ESD.265
Specialized Aspects of International Logistics
County and Regional Issues

THAILAND

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1. **Rough Dimensions: Thailand**

Location: Southeastern Asia, bordering the Andaman Sea and the Gulf of Thailand. The country’s borders are with Burma on the West and with Laos and Cambodia on the East across the Mekong River.  
Geographic Coordinates: 15 00 N, 100 00 E  

Area:  
- Total: 200,781 sq miles  
- Land: 199,910 sq miles  
- Water: 871 sq miles

Land boundaries: Total 3,039 miles  
Coastline: Total 2,011 miles  
Elevation extremes: Lowest point: Gulf of Thailand 0 feet. Highest point: Doi inthanon 8,587 feet.

2. **Population**

Overall: 62,534,796  
The three largest cities are Bangkok, Nakorn Ratchasrima and Ubon Ratchatani  
- Percentage live in Bangkok 16.13% (10 millions)  
- Percentage live in Nakorn Ratchasrima 4.1% (2.5 millions)  
- Percentage live in Ubon Ratchatani 2.85% (1.77 millions)

Population Growth 0.91%

3. **Predominant language: Thai**

English is used quite commonly in businesses, especially in foreign owned entities.  
Usage of English varies by industry, from very little in Governmental agencies to very common in English or US owned companies. English is usually an employment requirement for companies dealing in the Import/Export arena.

4. **Political instability:**

The political climate has been stable in last decade and especially during the three years:  
There some protest but nothing severe.

5. **Currency and Exchange Rates:**

Thai currency is Baht. The exchange rates relative to the US dollars has been:

- March 1, 2002 1 USD: 44.10 Baht  
- January 1, 2001 1 USD: 43.078 Baht  
- January 1, 2000 1 USD: 40.12 Baht
6. **Time zones:** Thailand has one time zone. Compared to Cambridge, MA is +12.00 hours in winter and +11.00 hours in summer. This means, when it is noon in Cambridge, it is at midnight in Bangkok, Thailand.

7. **Unique Requirements:** There are no unique requirements for products sold in this country. However, there are some regulations regarding food products.

All items of food for human consumption are subject to import license requirements, which are often unclear and non-transparently administered. Some items are not subject to a licensing requirement but are subject to other administrative or regulatory requirements including fees or a requirement that imports must be accompanied by Certificates of Origin. The Thai Food and Drug administration (TFDA) required standards, testing, labeling, and certification permits for the importation of all food and pharmaceutical products. Some Thai Food and Drug Administration procedures have been streamlined, but delays of up to a year can occur. Also, all processed foods must be accompanied by a detailed list of ingredients and a manufacturing process description. American manufacturers are reluctant to disclose trade secrets, and some American products have not reached the Thai market for this reason.

8. **Regulations for Freight Transport:**

There is an Expressway network that is essentially a raised highway network above the city (similar to Hong Kong). This network links the major routs from the North, South, East, and West allowing passenger cars to connect to these regional highways without actually entering the city streets of Bangkok. Unfortunately, heavy trucks called “10 wheel trucks” cannot use the expressways. In addition, they are not allowed to enter city center during rush hours. This can present some problems for trucks getting to the port of Klong Tuy, which lies in the heart of Bangkok. Not only are they not able to access the port using the Expressway system but are unable to use the city streets during the rush hours. The road weight restrictions for these trucks are 28 metric tons in total. Finally, drivers have no limitation or restrictions on the amount of hours they can drive, thus drug abuse (amphetamines) is a rampant problem among truck drivers.

9. There are two main saltwater ports, which are

   - Leam Chabang, about 80 miles away from major population centers area. This is considered a deep water port.
   - Klong Tuy, located in Bangkok by the waterfront district.

Although these are the two major ports for Thailand, they typically host feeder vessels that consolidate cargo with the line hauls in Singapore or in Keelung/Kochung.

10. **Business terms and financial instruments:** Most sales terms utilize the INCOTerms standard and Letters of Credits are used as the method of payments for international commercial transactions (Confirmed). Domestic transactions lean more towards cash and bank drafts (sight).
11. **Size of Supermarkets and Department stores:** Most supermarkets are located in big department stores. The stores range in size from 1,500 to 5,000 sq meters (14,000-45,000 sqf) in floor area. There is one large Thai department store chain call Central that is very popular and looks and feels very similar to a large western store. There are also freestanding supermarkets such as Carefurr, Lotus, and Macro that range from 800 to 4,000 sq meters (7000 – 36,000 sqf) in floor area.

12. **Large US Discount Retailers:** There are no large US discount retailers stores like Wal-Mart, K-Mart, Toys ‘R Us in Thailand at the present time. Although, large fast-food chain exists and are very popular in Thailand.

13. **Highway and Rail Infrastructure:** At present, the transportation system in Thailand has been extensively developed. The road transportation network of the country totals 169,794 km, consisting of 15,899 km of national highways and expressways, 25,895 km of provincial roads, and about 128,000 km of rural roads. The northeast region has the greatest length of national and provincial roads, amounting to about 30 percent of the total, followed by the north with 27 percents, the central region with 24 percent, and the south with 19 percent.

   We can consider the highway and railroad infrastructure in Thailand as moderate to extensive compared to those in the West.

14. **Traffic Congestion:** Bangkok is one of the most congested cities in the world. This is especially true during the rush hours. For example, it can take one hour to travel five or six miles. However, the congestion problem has improved in the past 2-3 years. The traffic problem can severely interfere with the transportation of goods, especially via trucks. Air quality is poor in the city center due to the pollutants from the vehicles. There is no formal/enforced emission inspection and testing procedure to certify vehicles.

15. **Primary Trading Partner of Thailand:**

<table>
<thead>
<tr>
<th>Country</th>
<th>Export to</th>
<th>Import from</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>22 %</td>
<td>14 %</td>
<td>Surplus of 8 %</td>
</tr>
<tr>
<td>Japan</td>
<td>14 %</td>
<td>26 %</td>
<td>Deficit of 12 %</td>
</tr>
<tr>
<td>Singapore</td>
<td>9 %</td>
<td>6 %</td>
<td>Surplus of 3 %</td>
</tr>
</tbody>
</table>

16. **Logistics Security:** Logistics security such as theft is an issue in Thailand. The trucks are generally open tops and are prone to theft since there is no contained trailer that can be secured with a seal. Although today, ocean containers are more commonly used to transport cargo. The southern part of Thailand is also prone to truck highjacking.

17. **Phone System:** Thailand’s phone system is quite reliable nowadays.

   There are three phone agencies – The Telephone Organization of Thailand (TOT), the Communication Authority of Thailand (CAT), and the Post and Telegraph Department
PTD) – are responsible for Thailand’s public telecommunications and postal service. At present the telecommunication system has been much developed. There are about 1.5 million telephone subscribers, one million in Bangkok and half a million throughout the rest of the country. There are altogether 1,130 post offices, 20,437 postboxes, and other services. However, these services are not yet adequate to meet the fast growing demand and government has therefore initiated several operational plans which include the launching of a telecommunication satellite, an increase of 207,300 telephones (161,800 of which will be in Bangkok), an enlargement of the cellular telephone service area in Bangkok and provinces, and the establishment of an SP I international telephone switching service.

18. Internet Access: About 3-4 million people in Thailand have Internet access nowadays and the number is growing each year.

19. Gasoline Price: At present, the price of Regular gasoline is at $ 1.215 per gallon. Although, this seems reasonable compared to the US, the Thai Baht has devalued by about 60% since 1997.

20. Trade restrictions in Thailand:

Import Restrictions:
Most commodities may be imported freely in Thailand, but import licenses are required for some commodities. Imports of certain items are prohibited for national security, health or other protective reasons. All imports of goods originating in or shipped from South Africa are subject to licensing. Imports of gold require a license issued by Thailand's Ministry of Finance. Certain other commodities are subject to licensing by the Ministry of Commerce. In general, the items under import licensing control may be classified into three categories:

- Goods whose import is normally prohibited in order to protect local industries; (for example sugar, rice, textiles and fruit juices).
- Goods whose import is subject to a requirement for concurrent purchase of similar goods produced domestically; (for example gold, coffee, tea, raw silk).
- Goods whose import is controlled for health, security, or other reasons; (for example arms, ammunition and explosives, opium and dangerous drug, playing cards). Application for licenses should be accompanied by a pro forma invoice or commercial contract. Licenses must be obtained one month before shipment and are generally valid for one month and for all countries. The validity period for licenses may be extended for goods that are manufactured to specifications or for items, which require a longer delivery period.

Export controls

The Act Controlling the Importation and Exportation of Goods authorizes the Ministry of Commerce to subject products to export control. At present, close to 50 items require such control. Certain goods require export licenses under other laws, such as seeds, trees,
and leaves of tobacco. Certain goods, such as sugar and rice, are subject to export licenses under the Export Standard Act, which aims to ensure that such exports are of a set quality. Exporters of agricultural commodities may find that membership in trade associations is mandatory, and they may impose their own regulations for membership.

There are many Acts, Royal Decrees, Customs Regulations and Ministerial Regulations, which involve the prohibitions and restrictions on importation and/or exportation of certain goods.

Examples of prohibited goods on both importation and exportation, and in some cases possession as well are:

- Narcotics;
- Obscene (pornographic) articles
- Goods with an improper Thai flag design

In the case of restricted goods (for example; fertilizers, medicines, live animals, plants, food, etc.), the importer or exporter must submit a permit or license issued by the government agency concerned to Customs at the time of lodging a Customs goods declaration.

There are six duty rates for imported goods, excluding vehicles, which have special rates. These duty rates are as follows:

- Duty rate is 0% for goods that government policy provides not to collect duties
- Duty rate is 1% for raw materials
- Duty rate is 5% for primary products and capital goods
- Duty rate is 10% for intermediate products
- Duty rate is 20% for finished products
- Duty rate is 30% for government-protected goods

There are two rates of duty to be paid for exported goods:

- Duty rate of 5 baht/kg for rawhide
- Duty rate of 40% for wood and sawn wood

In October 1997, the Thai government temporarily raised tariffs on passenger cars and sport utility vehicles to 80 percent, up from 42 and 68 percent. These increases were scheduled to be lifted on January 1, 2000, but they remain unchanged. In addition, in order to come into compliance with its WTO obligations, Thailand in 1999 removed local content requirements in the automotive industry. At the same time, Thailand announced its intention to raise the tariff rate on completely knocked down (CKD) kits from 20 to 33 percent.
21. Customs documents to be submitted with the import declaration form are as follows:

- One original copy of invoice together with 3 copies
- One Bill of Lading or a duplicate
- One copy of packing list
- One copy of Foreign Transaction Form (Thor Tor 2) (if any)
- Permit or license for restricted goods (if any)
- Other documents according to the requirements of regulations such as, the certificate of origin
- Delivery Order or Custom Permit.
- Amended shorthanded / overlanded form (if any)

Customs documents to be submitted with the export declaration form are as follows:

- One original copy of invoice together with 3 copies
- One Bill of Lading or a duplicate
- One copy of packing list
- One copy of Foreign Transaction Form (Thor Tor 2) (if any)
- Permit or license for restricted goods (if any)
- Other documents according to the requirements of regulations such as, the certificate of origin
- Delivery Order or Custom Permit.
- Amended shorthanded / overlanded form (if any)

22. Bribery is quite common in Thailand, although officially illegal and frowned upon, it is almost a customary way of business to “greasing the wheels of commerce”. Not many agencies will ever admit to it, although it does occur frequently. It often pays to use this method to get things done rather than to go through ‘official’ channels. This issue has been taken up in the Thai Parliament and a special division has been created to investigate allegations made in both the government and private sector. There has been a shift in the last decade or so to curb this problem especially in the government ranks.

23. The labor unions are quite strong; the factory workers union typically in the sugar, rice, and manufacturing sectors are the more powerful unions. They generally negotiate the minimum wage rates and workers conditions. Disruptions are not very common in the manufacturing sector especially since the economic downturn where jobs are scarce. There is also the port worker’s union similar to the ILU and ILWU, there has been some problems regarding labor strikes, which has disrupted port operations (crane worker’s strike). Most strikes do not last very long as disputes are often resolved fairly quickly in the interest of business, especially exports as that is a valuable source of foreign currency. At present there is no central truck drivers union that could disrupt logistics operations.
### Export Declaration Form

#### Part 1
- **Exporter:** Melott Laboratories Co., Ltd.
- **Imported Goods:** Various items
- **Quantity:** 30 cartons
- **Description:** AVON BRAND
- **Valuation:** THB 50,172.30

#### Part 2
- **Shipper:** Avon Cosmetics (Malaysia) Bhd.
- **Port of Loading:** Kuala Lumpur, Malaysia
- **Port of Discharge:** Bangkok, Thailand
- **Term of Payment:** T/T 30 days after invoice date

#### Invoice Details
- **Invoice No.:** VM015/43E
- **Date:** September 8, 2000
- **Ship to Port:** Kuala Lumpur, Malaysia
- **From:** Bangkok, Thailand
- **Year Order No.:** 64528
- **C.O. Issuing Bank:**

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**Milott Laboratories Co., Ltd.

Avon Cosmetics (Malaysia) Bhd.
Lot 13A, Jalan 219, Section 51A,
48100 Petaling Jaya, Selangor, Malaysia
Tel: 007-603-757 3848
Fax: 007-603-757 4220

Shipped Under **ED**

Term of Payment: T/T 30 days after invoice date
# BILL OF LADEN

**.Communication**

- **CONSIGNOR:** LENO MARKETING (M) SDN. EDD.
  - NO. 1, JLN PS1/11, BANDAR PINGGIRAN SUBANG SEYYEN 1, SHAH ALAM
  - 40150 SELANGOR, MALAYSIA

- **notify Party:** SAME AS CONSIGNOR

- **B/L No.** U5AP2279

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**PACKING LIST**

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**CONSIGNEE**

- **SHIPPER:** MILLOTT LABORATORIES CO., LTD.
  - 84/35 MCI II SOI TANASIT, TEPAKAR ROAD,
  - BANGPLA, BANGPLA, SAMUTPRAKARN
  - THAILAND 10540

- **Notify Party:** SAME AS CONSIGNOR

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**L/C issuing Bank**

- **Date:** FEBRUARY 22, 2002

**Shipped Via**

- **SEA FREIGHT**

**Currency Code**

- **Description**
  - "LENO BRAND"
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Said to contain:

COSMETIC PRODUCTS

Revlion P.O. No. 959505

4201119

31 JANUARY 2002

BKK/THAILAND

ASH AGREE

BKK/THAILAND

31 JANUARY 2002

BKK/THAILAND

ASH AGREE