

Comparative position of petrochemical industry with india economics essay

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Particulars Thailand Petrochemical Industry Indian Petrochemical Industry Technology Comparatively Low Technologies Comparatively High Technologies GDP Contribution Contribution is comparatively low Contribution is comparatively high Transportation Roadways, Railways Roadways, Railways Communication System Telephone, E-mail, Post Telephone, E-mail, Post Distribution System Manufacturer to Dealer Manufacturer to user Pricing Relatively Low Relatively High Usage Relatively Low consumption Relatively High consumption Purchase Pattern Direct from dealer Direct from dealer & retailer Raw Material Availability Easily Available Easily Available Natural Resources Favourable Favourable

Compare Technology Advancement

Technology in Thailand: Thailand Petrochemical industry is advances technology user especially in Pipes Business. The technology used by maximum Production of raw Polymer and this affects in high production of Pipes. A closer look reveals that Petrochemical industry Produce large volumes of Pollution by using tons of chemicals and other utilities and discharges enormous amounts of wastes and effluents. Technology in India: In India, the Technical Consultancy unit (TC) under the Petro Technology Division under the Research Department of the Petro Board renders technical consultancy services for the development of the Indian Petrochemical Industry. The Division acts as a link between technology, knowledge, innovations, applied research & development and the entrepreneurs and industrialists in the Petrochemical industrial sector. The wide range of services offered are advices in project proposals and investment decisions, quality control and certification, technical problem

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solving, training etc to the Petrochemical industry. It has got a team of experts in Technology, Engineering, Production & Testing, who can assist in technical and other services for the development and growth of the Indian Petrochemical industry. The Division can provide expertise in Petro Products technology and product development through the experience gained during the past several years.

GDP Contribution

Particulars Thailand India Agriculture Rubber Industry 12% 17% Industry 30.1% 18% Service 57.9% 65%

Transportation Comparison

While comparing the transportation facility of both the country, in Thailand they use road, rail and the ship for transporting the PVC Pipes. But there is a lack of an efficient rail transportation system for moving Petrochemical Products from the fields to the factories. The Petrochemical states have inadequate and aging transport vehicles that are a major problem for Petrochemical Products transportation. And for the export they use ship facility and for that they use standard and tank containers.

Communication System

With the help of communication industry development can be possible. In Thailand various types of communication facilities are available like fixe line services, mobile handsets, internet, calling facilities, postal services and courier services which is very helpful in doing the business smoothly. and internet facility is also good so they can use it for doing business properly and effectively and all communication channels are easily and at reasonable

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cost available. In India various forms of communication facilities are available i. e. Landline phones, Mobile phones along with 2G & 3G connectivity, Internet video calling facility, postal services, courier services etc. are easily available and in abundance and at low cost . Petrochemical industry(pipes Business) in India has an easy and cost effective access to all kinds of communication channels available in the country. Transfer of knowledge, dissemination of information and diffusion of innovation of PVC Pipes planting community and Pipes goods manufacturing industry all over the country, utilizing all the available channels of communication including mass media, electronic media, print media etc. Editing, printing, publishing and distribution of bulletins, booklets, leaflets etc. as a communication support to the development of pipes plantation industry. Audio Visual aids such as public address system, television, video cassette player, overhead projector, slide projector etc. are utilized in all group meetings and seminars. The department also has been effectively utilizing farmer resource persons in the various seminars and meetings in a bid to promote farmer led extensions.

Distribution System

Manufacturer

Dealer

Customer

Distribution system of Pipes Business in Petrochemical industry is One level. Manufacturers are selling the product to the Dealer and Dealer sell to the Customers. Only Dealer are between Manufacturer and Customers. India and

Thailand both country's Petrochemical industry following the same distribution system.

Pricing

Prices in India are lower than Thailand. The cost of labor and machines used are much lower compared to Thailand. Also, much part consists of labor intensive technologies. Whereas, Thailand have high labor cost and as a result high prices of products. They have strategy of quoting price by adding profit to cost but as cost of production are high; the net price is also high. Therefore, Thailand imports most of the raw material from India to save cost and achieve high profit.

Usage

Mainly, pipes are consumed by Farmers & House Hold in both the countries. In India it is mainly consumed by farmers and other important Construction Building projects which operating by company. While in Thailand it is mainly consumed at the construction.

Purchase Pattern & Buying Behavior

Purchase Pattern

Country Thailand India Direct

√

Indirect

√

√

Purchase pattern for both the country India and Thailand are Different. In India Farmers and other Buyers are purchase pipes products directly from company as well as from mediator also and in Thailand Buyers are purchase pipes products from Mediator only like Dealer.

Buying Behavior

While purchasing the Pipes product behaviors of both countries are same. They consider the quality, price, availability, type of the product. Here buying decision is not influence by the others.

Target Market

Generally Pipes is a product which is being consumed by everyone in every country. So the Target Market for this industry is construction Farmers and House hold business.

Raw Material Availability

Thailand is blessed with easy availability of raw material like polymers and other chemicals that is required in Pipes Business sector as a result it is affects less pricing pattern. India is naturally blessed with easy availability of raw materials required in Pipes Business sector but specialized and high technological materials are not manufactured sufficiently. A large variety of construction methods are available in India. Since many year the growth in production of Pipes has increased the availability of raw at competitive price providing it a push in the global market.

Natural Resources

Thailand Pipes market is somewhat dependent on imports. They're only core strength is production of VC Pipes and they even lack in adopting latest technologies. India is self sufficient in production of Polymers that is required in PVC Pipes Business. India is largest in production of Polymers and seventh largest in production of synthetic Chemicals.

CHAPTER-4 PRESENT POSITION AND TREND OF BUSINESS (IMPORT / EXPORT) WITH INDIA

4. 1 Present Position and Trend of Business with India during last 3 to 5 years

Thailand Export

Thailand export in the 10th Five Year Plan when growth was 14. 24%. The industry recorded the highest growth in exports during 2004-05, when it exported around 10 million Meters of Pipes.

According to trade source, four largest bulk Pipes exporter

- 1. Thai Asia Pipe co ltd**
- 2. Colgon Carbon Corp**
- 3. IPEX**
- 4. TPC Ltd**

1. Major Import Export

Particulars
Details
Import Products
Electrical Pipes & Fittings
Upvc Pipes
Casing Pipes
Export Products
SWR Pipes
PP-Random Piping
Water Pipes
Micro

Irrigation
Export country
U. A. E, China, Singapore, Hong-Kong, West Africa,

East Europe, Latin America. Bangladesh Import country India, Japan, Indonesia, Malaysia and Pakistan

4. 2. 1 Dollar value & trend of Exports/Imports

Export

Year Trade Value Weight
 2007 \$ 41, 009 681 582
 2008 \$ 43. 173 449 372
 2009 \$ 29, 996 168 912
 2010 \$ 13, 714 547 511
 2011 \$ 174, 489 454 72

1

Import

Year Trade Value Weight
 2007 \$ 58, 564, 306, 334
 2008 \$ 113, 641 26,
 010
 2009 \$ 55, 217 62, 593
 2010 \$ 69, 202 4, 129, 318
 2011 \$ 786, 399 4, 129,
 318

2

3. Balance of payment (in US\$)

2012 2011 2010 2009 2008
 Exports (f. o. b.) 7, 029, 411. 886, 675, 068. 116, 060, 184. 025, 157, 644. 025, 831, 085. 792
 Imports (f. o. b.) 6, 768, 697. 696, 160, 220. 425, 122, 934. 604, 036, 589. 525, 255, 544. 933
 Trade balance 260, 714. 195 14, 847. 709 37, 249. 421, 121, 054. 505 75, 540. 854
 Net services, primary income and secondary income -175, 181. 95-334, 210. 84-624, 305. 43-365, 718. 20-508, 160. 355
 Current account balance 85, 532. 241 80, 636. 863 12, 943. 997 55, 336. 306 7, 380. 506
 Capital account 7, 245. 72-1, 198. 017, 718. 632, 263. 94
 n. a. 7
 Financial account 357, 971. 38-162, 567. 137 94, 947. 66-93, 834. 074 14, 816. 268
 Central Bank 32, 403. 48-5, 392. 1084, 139. 535 0, 005. 181, 096. 669
 General government 183, 109.

09115, 395. 52113, 274. 6819, 448. 00-15, 461. 1210Other depository corporations425, 029. 45-268, 804. 89330, 330. 69277, 628. 9627, 465. 89110Other sectors-282, 570. 64-3, 765. 67267, 202. 76-440, 916. 21401, 714. 8212Other financial corporations-390, 383. 89-38, 498. 4385, 566. 64-871, 550. 56-581, 914. 5813Nonfinancial corporations, households, and NPISHs107, 813. 2534, 732. 76181, 636. 12430, 634. 35983, 629. 4014Net errors & omissions-287, 779. 9318, 198. 28-128, 984. 66160, 834. 02329, 652. 0115Overall balance162, 969. 4035, 070. 00986, 625. 62824, 600. 18811, 848. 77

CHAPTER-5 POLICIES AND NORMS OF THAILAND FOR PETROCHEMICAL INDUSTRY

1.[3]Trade Restrictions

Tariff

The actual tariff structure of Thai imports is based on the products and their origins and product categories. In general, a tariff schedule is applicable to all goods imported into Thailand regardless of the exporting countries. There are generally four distinct sets of tariff rates, including statutory rates, applied (adjusted) rates, WTO bound rates, and concession rates. The concession rates include CEPT (AFTA) rates, AISP (ASEAN Integrated System of Preferences) Rates and GSTP (Global System of Trade Preferences) rates. Since 1999, the simple average of applied tariff rates has been reduced from 17 percent to 14. 7 percent. During the same period, the proportion of tariff lines that were duty free increased from 3. 5 percent to 4 percent of all national tariff lines. MFN tariff reduction took place in January 2005. At present, the country's average applied MFN tariff rate is 12 percent. Goods

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originating from countries that are members of AFTA have been entitled to enjoy customs duty exemptions and a reduction in duty rates under the Notification of the Ministry of Finance since January 1, 2002.

Quotas

By 2003, tariff quotas accounted for 1 percent of all tariff lines at the HS 7-digit level. About 60 percent of the out-of-quota rates were ad valorem, compared to about 75 percent of the in-quota rates. The simple average in-quota MFN tariff rate is estimated to be 22.6 percent; the corresponding average out-of-quota MFN tariff is 40.3 percent. Tariff quotas do not apply to imports from ASEAN countries, which may, in principle, supply unlimited quantities at preferential AFTA rates, unless they are excluded from the AFTA scheme (for example, palm oil). Import licenses are required in order to apply for tariff quotas. Quota allocations may not be transferred. Quotas are under-filled for several products.

Licensing:

The aim of the licensing requirement for this category is to protect public health. Unless the goods concerned are subject to restrictions and import control under the Importation and Exportation Act or other laws, import licenses are generally not required. There are other local laws and regulations, which require that approval be obtained from relevant authorities prior to the importation of certain goods. Since 1996, licensing requirements have been relaxed 15. At present, Thailand is still in the process of changing its import licensing procedures to comply with its WTO obligations. Import licenses are required for at least 26 categories of items,

including many raw materials, petroleum, industrial materials, textiles, pharmaceuticals, and agricultural items.

2.[4]Counter Trade

Counter trade Policy in Thailand

1. The principle policy of counter trade

The Cabinet's resolution on 6 June 1995 stipulated that all procurement of foreign goods and services by government agencies and state enterprises over Baht 500 million must have a related counter trade transaction. The current value for Counter purchase is set at between 20% to 50% of the imported price.

2. The policy objectives

2. 1 To enhance Thai overseas trade
2. 2 To alleviate the problem of imbalance of trade
2. 3 To help in case when there is a fall in prices of products
2. 4 To increase the bargaining/negotiation power
2. 5 To diversify types of exports and create new export markets

3. Types of countertrade

Counter-purchase (the value of counter purchase is set at between 20%-50% of the total value of the major contract)

5. 1. 2. 1.[5]Product Generally Offered For Counter Trading

The government is considering a proposal that Thailand conduct counter-trade with oil producing countries in the Association of Southeast Asian Nations (ASEAN) and China in purchasing petroleum products from these countries. The counter-trade, which can also be extended to China, should

mainly be focused on exports of Thai agricultural products in exchange for gasoline and other petroleum products from these countries, it added. The Thai farm exports could include rice, sugar, rubber, and other key commodities. The proposal should be pursued with other measures, namely energy conservation campaigns and calls for major oil producing countries to increase production, to ease difficulties of the Thai public and manufacturers caused by the current oil price hike to a recorded highest level, suggested the private sector. Retail gasoline prices in Thailand have risen by 20 % since the beginning of this year due to a 13 % increase in crude oil prices in the world market and a 5 % decline in the value of Thai baht.

5. 1. 2. 2.[6]Foreign aid to Thailand

Foreign Aid to Thailand On July 31, 2003, Thailand repaid its outstanding obligations under a standby arrangement made with the International Monetary Fund designed to help it recover from the 1997 Asian Financial Crisis. The payment was made four years ahead of schedule, reflecting Thailand's achievement of macroeconomic and balance-of-payments stability. Since 2002, Thailand is no longer an Economic aid recipient. Instead, Thailand contributed \$60 million in economic aid to the neighboring countries in 2005. During the Vietnam War period Thailand, along with other US allies such as Cambodia, received considerable amounts of US economic aid and military subsidies. From the early 1980s onwards internal problems in Myanmar have led to large numbers of people seeking refuge in Thailand. Various agencies, including the European Commission's Humanitarian Aid department, have helped to assist the displaced people. Historically Thailand was one of the biggest recipients of Japanese overseas aid. The bulk of the

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aid took the form of loans for large-scale infrastructure projects. Japan's government explained its relative generosity by citing friendly relations and Thailand's special problems arising from rapid growth, while some scholars have suggested that Japan's own business interests were the main motivation.

3.[7]Thai Labor Law and Employment Contracts

The rights of all employees working in Thailand and the obligations of all employers are described in the Labor Protection Act of 1998 (B. E. 2541). This covers areas such as working hours, holidays, notice, overtime, sick pay, where summary dismissal is permitted without severance pay or notice and the calculation of severance pay in a case where summary dismissal is not permitted, among other things. If dismissal is not for one of the reasons permitted under the LPA, then generally the employee has a right to claim severance pay at fixed rates based on completed years of employment. The Act also describes additional rights of employees where dismissal is based on changes of technology in the business or where the business is relocated or closed down. Under the Labor Courts Act, it may be possible to claim additional compensation for unfair dismissal, which is discretionary and based on the actual facts of the case. The Acts cover Thais and foreign employees working for Thai or international companies doing business in Thailand. There are various penalties, both civil and criminal, for employers that fail to adhere to the rules. The special rules that apply to foreign employees are set out in the foreign Employment Act (1978) and regulations issued under that Act as amended by the Foreign Employment Act of 2008. Employment contracts do not have to be in writing, except in the case of

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home workers. Foreign employees are best advised to request a written contract for the sake of certainty. For foreign employees the contract can be in English, but may need to be translated into Thai if the Department of Employment require a copy for a Work Permit application, or if the contract must be presented in court proceedings.

8Taxation

Lowering import duty on platinum from US\$ 12. 2 US\$ 4. 6 2004-05.

Exempting rough colored precious chemicals stones from customs duty at the first stage itself instead of claiming repayment later 2004-05. Duty free re-import right for rejected chemicals up to 2% of Freight on Board (FOB) value of exports. Increased duty free import of commercial samples of plastic to US\$ 2232. 1. Import of gold of 18 carat and above under the replaPVC Pipes scheme.