2000

Annual Economic Report 2000

Bank of Thailand

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Economic Performance in 2000

In 2000, the Thai economy was still recovering with the estimated growth of 4.0-4.5 percent, a small disparity from 1999. The growth in the second half of the year was somewhat moderated in line with private consumption and overall investment. Public sector was more cautious about its spending, as public debt needed to be curbed. Domestic demand, the key factor for economic expansion, thus recorded a slight growth. Economic growth in years ahead is expected to be relatively the same as the year 2000.

Production grew at the same rate as 1999 reflecting the moderation of Manufacturing Production Index, which had previously shown a substantial growth at the beginning of the year. This was due to the fact that export value began to subdue with a mere growth of 19.6 percent, equivalent to US$67.9 billion or US$5.7 billion per month. Of this, exports of manufactured products accounted for more than 85 percent of total exports. As a result, production for exports may be curbed down. Categories with a robust growth remained in the same groups as the previous year, e.g., vehicles, electronics, electrical appliances and jewellery.

Domestic demand expanded moderately with the estimated growth of only 4.0-5.0 percent. Private consumption grew at 4.0-4.5 percent with a stable trend in the second half of the year, in line with the consumers’ confidence in the stable conditions of the economy. Private investment is estimated to grow by 12.0-15.0 percent and was likely to decline in the last quarter, in line with the moderation of capital goods imports.

The government has gradually stepped out from the economic-stimulating action. The overall budgetary deficit declined. In the fiscal year 2000, government position showed cash deficit of B115.9 billion or 2.4 percent of GDP. Although there is the need for higher disciplinary budget, the Government still had a role in stimulating the economy by targeting budgetary deficit of B105 billion for the fiscal year 2001. In the fiscal year 2000, collected revenue totalled B748.1 billion, up by 5.4 percent from 1999. The revenue which increased considerably was from the import tax. The government expenditure also rose by 3.5 percent, totalling B850.6 billion. The substantial increase of public debt urged higher discipline in the government spending. As of end-September the public debt (including that of the state enterprises) accounted for 55.7 percent of GDP.

The trade surplus decreased in 2000 compared with the previous year. Exports expanded by 19.6 percent, while imports grew by 31.3 percent. The exported products recorded a robust growth were computers and parts, integrated circuits, electrical appliances, and electronics equipment. Nevertheless the declin-
ing demand in the world market signalled a slowdown of export trend in these products. Imports, on the other hand, accelerated to a large extent despite moderation at year-end. This was partly due to increases in oil prices.

**Balance of payments** shifted from a surplus to a deficit of US$2.0 billion. Current account recorded a smaller surplus than the previous year despite the decline in debt repayment in the private sector. As a result, foreign currency inflow was less than the demand for external debt repayment. International reserves as of year-end stood at US$32.7 billion, equivalent to 6.3 months of imports.

**External debt** continued to decline and a large portion of it shifted to long-term position. Continuous outflow of private sector debt repayment led to a reduction of private sector debt outstanding at end-November 2000 to US$47.2 billion, or equivalent to 58 percent of the overall external debt. In addition, the Bank of Thailand repaid to IMF totalling US$193 million thereby reduced the external debt outstanding to US$81.3 billion.

**Liquidity in the money market remained high.** Interest rate in the credit market stood at a low level. As of end-2000, Minimum Lending Rate (MLR) of four largest commercial banks was 7.75 percent per annum, and 3-month deposit rate was 3.0 percent per annum. However, the low interest rate did not affect much the overall credit needs because of the meagre economic expansion. Moreover, some businesses especially those large firms could access domestic sources of funds. As of end-2000, credit outstanding in the commercial banks (including debt write off and the transferred assets to AMCs, but excluding transferred credits to AMCs) expanded by 0.6 percent. Non-bank private sector issued debt instrument totalling B97.9 billion. Meanwhile, commercial bank deposit expanded by 5.3 percent.

**Non-performing loans (NPLs) of the banking sector decreased considerably as a result of the asset transferred to AMCs.** At end-November 2000, NPLs totalled B1,113 billion or equivalent to 22.7 percent of total credits, down from the previous year by B981.41 billion.

**Inflation** remained within the MPB’s target. Though the oil prices rose in the second half of the year, there was small pressure on consumer prices since prices of agricultural products, the major component on the Consumer Price Index (CPI), continued to decline. Noticeably, CPI showed a downward trend during the fourth quarter, and throughout the year, CPI expanded by 1.6 percent. Core CPI on which the Bank of Thailand used to base its monetary policy increased by 0.7 percent due to the feeble domestic demand.

**Exchange rate weakened at year-end.** In the first half of the year, exchange rate, on average, stood at 38.16 baht per US dollar but weakened to 42.17 baht per US dollar in the second half, in line with regional currencies and domestic political situation.
ECONOMIC DEVELOPMENTS IN 2000
Production

Agricultural sector

In 2000, crop output rose by 0.9 percent, a slight increase from the previous year, while prices continued to decline since early 1999. Crop prices in 2000 decreased by 11.7 percent year-on-year, in line with the declining prices of agricultural products in the world market.

- Water volume in the main dams throughout the country stood at 58,315 million cubic metre at end-December 2000, 88.0 percent of overall retention.

Major Crop Production Index and Farm Price Index

<table>
<thead>
<tr>
<th>Major crop production index (percentage change)</th>
<th>Farm price index (percentage change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1999</td>
</tr>
<tr>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>10</td>
<td>5</td>
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<tr>
<td>5</td>
<td>0</td>
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<td>-5</td>
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<td>-10</td>
<td>-20</td>
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<tr>
<td>-15</td>
<td>-30</td>
</tr>
<tr>
<td>-20</td>
<td>-40</td>
</tr>
</tbody>
</table>

Farm Income (Major Crops)

<table>
<thead>
<tr>
<th>(percentage change)</th>
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</thead>
<tbody>
<tr>
<td>20</td>
</tr>
<tr>
<td>15</td>
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<tr>
<td>10</td>
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<td>-5</td>
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<td>-10</td>
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<tr>
<td>-15</td>
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<tr>
<td>-20</td>
</tr>
<tr>
<td>-25</td>
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</tbody>
</table>

Water Level in Reservoirs

<table>
<thead>
<tr>
<th>(billions of cubic metre)</th>
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</thead>
<tbody>
<tr>
<td>10 years average</td>
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<tr>
<td>1999</td>
</tr>
<tr>
<td>2000</td>
</tr>
</tbody>
</table>

capacity, or an increase of 26.2 and 6.5 percent compared with the last ten-year average and the corresponding period of last year, respectively. The increased volume was due to the continual rain in several areas.

- **Farmers income.** Overall in 2000, farmer income derived from major crops sales fell by 10.9 percent due mainly to the falling crop prices.

- **Prices of agricultural products.** In 2000, overall price index of agricultural products declined by 8.4 percent year-on-year as a result of high output and falling commodity prices of the world market.

**Manufacturing sector**

In 2000, Manufacturing Production Index (MPI) expanded at a slower pace than the year before. Export-oriented products continued to expand in line with the
world economic growth, while the output of beverages, tobacco and petroleum products decelerated due to falling domestic demand as well as lower production of concessionary liquor.

MPI in 2000 grew by 3 percent, down from 12.5 percent in the previous year. If excluding liquor output, the growth was 10.7 percent, consistent with capacity utilisation rate, which declined from 60 percent in the previous year to 56.1 percent in 2000 (if excluding liquor output, capacity utilisation rate would stand at 59.8 percent). However, the industries using nearly full or full capacity in 2000 were integrated circuits, car tyres, paper pulp and paper products.

Major factors leading to the expansion of manufacturing production were (i) the high world trade volume and economic growth contributing to a favourable condition for export production; (ii) progress in debt restructuring; (iii) more producers adjusted their business strategies to pursue export markets, particularly in electronics, electrical appliances, iron and steel products, vehicles and parts, and construction materials. However, as domestic demand remained at a low level, industry thus showed a rather slow growth despite the government support in stimulating public expenditure and private investment.

The industries showing satisfactory growth in 2000 were:

- **Electronics and electrical appliances** expanded from the previous year by 31.6 percent, following the exports of integrated circuits and television sets as new products especially the flat screen T.V. were launched into the market. Hence the capacity utilisation rate in this category rose to 63.9 percent.

- **Jewellery and ornament** expanded by 28.5 percent especially those made of silver, which were mainly exported to Japan, USA, Israel and Belgium. There was an import duty exemption on 11 items of jewellery and ornament raw
materials, VAT collection for gold item was revised to help reducing complications in tax collection as well as enhancing Thai competitiveness in the overseas market.

- **Vehicles and equipment** expanded by 25.6 percent as new car models from General Motors (Thailand) Co., Ltd., B.M.W Manufacturing (Thailand) Co., Ltd., and Auto Alliance (Thailand) Co., Ltd. were launched into the market. Nevertheless the growth of this industry began to decelerate in the second half of the year due to the fall in domestic demand, floods and the considerable rise in oil prices. Capacity utilisation rate in this category thus remained at a low level of 42.2 percent.

- **“Others” category** expanded from the previous year by 14.5 percent in tandem with exports of rubber block, petrochemicals, paper pulp and compressors. Capacity utilisation rate stood at a high level of 70 percent.

- **Iron and steel** expanded by 16.2 percent in line with the growth of related industries especially those of electrical appliances, and automobile. In addition, exports of steel tube to USA and Europe as well as hot-and-cold-rolled sheets to Japan increased. Capacity utilisation rate thus rose from 1999 to be at 45.6 percent.

The categories showing moderate growth in production were: **food**, expanding merely by 1.2 percent as a result of the decline in exports of frozen

<table>
<thead>
<tr>
<th>Table 2: Manufacturing Production Index *</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>-5.0</td>
<td>16.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Beverage</td>
<td>2.1</td>
<td>22.4</td>
<td>-42.3</td>
</tr>
<tr>
<td>Tobacco</td>
<td>-20.3</td>
<td>-9.9</td>
<td>-1.3</td>
</tr>
<tr>
<td>Textiles &amp; Textile Products</td>
<td>2.9</td>
<td>-1.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>-6.4</td>
<td>2.1</td>
<td>-1.0</td>
</tr>
<tr>
<td>Construction Material</td>
<td>-38.2</td>
<td>12.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Iron &amp; Steel Products</td>
<td>-31.6</td>
<td>12.3</td>
<td>16.2</td>
</tr>
<tr>
<td>Vehicles and equipments</td>
<td>-54.1</td>
<td>79.1</td>
<td>25.6</td>
</tr>
<tr>
<td>Electronic &amp; Electrical Products</td>
<td>-13.8</td>
<td>12.0</td>
<td>31.6</td>
</tr>
<tr>
<td>Jewellery</td>
<td>33.6</td>
<td>14.4</td>
<td>28.5</td>
</tr>
<tr>
<td>Others</td>
<td>2.0</td>
<td>12.4</td>
<td>14.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-10.0</td>
<td>12.5</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total (Exclude Liquor)</strong></td>
<td>-10.5</td>
<td>10.5</td>
<td>10.7</td>
</tr>
</tbody>
</table>

**Note**: * Represent 62.4% of V.A. in manufacturing sector
seafood and canned-pineapple; textiles, expanding by 3.2 percent, an improvement compared with a reduction of 1.2 percent in the previous year in line with declining production of synthetic fibres and ready-made garments.

- **Construction materials** remained unchanged from the previous year. Though the domestic demand declined, exports to USA, Hong Kong, India, Bangladesh, and Sri Lanka expanded to some extent. The categories experiencing contraction were: beverages, in line with the decline in liquor output as the producers held a large stock in 1999 while other beverages, on the other hand still expanded; petroleum products, fell owing to the fire at the Thai Oil refinery plant in December 1999, thereby cutting down some production at the beginning of 2000. Moreover domestic oil consumption declined due to the rising oil prices.

**Mining sector**

In 2000, Mining Production Index increased from 1999 due to the expansion of crude oil and natural gas output. In addition, minerals used in the related industries such as gypsum, ballclay, and zinc also expanded.

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### Table 3: Capacity Utilisation *

*(unit: percent)*

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>33.3</td>
<td>42.4</td>
<td>43.8</td>
</tr>
<tr>
<td>Beverage</td>
<td>77.2</td>
<td>101.9</td>
<td>37.3</td>
</tr>
<tr>
<td>Tobacco</td>
<td>60.4</td>
<td>54.4</td>
<td>53.7</td>
</tr>
<tr>
<td>Construction Material</td>
<td>44.6</td>
<td>49.8</td>
<td>50.1</td>
</tr>
<tr>
<td>Iron &amp; Steel Products</td>
<td>35.6</td>
<td>39.1</td>
<td>45.6</td>
</tr>
<tr>
<td>Vehicles and equipments</td>
<td>23.4</td>
<td>35.6</td>
<td>42.2</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>84.0</td>
<td>85.7</td>
<td>84.9</td>
</tr>
<tr>
<td>Electronic &amp; Electrical Products</td>
<td>47.5</td>
<td>52.2</td>
<td>63.9</td>
</tr>
<tr>
<td>Others</td>
<td>62.5</td>
<td>64.6</td>
<td>70.0</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>52.1</td>
<td>60.0</td>
<td>56.1</td>
</tr>
<tr>
<td>Exclude Liquor</td>
<td>49.5</td>
<td>55.0</td>
<td>59.8</td>
</tr>
</tbody>
</table>

**Note:** *Represent 44.5% of V.A. in manufacturing sector*
In 2000, the overall tourism industry continued to expand from the year before. The number of inbound tourists was expected to increase by 11 percent resulting in an increase of hotel occupancy rate for the entire year to 60.3 percent (against 58.2 percent in the previous year). This was due to aggressive marketing plans, which aimed at target groups. Another factor that helped boost Thai tourism was the fact that many airlines increased their flight service.

### Table 4: Mining Production Index

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining Production Index</td>
<td>151.6</td>
<td>176.8</td>
<td>162.1</td>
<td>171.3</td>
<td>161.4</td>
<td>163.3</td>
<td>163.6</td>
</tr>
<tr>
<td>Δ%</td>
<td>5.4</td>
<td>10.6</td>
<td>2.2</td>
<td>4.7</td>
<td>3.3</td>
<td>5.8</td>
<td>8.0</td>
</tr>
<tr>
<td>Natural gas</td>
<td>9.5</td>
<td>1.1</td>
<td>-3.7</td>
<td>-0.9</td>
<td>-6.1</td>
<td>-2.9</td>
<td>5.0</td>
</tr>
<tr>
<td>Lignite</td>
<td>-9.5</td>
<td>5.3</td>
<td>5.1</td>
<td>0.8</td>
<td>1.0</td>
<td>0.4</td>
<td>-3.1</td>
</tr>
<tr>
<td>Limestone for Cement Industry</td>
<td>29.2</td>
<td>-12.5</td>
<td>-10.5</td>
<td>-34.9</td>
<td>-20.9</td>
<td>-2.8</td>
<td>-10.8</td>
</tr>
<tr>
<td>Crude oil</td>
<td>16.3</td>
<td>107.2</td>
<td>63.8</td>
<td>59.6</td>
<td>36.8</td>
<td>45.7</td>
<td>73.4</td>
</tr>
<tr>
<td>Tin</td>
<td>66.9</td>
<td>-51.3</td>
<td>-31.4</td>
<td>-14.6</td>
<td>-23.2</td>
<td>-28.7</td>
<td>-31.2</td>
</tr>
</tbody>
</table>

E = Estimates  
Source: Index constructed using data from the Ministry of Industry

### Services sector

In 2000, the overall tourism industry continued to expand from the year before. The number of inbound tourists was expected to increase by 11 percent resulting in an increase of hotel occupancy rate for the entire year to 60.3 percent (against 58.2 percent in the previous year). This was due to aggressive marketing plans, which aimed at target groups. Another factor that helped boost Thai tourism was the fact that many airlines increased their flight service.

### Trade sector (wholesale and retail trade)

In the first nine months of 2000 trade on GDP expanded on average by 3.5 percent and was expected to grow by 4 percent for the whole year. Retailers adopting modern retail business such as hypermarket, and convenience store experienced a rather high growth whereas the old style retail shops suffered from sluggish business condition due to the loss of market share to those modern retailers. Meanwhile, some wholesalers were badly affected by those who operate the Cash & Carry shops such as Macro. All these led to a rather small growth of trade on GDP.
Transport and telecommunication sector

Transport and telecommunication in 2000 continued to grow in line with the growth of telecommunication sector. Personal Communication Telephone (PCT), IP Telephony or YTel 1234 and Internet have gained tremendous popularity with the consumers. This was due to marketing tactics in which monthly service charge and the prices of handsets were reduced. Nevertheless, transport sector was suffering from the rising oil prices, thereby the overall transport and telecommunication sector in 2000 was expected to grow at a rate close to that of the previous year, approximately 6.4 percent.

Domestic Expenditure

Private consumption

Private consumption indicators in 2000 expanded considerably, reflecting a recovery in the private sector compared with conditions in 1999. The major indicators included: sales of motorcycles and passenger cars, imports of consumer goods as well as retail sales. However, these accelerated indicators tended to decelerate in the second half of the year. Private consumption (at constant prices) during the first three quarters of 2000, thus expanded only 5.0 percent year-on-year. In the last quarter these indicators somehow showed a stable growth close to that of the previous quarter, private consumption (at constant prices) on the entire year basis, thus was expected to grow by 4.0-5.0 percent (close to the growth rate of the previous two years) following the change of exchange rate policy. The reasons that consumption had not fully recovered were due to uncertainty of

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**Table 5: Number of Tourists Arrivals**

<table>
<thead>
<tr>
<th>Service sector</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Number of tourists (1,000 persons)</td>
<td>8,580.0</td>
<td>790.5</td>
</tr>
<tr>
<td>Δ% (YOY)</td>
<td>10.5</td>
<td>9.0</td>
</tr>
<tr>
<td>2. Occupancy rate (%)</td>
<td>58.0</td>
<td>54.0</td>
</tr>
</tbody>
</table>

**Note:** P = Preliminary  
**Sources:** 1. Number of tourists data from Tourism Authority of Thailand  
2. Occupancy rate survey from 165 medium and large hotels throughout the country (45 hotels in Bangkok, 120 hotels outside Bangkok)
employment and low income of farmers (falling by 10.9 percent in line with the decline of prices of agricultural products by 8.4 percent from the year before).

**Private investment**

Overall private investment in 2000 was expected to continue expanding from the year before in line with private investment indicators. The growth was expected to reach 12.0-15.0 percent following the investment in machinery and equipment as described below:

- Investment in machinery continued to expand. Imports of capital goods (at constant prices) expanded by 21.3 percent due to the demand to increase production capacity in some industries especially those related to exports which grew considerably, e.g. electronics, electronics equipment, integrated circuits and television sets.
Labour Conditions

- With the implementation of measures to alleviate unemployment problem, together with the improved economy, unemployment in the first three quarters of 2000 declined from 1.5 million in 1999 to 1.2 million, or equal to 3.6 percent (against 4.5 percent of the previous year). In addition, the underemployment (those working less than 35 hours per week and needed to increase their work hour) fell to 3.0 percent of the overall labour force compared with 3.5 percent of 1999.

- Employment improved gradually in the first three quarters of 2000 with a year-on-year growth of 2.1 percent. The improvement was in construction, indust-
try, public facility, commerce and service sectors, whereas employment in agricultural sector remained relatively close to that of the previous year.

Labour indicators showed an improved labour condition. In December 2000, the number of insured persons in the Social Security Fund totalled 5.81 million, up from the previous year-end by 2.3 percent despite downward adjustment in the last quarter of the year. This was due to factors such as (i) there was still termination of employment of the closed firms, (ii) business firms still informed the employment conditions not previously included in the statistics collection, (iii) Social Security Office still revised its registration system to avoid the occurrence of repeated records.

Price level

Headline inflation rose by 1.6 percent in 2000 in line with rising oil prices and baht depreciation. Core inflation stood at a low level of 0.7 percent and remained within the monetary policy target range of 0-3.5 percent.

The Consumer Price Index in 2000 rose by 1.6 percent from the same period of the previous year. This was due to the rise in prices of non-food items by 3.2 percent while prices of food and beverages items declined by 1.1 percent. The Core Consumer Price Index (excluding raw food and energy items) rose by 0.7 percent over the same period.

Major factors causing higher inflation in 2000 were as follows:

1.1 Oil prices in the world market rose continuously since the beginning of the year, reaching a ten-year-high in November 2000. This resulted in higher
domestic fuel cost, with benzene and diesel prices rising by 30.6 and 44.3 percent on a year earlier, respectively. Electricity prices also adjusted upwards in line with the cost of fuel used in production.

1.2 The sustained baht depreciation, from 37.84 baht per US dollar in 1999 to 40.16 baht per US dollar in 2000, raised the cost of imported goods in baht terms.

1.3 Medical examination fees and hospital room charges rose considerably during the months of October and November 2000.

However, inflation remained subdued as prices of food and beverages declined throughout the year. Owing to favourable weather conditions, there was a greater supply of agricultural products such as vegetables, fruits, eggs, chicken,

| Table 6: Movements in Oil Prices, Electricity Price and Exchange Rate |
|-----------------|-----------------|----------------|----------------|----------------|----------------|
|                 | 1999 Year       | 2000 Year       | 2000 Year       |
|                 |                 |                 | Q1 | Q2 | Q3 | Q4 |
| Dubai oil (US dollars/barrel) | 17.20 | 26.16 | 24.39 | 25.04 | 27.69 | 27.51 |
| Benzene 95 (Baht/litre)      | 11.98 | 15.64 | 14.63 | 14.94 | 16.43 | 16.53 |
| Diesel (Baht/litre)          | 8.96  | 12.93 | 11.71 | 11.87 | 13.66 | 14.47 |
| Electricity (Baht/unit)      | 1.88  | 2.07  | 2.02  | 2.07  | 2.07  | 2.08 |
| Exchange rate (Baht/US dollar) | 37.84 | 40.16 | 37.65 | 38.66 | 40.99 | 43.34 |

Source: Trade and Economic Index Bureau, the Ministry of Commerce, and the Bank of Thailand.

<table>
<thead>
<tr>
<th>Table 7: Consumer Price Index (annual percentage change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999 Year</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Headline Consumer Price Index</td>
</tr>
<tr>
<td>Food and beverages</td>
</tr>
<tr>
<td>Non-food and beverages</td>
</tr>
<tr>
<td>Core Consumer Price Index</td>
</tr>
</tbody>
</table>

Source: Trade and Economic Index Bureau, the Ministry of Commerce.
and pork. In addition, prices of other foods bought from the market fell for most of the year.

Headline inflation was higher than core inflation in 2000 mainly due to the upward trend in oil prices. Moreover, core inflation was relatively stable, reflecting the little impact of second-round effects on prices of goods from higher oil prices. This was partly attributable to the sluggish domestic demand, as evidenced by the low capacity utilisation rate.

The Producer Price Index in 2000 rose by 3.8 percent on a year earlier, primarily driven by increases in prices of manufactured products, especially petro-

<table>
<thead>
<tr>
<th>Table 8: Producer Price Index</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>(annual percentage change)</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1999 Year</th>
<th>2000 Year</th>
<th>2000 Q1</th>
<th>2000 Q2</th>
<th>2000 Q3</th>
<th>2000 Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producer Price Index</td>
<td>-4.7</td>
<td>3.8</td>
<td>2.0</td>
<td>3.7</td>
<td>5.5</td>
</tr>
<tr>
<td>Agriculture products</td>
<td>-15.3</td>
<td>-0.4</td>
<td>-7.5</td>
<td>-2.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Mineral and fuel products</td>
<td>-3.4</td>
<td>4.3</td>
<td>1.9</td>
<td>0.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Manufactured products</td>
<td>-3.0</td>
<td>4.6</td>
<td>3.5</td>
<td>4.7</td>
<td>5.6</td>
</tr>
</tbody>
</table>

*Source:* Trade and Economic Index Bureau, the Ministry of Commerce.
leum products, chemicals and chemical products, synthetic fibres, and transport equipment. This mirrored higher production costs, following the hike in world crude oil prices and the weakened baht.

As for countries in the region, consumer prices in Malaysia, Singapore, and Taiwan increased by 1-2 percent in 2000, a rate close to that of Thailand. South Korea, Indonesia, and the Philippines recorded inflation rate of 2-5 percent. China experienced near zero inflation, while Hong Kong saw a fall in prices. The rise in inflation for most countries in the second half of 2000 was due to the surge in world oil prices.
External Sector

World Economy

From the assessment of International Monetary Fund (IMF) in October 2000, the world economy was expected to expand from 3.4 percent in 1999 to 4.7 percent in 2000. This stemmed from the world-wide economic growth especially the continued expansion of the United States, Europe and the recovery of countries in Asia, Latin America, and the Middle East. Nevertheless, towards the end of 2000, the US economy began to slow down at a faster rate than expected.

World trade volume is expected to expand more substantially than the year before, with a growth of 10.0 percent in 2000 against 5.1 percent in 1999. The factors contributing to this development were the recovery of the countries undergoing financial crisis, and the continual economic growth of the developed countries.

Inflation rate of the developed countries is estimated to remain at a low level of 2.3 percent in 2000, with Japan experiencing a negative inflation rate of 0.2 percent following the negative growth of 0.3 percent in the previous year. Inflation rate in the developing countries is expected to decline from 6.6 percent in the year 1999 to 6.2 percent in 2000, mainly as a result of the decline of inflation of developing countries in the Middle East. However, prices of primary goods in the world market are expected to rise in response to increased demand from the previous year. Oil prices rose considerably from the year before attributable to the increased demand and the quantity control of the OPEC countries, however, they began to decline during the end of the year following the decreased demand in response to the economic slowdown of the USA, the world major oil consumer.

Interest rate. In 2000, the deposit interest rate in US dollar terms rose. During the first half of the year, US.Federal Reserves raised interest rates three times in February, March and May to 5.75, 6.0 and 6.5 percent, respectively, to curb the economic growth. For the European Union where the member countries use the same exchange rate and monetary policy, the Euro denominated deposit interest rate rose to 4.6 percent. In Japan, Yen denominated deposit rate remained low, merely 0.3 percent to stimulate the economy.

Unemployment rate in the developed countries is expected to decline from 6.3 percent in 1999 to 5.9 percent with the US declining slightly from 4.2 percent in 1999 to 4.1 percent. Unemployment rate in Japan, on the contrary, rose to 5.0 percent from 4.7 percent in the previous year.
Because of the continual growth of the world and Thai economies, export and import value of Thailand in the year 2000 expanded from the previous year by 19.6 and 31.3 percent, respectively. The growth somehow was mainly due to the increase in volume, while trade itself declined from the year before. This was because the prices of exports remained low whereas those of imports appeared to increase in line with high import oil prices. With the acceleration of imports, trade surplus declined to US$5.5 billion.

### Table 10: Balance of Payments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nov.</td>
<td>Dec. P</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exports (f.o.b.)</td>
<td>6,051</td>
<td>5,753</td>
<td>56,800</td>
<td>67,942</td>
</tr>
<tr>
<td>Δ% year on year</td>
<td>18.0</td>
<td>9.6</td>
<td>7.4</td>
<td>19.6</td>
</tr>
<tr>
<td>Imports (c.i.f.)</td>
<td>5,581</td>
<td>5,340</td>
<td>47,529</td>
<td>62,423</td>
</tr>
<tr>
<td>Δ% year on year</td>
<td>18.8</td>
<td>16.3</td>
<td>16.9</td>
<td>31.3</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>470</td>
<td>413</td>
<td>9,271</td>
<td>5,519</td>
</tr>
<tr>
<td>Services &amp; Transfers</td>
<td>400</td>
<td>488</td>
<td>3,194</td>
<td>3,751</td>
</tr>
<tr>
<td>Current Account</td>
<td>870</td>
<td>901</td>
<td>12,465</td>
<td>9,270</td>
</tr>
<tr>
<td>Capital Account</td>
<td>-927</td>
<td>n.a.</td>
<td>-7,907</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>-330</td>
<td>n.a.</td>
<td>-13,836</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>-661</td>
<td>n.a.</td>
<td>-10,617</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>331</td>
<td>n.a.</td>
<td>-3,219</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>-404</td>
<td>n.a.</td>
<td>1,909</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>-193</td>
<td>n.a.</td>
<td>4,020</td>
<td>n.a.</td>
</tr>
<tr>
<td>Errors &amp; Omissions</td>
<td>3</td>
<td>n.a.</td>
<td>26</td>
<td>n.a.</td>
</tr>
<tr>
<td>Balance of Payments 1/</td>
<td>-54</td>
<td>181</td>
<td>4,584</td>
<td>-1,959</td>
</tr>
</tbody>
</table>

\( P = \) Preliminary  
\( 1/ = \) actual  
**Source:** Bank of Thailand
This combined with the service and transfer account surplus of US$3.8 billion, led to a smaller current account surplus of US$9.3 billion or 7.6 percent of GDP. Net capital account is expected to record a larger deficit than the previous year although foreign debt prepayment and repayment moderated somewhat. This was attributable to the decline of capital inflow for recapitalisation of commercial banks and the capital deficit of the public sector (including the Bank of Thailand). In 2000, balance of payments recorded a deficit of US$2.0 billion compared with a surplus of US$4.6 billion in the previous year. International reserves as of year-end stood at US$32.7 billion.

### External Debt

External debt declined significantly as a result of repayment of both public and private sectors.

- **Compared to the level of end - October**

  Total external debt as of end-November 2000 declined by US$1.3 billion as a result of the repayment of both public and private sectors.

  The public sector external debt declined by US$0.7 billion due to the high repayment of long-term debt. This month, the Bank of Thailand made the first repayment to the IMF totalling US$0.2 billion. The Government refinanced ADB loan by issuing short-term Euro Commercial Paper. As a result, the short-term government debt increased by US$78 million and the long-term debt declined by US$0.5 billion.

<table>
<thead>
<tr>
<th>Table 11: International Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>(billion US$)</em></td>
</tr>
<tr>
<td>1999</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>International Reserves 1/</td>
</tr>
<tr>
<td>IMF Packages</td>
</tr>
<tr>
<td>BOT</td>
</tr>
<tr>
<td>Public</td>
</tr>
<tr>
<td>Net Forward Position</td>
</tr>
</tbody>
</table>

1/ mark to market since April 2000

Source: Bank of Thailand
The private sector external debt declined by US$0.6 billion due to a decrease in both banking sector and non-banking sector external debt of US$0.5 and US$0.1 billion, respectively. The reduction of the debt of the banking sector was mainly due to the continued high repayment of commercial banks’ short-term debt, whereas the repayment of BIBF has decelerated.

Table 12: External Debt
(million US$)

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Public Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 BOT (Long-term)</td>
<td>33,423</td>
<td>36,024</td>
</tr>
<tr>
<td>1.2 Govt and State</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprises</td>
<td>11,903</td>
<td>12,817</td>
</tr>
<tr>
<td>Long-term</td>
<td>21,520</td>
<td>23,207</td>
</tr>
<tr>
<td>Short-term</td>
<td>21,390</td>
<td>23,077</td>
</tr>
<tr>
<td></td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>2. Private Sector</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Banks</td>
<td>66,161</td>
<td>59,624</td>
</tr>
<tr>
<td>Long-term</td>
<td>42,687</td>
<td>39,795</td>
</tr>
<tr>
<td>Short-term</td>
<td>23,474</td>
<td>19,829</td>
</tr>
<tr>
<td></td>
<td>9,037</td>
<td>8,236</td>
</tr>
<tr>
<td></td>
<td>12,965</td>
<td>9,466</td>
</tr>
<tr>
<td>2.2 Non-Banks</td>
<td>44,159</td>
<td>41,922</td>
</tr>
<tr>
<td>Long-term</td>
<td>33,650</td>
<td>31,559</td>
</tr>
<tr>
<td>Short-term</td>
<td>10,509</td>
<td>10,363</td>
</tr>
<tr>
<td>3. Total Debt (1+2)</td>
<td>99,584</td>
<td>95,648</td>
</tr>
<tr>
<td>Long-term</td>
<td>75,980</td>
<td>75,689</td>
</tr>
<tr>
<td>Short-term</td>
<td>23,604</td>
<td>19,959</td>
</tr>
<tr>
<td>Share (%)</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Long-term</td>
<td>76.3</td>
<td>79.1</td>
</tr>
<tr>
<td>Short-term</td>
<td>23.7</td>
<td>20.9</td>
</tr>
<tr>
<td>Share (%)</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Private</td>
<td>66.4</td>
<td>62.3</td>
</tr>
<tr>
<td>Public</td>
<td>33.6</td>
<td>37.7</td>
</tr>
</tbody>
</table>

Source: Bank of Thailand
Compared to the level of end - 1999

As of end-November 2000, external debt outstanding declined by US$14.3 billion as a result of the debt repayment of both sectors and the effect of yen depreciation.

The private sector external debt declined by US$12.4 billion. This was attributable to the decline in the non-banking sector and banking sector debt of US$7.3 billion and US$5.1 billion, respectively. With regard to the non-banking sector debt, a large decrease in the long-term debt was a result of long-term debt repayment which was partly financed by the issuance of domestic bonds during the first half of the year. While debt of the banking sector declined in line with the reduction of short-term debt of BIBF.

The public sector external debt declined by US$1.9 billion as a result of yen depreciation and debt repayment particularly in November.

The structure of the external debt improved with the ratio of long-term to short-term debt of 82 : 18, and the ratio of the private debt to public debt of 58 : 42, compared to the ratio of 79 : 21, and 62 : 38, respectively, as of end-1999.
In the fiscal year 2000, the fiscal policy aimed to stimulate the economy under the government budget deficit policy of B110 billion. Throughout the year, the Government showed a cash deficit of B115.9 billion, down from the previous year by B18.5 billion. This lower government deficit together with the decline in disbursement from state enterprises, investment budget, however, resulted in the contraction of fiscal impulse, which is measured by a smaller public sector deficit than the previous fiscal year. For the whole fiscal year 2000, public sector recorded a deficit of B197.6 billion, or 4.1 percent of GDP, down from the previous year, which showed a deficit of B258.0 billion, or 5.5 percent of GDP.

Table 13: Fiscal Position
(billion baht)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>727.4</td>
<td>709.9</td>
<td>748.1</td>
</tr>
<tr>
<td>(Growth rate)</td>
<td>-13.8</td>
<td>-2.4</td>
<td>5.4</td>
</tr>
<tr>
<td>Expenditure 1/</td>
<td>835.6</td>
<td>821.6</td>
<td>850.6</td>
</tr>
<tr>
<td>(Growth rate)</td>
<td>-11.5</td>
<td>-1.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Current Year</td>
<td>666.4</td>
<td>690.8</td>
<td>748.8</td>
</tr>
<tr>
<td>Carry-Over</td>
<td>160.1</td>
<td>128.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Budgetary Balance (-) or Surplus (+)</td>
<td>-108.2</td>
<td>-111.6</td>
<td>-102.5</td>
</tr>
<tr>
<td>Non-budgetary Balance (-) or Surplus (+)</td>
<td>-7.1</td>
<td>-22.8</td>
<td>-13.4</td>
</tr>
<tr>
<td>Miyazawa Loans</td>
<td>0</td>
<td>33.3</td>
<td>16.9</td>
</tr>
<tr>
<td>Cash balance (+) or Surplus (+)</td>
<td>-115.3</td>
<td>-134.4</td>
<td>-115.9</td>
</tr>
<tr>
<td>(% GDP)</td>
<td>2.5</td>
<td>3.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Expenditure from Foreign Loans 2/</td>
<td>58.2</td>
<td>21.6</td>
<td>21.1</td>
</tr>
<tr>
<td>(% GDP)</td>
<td>1.2</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>State Enterprise Balance</td>
<td>59.8</td>
<td>91.6</td>
<td>57.0</td>
</tr>
<tr>
<td>(% GDP)</td>
<td>1.3</td>
<td>2.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Public Sector Balance</td>
<td>225.8</td>
<td>258.0</td>
<td>197.6</td>
</tr>
<tr>
<td>(% GDP)</td>
<td>5.0</td>
<td>5.5</td>
<td>4.1</td>
</tr>
</tbody>
</table>

1/ Excluding principal Repayment
2/ Excluding Miyazawa Loans

Source: Data Management Group, Bank of Thailand
Government fiscal position

Revenue remitted to the treasury amounted to B748.1 billion, up by 5.4 percent from the previous fiscal year, partly due to the corporate tax which increased by 35.6 percent. The marked increase in corporate income tax was due to the improved economy of the year 1999 compared with the significant contraction of the year 1998, and some businesses such as exports and commerce were able to make more profits. In addition, higher revenue was collected from both import duties and VAT (despite the reduction of VAT from 10 percent to 7 percent as of 1 April 1999). Nevertheless, personal income tax still contracted as a result of the sharp declining deposit interest rates. Additionally specific business tax declined considerably as a result of the measures to restore real estate sector and the decline in lending interest rates.

Expenditure. Disbursement from the budget amounted to B850.6 billion, up from the previous fiscal year by 3.5 percent as a result of the accelerated disbursement in the current fiscal year which increased by 8.4 percent. Overall the disbursement rate stood at 88.0 percent. Meanwhile disbursement from the carried over budget declined by 22.2 percent because expenditure to be disbursed from the carried over budget continually declined. The increased expenditure was mainly allocated for current expenditure (except for salaries and wages) such as interest payments and purchases of goods and services, which rose by 30.4 and 5.7

<table>
<thead>
<tr>
<th>Table 14: Government Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>(billion baht)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>Δ%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>727.4</td>
<td>709.9</td>
<td>748.1</td>
<td>-13.8</td>
</tr>
<tr>
<td>Tax</td>
<td>649.4</td>
<td>620.1</td>
<td>661.4</td>
<td>-14.4</td>
</tr>
<tr>
<td>Income base</td>
<td>214.9</td>
<td>213.7</td>
<td>235.4</td>
<td>-22.2</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>118.9</td>
<td>101.2</td>
<td>87.4</td>
<td>6.6</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>90.8</td>
<td>101.3</td>
<td>137.4</td>
<td>-43.1</td>
</tr>
<tr>
<td>Petroleum income tax</td>
<td>5.3</td>
<td>11.1</td>
<td>10.6</td>
<td>-0.1</td>
</tr>
<tr>
<td>Consumption base</td>
<td>349.1</td>
<td>316.4</td>
<td>300.9</td>
<td>-0.1</td>
</tr>
<tr>
<td>Values added tax</td>
<td>162.7</td>
<td>132.1</td>
<td>137.9</td>
<td>17.0</td>
</tr>
<tr>
<td>Specific sales tax</td>
<td>34.0</td>
<td>20.8</td>
<td>16.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Excise tax</td>
<td>152.4</td>
<td>163.6</td>
<td>163.1</td>
<td>-14.2</td>
</tr>
<tr>
<td>International trade taxes</td>
<td>65.7</td>
<td>66.4</td>
<td>84.4</td>
<td>-36.4</td>
</tr>
<tr>
<td>Other taxes</td>
<td>19.7</td>
<td>23.4</td>
<td>24.1</td>
<td>-33.5</td>
</tr>
</tbody>
</table>

**Source:** Comptroller-General’s Department, the Ministry of Finance
percent, respectively. Capital expenditure experienced a significant decline from the previous year by 12.5 percent due to both budget restriction and smaller amount of budget. Disbursement from foreign loan, especially the loan for fiscal stimulus

### Table 15: Government Expenditure by Economic Classification

(billion baht)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditure</td>
<td>835.6</td>
<td>821.6</td>
<td>850.6</td>
</tr>
<tr>
<td>Current Expenditure</td>
<td>534.9</td>
<td>587.4</td>
<td>645.8</td>
</tr>
<tr>
<td>((\Delta%))</td>
<td>(2.1)</td>
<td>(9.8)</td>
<td>(9.9)</td>
</tr>
<tr>
<td>Wages and Salaries</td>
<td>280.3</td>
<td>297.4</td>
<td>303.7</td>
</tr>
<tr>
<td>Purchases of goods and services</td>
<td>160.4</td>
<td>144.7</td>
<td>153.0</td>
</tr>
<tr>
<td>Interest payment</td>
<td>8.7</td>
<td>44.7</td>
<td>58.3</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>300.7</td>
<td>234.2</td>
<td>204.8</td>
</tr>
<tr>
<td>((\Delta%))</td>
<td>(-28.5)</td>
<td>(-22.1)</td>
<td>(-12.5)</td>
</tr>
</tbody>
</table>

**Source**: Data Management Group, Bank of Thailand

### Table 16: Government Expenditure by Functional Classification

(billion baht)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Public Services</td>
<td>91.2</td>
<td>90.3</td>
<td>95.4</td>
</tr>
<tr>
<td>((\Delta%))</td>
<td>(-9.0)</td>
<td>(-1.0)</td>
<td>(5.6)</td>
</tr>
<tr>
<td>Defence Affairs and Services</td>
<td>88.3</td>
<td>76.4</td>
<td>73.6</td>
</tr>
<tr>
<td>((\Delta%))</td>
<td>(-15.3)</td>
<td>(-13.5)</td>
<td>(-3.7)</td>
</tr>
<tr>
<td>Community and Social Services</td>
<td>369.4</td>
<td>368.6</td>
<td>378.4</td>
</tr>
<tr>
<td>((\Delta%))</td>
<td>(1.0)</td>
<td>(-0.2)</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Education Affairs and Services</td>
<td>212.2</td>
<td>215.3</td>
<td>218.6</td>
</tr>
<tr>
<td>Health Affairs and Services</td>
<td>68.3</td>
<td>64.3</td>
<td>62.9</td>
</tr>
<tr>
<td>Social Security and Welfare Affairs and Services</td>
<td>38.6</td>
<td>38.9</td>
<td>51.0</td>
</tr>
<tr>
<td>Economic Services</td>
<td>226.8</td>
<td>197.2</td>
<td>194.9</td>
</tr>
<tr>
<td>((\Delta%))</td>
<td>(-28.3)</td>
<td>(-13.1)</td>
<td>(-1.1)</td>
</tr>
<tr>
<td>Others</td>
<td>59.9</td>
<td>89.1</td>
<td>108.3</td>
</tr>
<tr>
<td>((\Delta%))</td>
<td>(3.5)</td>
<td>(48.8)</td>
<td>(21.6)</td>
</tr>
<tr>
<td>Total</td>
<td>835.6</td>
<td>821.6</td>
<td>850.6</td>
</tr>
<tr>
<td>((\Delta%))</td>
<td>(-11.5)</td>
<td>(-1.7)</td>
<td>(3.5)</td>
</tr>
</tbody>
</table>

**Source**: Data Management Group, Bank of Thailand
Table 17: State Enterprise Deficit  
(billion baht)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>1998</th>
<th>1999</th>
<th>2000^P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditure</td>
<td>198.9</td>
<td>192.7</td>
<td>177.2</td>
</tr>
<tr>
<td>Δ%</td>
<td>6.9</td>
<td>-3.1</td>
<td>-8.0</td>
</tr>
<tr>
<td>Retained Income</td>
<td>139.1</td>
<td>101.1</td>
<td>120.2</td>
</tr>
<tr>
<td>Δ%</td>
<td>9.8</td>
<td>-27.3</td>
<td>18.9</td>
</tr>
<tr>
<td>State Enterprise Deficit</td>
<td>59.8</td>
<td>91.6</td>
<td>57.0</td>
</tr>
<tr>
<td>Δ%</td>
<td>0.7</td>
<td>53.2</td>
<td>-37.8</td>
</tr>
</tbody>
</table>

P = Preliminary  
Source: Office of the National Economic and Social Development Board

programme (Miyazawa loan) declined as it was the ending period of the programme resulting in disbursement for the entire fiscal year of only B16.9 billion compared with that of the previous fiscal year, which amounted to B33.3 billion. As a result, the government deficit declined to 2.9 percent of GDP from 3.6 percent of GDP in the previous fiscal year.

Government financing

The government financed the cash deficit of B115.9 billion by incurring a domestic borrowing totalled B107.9 billion, comprising government bonds of B40.0 billion, promissory notes of B20.0 billion and treasury bill of B47.9 billion. In addition, foreign borrowing was deposited in the treasury account amounting to B33.1 billion. Principal repayment totalled B25.9 billion, comprising government bonds of B4.1 billion, and promissory notes of B15.0 billion (these promissory notes were redeemed before due dates. They held high interest rate of 12 percent per annum and were issued in 1987 and 1988. Later they were extended and would be due in 2001 and 2003). Foreign borrowing amounted to B6.8 billion. Government treasury reserves were used totalling B7.6 billion.

State enterprises

In the fiscal year of 2000, investment of state enterprises amounted to B177.2 billion, down from the previous fiscal year by 8.0 percent because disbursement of many state enterprises did not meet the projected target. Some projects of state enterprises were delayed, for instance, joint venture projects of the Petroleum Authority of Thailand, electrical transport project of the Electricity Generating Authority of Thailand, construction of passenger building of Suwannapoom Airport, real estate ownership allocation of the Metropolitan Rapid Transit Authority. Mean-
Table 18: The Government Debt Position
(billion baht)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Dec. 97</th>
<th>Dec. 98</th>
<th>Dec. 99</th>
<th>Sep. 00</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Government’s direct borrowing</td>
<td>328.13</td>
<td>695.22</td>
<td>988.87</td>
<td>1,113.9</td>
</tr>
<tr>
<td>(% GDP)</td>
<td>(6.9)</td>
<td>(15.0)</td>
<td>(21.0)</td>
<td>(22.14)</td>
</tr>
<tr>
<td>1.1 Foreign Borrowing</td>
<td>296.46</td>
<td>268.49</td>
<td>346.59</td>
<td>395.2</td>
</tr>
<tr>
<td>1.2 Domestic borrowing</td>
<td>31.67</td>
<td>426.73</td>
<td>642.28</td>
<td>718.7</td>
</tr>
<tr>
<td>2. State enterprise borrowing</td>
<td>680.11</td>
<td>645.8</td>
<td>787.16</td>
<td>908.9</td>
</tr>
<tr>
<td>(excluding financial sector)</td>
<td>(14.4)</td>
<td>(13.9)</td>
<td>(16.7)</td>
<td>(18.07)</td>
</tr>
<tr>
<td>(% GDP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Government’s guarantee</td>
<td>575.07</td>
<td>559.12</td>
<td>688.6</td>
<td>775.7</td>
</tr>
<tr>
<td>Foreign Borrowing</td>
<td>370.36</td>
<td>328.53</td>
<td>401.93</td>
<td>422.6</td>
</tr>
<tr>
<td>Domestic Borrowing</td>
<td>204.71</td>
<td>230.59</td>
<td>286.67</td>
<td>353.1</td>
</tr>
<tr>
<td>2.2 Non-Government’s guarantee</td>
<td>105.04</td>
<td>86.68</td>
<td>98.56</td>
<td>133.2</td>
</tr>
<tr>
<td>Foreign Borrowing</td>
<td>67.32</td>
<td>50.56</td>
<td>49.62</td>
<td>48.5</td>
</tr>
<tr>
<td>Domestic Borrowing</td>
<td>37.72</td>
<td>36.12</td>
<td>48.94</td>
<td>84.7</td>
</tr>
<tr>
<td>3. FIDF Borrowing</td>
<td>893.11</td>
<td>986.72</td>
<td>777.43</td>
<td>781.4</td>
</tr>
<tr>
<td>(% GDP)</td>
<td>(18.9)</td>
<td>(21.3)</td>
<td>(16.5)</td>
<td>(15.5)</td>
</tr>
<tr>
<td>Total</td>
<td>1,901.35</td>
<td>2,327.74</td>
<td>2,553.46</td>
<td>2,804.2</td>
</tr>
<tr>
<td>(% GDP)</td>
<td>(40.2)</td>
<td>(50.2)</td>
<td>(54.3)</td>
<td>(55.7)</td>
</tr>
</tbody>
</table>

Source: PDMO, Ministry of Finance
Monetary Policy Group, Bank of Thailand

while, retained income of state enterprises in 2000 rose by B19.1 billion from 1999 to B120.2 billion partly due to increased net profits of the Petroleum Authority of Thailand and the Telephone Organisation of Thailand resulting in the state enterprises recording a smaller deficit of 1.2 percent of GDP, compared with 2.0 percent of GDP as of 1999.

Public Debt Outstanding

As of fiscal year-end 2000, the public debt outstanding amounted to B2,804.2 billion or 55.7 percent of GDP, a slight net increase compared with 54.3 percent of GDP as of 1999. Of this, direct government debt amounted to B1,113.9 billion or 22.1 percent of GDP and contingent liabilities including debt incurred by guaranteed and non-guaranteed non financial state enterprises amounted to B908.9 billion or 18.1 percent of GDP. Debt outstanding of FIDF amounted to B781.4 billion or 15.5 percent of GDP.
Monetary Development and Operation of Financial Institutions

Monetary Conditions

Liquidity and interest rate

- Liquidity in the system remained high in 2000 leading the interest rates in the money market to stay at low levels.

- 3-month deposit rate and minimum lending rate (MLR) of the four largest commercial banks declined during the third quarter.

**Overall liquidity** in 2000 remained high. However, **in the first quarter** liquidity tightened somewhat from end-1999 for a number of reasons: continued private sector’s demand for cash, the shifting of deposit to financial instruments with higher returns, the demand for baht by financial institutions for swap settlement with the Bank of Thailand, purchase of securities, and the new payment system of Real Time Gross Settlement (RTGS), and the remittance of profits from Japanese firms to their parent companies toward the end of the first quarter which is the end of the Japanese accounting year.

**In the second quarter**, liquidity improved after the Thai New Year holiday, but tightened temporarily in late May as a result of corporate income tax payment to the treasury, and in late June as financial institutions made required contribution to the FIDF.

**In the third and fourth quarters**, overall baht liquidity remained high except for the third week of November as the offshore baht liquidity tightened substantially. This caused some offshore financial institutions to fail to make baht settlement with domestic financial institutions, thus resulting in payment system problem, leading to high interest rates in the domestic money market. The Bank of Thailand then temporarily waved the restriction on non-resident baht transfers without underlying trade and investment transaction, leading the interest rates to decline to normal levels by the end of the month. In addition during the last
week of December, liquidity tightened again as financial institutions built up liquidity for cash withdrawal by the public during the New Year holidays, as well as contribution to the FIDF.

Overall, liquidity in the financial system in 2000 was high, with some temporary tightening as described above.

**Money market interest rates** remained low, with occasional upward movements when liquidity in the financial system tightened as mentioned above. The overnight interbank lending rate averaged at 2.07, 1.98, 1.95 and 1.80 percent per annum during the first, second, third and fourth quarters, respectively, while the 1-day repurchase rate averaged at 0.86, 1.14, 1.23 and 1.17 percent per annum during the same periods.

**Financial institutions’ investment in the repurchase market.** Commercial banks and specialised financial institutions remained the largest investors in the market. Commercial banks, at end-November held the net investment position of B194 billion, up from B55 billion at end-1999, reflecting the increased liquidity of commercial banks. However, the net investment in the repurchase market declined in December as commercial banks build up cash for the public during the New Year holidays. For specialised financial institutions, their net investment position in 2000 averaged at B53 billion. Meanwhile, the net investment position of finance companies declined in the third and fourth quarters to B14 billion and B2 billion, respectively, down from B46 billion at the end of the second quarter, as the 56 finance companies, which had been closed down, reduced their investment in the repurchase market.

**Interest rates of commercial banks.** In the first six months of 2000, the average 3-month deposit rate and the average minimum lending rate (MLR) of the four largest commercial banks remained at 3.50 and 8.125 percent per annum,
respectively. Later, they reduced 3-month deposit rates by 0.25 percentage points in July. In September, 3-month deposit rates and MLR were reduced again by 0.25 and 0.25-0.50 percentage point, respectively. At end-September, 3-month deposit rates and MLR of the four largest commercial banks averaged at 3.00 and 7.75 percent per annum, respectively, and remained unchanged for the rest of the year.

**Real interest rates of commercial banks.** The real 3-month deposit rates and real MLR of the four largest commercial banks had been declining since early 2000 as a result of continually rising inflation, and the reduction of commercial bank interest rates during the third quarter. At end-September, the real 3-month deposit rates and real MLR of the four largest commercial banks averaged at 0.70 and 5.45 percent per annum, respectively. However, the real interest rates had been increasing since October due to declining inflation, with the real 3-month deposit rates averaged at 1.70 percent per annum and the real MLR averaged at 6.45 percent per annum at end-December 2000.

**Interest differential of the Thai commercial banks** as calculated from effective returns on lending and effective deposit rate of the Thai commercial banks, including the affiliated AMCs\(^1\) rose from 0.37 percent in the fourth quarter of 1999 to 1.02, 1.23, 1.57 and 2.03 percent in the first, second, third, and fourth quarters, respectively. The deposit cost of Thai commercial banks declined, particularly in the second half of the year, while effective returns on lending increased in line with reduced NPLs due to debt restructuring, debt write-off, and loan transfer to AMCs.

**Interest differential of foreign commercial bank branches** stood at 4.10, 4.08, 4.30 and 4.32 percent per annum in the first, second, third and fourth quarters, respectively. Effective returns on lending remained stable throughout the year whereas effective deposit rate declined in the third and fourth quarters.

Comparing between Thai commercial banks and foreign commercial bank branches, the cost of funds for Thai commercial banks was higher than that of

\(^1\) Effective interest differential = effective returns on lending - effective deposit rate. The effective returns on lending = actual interest received from credit / average outstanding credit. The effective deposit rate = actual interest paid on deposit / average outstanding deposit. The above items do not include transactions between banks and the money market.
foreign banks whereas the effective interest received from credits of Thai commercial banks was less than that of foreign banks due to larger NPL problem for the Thai banks. Foreign bank branches, therefore, could show better profitability than Thai banks.

**Commercial bank deposits and credits**

- Commercial bank deposit rose considerably in 2000.
- Overall commercial bank credits declined, mainly due to debt write-off and credit transfer to AMCs.

**Commercial bank deposits** in 2000 increased from end-1999. In the first and second quarters, commercial bank deposit increased as cash withdrawn by the business and household sectors during the Y2K period returned to the system despite a shift of some deposit to debt securities which were mostly issued in March for the repayment of domestic and external debts. In the third and fourth quarters, deposits rose, partly because the holders of matured promissory notes and negotiable certificate of deposit (NCD) in the note-exchange programme of FIDF deposited some of the money received with commercial banks. Moreover, banks increasingly raised funds by issuing long-term financial instruments offering higher returns. More importantly, external debt repayment in 2000 declined from the previous year, allowing commer-
cial bank deposit to increase. As of end-December 2000, commercial bank deposits increased by B241.0 billion or 5.3 percent, compared with end-1999.

Commercial bank credits (with the BIBF credits based on constant exchange rate as of 30 June 1997) showed a declining trend, partly because private businesses mobilised issued debt securities to repay the loans from commercial banks as well as BIBF credits. Moreover, commercial banks were still cautious in extending new credits. Substantial debt write-off amounted to approximately B272 billion in 2000 and credits transferred to AMCs amounted to B550 billion (net credits transferred to AMCs amounted to B314 billion). At end-December 2000, total commercial bank credits (with the BIBF credits based on constant exchange rate as of 30 June 1997) amounted to B4,567.4 billion, a reduction of B528.7 billion or 10.4 percent per year from end-1999. Non-BIBF credit outstanding stood at B4,337.2 billion, a reduction of B424.0 billion or 8.9 percent. BIBF credit outstanding amounted to B230.4 billion, a reduction of B104.5 billion or 31.2 percent.

However, after adding back the amount transferred to AMCs and debt write-off but excluding credits to AMCs, commercial bank credits (with the BIBF credits based on constant exchange rate as of 30 June 1997) increased from last year. The growth rate of adjusted credits remained negative in the first half of the year but became positive in the second half of the year. For the year 2000, the adjusted commercial bank credits increased by 0.6 percent.

Financial sources of the non-financial institution private sector from the financial markets

The major source of financing for the private sector continued to be debt securities and equities, while credits from financial institutions improved markedly from last year.

| Table 20: Financing Sources of the Non-Fi Private Sector from the Financial (billion baht) |
|-----------------------------------------------|-----------------------------------------------|
| 1999                                      | 2000                                      |
| H1  H2  Q1  Q2  Q3  Q4                | 1999  2000                                |
| 1. Credit from FIs                      | 1. Credit from FIs                      |
| 1.1 CBs                                | 1.1 CBs                                |
| 1.2 FCs + SFIs                         | 1.2 FCs + SFIs                         |
| 2. Equity                              | 2. Equity                              |
| 3. Domestic Debentures                  | 3. Domestic Debentures                  |
| Total                                  | Total                                  |
| -29.2                                  | -29.2                                  |
| -44.5                                  | -44.5                                  |
| 8.5                                    | 8.5                                    |
| 15.3                                   | 15.3                                   |
| 170.2                                  | 170.2                                  |

CB credit – adding back loan write-off and transfer in, subtracting transfer out
– excluding loans to AMC and other financial institutions

Source: BOT reports and surveys
In 2000, credits from financial institutions improved significantly from the decrease of B156.6 billion in the previous year to the increase of B13.4 billion this year. The issuance of equity slightly increased while the issuance of debt securities decreased. Overall, the improvement in credits from financial institutions contributed to the increase in financing to non-financial institution private sector from the increase of B15.4 billion in 1999 to the increase of B170.2 billion in 2000.

**Monetary base and money supply**

- Monetary base outstanding for 2000 averaged at B483 billion, up from B463 billion in the previous year.
- Broad money M2A and M3 growth accelerated in the second half of 2000, compared with end-1999.

**Monetary base.** Following the surge to B622 billion at end-1999 during the Y2K period, monetary base declined to B450 billion at end-June 2000 as public demand for cash subsided and was deposited back into the banking system. The supply-side factors which caused the reduction of monetary base in the first half of the year included:

1) the decline in net foreign assets as the Bank of Thailand gradually settled the foreign exchange swap obligation, which was used to inject liquidity during the Y2K period.

2) the decline in net credits to the public sector in line with the redemption of government bonds and the increase in government deposits at the Bank of Thailand as a result of the corporate income tax collected at end-May as well as the revenue from government bonds and treasury bills auctions.

3) the decline in net credits to financial institutions as the Bank of Thailand reduced lending in the repurchase market after the Y2K period.
In the second half of 2000, monetary base exhibited an upward trend due to seasonal factors. Monetary base outstanding at the end of the third and fourth quarters amounted to B479 billion and B527 billion, respectively. The supply-side factors contributing to the expansion of monetary base were: (i) increased net credits to financial institutions, partly due to the FIDF’s payment to depositors of 56 closed-down financial institutions under the note-exchange programme and to financial institutions under aval obligation; (ii) the Bank of Thailand increased lending in the repurchase market to supply liquidity in some periods, especially the last week of December 2000.

**M2A** exhibited declining growth in the first seven months in line with the decline in cash held by the public following the Y2K period and the decline in promissory notes issued by finance companies. During August to December 2000, broad money M2A accelerated in line with the increased deposit at commercial banks. At end-December 2000, M2A stood at B5,296.9 billion, up by B114.4 billion or 2.2 percent from 1999.

**M3** declined in the first five months of 2000 but subsequently rose in line with the increased deposit at the financial institutions. At end-December 2000, M3 amounted to B5,972.6 billion, up by B253.9 billion or 4.4 percent from 1999.

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**Exchange Rate Movements and Gold Price**

**Foreign currencies movements**

The baht showed a weakening trend in 2000 with the average reference rate depreciating from 37.35 baht per US dollar in January to 43.73 baht per US dollar in November, then strengthened to 43.09 baht per US dollar in December. The baht averaged at 40.16 baht per US dollar in 2000, depreciating from 37.84 baht per US dollar in 1999.

During the first half of the year, the baht was rather stable, with a slight depreciation as a result of: (i) the slow progress in restructuring the financial sector and the failure in the negotiation between creditors and debtors of TPI in early March which negatively affected the baht sentiment; (ii) the decline in the SET index, partly associated with the fact that Morgan Stanley Capital International (MSCI) revised down its investment proportion in the Thai stock market in March; (iii) the occasional depreciation of some regional currencies.

In mid-year, the Bank of Thailand announced the revised series of external debt which resulted in a US$20 billion increase in outstanding external debt. This led to higher demand for foreign currencies by the private sector to repay debts and the market speculation against the baht as the private sector believed there would
be no intervention from the Bank of Thailand. External factors negatively affecting the baht were: (i) rising interest rates in the US, which had been adjusted upward 6 times since 1999; (ii) the depreciation of regional currencies, especially the Indonesian rupiah and the Philippines peso.

In the third quarter, the baht depreciated significantly in September owing to a number of factors including: (i) the downward adjustment of both deposit and lending rates of the commercial banks which prompted the private sector to refinance foreign debts with domestic loans; (ii) MSCI’s adjustment of investment weights - with increased weight for the US, reduced weight for Japan and Europe, as well as the exclusion of 8 Thai securities against only one new securities admitted. This created a negative sentiment on the stock market and the baht. (iii) the political uncertainty and the rising oil prices; and (iv) the depreciation of regional currencies, especially the Philippines peso.

In the fourth quarter, the baht continued to depreciate as a result of domestic political problems and severe depreciation of regional currencies. The Philippine Peso reached a historical low at 51 Peso per US dollar in late October due to political problems. However, the baht appreciated in December as a result of the slowdown in the US economy which weakened the US dollar and strengthened the baht. Moreover, the US funds and overseas financial institutions sold US dollars against baht to offset the loss due to the strengthened baht and to close the long dollar position toward the year-end. However, the baht appreciation was bounded by negative factors including the private sector’s foreign debt repayment and the anticipation of the general election results which would take place on 6 January 2001.

In summary, the baht depreciated continuously during the first eleven months of the year but strengthened at year-end due to both internal and external factors.
Nevertheless, the extent of baht depreciation was less than that of some regional currencies, especially the Philippines peso and the Indonesian rupiah.

**US dollar**

In 2000, the US dollar appreciated by 13.52 and 0.07 percent against the euro and pound sterling, respectively, but depreciated by 5.58 percent against Japanese yen. US dollar averaged at 0.923 US dollar per euro, 1.51 US dollar per pound sterling, and 107.8 Japanese yen per US dollar.

Positive factors on the US dollar in the first half of the year were as follows:

The US economic fundamental remained strong with GDP growth in the fourth quarter of 1999 revised up from 6.9 to 7.3 percent per year. The average growth in 1999 was 4.6 percent. In the second quarter of 2000, the economy grew by 5.2 percent which was higher than market anticipation. The Fed Fund rate had been raised six times since 1999 in order to reduce the imbalance between demand and supply which could lead to inflation. On 16 May 2000, the Federal Reserves raised the Fed Fund rate and Discount rate by 0.5 percent to 6.5 and 6.0 percent, respectively, and retained the rates at these levels for the rest of the year. However, in the third quarter, the growth of US economy declined significantly, with estimated GDP growth rate revised down from 2.4 percent to 2.2 percent. More economic indicators indicated a slowdown and the Nasdaq composite index dropped continuously. Consumer confidence reached the lowest level for the past 13 months in November. The Federal Reserves, for the first time in the past 2 years, emphasised on the risks of economic slowdown rather than on the risk of inflation, resulting in the market anticipation of further interest rates cut early next year to prevent further slowdown in the economy.

**Euro**

The euro continued to depreciate. However, the intervention by the European Central Bank (ECB) helped the euro to strengthen in the middle and the end of the year. The ECB raised the refinancing rate 5 times in 2000, starting from 3 percent at the beginning of the year to 4.75 percent in October. The reason for the upward adjustment stated by ECB committee was that the rising oil prices and the depreciation of euro created inflationary pressure in the member countries. However, the increased interest rates did not support the euro as much since the market had earlier priced-in such movement. The factors contributing to the weakening of the euro included the lack of unity among the member countries and the economic slowdown in Germany. These factors led to the market anticipation of the economic slow down in the Eurozone.

**Pound sterling**

The Pound sterling showed a weakening trend in line with the euro as trades are closely related between the United Kingdom and the European Union.
However, the depreciation rate of the Pound sterling was less than that of the euro, partly due to dissimilar business cycles which affected domestic interest rates on different degrees.

**Japanese yen**

The Japanese yen fluctuated between 105-109 yen per US dollar during the first 11 months of 2000. However, the slowdown of the US economy, which is the major export market for Japan, together with the Japanese economy which showed no sign of recovery, contributed to the continual depreciation of the yen in the fourth quarter, especially in December. Internal factors negatively affected the yen in December were as follows: the decline in the government popularity in spite of Prime Minister Mori’s passing the parliament censure in the mid December; and the decline in the Nikkei index in the Japanese stock market following the decline in the US stock market toward the end of the year. The Japanese yen depreciated continuously and closed at 115 yen per US dollar on the last trading day of the year, an averaging 112.2 yen per US dollar in December.

**Gold price**

In 2000, gold price in the London market rose by 0.78 percent, from the average of 277.04 dollar per troy ounce in 1999 to 279.20 dollar per troy ounce in 2000. During the year, gold price fluctuated with downward trend as a result of (i) the market anticipation of increased gold volume as several central banks in Europe planned to sell their excess gold reserves which led investors to engage in short-sale transactions in the forward market; (ii) the closing of gold position before the delivery date which led the gold price to fluctuate in the spot market while demand for gold remained unchanged; (iii) the appreciation of the US dollar against the euro and other regional currencies which induced producers to supply more gold to the market while consumers in Europe were reducing imports of gold as gold price rose due to problem in the Middle East, which directly affected the oil price.

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**The Operation of Commercial Banks**

The operation of the commercial banking system improved gradually, with the net loss after deduction of provisioning for bad debts and doubtful debts declin-
ing from B339.2 billion in 1999 to B2.1 billion in 2000. Of this, net loss of Thai commercial banks amounted to B11.4 billion, while that stand alone BIBF recorded a net loss of B1.8 billion. Foreign banks, meanwhile, posted a net profit of B11.1 billion. Banking sector recorded a decline in NPL to total credits ratio from 38.56 percent at end-1999 to 17.71 percent at end-2000 on account of better management of interest rate spread, thus reducing the burden of interest payment; and progress on debt restructuring.

Since the third quarter, Thai commercial banks, especially those privately-owned began to post profits due to (i) improved management of interest rate spread resulting in the reduction of interest payment from the preceding year by 27.7 percent; (ii) success in bringing down operating cost, thus turning in a profit before deduction of bad debts and doubtful debts of B63.4 billion year-on-year; (iii) progress on debt restructuring both in the private and government-owned banks thus leading to a decline in NPL to total credit ratio towards the year end to 18.02 percent and 21.62 percent, respectively. However, it is noted that of the four government-owned commercial banks, three experienced the higher cost of interest payment than the income received from credit extension and investment in securities. This was partly because they offered higher returns to the customers than other banks by 0.25-0.75 percent per annum, while earning less from non-interest income.

The sale of Siam City Bank Ltd., and Bangkok Metropolitan Bank Plc. to private investors was postponed due to unsuccessful negotiation on the contract deal.

Foreign bank branches showed a better performance than the year before, especially the Japanese and European banks, with the increased profits stood at B10.9 billion, and B3.0 billion, respectively. This was attributable to (i) the fulfilment of the provisioning requirement in full; (ii) progress on debt restructuring, leading NPL as of end-December to drop to 6.62 percent of the total credits; (iii) rising non-interest income by 58.5 percent or B7.0 billion, part of which were profits from exchange rate.

1. **Commercial bank credits extended to the economic system**

Overall commercial bank outstanding credits (computing BIBF credits with fixed exchange rate) extended to private sector and general public declined from B5,096.1 billion as of end-1999 to B4,567.4 billion at end-2000, or equal to a reduction of B528.7 billion or 10.4 percent, up from a reduction of 2.8 percent at end-1999. The reduction was mainly due to: (i) debt write off amounting to B272 billion, credits transferred to AMCs amounting to B550 billion, with net credits to AMCs amounting to B314 billion; (ii) debt repayment from private firms as a result of high liquidity in the country enabling the firms to mobilise funds from money
market and paid back the commercial banks both BIBF and non-BIBF credits; (iii) great caution in extending credits into the system. As a result, at year-end, non-BIBF outstanding stood at B4,337.2 billion, a reduction of 8.9 percent per year while BIBF outstanding amounting to B230.4 billion, a drop of 31.2 percent per year.

Overall credits (calculating BIBF credits with the fixed exchange rate) adding back debt write off and credits transferred to AMCs but excluding credits extended to AMCs, improved slightly with a growth in the latter half of the year. As of end-December 2000, the credit growth rate was 0.6 percent.

However, to stimulate the public consumption as well as to step up the credit extension of commercial banks, in November 2000, the Bank of Thailand relaxed the conditions in granting credit cards. This caused intense competition among the commercial banks, all of which sought ways to attract customers by for instance, offering special gift, reducing annual fees and membership entry fees.

As for the financial assistance to the major sectors in 2000, the Bank of Thailand extended credits through financial institutions amounting to B126.6 billion. This coupled with the B112.3 billion extended by the financial institutions themselves totalled B238.9 billion. The export and manufacturing sectors (not including SMEs), were the sectors which availed themselves most of this facility amounting to B79.6 billion and B1.2 billion, respectively.

For 2000, the Bank of Thailand placed an emphasis on the financial assistance to SMEs. This facility covered a number of sectors such as services, wholesale, retail, and those engaging in the production of merchandise by orders. In addition, there were funds extended for SMEs to facilitate their capital flow. SMEs eligible for this funds were those having undergone debt restructuring and signed the debt restructuring contract. These SMEs had to be granted credit guarantee for the long term loan and had to carry NPL and owned production business with maturity of no longer than 5 years. The loan granted to these SMEs could not exceed B50 million per borrower with MLR rate, and guaranteed by Small Industry Credit Guarantee Corporation for 75 percent of the total loan. The Bank of Thailand contributed 60 percent of the credits via financial institutions and charged these institutions the interest rate of no more than 3 percent per annum. As of end-2000, the Bank of Thailand had lent to 5,361 SMEs, totalling B21.5 billion, and when adding the 40 percent lent by financial institutions, total credits amounting to B35.9 billion.

2. Funds mobilisation of commercial banks

Commercial bank deposit as of end-2000 amounted to B4,816.8 billion, up from the previous year-end by B241.8 billion, or an increase of 5.3 percent per annum. The increase in deposits was attributable to (i) the cash withdrawal by the
private firms and the general public for use during the Y2K period and various holiday seasons gradually returned to the system during the first and second quarters; (ii) the redemption of promissory notes and the deposit certificates of FIDF’s promissory note-exchanging programme fell due and parts of them were deposited in the commercial banks during the third and fourth quarters.

3. Provisioning and non-performing loan (NPL)

In general, the provisioning burden substantially decreased from the preceding year. The provisioning for bad and doubtful debts was relieved significantly for commercial banks as most of them had fulfilled their obligation with the only exception of 2 government-owned banks. However, there remained an obligation on the foreign banks to fulfil the provisioning requirement due to the closing of the accounting period during March 2001, thus leaving only 4 foreign banks which had not completely fulfilled their commitment.

As of end-December 2000, 13 Thai commercial banks made the provisioning for bad and doubtful debts amounting to B394.5 billion against B361.6 billion as required of them. While the foreign banks reserved provisioning of B21.8 billion for bad and doubtful debts against the required amount of B16.3 billion. With regard to bad and doubtful debt accounts, the expenses were the results of expenses incurred from provisioning made, losses incurred from debt restructuring, debt write off, and the return of bad debts. Though, many commercial banks had made provisioning for over 80 percent as required for the first half of the year 2000, the expenses incurred in the bad and doubtful debt accounts would affect the profits of the banks to a certain degree.

The outstanding NPL of the entire banking system declined by 58.9 percent compared with the previous year-end, down from B2,004.8 billion to B823.3 billion. The reduction was attributed to the transfer of NPL to AMCs totalling B443.5 billion in this year. The overall NPL could be classified into 3 groups of commercial banks as follows: (1) Thai commercial banks recorded the NPL of B477.0 billion, or the decline of NPL to total credits ratio from 30.59 percent as of end-1999 to 18.02 percent as of end-2000; (2) 4 government-owned banks, the group with highest NPL, showed the NPL of B308.0 billion, or the decline of NPL to total credits ratio from 62.87 percent as of end-1999 to 21.62 percent as of end-2000; (3) foreign commercial bank branches, the group with lowest NPL, showed the NPL of B38.3 billion, or the decline of NPL to total credits ratio from 9.91 percent as of end-1999, to 6.62 percent as of end-2000.

With regard to the recapitalisation for commercial banks in the year 2000, recapitalisation totalled B52.8 billion, comprising Tier 1 scheme of B48.1 billion, and Tier 2 scheme of B4.7 billion. Both schemes were restricted to private commercial banks.
### Table 21: NPL in the Commercial Banks*

*(unit: billion baht)*

<table>
<thead>
<tr>
<th></th>
<th>Outstanding (Billion baht)</th>
<th>(percentage to total credits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thai private commercial banks</td>
<td>885.4</td>
<td>841.7</td>
</tr>
<tr>
<td>4 government-owned banks</td>
<td>1,057.8</td>
<td>1,012.7</td>
</tr>
<tr>
<td>Foreign bank branches</td>
<td>61.6</td>
<td>56.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,004.8</strong></td>
<td><strong>1,910.9</strong></td>
</tr>
</tbody>
</table>

* excluding BIBF of foreign banks

**Notes:** The Radhanasin Bank which was previously in the same group as government-owned banks had been switched to the group of commercial private banks, starting November 1999 on account of the 75% acquisition by private firm. The Radhanasin Bank was later renamed as UOB Radhanasin.
4. The number of commercial banks and BiBF business

In 2000, there were 13 Thai commercial banks. Of these 13 banks there were 3,183 branches, 71 branches down from the previous year as some banks had closed their branches to reduce the operating cost. While branches of foreign banks remained 21.

As for BiBF business, the number of BiBFs belonging to Thai commercial banks and foreign banks remained unchanged from the preceding year. However, the foreign banks which had no branches in Thailand recorded 3 less BiBFs than the previous year.

**Growth Rates of Deposits and Credits**

<table>
<thead>
<tr>
<th></th>
<th>Deposits</th>
<th>Non-BiBF credits</th>
<th>Total credits (Excluding the effect of exchange rate revaluation in the second half of 1999)</th>
<th>Total credits (Including the effect of exchange rate revaluation in the second half of 1999)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 22: Net Profit (Loss) of Commercial Banks**

*(billion baht)*

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thai banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(including IBF operations)</td>
<td>-174.6</td>
<td>-160.4</td>
</tr>
<tr>
<td>Foreign bank branches</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(including IBF operations)</td>
<td>-5.1</td>
<td>3.1</td>
</tr>
<tr>
<td>IBF belonging to foreign banks having no branches in Thailand</td>
<td>-1.7</td>
<td>-0.5</td>
</tr>
<tr>
<td>Total</td>
<td>-181.4</td>
<td>-157.8</td>
</tr>
<tr>
<td></td>
<td>First-Tier Capital (billion baht)</td>
<td>Total Capital (billion baht)</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------------------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>Thai commercial bank 2/</td>
<td>342.9</td>
<td>265.6</td>
</tr>
<tr>
<td>Foreign bank branches 3/</td>
<td>55.1</td>
<td>64.2</td>
</tr>
</tbody>
</table>

**Notes:**

1/ figures quoted in the parenthesis are minimum required ratios
2/ including IBF operations
3/ excluding IBF operations
The Operation of Finance Companies

There were 21 operating finance companies (including finance and securities companies) as of end-2000, 1 company down from the previous year as Thai Capital Finance Co., Ltd. was ordered closed by the Ministry of Finance. In 2000, the net loss of all the operating companies combined amounted to B2.3 billion, down from B24.4 billion in 1999. The reduced loss was due to (1) the reduced deposit interest rates which resulted in the higher net interest income by 27.4 percent from the previous year, the first net profits these companies made during the third and fourth quarters; (2) profits from securities and exchange rate by B3.1 billion, compared with the loss of B1.4 billion at the same period last year.

Those finance companies which made numerous profits were due to a number of reasons such as: earnings from leasing business and debt restructuring; profits from securities transaction; reversed provisioning following the fulfilment of provisioning requirement.

Table 24: Number of Branches and Offices of Commercial Banks and International Banking Facilities

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thai banks</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Branches of Thai banks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(excluding headquarters)</td>
<td>3,234</td>
<td>3,254</td>
<td>3,183</td>
</tr>
<tr>
<td>Foreign bank branches</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>International banking facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Thai banks</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIBF</td>
<td>11</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>– Foreign bank branches</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIBF</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>PIBF</td>
<td>17</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>– International banking facilities of foreign financial institutions without branches in Thailand</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIBF</td>
<td>17</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>PIBF</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Notes: BIBF = *Bangkok International Banking Facilities (situated in Bangkok Metropolitan Area)*

PIBF = *Provincial International Banking Facilities (situated in large provinces outside Bangkok)*
In 2000, the provisioning for bad and doubtful debts reserved by finance companies totalled B17.3 billion against the B12.4 billion required as of end-December 2000. All finance companies had been fully committed to the requirement.

Total assets of the operating finance companies recorded B272.2 billion as of end-2000, down from the previous year by B20.9 billion, or equal to 7.1 percent. Overall outstanding amounted to B147.3 billion, down from the preceding year by B39.8 billion, or 21.3 percent.

Overall credits extended by these 21 finance companies amounted to B195.9 billion, up from the year before by B10.2 billion, or 5.5 percent. This was due to the debt instrument or subordinate debentures which rose sharply by 86.5 percent compared with the previous year. While the borrowing and deposits of the public

<table>
<thead>
<tr>
<th>Classified by group</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Finance Companies in-operation</td>
<td>222.9</td>
<td>212.4</td>
</tr>
<tr>
<td>56 closed-down finance companies</td>
<td>201.7</td>
<td>201.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>424.6</strong></td>
<td><strong>413.6</strong></td>
</tr>
</tbody>
</table>

1/ 22 companies in-operation in 1999 and 21 companies in 2000
2/ 78 in 1999 and 77 in 2000

Table 25: Finance Companies’ Outstanding

(billion baht)

### Table 26: Finance Companies’ Outstanding Credits

(billion baht)

<table>
<thead>
<tr>
<th>Classified by group</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Finance Companies in-operation</td>
<td>263.6</td>
<td>254.0</td>
</tr>
<tr>
<td>56 closed-down finance companies</td>
<td>661.9</td>
<td>513.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>925.5</strong></td>
<td><strong>767.3</strong></td>
</tr>
</tbody>
</table>

1/ 22 companies in-operation in 1999 and 21 companies in 2000
2/ 78 companies in 1999 and 77 companies in 2000
as of end-2000 showed and outstanding of B164.6 billion, up by 3.7 percent. The 3-month lending interest rate (deposits) of the finance companies stood around 1.75-5.5 percent per annum (lowest-highest rate), while the 3-month deposit rate of the commercial banks stood around 3.0-3.5 percent per annum.

With regard to debt restructuring of the finance companies as of end-December 2000, there were 3,221 cases undergone debt restructuring, totalling B93.5 billion. NPL totalled B34.9 billion, or NPL to total credits ratio of 24.61 percent, a reduction from 49.22 percent as of last year.

Of the 21 operating finance companies, 19 were finance companies, and 2 were finance and securities companies. On 25 July 2000, the permission was granted to the Asia Credit Plc. to undertake super finance business, while National Finance Public Co., Ltd. was approved by the Ministry of Finance to undertake the restricted banking business in October 2000, the establishment of the business was under way.

The Operational of Credit Foncier Companies

Performance of credit foncier companies improved from the year before reflecting reduced net loss from B194.1 million as of 1999 to B19.6 million in 2000. During the third and fourth quarters the operation of credit foncier companies began to reverse from loss to profit due to reduced lending expenses. The interest and discount expenses declined by 42.4 percent from the year before. This together with the profits of B11.6 million from foreign exchange transaction during the fourth quarter contributed to the loss reduction.

At end-2000, credit foncier companies held net assets of B5.4 billion, up from the previous year by 11.8 percent. Securities portfolio showed an outstanding of B0.4 billion, up by 45.7 percent, mainly from investment in the government bonds and government-guaranteed securities. Overall credits totalled B3.3 billion, down

<table>
<thead>
<tr>
<th>Table 27: Net Profit (Loss) of 21 Finance Companies</th>
</tr>
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<tr>
<td></td>
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<tr>
<td>(billion baht)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1999</td>
</tr>
<tr>
<td>H1</td>
</tr>
<tr>
<td>Profit (+)/ Loss (-) 1/</td>
</tr>
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</table>

1/ 22 companies in-operation in 1999 and 21 companies in 2000

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<tr>
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</tr>
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1/ 22 companies in-operation in 1999 and 21 companies in 2000

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At end-2000, credit foncier companies held net assets of B5.4 billion, up from the previous year by 11.8 percent. Securities portfolio showed an outstanding of B0.4 billion, up by 45.7 percent, mainly from investment in the government bonds and government-guaranteed securities. Overall credits totalled B3.3 billion, down
by 9.1 percent, mainly extended for housing and mortgaged real estate which declined in line with the slowdown of the economy. Borrowing by these companies, on the other hand, totalled B4.1 billion, up from the previous year by 10.7 percent, mostly from the public of B3.5 billion, or up by 6.7 percent.

As for the measures for the credit foncier companies, the regulations issued for housing credits in this year covered credits with the fixed 3-year or 5-year interests so as to provide more service options for the customers. In addition, credit foncier companies were permitted to undertake debt-collecting agent business with pay on the condition that the companies must not bear the risks incurred. For the benefits of the credit foncier companies, there appeared to be considerable modifications on regulations and procedures in this year such as those concerning the income receipt and payment; examination and internal control of the finance and credit foncier companies; lending and borrowing; contingent liability; and asset selling.

As of end-2000, there remained 10 credit foncier companies as the year before.
Fiscal Measures

In 2000, several measures were issued to follow the national policy of continual development and improvement. The aim was to strengthen the economy, sustain the growth rate and provide safety net to the economy as a whole. Fiscal measures can be summarised as follows:

1. Measures affecting the real sector

1.1 Measures to stimulate the economy

- Extending the period of VAT reduction from 10 percent to 7 percent for another 6 months until 30 September 2001.

- Exempting and reducing income tax derived from investment in Retirement Mutual Fund (RMF) for those whose earnings stem from employment or occupation. The investment must be on regular basis, at least once a year and not less than 3 percent of the annual income. In case of discontinuation from the investment, the discontinuation period must not exceed one year.

- Specifying targeted disbursement from the budget of the fiscal year 2001 at 90 percent or equivalent to B819.0 billion.

- Providing assistance and support for farmers and low income earners through funds granted to the Bank of Agriculture and Agricultural Cooperatives (BAAC) of the amount B2,000 million, Mutual Funds for Farmers, B2,000 million, and Alleviation of Poverty Project, B2,925 million.

- Providing assistance and support for farmers and members of agricultural institutions who had been affected by floods in the south by granting B982 million to the Bank for Agriculture and Agricultural Cooperatives to compensate for the lending interest charged to the farmers and other agricultural institutions for two years since the flooding incident.

1.2 Measures to restore the recovery of real estate sector

- Extending the period of the transfer fee reduction of the sold real estate to 0.01 percent to 31 December 2001. This measure also covered the transfer of the land with no building on.

- Increasing the reduction rate of lending interest on loan to purchase, hire purchase or build households, when paying income tax, to B50,000 per year, up from B10,000 per year. This benefit was also applicable to the building of more
than one household, and the case where the purpose of the loan was to refinance the previous debt. Effective from 1 January 2000.

- Reducing the specific business taxes for the income earned from selling real estate for commercial or profit making purposes to 0.01 percent, down from 3.3 percent. This was to be effective until 31 December 2001.

- Exempting those who sold real estate within 5 years as from the day of receipt from paying personal income tax on the condition that such real estate had been charged with withholding income tax and specific business tax. When submitting the income tax report, the income derived from the selling of such real estate need not be computed as income. This measure shall be supportive of the restoration of real estate sector.

1.3 Measures to support private investment

- Tax measure. The government reduced the import duty for 542 items of primary raw materials, intermediate factors of production, capital goods and 73 items of others.

  *(Effective from 4 July 2000, and 31 October 2000, respectively)*

- Measure to provide funds for financial restructuring of SMEs. This included, for example, (i) a credit line at the size of US$4.5 million requested from ADB to restructure specialised financial institutions such as the Bank for Agriculture and Agricultural Cooperatives, and the Industrial Finance Corporation of Thailand (ii) another fund from ADB amounting to US$3 million which involved no payment obligation granted to restructure the Small Industry Finance Corporation and the Small Industry Credit Guarantee Corporation; (iii) credit extension and credit guarantee plans were devised for SMEs in the year 2001; (iv) extension of the period and working role of the centre established to provide financial consultation to SMEs and the public for another 2 years until 30 September 2003. This centre is officially sponsored by the government budget.

- Measure to extend the disbursement period from budget of fiscal year 1998. This is to be in line with the aid measure applied to the cases where the obligated debt must be disbursed from the budget to pay to the constructors and/or persons of other occupations who have contracts with the government agencies and have been affected by the change in exchange rate regime. The disbursement period is to be extended no further than the end of fiscal year 2001.

1.4 The measure to liberalise import markets in line with the World Trade Organisation (WTO) obligations

- Exemption of duty, reduction and increase of customs tariff. The government granted Cambodia certain customs tariff privileges for 23 items of agricultural products specified under WTO obligations.
– The government reduced the duty for imported soybean from member countries of the WTO to 5 percent, from 10 percent. This measure was to be effective from 1 January to 31 December 2001. In addition, the government called for special duty of imported maize for animal feed from non-member of WTO.

1.5 Promotion for exports
– exemption of value added tax (VAT) for the sale or import of gold, platinum, white gold, silver and paradium which had not been in the form of bullion for exports.
– exemption of excise tax for the goods used as raw materials or parts in the production of exported products.

1.6 Exemption of specific business tax
The exemption is for those institutions established for community development and for the funding set aside for the purpose of studying the normal operation as a commercial bank. In addition, such institutions were also exempted from stamp duty in activities required.

1.7 Exemption of excise tax
The exemption is for diesel and similar fuel which the producer sold to tanker floating on the sea at the dividing line within the range of 12-14 miles in order for such tanker to sell to fishermen.

1.8 Exemption of import duty
The exemption is for fuel purchased by the fishermen at the dividing line as well as the fuel left in the tank of the tanker brought from overseas to relieve the fishermen of their difficulties.

2. Measures for state enterprises

2.1 The government approved the privatisation of Thai Airways International as well as the procedures of selling its shares.

2.2 The government specified criteria and procedures for state enterprises to remit their profits derived from selling shares to the treasury. The amount to be remitted was contingent upon financial position, operational cost and retained income of an individual enterprise. This measure was implemented to provide humanitarian assistance to employees who had been affected by the privatisation.

2.3 Merging the Telephone Organization of Thailand (TOT) with the Communications Authority of Thailand (CAT) and converting the combined capital into new corporate shares. The merged units then were diversified into 4 companies, namely; Holding Company Co., Ltd., TOT Co., Ltd., CAT Telecom Co., Ltd., and CAT Post Co., Ltd.
2.4 Restructuring of the State Railway of Thailand (SRT) by breaking it up into 4 units, namely; the State Railway of Thailand, remaining the position of a state enterprise, the rest of the three were to be formed as companies i.e., transport company, repair and maintenance company, and property company. Moreover, there was an independent institution established to oversee the operation of the State Railway of Thailand.

2.5 Reviewing the privatisation plan of Thai Maritime Navigation Co., Ltd. In the case where there are no interested investors for the equity investment of the company, permission would be given to the company to extend its operation for another year until 31 October 2001 rather than having it closed down as previously planned. After all, this revised plan had better be carried out after the recovery of the economy when the private sector gains more potential for investment.

2.6 The privatisation period of the Internet Thailand Co., Ltd. in which recapitalisation via equity investment of private investors was to be conducted within a specified period of 2 years was extended until the law concerning telecommunication business was enforced.

3. Measures of debt incurring and debt restructuring

3.1 The government approved certain state enterprises, namely; the Electricity Generating Authority of Thailand (EGAT), Provincial Electricity Authority and the Industrial Estate Authority of Thailand to incur domestic borrowing in lieu of foreign borrowing for the fiscal year 1999. This domestic borrowing was also used to add the baht loan to the existing foreign loan for the fiscal year 1999, which amounted to B14,383 million.

3.2 The government approved 5 state enterprises namely; the State Railway of Thailand, Metropolitan Electricity Authority, the Electricity Generating Authority of Thailand, Metropolitan Waterworks Authority and Provincial Electricity Authority to incur domestic borrowing totalling B17,010 million as an additional baht portion to the existing foreign loan for the fiscal year 2000.

3.3 The government restructured the government bonds (issued to assist the FIDF funds) which were due on 31 August totalled B20,000 million by reopening the two former sets of government bonds of the amount B19,836 million. In addition, B164 million was derived from the funds set aside for principal repayment portion to refinance liabilities of FIDF to repay the bridge loan from the Government Savings Bank which had been used for the redemption of the due bonds.

3.4 The government amended the external debt incurring plan for the fiscal year 2000 (first amendment) within the budget size not exceeding US$5,000 million. There were 21 main projects totalling US$2,295.18 million covered in this plan. In addition, the foreign loan planned for 6 projects of the Electricity Generating Authority of Thailand (EGAT) amounting to US$101.9 million was also substituted to domestic borrowing.
3.5 The government amended the external debt incurring plan for the fiscal year 2001 within the budget size not exceeding US$2,300 million. This budget included seven projects of government direct borrowing, totalling US$625.7 million and five government-backed projects amounting to US$1,140.75 million. Moreover, with the exception of any transactions which would have a direct impact on the baht, the state enterprises which bore the foreign debt burden were permitted to carry out their own risk management based on exchange rate and interest rates. However, this permission is applied only to the foreign debt portion.

3.6 The government approved state enterprises borrowing at the size not exceeding B105,000 million to finance deficit of the fiscal year 2001 with the interest rates in line with the market rates and the maturity profile of the financial instrument not exceeding 20 years.

3.7 The government approved Thai Airways PLC to incur borrowing during the fiscal years 2001-2005 to procure 5 aircraft within B31,544 million. Of this amount, B11,063 million is to be used to refinance the previous debt during these 5 years.

4. Measures for financial institutions

4.1 The government issued government bonds in line with the Tier 1 scheme in year 2000 for commercial banks amounted to B19,920 million.

4.2 The government issued government bonds in line with the Tier 2 scheme in year 2000 for finance companies totalling B319 million, and commercial banks totalling B4,733 million.

4.3 Measures for debt restructuring

– The Asset Management Companies (AMCs) were exempted from VAT, specific business tax, and duty stamp for the assets transferred back to the financial institutions. In the case where the assets transferred back from AMCs to the financial institutions were real estate or condominium served as collateral, the registration fees would be reduced to 0.01 percent. The reduction would be effective until 30 June 2002.

– Debtors of financial institutions were exempted from personal income tax, corporate tax, specific business tax and duty stamp for the income earned from the assets transferred to individuals who were not their creditors (financial institutions) so as to use such income to pay financial institutions which were their creditors.

– Public companies and companies limited were granted a 1-year extended period for exemption of VAT, specific business tax and duty stamp levied on the tax base value and on any financial instrument issued as a result of the corporate transfer (in part) among such companies. The extension was to be ended on 31 December 2001. A similar relaxation was also applied to the case where the
restructuring of an organisation led to the corporate transfer (in part), the period for exemption of the registration fees for the real estate transferred in this case was also extended until 31 December 2001.

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**Monetary Measures**

1. Measures concerning development of monetary policies and money market

1.1 Measures concerning the bond repurchase market to improve intraday liquidity.

To improve intraday liquidity, the Bank of Thailand issued regulations on bond repurchase agreement B.E. 2543 to facilitate intraday liquidity.

*(Announcement on 25 February 2000, and effective from 3 March 2000).*

1.2 Incorporating settlement of foreign exchange transaction with the Bank of Thailand into the Bahtnet system.

The Bank of Thailand changed the time of baht delivery from within 12.00 hrs. to within 11.00 hrs. when incorporating the settlement on foreign exchange transaction into the Bahtnet system in lieu of cheques.

This regulation was also applied to prior transactions with settlement starting from 10 March 2000 onwards.

*(Circular dated 7 March 2000, and effective from 10 March 2000).*

1.3 Appointment of financial institutions to be primary dealers.

The Bank of Thailand appointed 9 financial institutions to be primary dealers comprising, 8 commercial banks and 1 securities company. The appointment aimed to reach the following objectives (i) the auction of the public sector debt instruments in the primary market could reach the set target; (ii) the appointed financial institutions act as counterparties to the Bank of Thailand in trading the public sector debt instruments for the conduct of monetary policy; (iii) the appointment help improving liquidity in the secondary market as well as enhance efficiency by constantly providing two-way quotes to the market participants.

*(Announcement of the Bank of Thailand, no. 68/2543, dated 5 June 2000).*

1.4 The Bank of Thailand’s policies on the bilateral repo of the financial institutions

The Bank of Thailand deemed appropriate to develop the Private Repo Market aside from the one currently operating at the Bank of Thailand. At the initial stage, the BOT had outlined the scope of the transactions, for instance, the financial institutions participating in the private repo market were permitted to engage
only in the public sector debt instruments of the similar types with those traded in
the repo market at the Bank of Thailand, and only the baht currency was permis-
sible. The BOT had already engaged in bilateral repo transaction with the primary
dealers. Initially, the BOT still conducted monetary policy through both the market
it operated and the private one. At a later stage, the BOT would gradually phase
out the market it operated and eventually, monetary policy would be carried out
mainly through the private repo market.

(Circular dated 25 December 2000, and The Bank of Thailand’s announce-
ment, no. 148/2543, dated 28 December 2000).

1.5 Announcement of the key policy rate within the inflation
targeting framework

The Monetary Policy Board (MPB) announced for the first time to use the
14-day repurchase rate as the key policy rate on 23 May 2000. The rate was set
at 1.5 percent per annum.

In addition, the MPB also disseminated the inflation report, with the first
issue being released in July 2000, and the second issue in October 2000. The
MPB chose to maintain the policy rate at 1.5 percent per annum so as to facilitate
economic recovery.

(The Bank of Thailand’s announcement, no. 65/2543, dated 23 May 2000,

2. Foreign exchange measures and the measures against baht
speculation

2.1 Reselling of foreign exchange securities to domestic inves-
tors

The Bank of Thailand issued a circular stating that commercial banks wish-
ing to resell foreign exchange securities issued overseas could do so only when the
buyers were institutional investors and that the settlement was made in baht terms;
total sales to one buyer should not exceed US$10 million, and total sales to all
buyers combined should not exceed US$50 million.

(Circular dated 29 May 2000)

2.2 Permission for securities companies to buy securities over-
seas.

The Bank of Thailand approved in principle for the Merrill Lynch Patra
Securities Co., Ltd. to invest in selected securities overseas within the limit of
US$50 million in one year. The allowed securities included the bonds issued by
the government, state enterprises, Thai commercial banks and specialised financial
institutions which had been established by a specific law such as the Industrial
Finance Corporation of Thailand and the Export-Import Bank of Thailand.
2.3 Removal of the privilege to carry out financial transaction for financial institutions which do not comply with the measure against the baht speculation.

The Bank of Thailand informed all financial institutions that from 8 August 2000 onwards, any financial institutions which do not comply with the measure against the baht speculation that limited the provision of baht liquidity and the contingent obligation to deliver foreign currency in the future to non-residents without underlying transactions will be barred from repurchase market, or from other privileges in the future as deemed appropriate by the Bank of Thailand.

2.4 Modification of the Foreign Exchange Transaction Report Forms.

To improve the accuracy and clarity of foreign exchange transaction reports of financial institutions and for the benefit of monetary policy conduct, the Bank of Thailand issued a circular to commercial banks (excluding BIBF), the Exim Bank, the Industrial Finance Co-operation of Thailand (IFCT), and Asia Credit PLC. to modify the F.T.3, F.T.4, F.T.5. These financial institutions were to make certain that their customers complete the forms, specifying the purpose of buying, selling, withdrawing and depositing foreign exchange, which must be in agreement with the transaction documents.

2.5 Regulations and guidelines on purchasing foreign exchange from non-residents with same day value

To ease the tightened liquidity in the money market following baht shortage in the offshore market which created an impact on the payment system in the country, the Bank of Thailand issued a circular to commercial banks, the Export-Import Bank of Thailand, the Industrial Finance Corporation of Thailand, and the Asia Credit PLC. to follow the guidelines below:

1) For transactions involving non-residents who can be traced clearly as having underlying trade or investment activities, financial institutions are required to submit a request indicating the detailed information of such underlying activities to the Bank of Thailand via facsimile. After receiving an approval from the Bank of Thailand, the financial institutions must submit to the Bank of Thailand the proofs of the payment on the same day.

2) For transactions with no underlying trade or investment activities, financial institutions are required to buy US dollar from non-residents and resell
them to the Bank of Thailand on the same day at the same exchange rate which must be lower than the market rate by 1.20 baht per US dollar. Financial institutions are required to submit the evidence of dollar buying with same day value together with proofs of transaction and the reasons for buying to the Bank of Thailand via facsimile. This was to be effective between 27-29 November 2000 only.

It is the duty of the financial institutions to rush non-resident to obtain baht liquidity for closing O/D balance, or deliver baht under outstanding obligation. In the case where non-residents could not comply with the B50 million limit on baht liquidity provision without underlying trade or investment activities, financial institutions will be penalised as specified by the Bank of Thailand without leniency.

(Circular dated 27 November 2000).

2.6 Regulations and guidelines on foreign exchange transactions (no. 8)

The Bank of Thailand issued a circular to commercial banks, the Export-Import Bank of Thailand, the Industrial Finance Corporation of Thailand and the Asia Credit Public Company Limited outlining the following regulations on foreign exchange transactions:

1) Abolishing part 6 of the announcement of regulations on foreign exchange transaction (no. 2), dated 30 April 1992, which permitted the authorised traders to sell, trade, and lend to government agencies, state enterprises or juristic entities established by specific laws as well as to allow these agencies to withdraw from foreign currency deposit account without restrictions.

2) Part 8 of the same announcement is to be modified to be consistent with the revised part 6, prohibiting those agencies from depositing foreign currencies into non-residents’ foreign currency deposit accounts.

(Circular dated 17 November 2000, to be published in the same day of announcement of foreign exchange regulator, effective from 20 November 2000).

3. Measures to resolve financial institution problems

3.1 Criteria for non-performing assets, and regulations for Asset Management Companies (AMCs)

The Bank of Thailand’s announcement on the criteria for non-performing assets and regulations with which the Asset Management Companies (AMCs) must comply stated that the non-performing assets to be sold or transferred must be of the following types (i) financial institutions’ assets as classified by the Bank of Thailand’s announcement, dated 24 December 1999 which include worthless or irrecoverable assets and doubtful assets; (ii) classified assets that financial institutions have sold off; (iii) assets awaiting to be sold which were classified because
their market values were lower than the book value. AMCs must submit plan to the Bank of Thailand each time before purchasing non-performing assets, and thus may not hold the acquired assets for longer than 10 years.

The announcement also specified the regulations for the AMCs that were owned more than 50 percent by financial institutions as follows: (i) the financial reports of these AMCs must be consolidated with those of their parent financial institutions according to the accounting standard; (ii) contingent assets and liabilities of these AMCs must be consolidated with those of their parent financial institutions in the calculation of capital-to-risk asset ratio (iii) credits or loans which were more than 3 months overdue must be disclosed in the financial reports (iv) the auditors of their parent financial institutions must also be auditors of the AMCs.

(Circular dated 7 January 2000, to be published in the announcement dated 5 January 2000. The part of the first and second paragraphs were effective from 6 January and 7 January 2000, respectively).

3.2 Regulations and guidelines for the Asset Management Companies (AMCs)

The Bank of Thailand issued a circular to modify the regulations and guidelines for the Asset Management Companies (AMCs) as follows:

1) Modifying the circular concerning the definition of fair prices to conform with the guidelines on the transfer of financial assets issued on 30 August 2000 by the Institute of Certified Accountant and Auditor of Thailand.

2) Following the modification of the accounting standard concerning the transfer of financial assets mentioned above, the Bank of Thailand issued guidelines for the financial institutions which have established AMC prior to or after the modification to inform the Bank of Thailand whether or not they wish to sell the assets with or without recourse. The Bank of Thailand would then proceed accordingly.

3) Modifying The Bank of Thailand’s announcement on non-performing assets and the regulations for the AMCs as follows: (i) financial institutions can sell assets to AMCs before such assets become non-performing; (ii) AMCs could continue developing the unfinished real estate projects acquired through purchase or transfer, as well as through debt repayment. This does not apply to the development of empty land.

The Bank of Thailand issued a circular to AMCs requesting their co-operation to allow bank examiners authorised by the Bank of Thailand under the Commercial Banking Act, or authorised examiners under the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business B.E. 2522 to examine their operations as well as their documents in their offices to a reasonable extent.
(Circular dated 6 October 2000, the circular stating criteria and procedures for AMCs and the Bank of Thailand’s announcement on non-performing assets and regulations with which AMCs must comply, dated 27 November 2000).

3.3 Permission for finance companies to undertake hire-purchase and leasing businesses relating to debt restructuring (no. 2)

Finance companies were permitted to continue undertaking hire-purchase and leasing businesses relating to debt restructuring for another two years until 31 December 2001 (previously 31 December 1999). This permission was in line with the cabinet approval to extend the relaxation period for tax and fees relating to debt restructuring.

(Circular dated 6 January 2000 to be published in the Finance Ministry’s announcement of 29 December 1999, effective from 1 January 2000).

3.4 Closing down of the Thai Capital Finance Co., Ltd.

Following the Finance Ministry’s appointment of PitiSaewee Office to take the responsibility of clearing the account of The Thai Capital Finance Co., Ltd. since 20 March 2000, the Bank of Thailand issued an announcement informing the depositors, creditors, debtors and those involved with the finance company that the FIDF would repay the depositors and creditors of the company as set forth by the Regulations Concerning Deposit Guarantee for Depositors and Creditors of the Financial Institutions, B.E. 2540.

(The Bank of Thailand’s announcement, no. 43/2543, effective from 20 March 2000)

3.5 Equity sale of Radanatun Finance PCL.

The Bank of Thailand announced that the FIDF Committee agreed that Kiat Nakin Finance PCL. won the bid to take over Radanatun Finance PCL. at B1,385 million, B153 million above the book value of Radanatun at end 1999. The acquisition contract was signed on 17 March 2000.

(The Bank of Thailand’s announcement, no. 41/2543, dated 17 March 2000).

3.6 Management of immovable property awaiting to be sold which was acquired from debt repayment

The Bank of Thailand required that financial institutions (excluding BIBF) comply with the regulations and guidelines to gradually sell off the immovable property awaiting to be sold which was acquired by financial institutions before 1 January 1997. Financial institutions must submit plans to gradually sell such property within the period of 5 years. If the Bank of Thailand raised no objections within 30 days after the receiving date, the plan would be deemed approved.

(The Bank of Thailand’s circular, dated 28 July, 2000)
3.7 Debt restructuring of SMEs’ debtors who were classified as NPL with potential to carry on business

The Bank of Thailand issued a circular to financial institutions (excluding BIBF) stating that the Corporate Debt Restructuring Advisory Committee (CDRAC) had approved the debt restructuring project of SMEs’ debtors who were classified as NPL with potential to carry on business. Details were as follows:

1) Those eligible for the project must be debtors of SMEs (with net permanent assets not exceeding B200 million) who were classified as NPL but had potential to carry on their business. In addition, these debtors must have undergone the debt restructuring process under guidelines issued by the Bank of Thailand and have already signed the contract of debt restructuring.

2) New credit would not exceed B20 million per borrower and would be used for working capital, with interest rate at MLR or MOR. The Small Industry Credit Guarantee Corporation and financial institutions would share the credit guarantee at the ratio of 75: 25.

3) The project must be no longer than 2 years, from 7 April 2000 to 6 April 2002.

Following a successful debt restructuring and contract signing, the SME debtor shall be immediately reclassified into the normal class.

(Circular dated 16 May 2000, effective from 7 April 2000- 6 April 2002)

3.8 Purchasing or holding equity shares of limited companies above the legal limit

The Bank of Thailand issued a circular concerning the purchasing or holding of equity shares of limited companies above the legal limit. Details are as follows:

1) A financial institution (including BIBF) could hold more than 10 percent of the total shares sold, of a debtor company only when the shares were acquired as a result of debt restructuring under guidelines set forth by the Bank of Thailand.

2) A finance company or a finance and securities company could hold securities investment for ownership in all companies for over 60 percent of its capital only when the excess amount was acquired as a result of debt restructuring under guidelines set forth by the Bank of Thailand. Similarly, a commercial bank (including BIBF) or credit foncier company may hold equity shares in all companies for over 20 percent of its capitals only when the excess amount was acquired as a result of debt restructuring.

3) Financial institutions (including BIBF) which hold excess shares as mentioned above must reduce the excess amount to meet the legal limit as soon as possible and within 31 December 2004. However, the reduction must not incur loss to financial institutions.
3.9 Regulations on assessment of collateral value at financial institutions

The Bank of Thailand issued a circular to financial institutions stating that the definition of an independent appraiser is to be modified to include financial consultant approved by the Board of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) only when appraising the value of stocks sold outside the SET and security trading centre. The effective date to require independent appraisers for collateral value was postponed for another year.

Financial institutions with capital of B8,000 million or more must have their collateral appraised by independent appraisers from 2002 onwards.

In addition, AMCs must submit policies, methods, and procedures concerning debt restructuring and appraisal of collateral value to the AMCs’ Board for approval before submitting them to the Bank of Thailand for final approval. The policies, methods, and procedures submitted may be similar to the financial institutions which established the AMCs.

3.10 Guidelines for the use of personnel jointly with other institutions

The Bank of Thailand issued guidelines on the use of personnel, premises, equipment, and services for commercial banks, finance companies and credit foncier companies as follows:

1) Financial institutions may use personnel jointly with other institutions to oversee and conduct debt restructuring in accordance with the guidelines set forth by the Bank of Thailand, for the same or different debtor.

2) Guidelines must be established to ensure that joint personnel and those concerned do not use information on debtors for wrongful gain. The guidelines must be strictly enforced, with specified penalty clause.

3) Prudent procedures must be taken to make certain that joint personnel carry out his or her job assignment cautiously. Debtors must also be informed of whom such personnel were currently working for to avoid any mistakes and confusion if the personnel were working for more than one party. In addition, there must be an authorised person to take responsibilities in case of damages incurred to the debtors despite the debtor’s reasonable caution.

(Circular, effective from 23 March 2000)
3.11 BIBF operation scope

The Bank of Thailand issued a new announcement concerning guidelines, procedures, and conditions on BIBF business. Details were as follows:

1) BIBFs can hold in Thailand the assets in baht terms which can be invested directly or indirectly in common stocks, preferred shares or warrants of companies registered in Thailand as a result of debt restructuring under guidelines set forth by the Bank of Thailand.

2) BIBFs can invest directly or indirectly in common stocks, preferred shares, or warrants of companies registered overseas as a result of debt restructuring under guidelines set forth by the Bank of Thailand.

*(Circular dated 12 June 2000 to be published in announcement of 9 June 2000, effective from 14 June 2000).*

4. Credit measures

4.1 Regulations on housing credits

The Bank of Thailand issued a circular to financial institutions stating new regulations as described below:

1) Financial institutions shall openly and clearly post interest rates on housing credits and estimated schedules of payment in instalment in their offices to inform customers before they make a decision.

2) For floating rate loans (including previously fixed rate loans that have been changed to floating rate loans) financial institutions shall consider extending the instalment period instead of raising the instalment payment. Should it be necessary to raise the instalment payment, and the paid instalment cover the increased interest, financial institutions may raise the instalment payment no more than once a year and not exceeding 10 percent of the instalment payment. Should the instalment payment not cover the increased interest, financial institutions may raise the instalment payment at the same amount as the interest increase when it is raised each time.

For loans with fixed interests that are changed every 3 or 5 years throughout the life of the contract, the instalment payment may be raised by more than 10 percent of previous instalment amount.

*(Circular, effective from 4 January 2000)*

4.2 Expanding financial assistance to SMEs

The Bank of Thailand deemed appropriate to expand financial assistance to SMEs especially those in the trade sector, service sector, and those which are contracted to produce in addition to the manufacturing sector. Moreover, those SMEs which have signed the debt restructuring contract and already undergone the
process will be eligible for assistance in the form of working capital. The total quota on assistance loans to SMEs was raised from B42,000 million to B51,000 million.

(The Bank of Thailand’s announcement, no. 46/2543, dated 30 March 2000)

4.3 Request for consent from customers to disclose credit information to credit information agencies

The Bank of Thailand requested co-operation from financial institutions to seek consent from customers to disclose their credit information, including financial statements and historical records kept at financial institutions to credit information agencies and their financial institutions members.

Financial institutions may not use the acquired information for any wrongful purposes other than for evaluating credit or loan extension.

(Circular dated 10 May 2000).

4.4 Clarification of the definition of credits in the commercial bank branch-opening condition (no. 6)

The Bank of Thailand clarified the definition of credits used in branch-opening condition no. 6 that required each commercial bank with provincial branches to extend credits to each region by more than 60 percent of deposit mobilised from that region. The new clarification stated that the definition of credits include doubtful credits which have been written off after full provisioning.

(The Bank of Thailand’s circular, dated 21 August 2000).

4.5 Guidelines on commercial banks’ credit extension, contingent obligations, securities investment and asset selling.

The Bank of Thailand requested commercial banks to review their policies and requirements regarding credit extension, contingent obligations, securities investment and asset selling. To this end, duty and responsibility assignment must be clear and risk management procedures must be carried out, for example (i) types and shares of credits, as well as contingent liabilities, to different economic sectors must be clearly and carefully specified in order to prevent over-concentration of credits and contingent liabilities, (ii) credit risk management personnel must be separated from others and must evaluate credits and contingent obligations before submitting the cases to authorities to approve (iii) for securities investment, there must be regulations to specify responsible personnel and the payment and receipt procedures, as well as actual securities trading report after the trade had been approved.

(The Bank of Thailand’s circular, dated 16 August 2000).

4.6 Abolishment of the credit targets for various economic sectors

The Bank of Thailand deemed appropriate for commercial banks to discontinue the requirement on commercial banks to submit credit plan to various economic
sectors, effective from June 2001 onwards. Nonetheless sectoral credit report must continue to be submitted monthly with no comparison against the annual credit target as previously required. The revised report is to be used from January 2001 onwards.

(The Bank of Thailand’s circular, dated 12 September 2000).

4.7 Credit card service

The Bank of Thailand issued a circular to commercial banks requesting them to improve credit card service. All previous regulations are also included in this circular. Important regulations are as follows:

1) Qualifications of a main holder of credit card were modified, i.e., the main holder must earn at least B180,000 per year and must be at least 22 years of age (formerly B240,000 is the required minimum annual income)

2) Qualifications of supplementary credit card holder were modified, i.e., the supplementary card holder must be at least 18 years of age (previously 22 years of age).

3) Card holders are required to make a minimum payment of 10 percent of outstanding balance, which may not be less than B2,000 for each payment, effective from 1 January 2001. However, those applied for a credit card before 1 January 1998 may, for another year, pay at the minimum rate of 5 percent of outstanding balance, but no less than B1,000 for each payment.

(Circular dated 27 November 2000).

5. Measures on supervision and development of financial institutions

5.1 Capital adequacy of financial institutions

The Bank of Thailand issued an announcement concerning capital of foreign commercial bank branches and finance companies. The announcement required that the risk weight of the following financial instruments equal to zero: (1) credits lent to or investment in AMCs which are fully owned by the FIDF; credits with aval or guaranteed by them, as well as credits backed by financial instruments and issued by them; (2) interest receivables. This does not apply to AMCs, which are not fully owned by the FIDF.


5.2 Worthless or irrecoverable assets as well as doubtful of loss or irrecoverable assets

The Bank of Thailand issued an announcement concerning worthless or irrecoverable assets as well as doubtful of loss or irrecoverable assets. Details are as follows:
1) Reducing the frequency of required value appraisal for immovable property from every 6 months to every 12 months. To this end, financial institutions must make a 100 percent provision for the difference from the book value.

2) For immovable property obtained from debt repayment or through auctioning, financial institutions are required to appraise the value of property with book value of at least B5 million (including immovable property which cannot be separated, and have combined book value of at least B5 million). For immovable property with book value of less than B5 million, either price estimation or appraisal may be used.

3) For securities investment, provisioning must be made by financial institutions for each invested security with cost value higher than the market or fair price. The provisioning is made only for the difference between the cost value and the market or fair price.

(Circular dated 10 April 2000, to be published in the announcement of 17 March 2000, effective from 1 January 2000).

5.3 Modification of the regulations on opening and closing of commercial banks branches

The Bank of Thailand issued a circular to commercial banks incorporated in the country to modify regulation on opening and closing of their branches as follows:

1) Commercial banks may apply to open branches at any time instead of once a year as in the previous regulations. The new regulations also abolished the requirement that four largest commercial banks must apply to open branches in outer districts no less than half of all their application.

2) When commercial banks request to close branches, the request must be submitted to the Bank of Thailand at least 45 days prior to the closing day. If the Bank, upon the receipt of the request, raises no objection within 30 days, the request is considered approved, on condition that there must be at least one branch of the Government Savings Bank, or the Government Housing Bank, or commercial bank located in the same district with the branch requested to be closed, with the exception of the districts or subdistricts which had no commercial bank branches on 1 January 2000.

(Circular, effective from 14 February 2000).

5.4 The use of internet for the services of commercial banks, finance companies, and credit foncier companies

The Bank of Thailand issued an announcement stating that financial institutions can use the internet network in disseminating information for advertising and marketing purposes to service their customers in general or particular customers
without permission from the Bank of Thailand. However, in the cases of financial transactions such as money transfer or any activities relating to such transactions, permission from the Bank of Thailand is required.

To request permission, financial institutions must specify in details the important elements in their requests such as measure to ensure security of information and system. Equally important, financial institutions must be ready to provide additional clarification and explanation, as well as to follow the Bank of Thailand’s instructions.

Subsequently, the Bank of Thailand made an additional announcement on the use of the Internet network to provide banking services are as follows:

1) Permission must be granted by the Bank of Thailand for the use of the internet network to provide banking or related services as stipulated in the Commercial Banking Act B.E. 2505, and subsequent amendments.

Those commercial banks which have been granted permission according to the announcement dated 30 December 1998 can use the Internet network as allowed by the new announcement only. A request for permission under the new announcement will be considered approved after 60 days of submitting unless being objected by the Bank of Thailand.

2) After acquiring permission, commercial banks may use the Internet network for banking services within the limited scope. They can display their logo or show messages of other businesses on their Websites as a service to their customers.

3) The fees charged on customers must follow market mechanism to foster competition and create fairness for customers.


5.5 Commercial banks’ procedures in accepting deposits

The Bank of Thailand required that commercial banks comply with guidelines on accepting deposits as follows: (i) depositors must fill out detailed information, including first name, last name, current address, occupation, place of work, and contact address in the account opening form; (ii) if depositors are corporate entities, types of business and purposes in depositing must be specified. In any case, depositors may not use an alias or a false name to conceal their identities. Commercial banks must require from depositors a copy of all the documents used to open the account and keep them for no less than 5 years.
The Bank of Thailand subsequently made amendments, following the proposal from Thai Bankers’ Association and Foreign Bank Association as follows: (i) for individual depositors, the documents must contain at least the identification numbers of depositors; (ii) for depositors who do not hold Thai nationality, passports, or alien certificates may be applicable; (iii) the documents and copies may be kept in safe places within commercial banks, instead of the security vaults as previously required; (iv) for customers who have opened their deposit accounts before this announcement became effective, commercial banks must comply with this announcement within 6 months, with the exception for inactive accounts that commercial banks have already sent registered mails to inform depositors of the new requirement.


5.6 Imposition on finance companies the ratio to capital of lending, investment, contingent obligations or payment as obligated to a single entity

The Bank of Thailand issued an announcement concerning the ratio to capital of lending, investment, contingent obligation or payment as obligated to a single entity. Details are as follows:

1) Modifying the methods to identify a large debtor via buying, discounting, or rediscounting of bills, by classifying the bills into performing and non-performing.

2) Defining the “performing bills” as exchange bills or promissory notes which are made payable or issued by a limited company which are rated AA level and above by a credit rating agency approved by the Office of Securities and Exchange Commission (SEC).

3) Expanding the definition of “contingent obligation” to include firm underwriting guarantee for debt securities and equities.


5.7 Financial instruments which are counted as capitals

The Bank of Thailand announced that the hybrid securities could be counted as Tier 2 capital under the following conditions:

1) Hybrid securities must have the maturity of at least 10 years. And during the last 5 years before the maturity, financial institutions must stop counting them by 20 percent per year.

2) Commercial banks and finance companies may postpone the interest payment on hybrid securities if they made no operating profit and need not pay
dividends on common and preferred shares. However, the postponement of the principal and interest payment are allowed only when such payment would result in negative capital to risk asset ratio, or when the Bank of Thailand intervened by ordering capital write down and subsequent recapitalisation.

If financial institutions decide to make interest payment which was previously postponed, it shall not exceed the original coupon rate.


5.8 Expanding the definition of eligible liquid assets.

The Bank of Thailand permitted commercial banks and finance companies to use the new securities issued by the Secondary Mortgage Corporation as set forth by the “Specialised Corporation Decree to Convert Assets into Securities B.E. 2540” in compliance with the liquid asset requirement.


5.9 Expanding financial institutions’ scope of business

1) Permission for finance companies to undertake more types of finance businesses and to own branches

To this end, the Asia Credit PCL. was authorised by the Ministry of Finance to become a super finance company.


2) Permission for commercial banks to engage in securities borrowing and lending, as well as securities short-selling

(The Bank of Thailand’s circular, dated 12 September 2000 to be published in the Bank of Thailand’s announcement on 6 September 2000, effective from 12 September 2000).

3) Permission for finance companies or finance and securities companies to engage in securities borrowing and lending, as well as securities short-selling


4) Expanding commercial banks’ custodian service

(Circular dated 18 September 2000).

5) Expanding commercial banks’ stock underwriting business

(Circular dated 27 September 2000).
6) Permission for credit foncier companies to undertake debt-collecting business


7) Expanding finance companies’ scope of business

Finance companies are allowed to underwrite government bonds and debt instruments of state enterprises. They are also allowed, under specific guidelines and regulations, to underwrite and trade debt instruments.

If finance companies wish to sell securities that they have not yet owned, they may do so only when they can prove that they will gain ownership of such securities in the future and that the selling is only for hedging against risks.

(Circular, dated 6 October 2000)

5.10 The opening of deposit accounts by parliamentary election candidates or by political parties

According to the announcement dated 20 November 2000 of the General Election Committee concerning conduction of revenue and expense accounts by the election chief accountant, and the procedures in announcing the result of the election expense examination, the following regulations were to be complied with:

(i) the election candidates or the political parties which nominated their candidates under the party list system were required to open a current account titled “deposit account for parliamentary election” (specifying name of candidate or political party);
(ii) the Bank of Thailand was to notify this announcement which was to be strictly followed by financial institutions, (iii) the opening of the accounts had to be arranged by financial institutions in such a way to provide convenience for these depositors. In addition, financial institutions had to keep all the documents relating to such deposit accounts for the General Election Committee to examine.

(Circular dated 27 November 2000).

Measures for Capital Market


1.1 Measures for the restructuring of:

1) Listed companies which are holding companies and have several affiliated units engaged in businesses that are not listed in the securities market;

2) Company group of which some units are listed in the securities market and these units often swap their shares.
To help clear up this condition, the Office of Securities and Exchange Commission has set up the criteria and procedures concerning selling of the newly issued securities and conducting the tender offer of the old securities of these listed companies so as to restructure their share holding and stock management. Details are as follows:

(1) Listed companies and holding companies are granted permission to sell securities on the condition that they receive no less than three fourths of the shareholders’ votes, and

(2) The new securities traded with the former ones must be transparent disclosure of information and conduction of tender offer.


1.2 Amendment of the announcement on criteria, conditions and resolutions of the operation of Thai Security Finance Corporation

To ensure the smooth operation for Thai Security Finance Corporation (TSFC), TSFC is allowed to undertake the securities borrowing and lending business (SBL) as well as to grant margin loan to small investors (formerly, TSFC could only lend to finance companies).


1.3 Exemption from the observance of investment guidelines for funds which the Cabinet approved on 10 August 1999.

The exemption is applied to the following cases: (i) investment in securities and capital instrument issued by the Ministry of Finance, the Bank of Thailand and FIDF; (ii) some debt instruments and unit trusts, which are normally specified not to exceed 15 percent of the net asset value of total funds and such funds need not hold deposit with the financial institutions not exceeding 45 percent of net asset value of total funds.


1.4 Credit rating requirement for corporate debenture (PP) sold in private placement for the amount exceeding B100 million.

From 3 April 2000 onwards, the Office of Securities and Exchange Commission (SEC) required that corporate bonds privately placed among the limited persons must be given credit rating throughout its maturity profile, with the exception of the following cases: (i) offer to sell does not exceed B100 million; (ii) offer to sell the newly issued PP to specific investors was less than ten cases; (iii) offer to sell PP to corporate entity which is the creditor of the authorised person selling such PP was due to debt restructuring; (iv) offer to sell the newly issued PP to limited persons in the country is made by specific corporate which is authorised to do so.
1.5 The Office of Securities and Exchange Commission (SEC) took on the responsibility of overseeing the Retirement Mutual Fund (RMF) from the Ministry of Finance on 30 March 2000.

This caused the SEC to amend 4 announcements. Details are as follows: (1) the definition of customers of private fund is to include customers of retirement mutual fund; (2) SEC permits fund management companies to invest in securities lending transaction and purchasing transaction on a condition that they will sell back. However, SEC prohibits fund management companies from lending the RMF to RMF members; (3) adding life insurance company, securities company, and special financial institutions established by law to the list of institutions permitted to undertake custodian business in addition to commercial banks, finance company, and finance and securities company; (4) fund manager may apply to become a mutual fund manager or private fund manager or both at the same time.

(Announcement of 4 April 2000, effective from 20 April 2000).

1.6 Amendment of criteria, conditions, and resolution in the set up and management of mutual funds for foreign investors (Thai Trust Fund: TTF).

Securities company, which also manages mutual funds, can directly hold equity shares so as to use TTF as a fund-raising instrument by issuing equity shares to sell to foreign investors.

(Announcement of 12 May, effective from 16 June onwards).

1.7 Amendment of criteria concerning stock issuance and selling of stocks to the public.

The amendment is aimed at removing obstacles to fund-raising of small- and-medium sized enterprises (SMEs) especially on the adoption of good corporate governance and internal control system. The amendment aims to specify components of internal control system and the streamline of the filing system such as: modification of the internal control system at the executive level; appointment of the examiner committee or independent examiners; and the filing and keeping track of important documents belonging to the licensee and small companies, so that examination of such document is possible upon request.

(Effective from 1 June 2000).

1.8 Revision of criteria and procedures for the request of selling convertible debentures which must be newly issued by public company limited.

The revision requires that the convertible debentures held by shareholders must be converted to newly issued common stocks of the companies which issued such debentures. This is to increase a variety of instruments in the debt instrument
market as well as to provide the private sector with alternatives for fund raising by new instrument.

*(Announcement of and effective from 9 June 2000).*

1.9 Request and permission to sell newly issued derivatives certificates.

Details are as follows:

1) In case of private placement, the issuer must be either company limited or public company limited established by Thai law and receives general consent of shareholders before issuing. In this regard, shares, or index, or set 50 index can be used as a benchmark, and the Office of Securities and Exchange Commission (SEC) must be informed of this movement. In case of public offering, qualifications of the issuer must be the same as those of PP, and the executives must not have undesirable qualifications as specified. In case of derivative warrant, the issuing company must not be tainted by a history of the lack of responsibility.

2) Shares held by the shareholders make up at least B500 million of total shares.

3) Derivative warrant must be rated at the top four ranks on the day it is launched.

4) In the case where derivative warrant is issued for FIDF or for debt restructuring, this derivative warrant must be similar to that issued by the Ministry of Finance under the 14 August 1998 stimulus package programme. In addition, the issuer must be Thai, or foreign financial institution or a special purpose vehicle (SPV), and must be more lenient with the newly issued derivatives in its charges than other D. W. cases.

*(Announcement of 11 June 2000, effective from 27 June 2000).*

1.10 Urgent measures to promote Thai capital market.

The Office of Securities and Exchange Commission (SEC) and the SEC Committee announced on 18 July 2000 three significant measures for capital market development: increasing supply; strengthening demand; and restructuring market as follows:

1) Increasing supply

   (1) prompting large state-enterprises to sell securities to general public.

   (2) urging the companies with investment promotion certificate from the BOI to register in the Stock Exchange of Thailand (SET).

   (3) assisting the companies outside SET in their preparation to register in this market.
(4) providing more investment alternatives for Thai investors by allowing them to invest in the financial instruments which yield as much return as received by the foreign investors (Exchange Traded Fund), and which will be prescribed by law to become securities and can be registered as listed securities in the SET market. This shall result in increased trading volume in the SET.

(5) promoting the issuance of derivatives

2) Strengthening demand

(1) providing more alternatives for foreign investors who were not able to invest in the Thai Trust Fund to invest in other financial instrument by means of Non-Voting Depository Receipt (NVDR). This is a newly issued instrument by the securities agent companies which SET has specially assigned to buy and sell back stocks of the listed companies. Upon selling and buying NVDR, the foreign investors are guaranteed returns in the form of financial return but no voting right.

(2) prompting extensive securities trading through Internet to reduce the trading cost.

(3) urging long-term savings upon retirement via Retirement Mutual Fund (RMF)

3) Measures to restructure capital market

(1) privatising Securities Exchange of Thailand (SET).

(2) devising memorandum of understanding (MOU) between the Office of Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET).

(3) considering the reduction of the registration fee for the listed companies.

1.11 Development plan for Thai capital market (2000-2002)

SEC Committee approved development plan for Thai capital market to be in line with present economic conditions under the following six guidelines:

1) Capital securities market. The authorities will develop new financial instruments to attract investors, expand the investment base as well as improve the infrastructure to be more efficient and competitive.

2) Debt instrument market. The authorities will develop the primary market so that it can launch more quality instruments apart from encouraging investment among the institutional investors and general public. In addition, emphasis will also be given to development of the secondary market infrastructure.

3) Future market. Attempt will be made to enforce law which enhances the infrastructure development of this market as well as assist all concerned parties in the preparation for their involvement in this business.
4) Securities business. Actions will be taken to lay the foundation for this market so that it will be operated in a smooth and efficient manner. Support is also given to urge management initiative as well as modification of criteria and regulations to provide flexibility in undertaking this business.

5) Assessment management business. Actions will be taken to improve the structure and the form of this business with the aim to: enhance stability; maximise smooth and flowing operation; provide good management and good governance, especially overseeing those who manage the public’s assets and property; rectify the restrictions that impede the progress; promote savings through efficient financial instruments; and create the system that will safeguard the benefits of the investors.

6) Investors. Investors will be protected and given sufficient knowledge and information in making decisions on investment.

1.12 Other measures set by the Office of Securities and Exchange Commission (SEC)

1) Improving derivative transaction and services of securities companies outside the Stock Exchange of Thailand (OTC Derivatives). This measure stressed the flexible framework in preparation for broadening the transaction of this instrument in the future. In this regard, the securities companies outside the Stock Exchange of Thailand which were counterparties with financial institutions must hedge their derivatives or maintain their derivative status upon the approval by SEC. In addition, SEC allowed underlying asset to be financial instrument as well as restricted this transaction for only institutional investors or the general public who invest at least B10 million. This measure was effective from 5 September 2000.

2) Modifying the opening of full branch and cyber branch of securities companies. Under this measure, those securities companies which have sound financial position and strong business profile need not submit branch opening request to SEC. As for a cyber branch, customers can only transmit securities transaction orders via on-line telecommunications equipment. There are no investment consultation, payment, or handing over of securities services offered in this type of branch. In addition, a cyber branch must maintain the required ratio of net credit rule (NCR) and its latest financial statement (shareholders’ position) must be positive. This measure was effective from 5 September 2000.

3) Modifying lending procedures for purchasing securities. Securities companies can only lend for the purchasing of listed securities which are not warrants to buy stocks, debentures, derivatives and option. Such securities companies were required to set the initial maintenance margin either at the rate of no less than 50 percent, or at the rate specified by the Stock Exchange of Thailand, whichever one is higher. This measure was effective from 5 September 2000.
4) Improving the criteria for the securities companies which failed to maintain the NCR as required by SEC as well as those securities companies which recorded a negative NCR for more than 5 consecutive days. In addition, the capital and liabilities of securities companies during the suspension period were to be merged. This measure was effective from 5 September 2000.

5) Specifying the amount of the fee rate and the registered capital to be paid up by the securities companies which applied for mutual fund management license. Those companies which undertake only private funds must have the paid up registered capital of no less than B20 million. For those engaging more than one fund management, for instance, undertaking asset maintenance, investing in a portfolio of securities, or dealing with securities payment and handing over of securities, the rate of fees to be paid up is at 0.0045 percent of the average net asset value of their mutual funds. This was effective as of 28 September 2000.

The newly established mutual fund management companies (including company limited and public company limited) must have working capital sufficient for the period of 12-month operation. Moreover, such companies must maintain either guaranteed cash lump sum or excess liquidity reserve assets, or both at the amount required by SEC. This was effective from 28 September 2000.

6) Criteria, conditions and procedures for stock-brokering engaging in securities trading which are debt and non-debt instruments. In this regard, two measures are involved as follows: (i) securities companies acting as stock brokers were required to have efficient internal control, risk management as well as precautionary system on benefit and interest conflicts with regard to the customer service. (ii) such securities companies must be able to supply sufficient and accurate information to the customers as well as capable of safeguarding the customer assets. In addition, the company personnel taking charge of the communicative assignments with the customers must register with the SEC. These measures were effective from 6 October, 2000 and 1 January 2001, respectively.

1.13 Amendment of the criteria and procedures concerning the permission to sell newly issued shares and the annual disclosure of information of the issuing companies.

The particular areas of amendment are: appointment of independent committee; silent period where selling of shares are forbidden; dissemination of information via Internet; annual report; and financial statement. The purpose of this amendment was to follow the specifications of the MOU structured by the Office of Security and Exchange Commission in co-operation with the Stock Exchange Market, which require the overseeing of information disclosure of the listed companies and amendment of the definition of executive staff who are in charge of reporting the securities holding. Such requirement is an essential element in the following announcements of the Office of Security and Exchange Commission: (1) Request and Permission to Sell the Newly Issued Shares (volume 3), effective from 8 November...

1.14 Permission to merge, combine mutual funds and provide services of selling or buying back unit trusts via electronics

Mutual funds of similar types can be merged or combined to enhance investment potential, save the operation cost by maximising the efficiency of the existing resources, and to restrict the scope of selling and buying unit trusts via electronics so as for this service to be better streamlined and thereby fitting well with the criteria for carrying out the securities transaction via on-line media. This electronic service is also permitted to cover the transaction via Internet, ATM (Automatic Teller Machine), and telebanking. In this regard, 3 announcements are to be issued as follows: (1) Merging and Combining Mutual Funds; (2) Criteria, Conditions and Account Clearing Procedures of Mutual Funds As a Result of the Merging; (3) Criteria, Conditions and procedures of Mutual Funds Management (volume 3).

(Effective from 8 November 2000).

1.15 Amendment of the criteria for private funds management

Private funds management companies are permitted to transfer some portions of funds management to or co-manage the total funds with other persons in order to maximise the service efficiency as well as to save customer cost.

(Effective from 8 November 2000).

2. Measures for the Stock Exchange Market

2.1 The Stock Exchange Market of Thailand (SET) approved the securities transaction through Internet.

Services will be given first to member companies. Emphasis is primarily given to securities information safety. The procedures will be proceeded on 2 levels. Level 1, transactions between the Stock Exchange Market and the member companies. Level 2, transaction between member companies and customers.

(Announced and effective from January 2000).

2.2 SET approved the adjustment of broker or agent fees for the purchases and sales of securities listed for year 2000.

The minimum fee rate was set at 0.25 percent to be charged on all groups of customers with the exception of customers who are sub-brokers and have been operating under the liberalised fee rate agreement. This was to be effective from 1 September 2000. SET will begin the liberalised fee rate for all types of securities transactions from 1 September 2002.
2.3 The closing time of SET was rescheduled to be at 17.00 hrs.

However the closing time for securities trading remained the same (16.30 hrs.). Members are permitted to submit the last security buying order 5 minutes after closing time of the trading. At the closing of share index, the computation method called Call Market is used to achieve the following outcome: (1) the closing price must be the price inducing the most trading; (2) if there happens to be more than one closing prices inducing the most trading, the one closest to the last price is to be chosen; and (3) if there happens to be more than one prices closest to the last price, the highest price is to be used for computation. This is to be effective from 2 May 2000.

2.4 The Stock Exchange Market of Thailand (SET) plans to increase securities to gain more varieties in the MAI market.

SET has relaxed the acceptance requirements for companies wishing to be listed as follows: (1) these companies may hold net profits of no less than B30 million one year prior to entering the market, or reach the sales of no less than B2 billion in the last year before entering the market, or hold market capitalisation of no less than B1.5 billion; (2) shareholders’ portion of these companies accounts for at least B200 million; (3) the par value of these companies shall be set at no less than 5 baht (formerly, 10 baht).

(Effective from 16 June 2000).

2.5 Other measures set by the Stock Exchange of Thailand

1) Establishing the companies which issue the certificate of rights for claiming the benefits derived from non-voting depository receipt (NVDR). In this regard, NVDR is a type of securities, it can be issued and referred to any listed securities. However NVDR must by issued only by the companies whose stock of at least 99 percent is held by the Stock Exchange of Thailand. Selling offer of NVDR must be permitted by SEC. Issuance of NVDR is a part of measure to strengthen securities demand to offset the investment obstacles experienced by foreign investors so that they can invest in the Thai Trust Fund (TTF).

2) Establishing a project selling securities through electronics auction and market maker system for members and listed companies for a trial period of six months, which will be followed by the hearing among the members and listed companies. This project is scheduled to commence in 2001.

3) Permitting the Stock Exchange of Thailand to undertake other businesses, especially opening subsidiary companies providing securities trading services and developing its infrastructure through internet, which eventually will be consistent with the measure to strengthen securities demand through internet trading to reduce the operation cost.

2.6 The Stock Exchange of Thailand (SET) announced the change in the computation method of Market Capitalisation.
With the new method, unit trusts and derivative warrants are removed from the computation. The reason for removal of unit trusts is because when included there appears to be an occurrence of repeated counting. This new method adjustment will lead the Thai computation of Market Capitalisation to reach the international standard, and as a result its value will decline slightly by 1 percent, since 6 November 2000 onwards.

Real Estate Measures

1. Real Estate Act B.E. 2543

The Real Estate Act B.E. 2543 was enacted on 23 May 2000. The new Act is different from the previous one (Announcement of the National Executive Council No. 286) in the following aspects: (1) a property developer must be responsible for the maintenance and care of public utility and public services within the property until it is registered and transferred for public use, or transferred to another property developer which is established by this Act or to another juristic entity for maintenance and management; (2) the approval and regulatory functions are decentralised more to provincial level to provide more flexibility to the real estate business; (3) the amount of time for the approval process is clearly set. This Act is to be effective 60 days after its publication in the Government Gazette.

2. The Cabinet approval of a drafted Act on the protection of counterparties

On 6 June 2000, the Cabinet approved in principle the drafted Act on the protection of contractual counterparties with the objective to boost confidence for both seller and buyer when entering into a contract to sell/buy immovable property. For instance, a manager representing both the buyer and seller may receive payment instalment from the buyer and transfer it to the seller only at the time of ownership transfer. Since this method incurs higher cost, this Act does not require that all contractual counterparties apply such system.

3. Measures to promote the recovery of the real estate sector

The Cabinet approved on 27 June 2000 the 3 measures to promote the recovery of the real estate sector as follows:

3.1 Extending the period of reduced transfer fee (from 2 percent of the appraised value to 0.01 percent) for another year up to 31 December 2001. The previous Cabinet approval on 10 August 1999 set the effective period only up to 31 December 2000. This measure also expands to cover the transfer of an empty land permitted for a property development project, as well as the transfer of a building and/or land by the National Housing Authority (NHA), or other government agencies which have the authority by law to carry out property development.
3.2 Increasing the maximum tax allowance on interest payment on borrowing for purchasing, hire-purchasing, or constructing housing from B10,000 to B50,000. This measure also expands to cover the purchase and hire purchase of more than one housing unit, as well as the interest on refinancing of previous borrowing. This was effective from 1 January 2000.

3.3 Reducing the specific business tax on the proceeds from selling immovable property for commercial or profit-making purposes from 3.3 percent to 0.11 percent of the proceeds before deducting expense. This was to be effective from 31 December 2001.

4. The extension of holding period of immovable property for financial institutions

The Bank of Thailand issued a circular dated 28 July 2000 stating that commercial banks (excluding BIBF), finance companies, finance and securities companies, and credit foncier companies could hold immovable property transferred to them before 1 January 1997 for another 5 years following the previous deadline to sell, or the end of the waiver period. However, financial institutions must submit to the Bank of Thailand plans to gradually sell off such property awaiting to be sold, in details. For immovable property which financial institutions have already signed a contract to sell within 5 years, and have received payment of at least 10 percent, the extension will only last to the end of the contract.

5. Establishment of mutual funds for real estate and claims

The Securities and Exchange Commissions (SEC) announced on 26 October 2000 the permission to establish mutual funds for real estate and claims, in order to help resolve problems of financial institutions and real estate business. This was to be effective from 8 November 2000. Conditions are as follows:

1) Within 6 months following the day the permission is granted, a mutual fund must be invested to obtain or own immovable property, the right to rent or claim on such property in the amount of at least 75 percent of the fund’s net asset value.

2) Investment can be made in unfinished real estate projects and in claims resulting from financial institutions’ performing or non-performing loans which may be collateralized or non-collateralized.

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**Price Measures**

Measures implemented in 2000 can be summarised as follows:

1. Cement price adjustment

The Ministry of Commerce approved increases in cement price Siam Cement Co., Ltd., effective from 10 January 2000. Details are as follows:
– Mixed cement at factory price is adjusted to B1,878 per ton, up from B1,778 ton, an increase of B100 per ton.

– Portland cement at factory price is adjusted to B2,490 per ton, up from B2,380 per ton, an increase of B110 per ton.

2. Telephone rate adjustment

The Cabinet approved the telephone rate adjustment by the Telephone Organization of Thailand as follows:

1) Pricing schemes for long distance telephone calls longer than 1 minute:

   **Scheme 1**: no charge for excess of 1-30 seconds and charge equivalent to 1 minute for excess of 31-60 seconds.

   **Scheme 2**: charge for every 6 seconds (charge equivalent to 6 seconds for excess of 1-5 seconds).

2) Reduction of monthly rental charge for 470 MHz mobile telephone from B450 per number to B300 per number.

3) Increase in pricing structures for telephone rental charges:

   **Pricing structure 1**
   – Monthly rental charge of B100 per number.
   – Local calls at rate of B3 per call.
   – Long distance calls at rates of B3, 6, 9, 12, 15, 18 per minute, depending on the distance.

   **Pricing structure 2**
   – Monthly rental charge of B120 per number.
   – Local calls at rate of B3 per call.
   – Long distance calls at rates of B3, 6, 9, 12, 12, 12 per minute, depending on the distance.

   **Pricing structure 3**
   – Monthly rental charge of B90 per number.
   – Local calls at rate of B1 per minute.
   – Long distance calls at rates of B3, 6, 9, 12, 12, 12 per minute, depending on the distance.

4) Reduction of public pay phone rates for long distance calls from B3, 6, 8, 12, 15, 20 per minute to B3, 6, 9, 12, 12, 12 per minute, depending on the distance.
3. Electricity price adjustment

The Sub-committee on Electricity Price Restructuring adjusts the electricity price (Ft rate) every four months, in line with the cost of fuel. In 2000, there were two adjustments in April and August resulting in electricity price increases of 2.3 and 1.3 percent, respectively.

On 3 October 2000, the Cabinet authorised the Provincial Electricity Authority to restructure electricity prices to reflect the true cost of fuel and present economic conditions, effective from October 2000. Details are as follows:

- Average price of electricity decreased by about 2 percent.
- Electricity price (Ft rate) was computed separately for each energy business system (generation, transmission, distribution, and retail) to reflect the cost components.
- Electricity was priced according to time of use in the day (TOU rate) for all types of businesses. The TOU rate was expanded to cover average electricity usage above 250,000 units per month and is optional for households and small businesses.
- Electricity price was rebased and the Ft rate was reset to zero.

4. Sugar price control

The Cabinet approved the Ministry of Commerce of setting the price of sugar, effective from 1 June 2000, as follows:

1) Wholesale factory price
   - Pure white sugar at B1,284 per sack, up from B1,200 per sack (1 sack = 100 kilograms).
   - White sugar at B1,177 per sack, up from B1,100 per sack.
   - Brown sugar at B1,177 baht per sack, up from B1,100 per sack.

2) Wholesale price for 3 or more sacks of sugar
   - Pure white sugar at B1,353.55 per sack, up from B1,265 per sack.
   - White sugar at B1,246.55 per sack, up from B1,165 per sack.
   - Brown sugar at B1,219.80 per sack, up from B1,140 per sack.

3) Retail price in Bangkok and metropolitan area
   - Pure white sugar at B14.25 per kilogram, up from B13.50 per kilogram.
   - White sugar at B13.25 per kilogram, up from B12.50 per kilogram.
   - Brown sugar at B12.75 per kilogram, up from B12.00 per kilogram.
5. Air-conditioned bus fare adjustment

The Bangkok Mass Transit Authority (BMTA) adjusted the air-conditioned bus fares, effective from 1 December 2000. This resulted in increases in BMTA and private air-conditioned bus fares from B6, 8, 10, 12, 14, 16 to B8, 10, 12, 14, 16, depending on the distance. Fares for Euro I and Euro II air-conditioned buses also increased from B8, 10, 12, 14, 16, 18 to B10, 12, 14, 16, 18, 20, depending on the distance, effective from 1 January 2001.

6. Intra- and inter-provincial bus fare adjustment

The Inland Transport Control Committee, the Ministry of Transport and Communications, adjusted the intra- and inter-provincial bus fares in line with the rising cost of fuel, effective from 21 September 2000. Details are shown in the following table:

<table>
<thead>
<tr>
<th>Oil price (baht/litre)</th>
<th>Bus Fare (baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>first 40 kilometres</td>
</tr>
<tr>
<td></td>
<td>Rate A</td>
</tr>
<tr>
<td>Below 11.29</td>
<td>0.40</td>
</tr>
<tr>
<td>11.29-12.50</td>
<td>0.41</td>
</tr>
<tr>
<td>12.51-13.72</td>
<td>0.42</td>
</tr>
<tr>
<td>13.73-14.95</td>
<td>0.43</td>
</tr>
<tr>
<td>Above 14.95</td>
<td>0.44</td>
</tr>
</tbody>
</table>

In case where the fare computation is less than B4, it is set at B4.

Remarks:
1. Rate A is the fare charged on asphalt or concrete roads.
2. Rate B is the fare charged on lump laterite roads or routes on hills with slopes of 4 or more percent, and the distance being no less than 25 percent of the route.
3. Rate C is the fare charged on temporary routes or routes on hills with slopes of 4 or more percent, and the distance being no less than 45 percent of the route.

Agricultural Measures

1. The intervention of rice market during the crop year 1999/2000 according to the resolution passed by Rice Policy Committee.

Following the proposal of the Ministry of Commerce, the Cabinet approved on 18 January 2000 the criteria and procedures of Public Warehouse Organisation

2. The agricultural industrial zones

The Cabinet acknowledged the procedure report set up to promote the agricultural industrial zones as proposed by the Ministry of Public Health. Details are as follows:

2.1 Development of the safety guarantee system for food to international standard

1) Development of knowledge and understanding is required for personnel in factories so as to create qualifying safety guarantee system of GMP/HACCP (Good Manufacturing Practice/Hazard Analysis Critical Control Point) which is accepted by the Codex and the World Trade Organisation (WTO).

2) The Food and Drug Administration (FDA) in cooperation with the Thai Industrial Standards Institute have proceeded on safety scrutiny project for factories in order to issue the HACCP certificate for the qualified factories.

3) The Ministry of Public Health of Thailand and Japan have jointly assessed the safety guarantee system of the factories which export food products to Japan. This assessment is an effort to prepare the factories to enter the precertification system so as to provide convenience for the exports to Japan.

2.2 Negotiations have been made between trading partners to accept the products certified by the Food and Drug Administration (FDA). Thailand has succeeded in her negotiation with New Zealand to import condensed milk from Thailand. On the next move, effort has been put forward to induce the US. Food and Drug Administration (USFDA) to approve the imports of low acid canned food from Thailand.

3. Approval to swap the PRC’s chemical fertiliser with rubber of the Rubber Market Intervention Project

The Cabinet approved on 25 January 2000 to swap the chemical fertiliser of the People Republic of China with rubber of the Rubber Market Intervention Project as proposed by the Ministry of Agriculture and Cooperatives.


In a ministerial meeting held on 16 May 2000, the Cabinet discussed the resolution of the premium paid on the preliminary sugar-cane price at the crop years of 1999/2000. At the conclusion of the meeting, the Ministry of Finance was assigned to work in cooperation with the Bank of Agriculture and Agricultural Cooperatives in seeking extra funds of B5,320 million to be used as premium paid to sugar-cane planters at the rate of B100 per ton. Subsequently, following the pro-
posal of the Sugar-cane and White Sugar Committee, the Cabinet, on 30 May 2000, agreed on the following matters:

4.1 Separating the value added tax from the domestic white sugar sales, which shall lead to the increased income to be added to the sugar-cane and white sugar funds.

4.2 Setting up measures to upgrade the sugar-cane and white sugar industry as follows:

1) Sugar-cane:
   – Assigning the planting zones and setting up the output target for the sugar-cane planters.
   – Regulating the sugar-cane delivery route for the planters. In this regard, a planter whose planting area is close to a factory is to make contract with such factory.
   – Setting the output target for each production year to be in line with the conditions of domestic and external markets, in addition to regulating the excess supply of sugar-cane.

2) Sugar factory:
   – Regulating the receipt of sugar-cane
   – Setting the output target for each production year to avoid excess supply of sugar in the market.
   – Setting the standard of white sugar production for sugar factories.
   – Regulating the management of the excess sugar supply.

5. Chemical fertiliser aid project for farmers in year 2000

The Cabinet took into consideration the chemical fertiliser project proposed by the Ministry of Agriculture and Agricultural Cooperatives. Consequently, on 20 June 2000, the Cabinet agreed with the Committee for Farmer Assistance Policies and Measures to implement such project. In this regard, Farmer Association is to seek funds of B2,885.4 million for fertiliser procurement and make the repayment within 1 year. Details are as follows:

5.1 Approval to let the Farmer Association borrow non-interest bearing credit of B1,300 million to purchase fertiliser for farmers. In addition, non-repayable fund is also given to the Ministry of Agriculture and Agricultural Cooperatives to use as administrative expenses which can only be disbursed at the amount actually spent but not exceed 1 percent of B33.6 million.

5.2 Approval of non-interest bearing credit of B1,585.4 million from Farmers Aid Fund. Should the funds be insufficient, the Ministry of Agriculture and Agricultural Cooperatives may resort to other funds.
6. National Farmer Council Act B.E. ...

The Cabinet approved on 11 July 2000 the drafted Act proposed by the Ministry of Agriculture and Cooperatives which promoted the gathering of the farmers in order to co-plan the agricultural development strategies as well as to enhance their potentiality in farming operations. Details are as follows:

6.1 National Farmer Council is to be formed and shall comprise members who are delegates elected from farmer council of each province, three delegates per province. These members shall implement policies to strengthen performance of all local agricultural working units, devise and propose agricultural master plan and policies, coordinate the work of the local agricultural working units with relevant government agencies, and propose the agricultural resolutions to the government.

6.2 Council Administering Committee is to be established and shall comprise one president and an administering committee team of no more than 20 persons, with Secretary General forming the committee body, while Secretary monitoring the administration of Secretary General.

6.3 The Office of Council Secretary shall be set up to take charge of the administration work, with the Council Secretary being the head office.

6.4 The Office of Council Secretary shall receive regular fees from farmer members, as well as aid funds from national budget and other government agencies.

6.5 The agricultural development master plan devised by the National Farmer Council and approved by the Cabinet shall be proposed before the parliament in order for the plan to be published in the Government Gazette. In addition, the relevant government agencies shall have mandatory obligation to act accordingly to this approved master plan.

6.6 Provincial Farmer Council shall be formed and comprise members who are delegates elected from the local agricultural working units which registered with the Provincial Farmer Council, one delegate per local agricultural working unit. The members have the duties to develop and strengthen local agricultural unit of each province, as well as to coordinate the work at the provincial level between the local agricultural working unit and relevant government agencies.

6.7 The Office of the Provincial Farmer Council Secretary shall be set up to take charge of the administration work of the Provincial Farmer Council.

7. Measure to render aid to farmers affected by the rising diesel prices

The Cabinet approved on 19 September 2000 the measure proposed by the Ministry of Agriculture and Cooperatives to assist farmers who have been affected by the rising diesel prices. This measure aims to assist farmers of 5.6 million households in all production lines (with the exception of those in fishery as
aid has been previously rendered) who are hard hit by the impact of rising diesel prices. As diesel is the major input of agricultural production, compensation payment of 45 litres of diesel, at a rate of B3 per litre, or equivalent to B135 will be granted to farmers of every household. Moreover, the Ministry of Agriculture and Cooperatives will request an approval from the Committee for Measure and Policy to Assisting Agriculturists for the loan from the Farmer Trust Funds or other sources in order to help with the compensation expenses and the project management of the Bank of Agriculture and Agricultural Cooperatives.

8. Approval of the drafted “Farmer Development Funds Act (volume...) B.E.....”

The Cabinet approved on 19 September 2000 the drafted “Farmer Development Funds Act” proposed by Office of the council of State. The significance of the Act is as follows:

8.1 The Office of Debt Management and Farmer’s Debt Management Committee shall be established in order to restructure the farmers’ debt incurred in the system (debts from the government projects, agricultural organisations, and financial institutions) and outside the system.

8.2 Farmers who wish to apply for financial aid from the Farmer Development Funds must proceed in the following course of action: (i) those having debt incurred in the system must register with the Office of Debt Management and comply with the criteria to be further announced; (ii) those having debt incurred outside the system must register with Office of the Permanent Secretary the Prime Minister’s Office, or government agencies, or state enterprises as specified by the Farmer’s Debt Management Committee. Registration must be done within 180 days following the effective date of this Act.

9. Poverty problem solving project

The Cabinet approved on 24 October 2000 the poverty problem solving project (phase II, years 1998-2001) as proposed by the Committee of the National Economic and Social Development. This project which uses the foreign loan of B2,924.80 million aims to provide the poor and the needy in 10,000 villages with capital supply to pursue their careers so that they can gain chances of earning higher income and thereby having a better living quality. This loan is to be equally disbursed each year for a period of 2 years. Of the total loan amount, B2,800 million will be set aside for the capital supply and the rest will be used for training and administration expenses.


The Cabinet approved on 7 November 2000, the policies and measures for the imports of raw materials for animal feeds in 2001 as proposed by the Ministry
of Commerce. Effective from 1 January to 31 December 2001. Details are as follows:

10.1 Imports of soybeans meal from WTO member countries

1) Quota tariff scheme.
A tariff of 5 percent will be imposed on the soybeans meal. However, there are no restrictions regarding import volume and time frame on the condition that importers buy soybeans meal produced from domestic soybeans at the price of at least B9.50 per kilogram at the vegetable-oil-extraction plant.

2) General import scheme.
The tariff is 119 percent. There are no restrictions regarding import volume and time frame.

10.2 Imports of soybeans meal from non-member countries of WTO
The tariff is 6 percent, and the special fee of B2,519 per ton. There are no restrictions regarding import volume and time frame.

10.3 Imports of maize for animal feeds

Quota tariff scheme. The volume is fixed at 53,832 tons and must be imported between 1 March to 30 June 2001. The tariff is 20 percent.

General import scheme from WTO member countries. There are no restrictions regarding import volume and time frame. The tariff is 75.4 percent, and the special fee is B180 per ton.

General import scheme from non-member countries of WTO. There are no restrictions regarding import volume and time frame. Import duty is B2,750 per ton, and special fee is 13.97 percent (all tariff combined is close to 75.4 percent). In both cases the special fee is B180 per ton.

10.4 Imports of fishmeal (60 percent protein)
There are no restrictions regarding import volume and time frame. A tariff of 15 percent is imposed on those protein fishmeal imported from outside the ASEAN alliance, and 5 percent on those certified protein fishmeal imported from the ASEAN alliance as required by the obligation of the ASEAN free trade zone.

11. The outcome of the solutions carried out by the committee appointed to relieve the debt burden of the farmers and the poor
On 19 December 2000, the Cabinet acknowledged the report of the Committee of Assisting Farmers and the Poor to alleviate the debt burden of the farmers and the poor for the fiscal year 2000 as follows:
11.1 Working capital to assist farmers and the poor as of 1985

The committee received an additional budget fund of B65 million in the fiscal year 2001. As of 30 September 2000, the working capital stood at B69.9 million. An amount of B28.4 million was available for farmers and the poor to borrow during the specified period of 31 July 1996 to 30 September 2000. Consequently, the cumulative borrowing stood at B20.6 million as of 30 September 2000.

11.2 Working capital to pay off previous debt of the poor farmers in 2000

In the fiscal year 2000, a credit of B408,000 was granted for farmers to redeem and buy back their lands. A fund of B85.2 million was earmarked for farmers to loan for the redemption and buying back of their lands totalling 12,978 rais during the specified period of 5 December 1990 to 30 September 2000. The balance outstanding of the fund stood at B49.5 million, while the cumulative borrowing recorded B46.8 million as of 30 September 2000.

11.3 Working capital to help relieve debt and redeem the land of farmers and the poor in year 1993.

In the fiscal year 2000, a fund of B414.5 million was granted for the use of land redemption and buying back land for farmers during 1 October 1993 to 30 September 2000. A total of B1,681.2 million was set aside for farmers to loan for the redemption and buying back of their land totalling 139,709 rais. The balance outstanding of the fund stood at B159.7 million, and the cumulative borrowing totalled B1,241.6 million as of 30 September 2000.

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**Industrial Measures**

1. **Industrial Restructuring Plan (phase II)**

   The Economic Ministerial Committee Concerning Economic Policy approved on 5 March 2000 the 59 projects under the Industrial Restructuring Plan (phase II, from years 2000 to 2004) amounting to B2,999.41 million as proposed by the Ministry of Industry, and the loan of B8,100 million for the restructuring plan in 2000. This loan is funded by the following sources: Industrial Finance Corporation of Thailand totalled B5,000 million, Small Industry Finance Corporation B2,400 million, and the Export-Import Bank of Thailand B1,100 million.

   On 7 November 2000, the Cabinet agreed in principles for the National Industrial Development Committee, with an approval of the Budget Bureau, to have the authority to make any alterations for the 59 projects mentioned above on the condition that the amount of loan and the duration of the project (within the year 2004) remain the same. However, the National Industrial Development Committee is to inform the changes to the involved Subcommittee for further consideration and approval which is to be taken on an individual project case basis.
2. The development of small-and-medium-sized enterprises

2.1 Master development plan of small-and-medium-sized enterprises

The Cabinet approved on 11 April 2000 the master development plan for small-and medium-sized enterprises as proposed by the Ministry of Industry. To this end, the Ministry of Industry is the main coordinator who jointly devises the action plan with the involved public and private sectors to promote SMEs. The action plan is then submitted to the Cabinet or the Subcommittee to Promote SMEs (which is to be appointed following the enforcement of the SME-Promotion Act) for further consideration.

2.2 Financial assistance for SMEs for the year 2000

The Cabinet approved on 23 May 2000 the guidelines for financial assistance given to SMEs for 2000 as proposed by the Ministry of Finance and the Ministry of Industry as follows.

1) The Cabinet approved the credits and credit guarantee which the involved specialised financial institutions will extend to 29,700 SMEs at the amount of B50,300 million as shown in the table below:

<table>
<thead>
<tr>
<th>Financial institutions</th>
<th>Credits (million baht)</th>
<th>Credit Guarantee (million baht)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Bank of Thailand</td>
<td>13,000</td>
<td></td>
</tr>
<tr>
<td>2. Small Industry Finance Corporation</td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td>3. The Industrial Finance Corporation of Thailand</td>
<td>15,000</td>
<td></td>
</tr>
<tr>
<td>4. The Export-Import Bank of Thailand (Exim Bank)</td>
<td>7,000</td>
<td></td>
</tr>
<tr>
<td>5. Government Savings Bank (GSB)</td>
<td>1,300</td>
<td></td>
</tr>
<tr>
<td>6. The Bank for Agriculture and Agricultural Cooperatives (BAAC)</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>7. Small Industry Credit Guarantee Corporation</td>
<td></td>
<td>4,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>46,300</strong></td>
<td><strong>4,000</strong></td>
</tr>
</tbody>
</table>

The above specialised financial institutions have finished conducting the plans and strategies to promote the extension of credits and credits guarantee to SMEs.

2) To fulfil the potential in extending credit facility and credit guarantee to SMEs, Small Industry Finance Corporation, and Small Industry Credit Guarantee Corporation are required to raise their capital to B2,500 million and B4,000 million, respectively for the initial recapitalisation.

Consequently, the Ministry of Finance has injected the capital of B1,000 million to Small Industry Finance Corporation on 30 December 1999 for its
recapitalisation. Additional funds of B1,500 million will be given later to fulfil its credit extension plan.

3. Establishment of Microelectronics Technology Research and Development Centre.

The Cabinet approved on 25 April 2000 the establishment of Microelectronics Technology Research and Development Centre as proposed by the Ministry of Science, Technology and Environment. Details are as follows:

- Building a 0.5-micron prototype production line with new equipment for this Research and Development centre.

- Allocating more funds for this project from (i) foreign loan of the fiscal year 2000 of US$36.723 million or B1,395.50 million (at the exchange rate of B38 per US dollar) to be used as the capital funds for the project; (ii) budget loan of B150 million per year for 5 years (2001-2005) totalling B750 million, to be used as the administrative expenses. After the Centre has opened and generated revenue, its revenue is to be used to subsidize the budget loan to help relieve fiscal burden.

4. The reduction of import duties relating to manufacturing sector

The Cabinet approved on 4 July 2000 the reduction of import duties for primary raw materials, intermediate factors of production and capital goods to enhance competitiveness in the world market.

This measure is applied to 542 goods items such as paper, aluminium foil, polyethylene, aluminium sheet, hot-rolled sheet for the production of laminated-sheet, filaments, and automobile parts. The reduction goes from 5, 10, 20, and 30 percent to 1, 3, 5, 10 and 15 percent depending on the types of goods (as specified in details in the government’s announcement).

Despite the estimated loss in the government revenue by B3,300 million a year as a result from this reduction, it is assessed that the government will be compensated by the rise in income tax and VAT. Moreover, for the interest of consumers, the prices of these goods will be lower.

5. Electronics-commerce policy

The Economic Ministerial Committee approved on 16 October 2000 the policy and strategies for the E-commerce development in Thailand as proposed by the Ministry of Science, Technology and Environment. Details are as follows:

- **Policy framework.** The government is to develop the procedures for E-commerce development and incorporate them into the 9th and 10th National Economic and Social Development Plans, which are to be classified by sectors and backed up by a national plan. In addition, various measures are to be implemented to enhance Thai competitiveness in the world market. Finally, emphasis shall be
placed on legal aspects of management and control so as to rectify improper regulations and cut through red tape which obstructs the development of E-commerce.

- **Development Strategies.** Priority is to be given to strategies for the development of finance, law, infrastructure, and international trade through the following channels: the studies of the present payment system; trend of world trade system; and revision of E-commerce law. Moreover, new law is to be set up in accordance with international law and certain procedures are to be developed to ensure that the master plan of the telecommunication business is strictly followed.

6. **Determining sugar-cane and white sugar prices**

The Cabinet approved on 19 and 26 December 2000 the criteria for determining the prices of sugar-cane for the years 1999/2000 and 2000/2001 as proposed by the Ministry of Industry as follows:

1) **The last seasonal prices of sugar-cane for the crop year 1999/2000.**

Sugar-cane prices are set for 5 zones. With the sweetness level of 10 c.c.s., the prices are set at B464.63, 483.86, 486.23, 490.80 and 482.28 per ton, for zones 1 to 5, respectively. Price fluctuation in these 5 zones is in the range of B27.878, 29.032, 29.174, 29.448 and 28.937 per 1 c.c.s. unit, respectively.

2) **The first seasonal prices of sugar-cane for the crop year 2000/2001**

Sugar-cane price is set at B600 per ton at the sweetness level of 10 c.c.s., the price fluctuation is at B36.00 per ton per 1 c.c.s. unit. The returns on production and sales of sugar is B305.44 per sack.

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**International Trade Measures**

1. **Trade measures**

1.1 **The establishment of a centre for fruits and vegetables exports project**

The cabinet approved on 26 December 2000 the criteria and procedures to establish a centre for the exports of fruits and vegetables. The aims were to raise the standard of the exports of Thai agricultural products; streamline red tape; save the operating costs; establish price stability for domestic fruits and vegetables and finally to develop an effective central market for Thai and foreign fruits and vegetables. This 15-year-or-more project is aided by the year 2001 budget amounting to B27.3 million. The public sector will take charge of product examination and export documents, while the private sector will be responsible for providing convenience to exporters such as supplying them with necessary equipment. The private sector also has to set up this market place to be a one-stop service centre for exporters, traders and farmers.
1.2 Liberalisation the import market for skimmed powdered milk, raw milk and UHT drinking milk under the obligation with the World Trade Organisation in 2000

The Cabinet approved on 22 February 2000 the liberalisation of the market for imports of skimmed powdered milk, raw milk and UHT drinking milk under the obligation with the World Trade Organisation in 2000 as proposed by the Ministry of Agriculture and Cooperative as shown in the table below:

<table>
<thead>
<tr>
<th>Items</th>
<th>In-quota tariff</th>
<th>Out of quota tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity (ton)</td>
<td>Tariff (%)</td>
</tr>
<tr>
<td>Skimmed powdered milk</td>
<td>55,600</td>
<td>5</td>
</tr>
<tr>
<td>Raw milk</td>
<td>2,322.63</td>
<td>20</td>
</tr>
<tr>
<td>UHT drinking milk</td>
<td>26.70</td>
<td>20</td>
</tr>
</tbody>
</table>

1.3 The relaxation of regulations concerning the import of mobile phone and radio paging

The Cabinet approved on 5 September 2000 the draft of ministerial regulations volume.....(B.E....) in line with the Radio Communications Act B.E. 2498 (which exempts the licensing requirements on radio communications from possession, import, and trade). Under such regulations, cellular mobile phones and brand-name radio paging, those of the types or models which have undergone the sampling test and received approval of the Post and Telegraph Department, as well as handsets supplied by the domestic and overseas distributors, are exempted from licensing requirements on import and trade.

1.4 The relaxation of the cargo weight charge of the Bangkok harbour

The Cabinet approved on 7 November 2000 to continue using the Bangkok harbour’s current rate of cargo weight charge until the new structure of charge rate is completed. This aim to hold down the shipping cost which may hamper export performance.

1.5 Co-operation between Thailand and Malaysia in buying and selling rubber from the buffer stock of the International Natural Rubber Organisation (INRO)

On 27 June 2000, the Cabinet took into consideration the proposal of the Ministry of Agriculture and Cooperatives and then approved the draft of a joint venture agreement between Thailand and Malaysia in buying and selling rubber from the INRO’s buffer stock. The Ministry of Agriculture and Cooperatives was assigned to purchase rubber from the INRO inventory held in Thailand to stabilise the rubber prices in the country.
At a meeting headed by the Deputy Minister of Agriculture and Cooperatives of Thailand and the Minister of Primary Industry of Malaysia (Dato's Seri Dr. Lim Keng Yaik), the issue of INRO stock clearance was discussed. The meeting finally approved to establish a Thai-Malaysia Joint Venture (TMJV) to buy rubber from INRO in the case where the clearance of the INRO's buffer stock affects the rubber prices.

2. Other measures

2.1 Bilateral negotiation between Thailand and China with regard to WTO's admittance of China membership

On 18 January 2000, the Cabinet approved a negotiation between Thailand and China with regards to WTO's admittance of China membership. The Cabinet urged Thailand to reach a conclusion with China concerning the following issues:

1) Urge China to further reduce the in-quota tariff for rice products, or increase its quota allocation of long grain rice to private sector as well as properly allocate quotas of rice products.

2) Urge China to consider the issue of re-export of refined sugar in the world market so as not to affect Thai exports.

2.2 Counter trade regulations

On 9 May 2000, the Cabinet approved the draft of the counter trade regulations of the Office of the Prime Minister after the cabinet approved their principles on 17 March 1998. The draft concerns the criteria and procedures for the purchase and the services hired by the public sector and state enterprises.

In this regard, the Office of the Juridical Council noticed some important points as follows:

1) Not only do counter trade regulations which are somehow against WTO principles obstruct international trade but they may also come into conflict with the National Treatment Principle of GATT.

2) The US may terminate Thailand's Generalised System of Preference (GSP) or enforce section 301 which may result in a trade embargo in other forms with Thailand.

Labour Measures

1. Increasing the minimum wage and determining the basic minimum wage rate

Following the consideration on increasing the minimum wage in the early 2000, the Wage Committee approved to raise the minimum wage by B3 for all
provinces throughout the country. In this regard, the basic minimum wage throughout the country is set at B133 per day. This is to be effective from 1 January 2001. For those employees working for at least 1 year, the wage adjustment is based on their performance.

2. Job Provision and Protection for Job Seekers Act

The Cabinet approved on 25 July 2000 the drafted Job Provision and Protection for Job Seekers Act as proposed by the Ministry of Labour and Social Welfare. The draft was submitted to extend assistance period for those who have contributed to the funds and are still working abroad to be eligible for the benefits from foreign job provision fund for 5 years following the end of the first job contract. Such benefits mentioned include: medical, disability and death in case where the workers are neglected by their employers.