks from police sources has declined but remains a concern. Pirates, including those associated with transnational crime syndicates, have responded to stepped-up levels of enforcement with intimidation against rights holders' representatives.

A specialized intellectual property court established in 1997 has improved judicial procedures and imposed tougher penalties. Criminal cases generally are disposed of within six to 12 months from the time of a raid to the rendering of a conviction. However, authorities generally lack sufficient resources to undertake enforcement actions apart from those initiated by rights holders. Effective prosecutions can be labor-intensive for rights holders, who often investigate, participate in raids, help coordinate the warehousing of confiscated property, and assist in the preparation of documentation for prosecution.

Patents

Amendments to Thailand's patent regime, which were designed to meet TRIPS obligations, entered into effect in September 1999. However, Thailand's patent office lacks sufficient resources to keep up with its volume of applications and patent examinations can take more than five years. Industry continues to express ongoing concerns regarding Thailand's legal provisions regarding data protection for patentable material. It remains unclear whether the pending Trade Secrets Act will offer sufficient measures for data protection.

Copyright

Thailand's copyright law became effective in March 1995, bringing Thailand into closer conformity with international standards under TRIPS and the Berne Convention. With active participation on the part of U.S. industry associations, the Thai police conducted vigorous campaigns both at the retail and production levels. Nevertheless, the scale of the problem remains troublesome. A joint auditing campaign by the Thai Department of Intellectual Property and the Business Software Alliance in 2000 confirmed that a majority of Thai and foreign companies operating in Thailand use illegal software. The copyright law is ambiguous regarding decompilation, and regulations for enforcement procedures leave loopholes that frustrate effective enforcement. A draft Optical Disk Plant Control Act scheduled to be introduced into the parliament in 2002 is designed to enhance the authority and capabilities of the police to act against operators of illicit optical disk factories. In 2001, U.S. copyright industries filed a petition with USTR requesting suspension of Thailand's benefits under the Generalized System of Preferences (GSP) due to the rapid and unchecked growth of optical media piracy in Thailand. Review of this petition has been suspended pending the re-authorization of the GSP program by the U.S. Congress.

Trademarks

Amendments to the trademark law in 1992 provided higher penalties for infringement and extended protection to service, certification, and collective marks. The Government of Thailand streamlined trademark application procedures pursuant to the IPR action plan in 1998. Additional amendments enacted in June 2000 broadened the legal definition of a mark and were designed to bring Thailand's trademark law into compliance with the TRIPS Agreement. While these developments have created a viable legal framework and have led to some improvements in enforcement, trademark infringement – especially for clothing, accessories, and plush toys – remains a serious problem. U.S. companies with an established presence in Thailand and a record of sustained cooperation with Thai law enforcement officials have had some success in defending trademarks, but the process remains time-consuming and expensive. According to a the experiences of a major U.S. apparel manufacturer, penalties for proven trademark violations are very light, and there is virtually no risk that a convicted counterfeiter will serve prison time. These light penalties do not serve as a deterrent to counterfeiters. This company also states that much of the counterfeit production of its merchandise in Thailand is destined for markets outside the country.

SERVICES BARRIERS

Telecommunications Services

Thailand committed under the WTO to open the telecommunications services sector to direct foreign competition by January 2006. Thailand's WTO commitments cover only facilities-based telecom services and do not include resale. The Thai Government has allowed foreign participation in the telecom sector since 1989 but progress toward full liberalization remains slow. The market is dominated by two state operators, the Communications Authority of Thailand (CAT, which controls international links) and the Telephone Organization of Thailand (TOT, which controls domestic services), and a few large private-sector companies that have been awarded concessions by the government to provide wireless and fixed-line services. CAT imposes equity and revenue-sharing requirements on International Value Added Network Service (IVANS) providers.

In February 2001, Thailand's state privatization committee approved plans to restructure CAT and TOT. Currently, the Thai Government is corporatizing the agencies in preparation for partial privatization, which the government plans to commence in 2002. The initial privatization plan called for the eventual sale of the companies to separate strategic partners and the public, with the government limited to maintaining a maximum 49.9 percent stake in the firms. At this time, the government plans to publicly issue a limited percentage of each agency's total shares. Foreign investors will be able to purchase a set amount of the initial issuance. The government is considering merging CAT and TOT prior to privatization.

In September 2001, the Thai Parliament passed a new Telecommunications Bill designed to reform the telecommunications sector. However, that bill contained new limitations on foreign investment in Thai telecommunications firms, lowering the permitted percentage of foreign ownership to 25 percent, down from the previous 49 percent. The current administration has publicly stated its intention in 2002 to amend the Telecommunications Bill to increase the foreign ownership limit back to the previous 49 percent.

The Frequency Allocation Act, passed in January 2000, called for the establishment by October 2000 of a National Telecommunications Commission (NTC), responsible for licensing, spectrum management, and supervision of telecommunications operators, and a National Broadcasting Commission (NBC), responsible for regulating the radio and television broadcast sectors. To date, formation of the NTC and NBC has remained mired in political maneuvering, though the administration has stated it intention to install both commissions in 2002. Until the formation of the NTC, policy making on controversial issues such as licensing, interconnection, and standards-making will remain unclear.

Legal Services

Current law prohibits foreign equity participation in Thai law firms in excess of 49 percent, and foreign nationals are prohibited from practicing law in Thailand. However, under the U.S.-Thailand Treaty of Amity and Economic Relations, U.S. investments are exempted from the general restriction on foreign equity participation in law firms. Thus, while U.S. investors may own law firms here, U.S. citizens (and other nationals) may not provide legal services (with the exception of "grand-fathered" non-citizens). In certain circumstances, foreign attorneys may act in a consultative capacity.

Financial Services

Over the past several years, the government has increasingly liberalized access for foreign firms to the financial sector; however, significant restrictions on foreign participation in the sector remain. For example, while aliens have been allowed to engage in brokerage services since 1997, foreign firms are allowed to own shares greater than 49 percent of Thai securities firms only on a case-by-case basis.

In the aftermath of the Asian financial crisis, and in response to commitments made during 1997 WTO financial services negotiations, Thailand has taken major steps to liberalize its banking industry. Foreigners are now permitted to own up to 100 percent of Thai banks and finance companies for ten years from the date of acquisition. However, new capital invested in these ventures after the ten-year period must be provided by domestic investors until such time as foreign-held equity shares fall to 49 percent. The government has encouraged foreign investors to assist in re-capitalizing Thai financial institutions by taking large equity positions in domestic firms, and a total of four (out of 13) Thai commercial banks are now majority-owned by foreign banks.

Foreign banks operating in Thailand are still disadvantaged in a number of ways, most notably by means of a maximum limit of three branches, only one of which may be in Bangkok. Foreign banks must maintain minimum capital funds of 125 million baht (approximately $2.84

million at January 2002 exchange rates) invested in government or state-enterprise securities or deposited directly with the Bank of Thailand. Expatriate management personnel are limited to six professionals in full branches and to two professionals in Bangkok International Banking Facility operations, although exceptions are frequently granted.

Charged with resolving the financial sector's bad loans, the government-sponsored Thailand Asset Management Corporation (TAMC) gives priority to Thai nationals when contracting for management, technical, and advisory services. Foreigners may be hired, however, in the absence of qualified Thai nationals.

Construction, Architecture, and Engineering

Foreigners are prohibited from participating in construction and civil engineering. Construction firms must also be registered in Thailand (i.e. establish a commercial presence). The government regulates the billing rates of foreign architectural, engineering, and construction firms. Current practice involves the placement of a ceiling on billing rates of foreign firms. There is a nationality requirement for licensing to be an architect or to do engineering work.

Accounting Services

Foreigners cannot become accountants in Thailand because they cannot be licensed as CPAs. Consequently, the rendering of accounting services is essentially reserved to Thai nationals, with foreign accountants serving only as "business consultants."

INVESTMENT BARRIERS

The rights of U.S. investors in Thailand are secured by the U.S.-Thailand Treaty of Amity and Economic Relations (AER) and the U.S.-Thailand Tax Treaty of 1996. A new Alien Business Act, which took effect in March 2000, lays out the overall framework governing foreign investment and employment in Thailand. It eliminated some restrictions on foreign participation in a number of occupations. The Act generally does not affect projects established with Board of Investment promotion privileges or export businesses authorized under the Industrial Estate Authority of Thailand law, and will not supersede provisions of bilateral treaties, such as the AER.

Trade-Related Investment Measures

In 1995, pursuant to the WTO Agreement on Trade-Related Investment Measures (TRIMS), Thailand notified to the WTO its maintenance of local-content requirements to promote investment in a variety of sectors, including milk and dairy processing, and the motor vehicle assembly and parts industries. It eliminated these measures in the auto sector by the January 1, 2000 deadline established by the TRIMS Agreement but was granted an extension until December 2003 for milk and dairy processing.

ELECTRONIC COMMERCE

The Thai Government has attached a high public priority on the development of electronic commerce and approved an Electronic Commerce Framework in October 2000. However, an undeveloped legal infrastructure and limited Internet penetration remain constrain development of electronic commerce. In 2001, the Thai Parliament passed an Electronic Transactions Act, which covers electronic signatures and which will enter into force in April 2002. Four related bills, covering computer crimes, universal access, data protection, and electronic funds transfer, are being drafted.

The large role played by the Communication Authority of Thailand (CAT) is an obstacle to the development of the Internet and electronic commerce. Its mandatory share ownership (CAT 32 percent; CAT employees 3 percent) of all licensed Internet service providers (ISPs) and its monopoly on international telecom services impose high costs on online business. Required divestment of its ISP interests has not been implemented. The National Telecommunications Commission currently being formed (*See* "Telecommunications Services" section above) is expected to develop new market rules.

OTHER BARRIERS

Several government firms are protected from foreign competition in Thailand. In the pharmaceutical sector, the Government Pharmaceutical Organization is not subject to requirements faced by the private sector on registration and permitting; in addition, it can produce and market generic formulations of drugs marketed by foreign companies irrespective of Safety Monitoring Program protection. Requirements limiting government hospitals in the procurement and dispensing of drugs not on the National List of Essential Drugs (NLED) significantly constrain the availability of many imported products.

Allegations of impropriety in government procurement contracts and in activities administered by the Customs Department are common. The lack of transparency in administrative procedures and conflicts of interests among politicians and regulators contribute to perceptions of wrongdoing. However, the government has undertaken considerable efforts to counter official corruption. The 1997 Thai Constitution, which contains provisions to combat corruption, enhances the status and powers of the Office of the Counter Corruption Commission (OCCC), and made this body independent from other branches of government. Persons holding high political offices, and members of their immediate families, are now required to disclose their assets and liabilities before assuming and upon leaving office. Furthermore, a new law regulating the bidding process for government contracts both clarifies actionable anti-corruption offenses and increases penalties for violations. Nonetheless, counter-corruption mechanisms continue to be employed unevenly.