

AUTOMOTIVE INDUSTRY IN THAILAND

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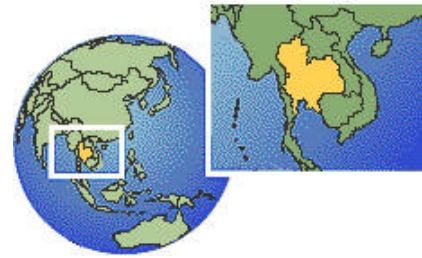
Office of Industrial Economics
Ministry of Industry

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I Country in a Brief

The Kingdom of Thailand is situated in the heart of Southeast Asia and viewed as a gateway to Indochina. It is surrounded by Laos to the north and north east, Myanmar to the north and west, Cambodia to the east and Malaysia to the south. Thailand covers the land area of 513,115 square kilometers. It extends approximately 1,640 kilometers from North to South and 780 kilometers at its widest point from east to west. It has a coastline of approximately 1,840 kilometers along the Gulf of Thailand and 865 kilometers along the Indian Ocean.



Thailand can be divided into five regions. The Northern region of Thailand, which is a mountainous region, is characterized by natural forest ridges and deep, narrow and alluvial valleys. The leading city of this region is Chiang Mai. The Central region, the basin of the Chao Phraya River, is a lush and fertile valley. It is the richest and most extensive rice-producing area in the country and has often been called the "Rice Bowl of Asia." The capital of Thailand, Bangkok, is located in this region. The Northeastern region, called the Korat Plateau, is an arid region characterized by a rolling surface and undulating hills. Harsh climatic conditions often result in this region being subjected to floods and droughts. The Eastern region, or eastern seaboard, is a prime location of many new industries. The Southern region is a hilly to mountainous area with thick virgin forests and rich deposits of minerals and ores. This region is the center for the production of rubber and the cultivation of other tropical crops.

The climate is tropical with long hours of sunshine and high humidity. There are three seasons which are Summer, Rainy, and Cool. The summer season starts from March to May. The period from June to October is considered rainy season. The cool season starts from November to February. The average temperature is 28 degree Celsius, and the humidity ranges around 73 - 82 percent. The geographic and climatic conditions make the country suitable for cultivation of a wide range of tropical and semi-tropical agricultural crops.

Population

The population of Thailand reached **65.97 million (est.) in 2005** , of which more than 10 million live in the capital city, Bangkok. The major ethnic group is Thai, along with strong communities whose ethnic origins lie in China. Other minority groups include Malaysians, Kampuchians, Mon, Lao, India and various hill tribes. Buddhism, the national religion, is the professed faith of 90 percent of the population. There is total religious freedom, and all major religions can be found in practice. The national language spoken by almost 100 percent of the population is Thai. English, a mandatory subject in public schools, is widely spoken and understood, particularly in Bangkok and other major cities. Various Thai dialects are spoken in rural areas. Other languages include Chinese and Malay.

Thailand is constitutional monarchy, with His Majesty the King as head of state. Prime minister is usually elected from among the members of the House of Representatives. General elections are held at least every four years.

Work Force

The size of the work force now exceeds 34.1 million, with the majority of the workforce under 30 years of age. Each year about 800,000 people join this force, with a literacy rate above 90 percent. Many standard labor practices apply, including mandatory severance packages, and overtime payments for work in excess of the normal workday. The minimum wage in Thailand is currently 170 baht per day (US\$4.28) in Bangkok and between 133-168 baht in the provinces. While not the lowest labor market in



the region, Thailand's workforce is among the most cost-efficient in the world, as they have earned a reputation for diligence and adaptability. The literacy rate in Thailand is quite high and in recent years there has been an increased emphasis on education. This emphasis is sure to continue, as the draft of the upcoming 10th National Economic and Social Development Plan (for 2007-2011) based on the idea that human resources are the core of national development.

Education

The Thai population is highly educated. The Compulsory education has been expanded to 9 years and subsidies for school fees have been increased to 14 years of education from two years of preschool education up to the completion of secondary education. A standard curriculum is taught at the primary and secondary levels in both private and government schools. Thailand also has a well-developed higher education program which includes 45 institutes of higher education throughout the country. The government budget spent for education is priority. The government also supports a continual education program in addition to the normal curriculum in preparation for the expansion of high technological industrial development.

Electricity

Thailand has total electrical installed capacity of 25.24 GW in 2003 and plan to increase to 43.92 GW by 2011. There are also plans to increase the minimum power reserve from 15% to 25% to raise energy supply security. The supply is on the whole reliable, although in severe storms of the monsoon season, interruptions may occur, but usually not for long. The water supply is reliable, and running water is available in most areas of the country.

Telecommunication

A wide range of telecommunication facilities are available across the country. Fixed line telephones (offering international direct dial connections at affordable prices) and mobile phones are widely available, and access to the Internet is available through ADSL, satellite modems and dial-up connections. In recent years, the speed of internet access has increased while costs have declined, and this trend seems certain to continue. The efficient and reliable postal services, including a global express courier service (EMS), are also available through out the nation.

Road Network

Thailand is widely acknowledged as having the most extensive road transportation network of more than 250,000 kilometers, more than 40% of which are international standard highways that provide links to every province. There are more than 225 km of

inter-city motorways creating links between Bangkok and other major regions of the Kingdom, and the government is enhancing inter-city motorways, which are expected to stretch to 4,150 kilometers of 4-lane roads.

New highways are constantly being built, including projects to link Bangkok to the new Suvarnabhumi Airport, and an ambitious project to speed transport time to Thailand's southern provinces.

The signing of the Asian Highway Agreement on April 26, 2004 strengthens Thailand's connection to the rest of the world for land-based trade and transportation linking it to 32 countries in Europe and Asia. The importance of these interconnections will increase dramatically as Thailand's free trade agreements with the People's Republic of China, ASEAN and India kick in, making Thailand a crucial hub for international production and trade

Airport

Thailand has developed an extensive air transport network that encompasses 28 domestic airports, meaning that all Thailand's regions are about an hour's flight from Bangkok. Thailand has international airports in Phuket, Chiang Mai, Hat Yai, Chiang Rai , Ko Samui and also Bangkok. Don Muang Airport in Bangkok can currently handle in excess of 215,000 flights, 823,000 tons of cargo and more than 33 million passengers per year.

Suvarnabhumi ,a new international airport would be opened for commercial in late June 2006 to replace Don Muang airport, which will be then be used by discount carriers. When it opens, the new will have capacity of handling 45 million passengers per year, and capacity will increase to 100 million passengers and 6.4 million metric tons of cargo when the airport is completed.



Seaport

Thailand's water transportation system has long been an important part of the country's history and industries. With a coastline of 3,219 km and over 4,000 km of inland waterways, Thailand's water transportation and ports infrastructure are essential to its overall transportation and trade.

There are currently 122 ports, wharves, and jetties able to accommodate sea-going vessels engaging in international trade, including eight international deep sea ports: These ports, located in Bangkok, Laem Chabang and Map Ta Phut on Thailand's Eastern Seaboard, and Sonkhla, Satun, Narathiwat, Phuket and Ranong in the South, provide capacity of more than 4.5 million TEU, a figure that is expected to double as current expansion projects are completed.

Railway

Thailand's rail transportation, which dates back more than century, is extensive, covering 4,000 kilometers on three lines, intersecting in Bangkok. The system offers affordable transportation from the Malaysian border to northernmost provinces and Kanchanaburi in the west. The system connects with Malaysia's national system, providing direct linkages down to Singapore, and a railway link to across the Mekong is under construction at Nong Khai.

The Government will further develop infrastructure and more investment will be seen in the electric train system networks linking Bangkok with nearby provinces.

Mass Transit Systems

To help alleviate traffic in Bangkok, the government has been developing mass transit systems. In 1999, the first system, known as the Skytrain (www.bts.co.th), opened on overhead tracks. The system covers 55 kilometers, serving 23 stations on two lines, and carries approximately 300,000 passengers per working day.

In mid-2004, the Bangkok Subway (www.mrta.co.th) opened, providing service at 18 stations over a 20 kilometer distance. The system, which intersects with the Skytrain, can carry 50,000 passengers an hour in each direction. The government plans to expand the system to 297 kilometers and 82 stations over the next six years.



II Development of the Thai Automotive Industry

The automotive industry is viewed by most developing countries as a major factor for their goal of industrialization, often due to a considerable sum of its related businesses. Thailand is among those countries whose domestic auto-assembly has been supported and encouraged. In fact, it could be said that the first industry, of which the Ministry of Industry has played a crucial role in the development, is the automotive industry. Such development can be chronologically described as follows:

1961 The Thai automotive industry commenced, when Thai Motor Industry Company was established. However, during that time, only a limited number of auto parts was domestically produced. This includes rubber parts, batteries and leaf springs.



1962 The Office of the Board of Investment, established under the 1962 Investment Act, approved a support for motorcycle assembly, starting in 1964.

1969 The Ministry of Industry became more directly involved in the automotive industry by forming the Automotive Industry Development Committee under the Cabinet Resolution of August 26, 1969, in order to impose policies and measures with an aim for auto-assembly establishment.

1971 The Ministry of Industry announced its first motorcycle-industry policy. It required that, within two years, at least 50 percent of motorcycle-assembling parts would be locally produced. Furthermore, the Ministry disallowed any new establishment of motorcycle-assembly factories, on a permanent basis, for five years, in order to encourage appropriate competitiveness.

1972 The Ministry of Industry announced a car-assembly policy. It introduced an abolishment of limitation of car models assembled domestically. Besides, it required assemblers, from January 1st, 1975, to use at least 25 % of locally produced contents. However, it later required that 15% of the parts used for truck and bus assembling (with chassis and engine) shall be locally produced. A 20% of local contents was also required for truck and bus assembling (with chassis and windshield).

1977 The Ministry of Industry announced an amendment of the motorcycle industry policy. Amended requirement on the amount of assembled local contents was then introduced, i.e., the required quantity of local contents would be calculated in fixed percentage (in the same manner as that of auto assembling.) In addition, it required domestic motorcycle-assembling factories to increase their percentage of local contents to 70% within 2 years. Furthermore, the preceding policy that disallowed the registration of any new motorcycle-assembling plants was eventually called off.

1978 The Ministry of Industry announced a standard matrix on percentage of local contents required for passenger-car assembling. In addition, the required percentage was raised from 25 to 50 percent within 5 years. It also disallowed

any registration for new auto assembling plants. Likewise an assembly of any new passenger-car series, other than the ones that had previously been assembled, was disallowed.

In the same year, the Ministry of Commerce disallowed completely build-up unit (CBU) imports of car and motorcycle, in order to reduce national trade deficit.

- 1979 The Ministry of Industry announced a standard matrix on percentage of local contents required for truck and bus assembling. It also required the manufacturers to increase their use of local parts by 5 percent per annum for the next 5 years.
- 1980 The Automotive Development Committee announced regulations for van and jeep assembling. The passenger-car assembling policy was applied to van assembling. Likewise, CBU imports of van and jeep also fall into the car-assembling policy, while completely knock down (CKD) imports of jeep and van, called “chassis with windshield” or “chassis with engine”, were in compliance with the truck-and-bus policy. Seven required parts for truck assembling were later announced, namely radiator, exhaust pipe set (including muffler), battery, leaf spring, tire and inner tube, safety glass and drum brake.
- 1982 In 1981, the Industrial Restructuring Committee was formed, pursuant to the 5th National Economic and Social Development Plan, which regarded the automotive industry as one of the sectors that needed to be restructured. The Industrial Restructuring Committee and the Automotive Development Committee agreed that the required percentage of local contents for passenger-car assembling should be limited at 45, as the locally-produced contents were much more expensive than the imported ones. Consequently, in 1982, the Ministry of Industry stated the 45% local content limitation on passenger-car assembling. The Ministry also announced that a compulsory part list might be applied to the rest of the overall contents, apart from that of 45%, used for passenger-car assembling.
- 1984 The Ministry of Industry announced that, regarding passenger-car assembling, only up to 42 series could be produced by the whole industry, and only 2 models were allowed for each series. In addition, any series that was not assembled would not be entitled to an assembling-concession renewal, and there would be no replacement concession of those series in order to reduce the number of produced passenger-car series. The Ministry also required domestically produced cars to use exhaust-pipe systems certified by Thailand Industrial Standards Institute. The objectives were to reduce pollution, to upgrade quality and capability of domestic cars, and to enhance the country’s economic benefit. Annual local content list for passenger-car assembling for 1986-1988 was also announced, in order to increase the use of identical parts, which would result in a decrease in parts-manufacturing capital.

The Ministry of Industry also announced a motorcycle policy concerning a list of compulsory parts in addition to the existing policy.

- 1985 The Ministry of Industry announced annual lists of required local contents for pickup assembling for 1986-1988 in order to comply with passenger-car policy.
- 1986 The Automotive Development Committee replaced the annual lists of the required local contents for passenger-car assembling by Parts List A and Parts List B. Part List A was compulsory to all assembling, while assemblers were able to choose the rest from contents stated in Part List B. Total percentage of local contents in compliance with both List A and List B shall be at least 54 in order to suit current economic recession. In addition, passenger-cars assembled from July 1st, 1987 were required to use locally produced engines in order to promote and support auto parts industry.
- 1989 The Automotive Development Committee required the assembly of pickups with engine capacity up to 2,500 cc. to use locally manufactured engines. The Ministry of Industry announced a new passenger-car policy, the essence of which concerned disallowance of new assembly registration. Nevertheless, enlargement of plants was allowed. Domestic car assembling was required to use local contents according to List A., in addition to that of List B which could be chosen freely. The total amount of local contents used shall be at least 54 % of the overall assembled parts, and total series assembled could be up to only 42, with up to 2 models allowed for each series.
- 1990 In order to comply with the current economic situation, international trade, and consumer benefit, the Ministry of Industry announced an additional passenger-car-assembling policy to call off the limitation on the number of allowed series (42).
- 1991 The Ministry of Industry announced a new pickup truck policy. In essence, all local-contents lists shall be used, and a locally manufactured engine was required for an assembly of a pickup truck with engine capacity more than 1,000 cc. Furthermore, the Cabinet launched a new structure for passenger-car tariffs, including a commercial tax. In fact, a tax burden for imported and domestically assembled cars was reduced. Consequently, it resulted in a car-price decrease, which was for consumers' benefit. In addition, the Ministry of Industry required that an emission-reducing device in exhaust pipe was to be installed in domestically assembled cars with gasoline engine. The emission-reducing device shall comply with Thailand Industrial Standard Institute's standards.
- In the same year, the Ministry of Commerce announced an abolishment of passenger-car-import restriction, while an import of used car was prohibited.
- 1992 The Ministry of Industry required that any car equipped with emission-reducing devices must install restricted filler pipe for unleaded gasoline.



1993 The Ministry of Industry stated that locally produced motorcycles were required to comply with motorcycle safety standards, especially regarding emission.

1994 The Ministry of Industry allowed any new registration of car-assembly plant in order to increase investment and competitiveness on productivity in the industry.

The Board of Investment Promotion granted rights and privileges concerning the Promoted Area Policy for automotive industry.

The Ministry of Finance allowed 50% special reduction on normal import duty, pursuant to the Brand-to-Brand Complementation Scheme (BBC Scheme.)

1996 The Ministry of Commerce eventually allowed free import of motorcycles.

1997 The local-parts requirements on motorcycle assembling were abolished. Nevertheless, those with engine capacity up to 150 cc. were required to use locally manufactured engines.

The Ministry of Finance applied an excise tax of 3 percent on all types of motorcycles.

1998 The Cabinet agreed to abolish the local-content-requirement policies that have been applied on automotive assembling. The abolishment would be enforced by January 1st, 2000.

The cabinet also agreed to revise the automotive-tariff, as proposed by the Ministry of Finance. The new automotive-tariff structure was effective on January 1st, 2000.

The Ministry of Industry has established Thailand Automotive Institute (TAI) as the principal organization responsible for supporting and promoting development of the Thai automotive industry, with the primary goal of enhancing global competitiveness.

1999 The Ministry of Industry formally announced the abolishment of "local content requirement policies" that had been applied on automotive assembling since 1972. This abolishment has been enforced since January 1st, 2000.

The Ministry of Finance formally announced the new automotive-tariff structure to supplement the abolishment of "local content requirement policies". This new structure has been effective since January 1st, 2000.

2000 The Ministry of Finance has restructured the excise tax by adding "Double Cab" category of 12% excise duty and "Pick up Passenger Vehicle: PPV" of 18% excise tax calculated from the production value. The ministry also improved the excise rate on modified pick up to 20% of the modified value, since February 15th, 2000.

The Ministry of Finance has fixed the excise tax to 2 categories i.e., 1 ton pick-up and Light pick-up truck of 3% excise duty and 18% excise tax for other types of pick up, since August 20th, 2000.

2001 The Board of Investment , with aim toward the relocation of production lines of leading automobile producers to Thailand, improved some right and privileges , such as import tariff exemption for machines. Moreover, investors who establish their operation in “investment zone 1” can also get the exemption of 3-year personal income tax. However, in order to succeed this goal , The Board of Investment set the conditions that the new investment should be applied as “cluster” , comprising both car assembly and auto-part manufacturing. No matter the companies in a cluster have same ownership or not , one important thing was the total value of investment should be not less than 10 billion baht.

The Ministry of Finance announced import duty reduction for automotive parts with the tariff code of 87.02 – 87.06 since December, 2001.

2003 The Ministry of Industry has abolished the 3 restrictions ; 1) automotive and motorcycle assemblers use only exhaust pipe as specified by TISI 2) all gasoline passenger cars use must be equipped with catalytic converter 3) specification of the gate for unleaded petrol fill up to prevent filling with the wrong type of petrol.

The cabinet agreed in principle to restructure the import tariff rate as to tackle the issue of the industrial structure. The consideration was to prepare the development of the free trade policy under the principle of “value added escalation”, which concerned the automotive product .in 79 item as follows.

Instantly adjust into the structure	2	items
Gradually adjust into the structure in 2005	10	items
Adjust for the reduction but to be higher than the structure	27	items
Wait for cross-national negotiations	40	items

The Board of Investment regarded the automotive industry as one of the target industries that generated the development in Skill, Technology & Innovation (STI). Manufacturers that achieved any of 4 conditions (not mentioned here) will get special privileges as follows ;

- exemption of personal income tax, with the maximum of 8 years
- tariff exemption on imported machines for plants located in Zone 1 and 2

2004 The vehicle excise tax structure was adjusted on July 27th 2004, in accordance with that the Ministry of Transport adjusted registration and annual registration fee on all types of cars.

The Ministry of Finance announced that passenger cars , with 10-person capacity and with no more than 3,000 cc. , that consume alternative fuel such as NGV or ethanal will be allowed to enjoy the 20% excise tax rate. While energy saving vehicles powered by hybrid engine , electric or fuel cell , with the same capacity, will have only 10% excise tax rate.

2005 Thai Automotive Industry became the 14th biggest automotive producer in the world by producing more than 1 millions passenger cars and commercial cars per year. On this successful occasion, Thai government together with the industry organized the celebration entitled “ Thai Auto : A One Million Milestone 2005”

on December 14th and the Prime Minister announced the strong support from government to the development of the Thai Automotive industry on its way to become “Detroit of Asia”.

On December 9th 2005 , the Board of Investment has amended STI incentive package for projects with component investing in research or design or developing Thai staff or supporting education or research institute.
(see Appendix for more detail of rights/privileges)



III Changes after the Year 2000

Over the past 40 years, the development of Thai automotive industry had been based on import-substitution policies. On the contrary, at present, the interest has shifted toward more liberalized policies to correspond with the current global trend. These include loosening tariff barriers, abolishing local content measures, promoting investments and exports, and also cooperating with international communities, such as ASEAN, APEC, and WTO. To be more specific, since January 1st 2000, the abolishment of the local-content-requirement policy that had been applied on automotive assembling since 1972, has been put to use. At the same time the revised automotive-tariff structure along with the CKD definition, intended to supplement the abolishment of the local-content-requirement policy, has also been enforced. This revised package is considered to be the country's giant step toward the liberalization scheme. Nevertheless, systematic and step-by-step transition is much preferred so as to ensure that the local industries will have adequate amount of time to adapt themselves to the increasingly competitive environment.

The details of the new package could be described as follows.

1. Automobile assemblers are no longer obligated to the minimum percentage of locally manufactured parts that were previously required to be used in all locally assembled automobiles.
2. The new "CKD definition"¹ has been introduced. This definition is based on the current practice in the auto-assembling industries to avoid any business interruption where possible. The CKD definition is intended to replace the two obsolete regulations, namely the Local Content Requirement and the Customs Department Announcement No. 2/2542.

The CKD definition aims toward:

- a. Maintaining and increasing local value added
- b. Retaining and creating jobs, as well as transferring skill and technology, and
- c. Promoting investment by being consistent and fair among:
 - New entries that have just started their investment and are looking for a piece of local market share from those who have come before, and
 - Those companies that have established their market, have invested heavily, have been well prepared, and have been operated within the previous regulation for some time.



However, there might be an exception to the rule (on a case-by-case basis) for those who can demonstrate their essentiality.

1 - The "CKD Definition" specifies the characteristics of a CKD set to determine if it is allowed to receive the special CKD tariff rate.

3. The recently revised automotive tariff structure is based on the objective of promoting efficient developments of local auto industries while minimizing negative effects on consumers. Therefore, while the CKD's special tariff rate has been raised, the Excise tax rates have been lowered in the attempt to keep the cost to consumer unchanged. (Due to the difference in calculation methods, a small change in the Excise tax rates can offset a larger change in the Import tariff rates.)

As regard to the ASEAN Economic Cooperation, Thailand has given, and will continue to give, its support on the cooperation. As it is believed that the liberalization under AFTA and AICO schemes would create a large integrated market that would enhance the competitiveness of ASEAN's exports and lower production costs through improved economies of scale. Concerning the AFTA implementation, Thailand has reduce automotive tariffs to 0-5% and has transferred all products from the Temporary Exclusion List, or TEL, into the Inclusion List, or IL, on January 1st, 2000. As for AICO, the National Authority has approved most submitted applications. This means all products under these applications can receive, or have already enjoyed, full AFTA treatments.

Thailand has altered the Automotive tariff structure for truck tractor by abolishing the import duty for CKD to 0 and reduce import duty on CBU to 20%. Import duty of CKD for passenger car, OPV, pickup truck are also reduced by 3%. CBU of Pickup Truck have been reduced to 40% Import Duty.

In addition, a number of custom tariff rates for automotive sub-parts has also been altered. There are 74 tariff rates for automotive sub-parts that have been reduced to 10%. In addition, for 21 automotive sub-parts, which are necessary for producing seatbelts and airbags, their tariff rates have been reduced to 5%.

(see table A-7 in Appendix for detail of current tax and tariff rates)



IV Related Policies and Regulations

Current automotive policies are as follows:

1. The limitation of the number of automotive firms was abolished. Consequently, new automotive companies enjoy free entry into the automotive industry.
2. The Board of Investment may grant rights and privileges for the production of automotive assemblies and automotive parts.
3. Incentive measures for automotive exports are as follows:
 - 3.1 Tax reimbursement on imported materials for export production, as article bis 19 of the Customs Act
 - 3.2 Tax redemption on exported parts and vehicles, as announced by the Ministry of Finance
 - 3.3 Tax reduction on imported materials, as regulated in article 30 of the Investment Promotion Act, by redemption of import duty
 - 3.4 Permission given in order to establish stock warehouse and import-tax exemption for imported materials
 - 3.5 The Introduction of Export Promotion Zone (EPZ) in order to help exporters on governmental procedures, including financial matters
 - 3.6 Encouragement of cooperation among ASEAN countries, especially on industrial matters such as AICO and BBC
 - 3.7 Establishment of Free Trade Zone Area (FTZ) in order to support export-related investments in terms of customs procedures, including production, trade and services. The introduction of import-and-export tax exemption.
4. The Ministry of Industry announced emission and safety standards for automotive products. These standards apply to both domestically produced and imported passenger vehicles, commercial vehicles, motorcycles, as well as auto parts. At present, all the compulsory standards are as follows:

No.	Standard	Title	Effective Date
1	TIS 196-2536 (1993)	Automotive safety glasses: laminated glass	September 21, 1994
2	TIS 197-2536 (1993)	Automotive safety glasses: tempered glass	September 21, 1994
3	TIS 198-2536 (1993)	Automotive safety glasses: zone tempered glass	September 21, 1994
4	TIS 341-2543 (2000)	Motorcycle exhaust muffler	August 25, 2001
5	TIS 369-2539 (1996)	Protective helmets for vehicle users	February 28, 1997
6	TIS 370-2525 (1982)	Liquefied petroleum gas cylinder for internal combustion engines	May 2, 1983
7	TIS 721-2539 (1996)	Seat belts for automobiles	September 15, 1997
8	TIS 787-2531 (1988)	Small size water cooled diesel engines	November 7, 2004
9	TIS 1040-2541 (1998)	Two-stroke gasoline engine lubricating oil	August 4, 2005
10	TIS 1295-2541 (1998)	Heavy duty diesel-engine vehicles: safety requirement ; emission from engine, level 3	May 23, 2000
11	TIS 1884-2542 (1999)	Hot - rolled high strength steel coil strip plate and sheet with improved formability for automobile structural uses.	November 4, 2001
12	TIS 2130-2545 (2002)	Motorcycles : safety requirements; emission from engine, Level 5	June 1, 2004
13	TIS 2140-2546 (2003)	Cold rolled steel coil strip and sheet for automotives uses	January 10, 2005
14	TIS 2155-2546 (2003)	Light duty diesel engines vehicles : safety requirement ; emission from engine, level 6	January 10, 2005
15	TIS 2160-2546 (2003)	Light duty diesel engines vehicles : safety requirement ; emission from engine, level 7	January 10, 2005

- 5 Tariffs on vehicles, including import duty, excise tax, municipal tax and value added tax, are divided into two groups: assembled vehicles – Completely Built Up (CBU), and Completely Knock Down sets (CKDs).

(see table A-7 in Appendix for detail of current tax and tariff rates)

V Industry Overview



Among ASEAN, Thailand has one of the largest automotive assembling capacity, and possibly the highest quality parts manufacturing capability. These, combined with the good domestic market size, market growth potential, stable political atmosphere, liberal trade and investment policy, absence of ethnic conflicts, and the lack of "national car program", have made Thailand one of the most attractive country for automotive investments. As the Thai auto industry has matured, the industry has grown from being an import-substitution to become an export-oriented industry. At present, the automotive industry is Thailand's third largest industry, employing an estimated total workforce of about 225,000 employees, and establishing the total production capacity of 1,270,100 cars and trucks per year.

At the current market situation, locally assembled vehicles account for 95% of the domestic market. The most popular type of automobile in the Thai market is the one-ton pickup truck. Sales of the pickup trucks account for more than 50 percent of the overall vehicle market. And, as in many other ASEAN countries, Japanese-make automobiles have dominated the local auto market, with nearly 90% market share. The six best selling automobiles in Thailand in 2005 are Toyota, Isuzu, Honda, Mitsubishi, Nissan and Chevrolet respectively. Most of existing vehicle manufacturers have increased their investments to fortify their business position in the Thai market. In recent years, most leading automotive producers has relocated their pickup production line to Thailand to be as export-oriented base. Nissan, the last one , would finish its relocation by 2007. Moreover, some vehicle brand owners that have no local assembling operations are expected to officially introduce their assembling plan to take advantage of the CKD duty. Also, numbers of new global parts manufacturers are expected to establish their operations in the country.

Domestic Production and Joint Venture

The Thai auto-part industry incorporates approximately 700 First-Tier or Original Equipment Manufacturers (OEMs), 1,100 of 2nd and 3rd Tier manufacturers. Since around 80% of the country's overall auto assembling capacity belongs to Japanese makers, most of these OEMs are mainly members of Japanese keiretsu groups supplying to their own customer base. These companies can be categorized into three groups; a member in Japanese family companies, a joint venture with Japanese technology owners, and a company having technical assistance or licensing agreements with Japanese firms. However, in recent year, many new investments from non-Japanese 1st tier suppliers entered the country. The majority of pure Thai (PT) companies are in the 2nd tier and 3rd Tier.

According to the Japan Automobile Manufacturers Association (JAMA), quality of automotive parts in Thailand is rated the best among ASEAN countries. The local part manufacturers supply approximately 80% of all the parts used for the assemble of pickup trucks, less than 50% for passenger cars and nearly 100% for motorcycle. Locally produced or assembled parts include engines, suspension control and spring, axles, hubs, propeller shaft, brakes, clutches, steering systems, body parts, electronic parts, air conditioning, tires, wheels, internal and external trim components and glass.

In recent years, the number of parts manufacturers for non-Japanese assemblers has increased considerably as a result of Auto Alliance (Ford) and General Motors establishment in the Thai automotive industry. The American assemblers have brought a number of their own 1st tier suppliers to Thailand. Although European assemblers have entered the market earlier, they tend to have fewer local part suppliers due to their small assembling volume. Thus, they tend to have a much higher import content and in-house part manufacturing.

Technology Transfer and Development

Technology and new management strategy can be transferred efficiently from the parent company to the Joint Venture company (JV). Financial support from the parent company is common in the Joint Venture company. The supports are normally for high technology machines, research activities and development programs to continuously improve products and production quality. Also, Joint Venture companies can take advantage from having very low interest funding from their parent company. However, management problems among partners in some cases might have led to a high-cost problem due to the higher expenses in management.

Some local part manufacturers have technical assistance agreement (TA) with foreign companies. Foreign companies offer technical support in which the agreement will be made on a product-by-product basis. This technical assistance usually not covers any funding or management issue. Effective management style needs to be self developed by the local company without any support from foreign companies. Management costs for this kind of company is relatively cheaper than that of Joint Venture companies.

Pure Thai Companies are Thai manufacturers without any supports from any foreign company. Production technology and management style are originated within the organization. Recently, many of the pure Thai companies have been transferred into JV and TA companies due to the financial crisis and inadequate technical capability. Some of the remaining pure Thai have opted for foreign technical support for helping them improve their technical know-how. Pure Thai companies are appropriate for manufacturing parts for which high technology is not required. Production cost for those companies is relatively inexpensive due to the less-expensive production technology which requires cheaper machines, and lower salary for workers. Though most Thai products currently meet international standards and are well-accepted internationally, some parts do not, especially the ones that need high technology for production. The weakness are the out of dated technology and management problem. Consequently, PT companies need to improve their technical and research capabilities to meet the global market requirements, as manufacturers tend to buy parts in a more complex module or a complete set. They should also catch up with the information technology trend.

Market Access Factor

As the regulation that limitation of the number of automotive firms and the Local Content Requirement Regulation were abolished, Thailand no longer has any specific measure set up to obstruct any entry of new companies or imported vehicles and components. However, imported vehicles and parts are required to meet safety and emission standards. Also, assemblers importing parts for local assembling are prohibited from importing certain fully assembled system as part of their CKD imports, and are required to make certain that their



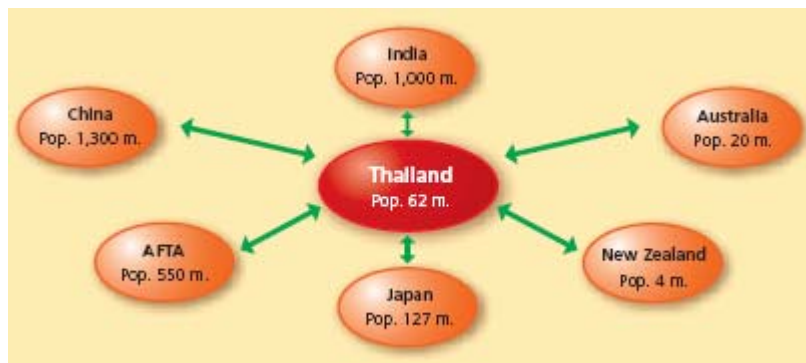
imported parts are in compliance with the CKD definition (in order to be eligible for CKD import duties and for local assembling).

Regarding product quality, end users are the principal enforcer of products standards while intensified competition in the market is the forceful obstruction to market entry in Thailand. For parts and components exporters to succeed in Thailand, they must meet the international quality standards (ISO, QS) set by their potential clients who are mainly global vehicle manufacturers.

On the import side, the majority of local importers have good knowledge and experience in handling customs procedures, and it is in their best interest to advise foreign manufacturers on the issue.

Free Trade Agreement

In the last decade, it is clear that the global trading system has become much more liberalized and the world economies have become increasingly integrated. Free Trade Agreement or FTA, either on regional or bilateral basis, leads to greater trade and investment liberalization, facilitation, and co-operation in various areas to smoothen trans-border flow of resources such as goods, services, people, and capital. An FTA helps to create a larger market which would provide greater opportunities and larger economies of scale for businesses of the parties to the agreement. In addition, FTAs promote efficiency as they promote specialization among partner countries. It allows resources to be used more appropriately and effectively for production.



For instance, Thailand concluded an FTA negotiation with Australia , India and New Zealand for automotives and parts. Tariff reduction were set as follows ;

Thailand-Australia

- Thai Tariff on passenger car with > 3,000 cc. had been eliminated since 1st Jan 2005. However, vehicles <3,000 cc. has been agreed to 30% on 1st Jan 2005 and shall be eliminated by 2010.
- Australian Tariff on Van and Pick up trucks and similar vehicles g.v.w. exceeding 5 tones had been eliminated since Jan 2005.
- Australian Tariff on passenger car with <3,000 cc. had been eliminated since Jan 05.
- Parts and accessories of the motor vehicles

Thailand-India

- Tariff for both countries shall be eliminated for Parts suitable for use solely or principally with the engine by Sep 06

- Tariff for both countries shall be eliminated for Parts and accessories of the motor vehicles by Sep 06

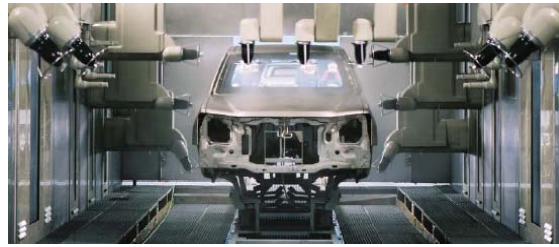
Thailand-New Zealand

- Tariff on both countries for passenger car with engine capacity 1,500 - 3,000 cc. shall be eliminated by Jan 2010.
- Tariff on both countries for pick-ups shall be eliminated by Jan 2010.
- Tariff on both countries for Parts and Accessories of the motor vehicles; Mounted brake linings shall be eliminated by Jan 2010.

Moreover, apart from the establishment of AFTA an bilateral, Thailand is now working closely with other ASEAN members to establish a free trade area with other countries, such as India, China, Japan, Korea, and the CER or Australia and New Zealand. The negotiations between ASEAN and each of these countries are expected to be concluded within 2 years in order to become full fledge FTAs by 2015 or at the latest 2020.

VI Current Situation of the Industry

As Thailand recovered from the Asian economic turmoil in 1997-1998, the automotive and auto parts industries' production and sales has continued to increase steadily ever since. The production has expanded at high growth rate due to the relocation of the pickup production line to Thailand. Moreover, the domestic auto market has been enlarging due to strategic alliances between auto companies, and partly due to the government's promotion-and-support policies on automotive industry.



1. Production ²

(1) Cars

The total capacity of all vehicle assemblers in Thailand is 1.27 million units per year³. Pickup trucks represent the biggest share of production capacity, accounting for 60.27% of total capacity. Others are passenger cars and commercial cars (excluding pickup trucks) with capacity share of 30.84% and 8.89% respectively.

By reason of the economic improvement in addition to the government's efforts and private's business strategy adaptation, the automotive industry has reached production volume of 1,125,316 units in 2005. The growth rate was 21.25% compared with the year 2004.

After economic crisis in 1997 – 1998 , the production of automobile has been growing continuously , proved by the impressive 23% annual production growth rate during 1999 to 2005. It was a result by the fact that many leading automobile companies, such as Toyota, Mitsubishi, Ford , Mazda, Isuzu, etc. had relocated their production lines to Thailand in order to establish their production base for exports.

(2) Motorcycles

There are 6 assemblers yielding the total annual production capacity of 2,804,000 units per year⁴. The volumes produced , both CBU and CKD , in 2005 and 2004 were 3,494,012 and 3,028,070 units respectively. Moped motorcycles and sport motorcycles production were 96% and 4% of total motorcycle produced in the 2005 respectively.

2 - see table A-3 in Appendix

3 - see table A-1 in Appendix

4 - see table A-2 in Appendix

(3) *Auto parts*

There are approximately 1,800 automotive parts suppliers in Thailand. About 700 of those are OEM suppliers.. Locally produced parts include engines, suspension system, brakes, clutches, steering wheels systems, body parts, electronic parts, accessories, tyres, plastics and glass, etc. It could be said that the production volume of the auto parts industry has always correlated to that of the automotive industry. However, this may no longer be true, as the Local Content Requirement Regulation has been abolished.

Nowaday, auto parts produced in Thailand are increasingly competitive in terms of productivity and quality. One-hundred and seventy-eight (178), companies of our part makers are now QS9000 certified. Two-hundred (200) companies are ISO9000 certified. And, thirty-four (34) companies are ISO14000 certified. Almost auto parts reach international standard and get approval from developed countries , proved by their export to the markets like EU, Japan and the North America where quality and standard are stringent.

2. Sales⁵

(1) *Cars*

Sale in domestic market is on ongoing recovery from the economic crisis in 1998. It had been growing in 2005, as indicated by the sale volume for the year, which was 703,405 units, or a 12.36% increase when compared with 626,026 units in the previous year. The sales can be classified into 2 types, namely passenger cars and commercial cars. 236,634 units of passenger cars and 466,771 units of commercial cars were sold in 2005, or a 2.21% and 18.31 % increase respectively, when compared with those of 2004.

(2) *Motorcycles*

The domestic motorcycle market had been constantly growing during the period of 1993-1996; then, it was drastically shrunk, given the economic crisis starting in 1997. However, the sale volume increases continuously since 1999.

Motorcycles sale in 2005 totaled 2,112,429 units, a 3.58% increase from the previous year.

5 - see table A-4 in Appendix

3. Exports⁶

International auto giants have established their Thai manufacturing plants as strategic regional bases for their businesses in view of crucial advantages of Thailand being the largest and the most quality sources of auto parts in Southeast Asia. To reach the economies of scale, they not only increase production to serve the domestic market, but also to propel in exports.



The 2005 export of CBU was 440,717 units, a 32.72% rise when compared with that in the previous year. The motorcycle export (CBU & CKD) in 2005 was 1,343,337 units, a 61.60% up from that of 2004.

Major car export (CBU) markets were Australia, Indonesia and UK. While vehicle component parts were mostly exported to Japan, US and Malaysia. Indonesia, Cambodia, Vietnam, Philippines and US were those export markets for motorcycles and parts.

4. Imports⁷

The value of car (CBU) imported in 2005 was 24,472 million baht, a 13.74% increase when compared with that in the previous year. The import of parts and components of vehicles in 2005 was 129,319 million baht, a 7.17% increase when compared with that of 2004.

The total import of motorcycles in 2005 was 1,806 million baht, which had increased by 16.62% from that of 2004. The import of motorcycle parts and components in 2005 was valued for 6,036 million baht, risen by 21.25%, from that in 2004.

6 - see table A-5 in Appendix

VII Prospects for the near future

On 11 January 2006 , Prime Minister Thaksin Shinawatra outlined the direction of the Thai economy in 2006 to the members of the private sector in order to provide a clear picture of the Thai economy, so that they would become more confident in making decisions on their businesses. He said that economic reform that was planned in 2005 would be implemented this year. The Government will promote the industries that contribute to the domestic economy and Thai exports. Industrial diversification will be given a major boost to create wealth in the regions of the country. Prime Minister Thaksin was confident that the Thai economy in 2006 will grow by at least 5%.

For automotive industry, the government has still emphasized on “clear consistent and continuous international car policy” by providing healthy business environment which are developed basic infrastructure , quality labor force , and strengthened upstream industries / supporting industries , such as mould & dies.

Nowadays, both government agencies and private sector set their goal of being automotive production base in Asia or “Detroit of Asia”. It means Thailand will become one of the top ten largest automotive producers in the world in 2010. To reach the challenging target in the next five years, the Thai automotive industry must ;

- produce no less than 1.8 million automobiles per year
- export no less than 800,000 automobiles per year
- export auto-parts at minimum value of 400,000 million baht per year



7 - see table A-6 in Appendix

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Table A-7 Thai Automotive Tariff Structure, as of 2005

Board of Investment (BOI) Incentive/Privilege

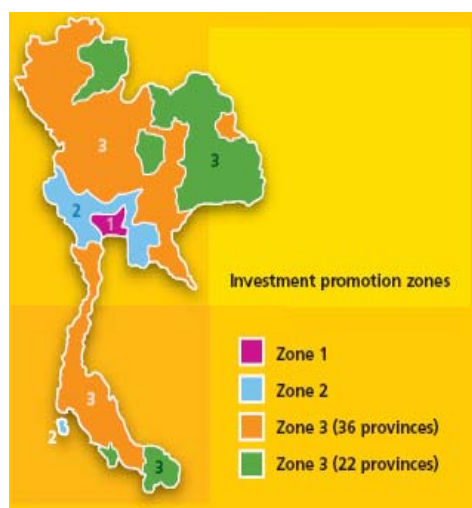
1. Privileges by location

Regarding the investment incentives, the BOI has made adjustment to the zoning system. Promoted projects locating in these Zones may receive additional incentives, including further tax and duty reductions, as well as allowances for infrastructure investments. There are three zones as follows:

Zone 1 includes Bangkok, Samut Prakan, Samut Sakhon, Nakhon Pathom, Nonhtaburi and Pathum Thani (Bangkok and 5 provinces).

Zone 2 includes Ang Thong, Ayutthaya, Chachoengsao, Chon Buri, Kanchanaburi, Nakhon Nayok, Phuket, Ratchaburi, Rayong, Samut Songkhram, Saraburi and Suphanburi (12 provinces).

Zone 3 encompasses the remaining 58 provinces.



Projects in Zone 1 shall be granted:

1. 50 per cent reduction of import duty on machinery that is subject to import duty of not less than 10 per cent;
2. Corporate income tax exemption for 3 years for projects located within industrial estates or promoted industrial zones, provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up date, otherwise the corporate income tax exemption will be reduced by 1 year;
3. Exemption of import duty on raw or essential materials used in the manufacturing of export products for 1 year.

Projects in Zone 2 shall be granted:

1. 50 per cent reduction of import duty on machinery that is subject to import duty of not less than 10 per cent;
2. Corporate income tax exemption for 3 years, increased to 5 years for projects located within industrial estates or promoted industrial zones, provided that such a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up date, otherwise the corporate income tax exemption will be reduced by 1 year;
3. Exemption of import duty on raw or essential materials used in the manufacturing of export products for 1 year.

Projects in Zone 3 shall be granted:

1. Exemption of import duty on machinery;
2. Corporate income tax exemption for 8 years provided that a project with capital investment of 10 million baht or more (excluding cost of land and working capital) obtains ISO 9000 or similar international standard certification within 2 years from its start-up-date; otherwise, the corporate income tax exemption will be reduced by 1 year;
3. Exemption of import duty exemption on raw or essential materials used in the manufacturing of export products for 5 years.

Projects located in one of the following 36 provinces of Zone 3: Chai Nat, Chanthaburi, Chiang Mai, Chiang Rai, Chumphon, Kamphaeng Phet, Khon Kaen, Krabi, Lamphang, Lamphun, Loei, Lop Buri, Mae Hong Son, Mukdahan, Nakhon Ratchasima, Nakhon Sawan, Nakhon Si Thammarat, Phangnga, Phattalung, Phetchabun, Phetchaburi, Phitsanulok, Pichit, Prachin Buri, Prachuab Khiri Khan, Ranong, Sa Kaew, Sing Buri, Songkhla, Sukhothai, Surat Thani, Tak, Trang, Trat, Uthai Thani, and Uttaradit, shall be granted Zone 3 tax and duty privileges and further privileges, as follows:

(1) A project located within industrial estates or promoted industrial zones is entitled to the following privileges:

(1.1) 50 per cent reduction of corporate income tax for 5 years after the exemption period;

(1.2) Double deduction from taxable income of transportation, electricity and water costs for 10 years from the date of first revenue derived from promoted activity;

(2) For a project located outside industrial estates or promoted industrial zones, a deduction can be made from net profit of 25 percent of the project's infrastructure installation or construction cost for 10 years from the date of first sales, and net profit for one or more years of any year can be chosen for such deduction. The deduction is additional to normal depreciation.

Projects located in one of the following 22 provinces: Amnat Charoen, Buri Ram, Chaiyaphum, Kalasin, Maha Sarakham, Nakhon Phanom, Nan, Narathiwat, Nong Bualamphu, Nong Khai, Pattani, Phayao, Phrae, Roi Et, Sakhon Nakhon, Sathun, Si Sa Ket, Surin, Udon Thani, Ubon Ratchathani, Yasothon, and Yala shall be granted Zone 3 tax and duty privileges and further privileges as follows

(1) 50 per cent reduction of corporate income tax for 5 years after the exemption period;

(2) Double deduction from taxable income of transportation, electricity and water costs for 10 years from the date of first revenue derived from promoted activities;

(3) Deduction can be made from net profit of 25 percent of the project's infrastructure installation or construction cost for 10 years from the date of first sales, and net profit for one or more years of any year can be chosen for such deduction. The deduction is additional to normal depreciation.

2. Skills, Technology & Innovation Incentive Package

BOI has amended its Skills, Technology & Innovation (STI) incentive package for projects with components investing in research or design or developing Thai staff or supporting educational or research institutions.

The amendments allow companies greater flexibility in making qualifying investments in STI. Previously, corporate income tax exemptions were capped at 1 year for each qualifying category. With the amendment, privileges will instead be based on the project's total STI expenditures in any of the three following STI categories:

- 1) R&D or design;
- 2) Advanced technological training; or
- 3) Support for educational or research institutions.

The number of years of corporate income tax exemptions is calculated based on the table below. For example, a maximum of 3 years income tax exemption is granted for STI expenditures of at least 450 million baht or 3% of total sales for the first 3 years of operations, whichever is lower.

STI Expenditure	Corporate Income Tax Exemption
1% of total sales for the first 3 years of operations or at least 150 million baht	1 year (uncapped)
2% of total sales for the first 3 years of operations or at least 300 million baht	2 years (uncapped)
3% of total sales for the first 3 years of operations or at least 450 million baht	3 years (uncapped)

The BOI reaffirmed that STI corporate income tax exemptions are uncapped and are in addition to other privileges granted separately.



Table A-1: Car assemblers in Thailand, ranked by production capacity in 2005

Rank	Assembler	Units	Capacity Share
1	Toyota Motor Thailand Co., Ltd.	350,800	27.62
2	Isuzu Operations (Thailand) Co.,Ltd.	200,000	15.75
3	Mitsubishi Motors (Thailand) Co.,Ltd.	170,200	13.40
4	Auto Alliance (Thailand) Co.,Ltd.	135,000	10.63
5	Honda Automobile (Thailand) Co.,Ltd.	120,000	9.45
6	General Motors (Thailand) Co.,Ltd.	115,000	9.05
7	Siam Nissan Automobile Co.,Ltd.	102,000	8.03
8	Hino Motors Sale (Thailand) Ltd.	28,800	2.27
9	Thonburi Automotive Assembly Co.,Ltd.	16,300	1.28
10	Y.M.C Assembly Co.,Ltd.	12,000	0.94
11	BMW Manufacturing (Thailand) Co.,Ltd.	10,000	0.79
12	Thai Swedish Assembly Co.,Ltd.	10,000	0.79
13	Bangchan General Assembly Co.,Ltd.	0	0.00
Total		1,270,100	100.00

Source: Office of Industrial Economics, Ministry of Industry.

Remark: excluding Motorcycles

Table A-2: Motorcycle manufactures in Thailand, ranked by production capacity in 2005

Rank	Manufacturer	Brand	Units	Capacity Share
1	Thai Honda Manufacturing Co.,Ltd.	HONDA	1,400,000	49.93
2	Thai Suzuki Motor Co.,Ltd.	SUZUKI	550,000	19.61
3	Thai Yamaha Motor Co.,Ltd.	YAMAHA	450,000	16.05
4	Kawasaki Motors Enterprise (Thailand) Co.,Ltd.	KAWASAKI	200,000	7.13
5	Millennium Motor Co.,Ltd.	TIGER	60,000	2.14
6	J.R.D. (Thailand) Co.,Ltd.	JRD	144,000	5.14
Total			2,804,000	100.00

Source: The Thai Automotive Industry Association

Table A-3: Production volumes of the Thai Automotive industry, from 1996 to 2005

		Unit : Cars										
Type of Vehicle		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Growth 2005/2004
Passenger	Passenger Cars	138,579	112,041	32,008	72,716	97,129	156,056	169,321	251,684	304,349	277,603	-8.79
	Off-road Passenger Vehicles (OPV)	2,544	1,604	1,950	5,822	5,960	4,621	20,599	8,965			
	Pickup Passenger Vehicles (PPV)	- ³	- ³	- ³	- ³	299,435	291,747	384,672	5,803	42,789	62,002	44.90
Commercial	Pickup Trucks ¹	369,913	223,243	121,963	244,223				465,060	557,622	762,025	36.68
	Vans, Micro-Buses	1,095	373	60	0	0	0	0	165	0	0	-
	Buses	609	554	577	81	0	271	388	90	213	412	93.43
	Medium & Heavy Trucks ²	46,688	22,488	1,572	4,391	9,197	6,713	10,011	18,745	23,208	23,274	0.28
Total (excluding Motorcycles)		559,428	360,303	158,130	327,233	411,721	459,418	584,951	750,512	928,081	1,125,316	21.25
Motorcycles ⁴		1,437,794	1,081,044	600,497	846,426	1,125,723	1,209,995	1,977,144	2,424,676	3,028,070	3,494,012	15.39
Total		1,997,222	1,441,347	758,627	1,173,659	1,537,444	1,669,413	2,562,095	3,175,188	3,956,151	4,619,328	16.76

Source: The Federation of Thai Industry

Remark: 1 = Pickup < 1 ton, Pickup 1 ton and Double Cab

2 = < 5 tons, 5-10 tons, 10 tons up

3 = PPV began in 2000

4 = CBU + CKD

Table A-4 Sales Volumes of the Thai Automotive Industry , from 1996 to 2005

Unit : Cars

Type of Vehicle		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Growth 2005/2004
Passenger	Passenger Cars	172,730	132,060	46,300	66,858	83,106	104,502	126,353	179,005	221,077	193,612	-12.42
	Off-road Passenger Vehicles (OPV)	0	0	4,275	7,199	7,649	6,370	21,620	16,492			
	Pickup Passenger Vehicles (PPV)	- ³	- ³	- ³	- ³	155,483	171,325	241,266	310,592	10,433	43,022	312.36
Commercial	Pickup Trucks ¹	327,663	188,324	84,104	132,922					359,358	427,215	18.88
	Commercial Cars											
	Vans, Micro-Buses	12,633	8,353	2,792	4,167	6,492	6,582	8,335	8,489	9,585	12,891	34.49
	Buses	0	0	0	0	0	0	0	0	262	364	38.93
	Medium & Heavy Trucks ²	76,100	34,419	6,594	7,184	9,459	9,053	10,124	18,598	25,306	26,301	3.92
	Total (excluding Motorcycles)	589,126	363,156	144,065	218,330	262,189	297,832	407,698	533,176	626,024	703,405	12.36
	Motorcycles ⁴	1,236,940	907,584	526,735	604,010	788,854	900,925	1,332,744	1,766,860	2,039,394	2,112,429	3.58
Total	1,826,066	1,270,740	670,800	822,340	1,051,043	1,198,757	1,740,442	2,300,036	2,665,418	2,815,834	5.64	

Source: The Federation of Thai Industry

Remark: 1 = Pickup < 1 ton, Pickup 1 ton and Double Cab

2 = < 5 tons, 5-10 tons, 10 tons up

3 = PPV began in 2000

4 = CBU + CKD

Table A-5 Export Values of the Thai Automotive Industry , from 1996 to 2005

Unit : Million Baht

Type of Vehicle	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Growth 2005/2004
Vehicles (units)	14,020	42,218	67,857	125,702	152,835	175,299	181,471	235,042	332,053	440,717	32.72
Vehicles	4,253	16,227	28,126	50,187	63,349	83,895	82,826	102,208	149,233	203,038	36.05
OEM Component Parts	602	845	2,288	3,679	9,531	11,749	14,196	23,500	38,489	70,006	81.89
Motorcycles (units)	177,635	137,055	244,546	214,310	267,248	272,301	585,320	604,995	831,287	1,343,337	61.50
Motorcycles	5,311	4,879	8,440	6,330	7,421	7,833	8,319	8,733	14,007	22,769	62.56
OEM and Parts of Motorcycles	1,609	2,169	1,023	2,012	3,180	4,162	4,270	6,634	13,353	11,428	-14.42
Total	11,775	24,120	39,877	62,208	83,481	107,639	109,611	141,075	215,082	307,241	42.85

Source: The Federation of Thai Industry

Table A-6 Import Values of the Thai Automotive Industry , from 1996 to 2005

Unit : Million Baht

Type of Vehicle	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Growth 2005/2004
Vehicles (Passenger Cars, Truck, Buses)	37,364	18,524	3,898	19,617	18,035	13,843	13,689	20,802	21,515	24,472	13.74
Parts and Components of Vehicles	78,108	43,799	12,095	27,546	58,243	70,646	80,933	104,059	120,668	129,319	7.17
Motorcycles	41	49	13	7	10	843	970	1,348	1,549	1,806	16.62
Parts and Components of Motorcycles	6,318	3,563	1,877	1,892	2,819	3,011	3,661	4,200	4,978	6,036	21.25
Total	121,831	65,935	17,883	49,062	79,107	88,343	99,253	130,407	148,710	161,634	8.69

Source: Department of Trade Negotiation, Ministry of Commerce

Table A-7 Thai Automotive Tariff Structure, as of 2005

Harmonized System		87.01	87.02				87.03 ¹								87.04				87.05 ²		87.06			87.11				
Type of Vehicle		Truck Tractor	Bus	Glass Van			Energy Saving Vehicle:	Alternative Fuel Vehicle:	All Other Passenger Vehicle						Pick-up Truck (gross vehicle weight)		Blind Van	Big Truck	Special Purpose Truck	Chassis with Engine Chassis			Motor Cycle					
Import Duty Rate		CBU	40%				80%								40%				40%	30%			60%					
Import Duty Rate		CKD rate	20%				30%								30%				20%	20%	10%	20%	30%	no CKD rate				
Number of Seats			>10 seats	=10 seats			<=10 seats																					
Engine Power (H.P.)				<220			>220 or			<=220			>220 or															
Engine Capacity (c.c.)				<2000	>2000 and <=2500	>2500 and <=3000	>3000	<=3000	>3000	<=3000	>3000	<=2000	>2000 and <=2500	>2500 and <=3000	>3000	<=3250	>3250	<=3250	>3250	<=3250	>3250	<=3250	>3250					
Excise Tax Rate ³		-	-	30%	35%	40%	50%	10%	50%	20%	50%	30%	35%	40%	50%	20%	50%	12%	50%	3%	50%	18%	50%	-	-	-	3%	5%
Interior Tax Rate ⁴		10%				10%								10%				10%	10%			10%						
VAT Rate ⁵		7%				7%								7%				7%	7%			7%						

Remark:

1 Ambulance 10% CBU import duty with exemption on excise tax

2 Fire fighting vehicles and Fire rescue vehicles: 10% CBU import duty

3 Excise Tax = [(CIF + Import Duty - Other Fee) x Excise Tax Rate]/(1-1.1 x Excise Tax Rate)

4 Interior Tax = Excise Tax x Interior Tax Rate

5 VAT = (CIF = Import Duty – Other Fee + Excise Tax + Interior Tax) x VAT Rate

6 Excise tax rate for vehicle using ethanol will be effective since 2009